



Wyndham Hotels (NYSE:WH)

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Market Data as of 01-Apr-2022

Quality, high cash flow generative, asset-light hotel franchisor with reasonable upside

Business Overview

- Wyndham Hotels is a global hotel franchisor operating with as a house of brands, primarily concentrated in the United States. Their hotels operate in the Economy to Midscale+ segments
- Wyndham primarily makes money by collecting a royalty fee, as well as other franchising, licensing, and a smaller portion from the hotel management business

Investment Thesis

Why Is This a Good Business?

- Wyndham's loyalty program is a key driver of repeat business and alongside an attractive growth algorithm it has become a sound business
- Robust "House of Brands" portfolio across Economy and Midscale+ segments drives RevPAR, franchise conversions, and stable cash flows

What Is The Market Missing?

- Market is placing undue premium on traditional hotel management businesses despite better economics on franchising model

We recommend a BUY rating on Wyndham Hotels and Resorts with an implied upside of 29.2%

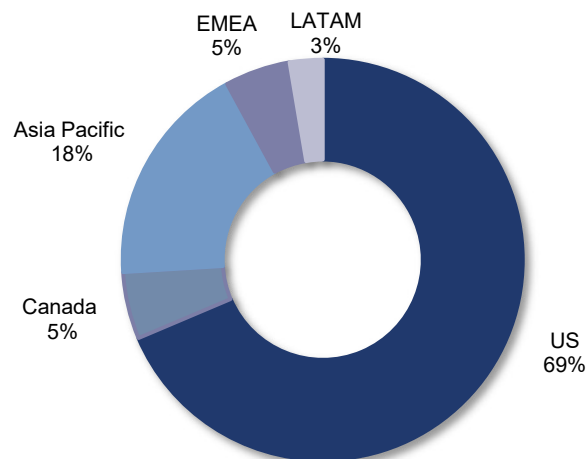
Business Overview

Wyndham is the world's largest hotel franchisor

Business Model – How it Earns Revenue

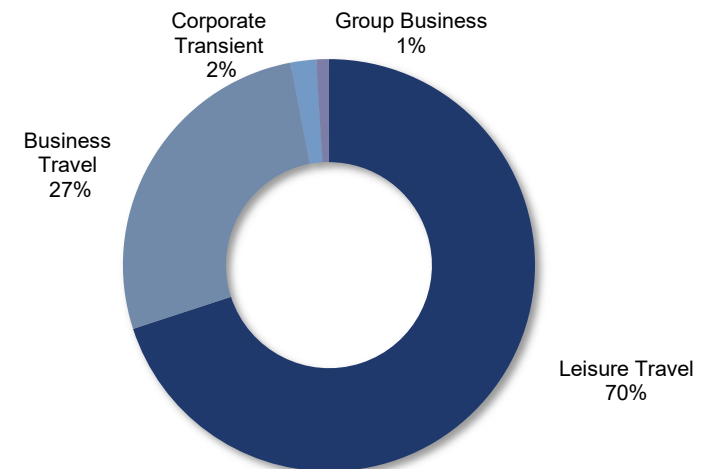
- Wyndham is the leading hotel franchisor with 8,945 locations in 95 countries, consisting of 22 brands (luxury, upscale, midscale, and economy)
 - Hotels are located in secondary and tertiary cities, where 80% of the US population lives within 10 miles of
 - Wyndham licenses its brands to 8,715 hotels, has 228 management contracts, and owns 2 hotels
- Wyndham primarily makes money through:
 - **Receiving royalty and franchising fees** from its hotel franchising segment, as well as management fees from its hotel management segment
 - **Operating a loyalty program** where Wyndham receives fees from property owners and revenues from third-party banks

International Property Breakdown⁽¹⁾

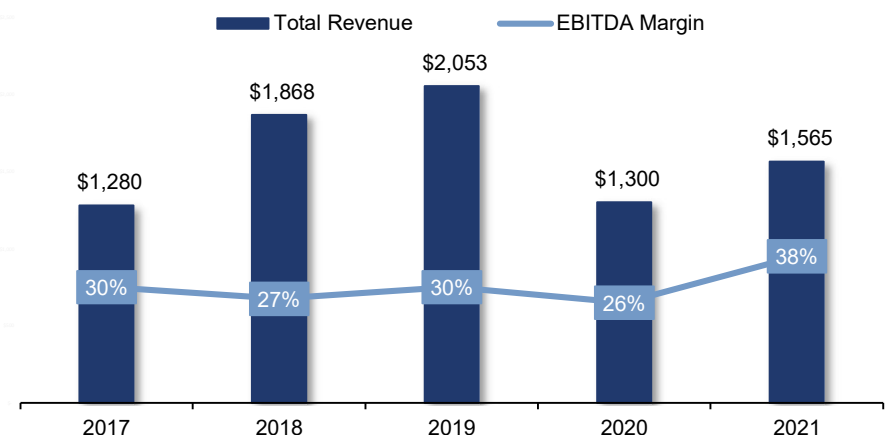


Wyndham has 8,945 properties and 810,051 rooms internationally, with 6,139 properties and 490,599 rooms in the US.

Customer Breakdown as Percentage of Revenue



Revenue and Adj. EBITDA Margin Profile⁽²⁾



2021 overall adjusted EBITDA has recovered to 95% of 2019 levels, with margins surpassing 2019 levels.

Source(s): Company Filings

(1) This includes properties franchised, managed, and owned

(2) Adjusted EBITDA

Attractive value proposition for Wyndham franchisees through economics

Initial Hotel Franchising Process

- Two main channels to develop a hotel being to **build from ground up** or **develop an existing hotel**
- Building a new property, Wyndham will take on a hands-on role with owner to develop property
 - Their design and construction teams would take the lead in building and setting a timeline for the development of the project
- Converting hotel involves major support in implementing brand changes
 - Renovate old hotels to brand standards using both architecture and design teams
 - 60% of all projects are converted in 90 days

Why Franchise with Wyndham Hotels?

- Incredibly strong loyalty program that drives repeat and larger ticket business
- Strong marketing presence for hotel brands and economies of scale for dollars invested in marketing
- Supports hotel through back-end operational support
 - Technology investments in booking systems
 - Wide network of support services such as transportation, travel agencies
 - Customer support and call center for guests
 - Additional functions available as needed such as architectural design, revenue management and training programs

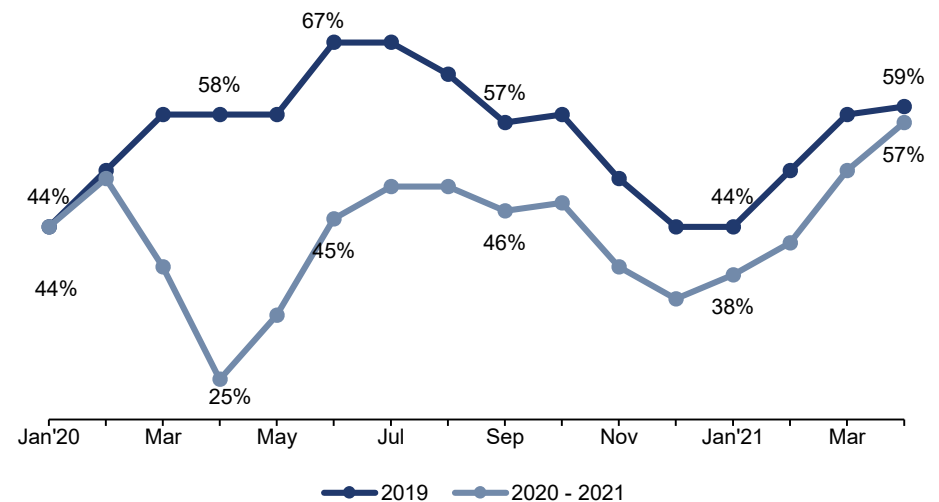
Attractive Unit Economics for WH Franchisees

Franchisee Unit Economics	
<i>In \$ Thousands except room amounts</i>	
Cost Per Room	75
Loan-to-value	70.0%
Franchisee Investment	1,575
Approximate Rooms	26
RevPAR	53
Revenues	1,374
Operating Expenses	(754)
Brand Fees	(115)
Interest Expense	(184)
Hotel EBITDA - Interest	321

~6 Year Payback Period

20% Cash-on-Cash Returns

Monthly WH US Occupancy Spread Declines ⁽¹⁾



5-Year Share Price Performance

Wyndham Hotels has presented strong rebound in growth exiting the pandemic

Commentary

- Spun off from Wyndham Worldwide in 2018; over the past ~40 years, spin-offs have outperformed the S&P 500 ~10%
- Wyndham Hotels has declined sharply in line with many other tourism sector companies after the WHO declared COVID-19 a pandemic
- Company has rebounded strongly with the return to normalcy and with positioning in marketplace to address pent up demand
- Continued expansion through additional focus on the franchise model during recovery phase

Key Financial Information

Market Capitalization	7.79B
5- Year Revenue CAGR	4.54%
EBITDA Margin	44.2%
Price/Earnings	24.69x
Net Debt/EBITDA	3.5x
ROIC	8.3%
Share Price	\$84.54

Stock Chart



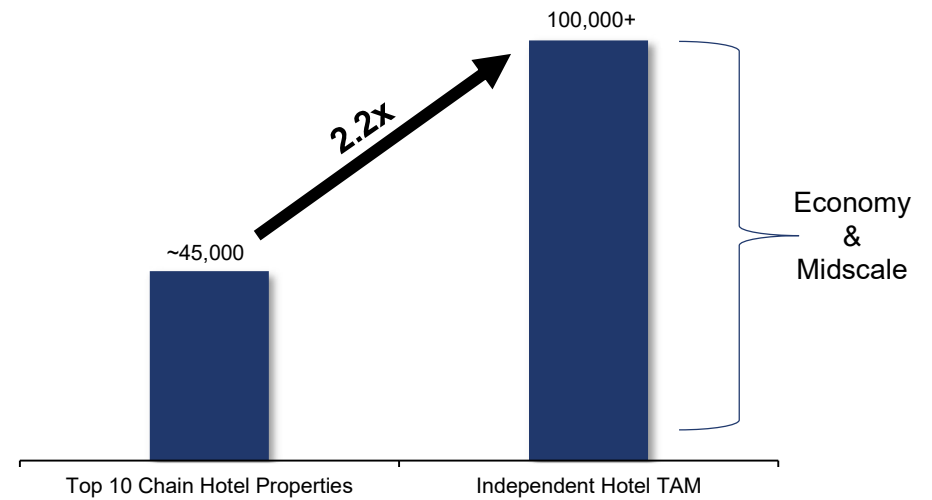
Industry Overview

A highly fragmented industry on course for COVID recovery

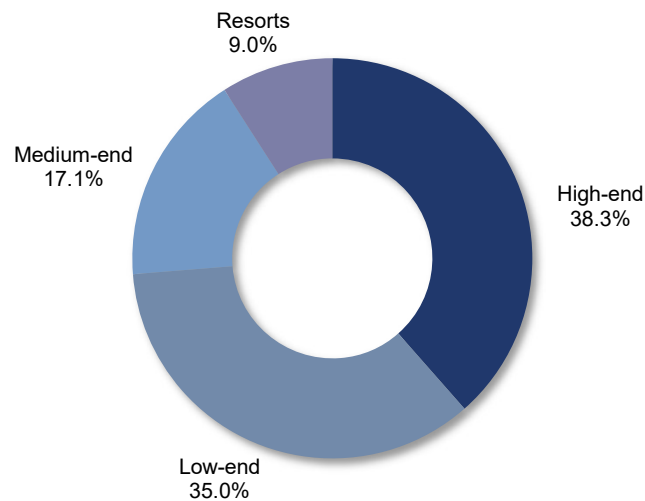
Industry Breakdown

- In a \$570B hospitality industry, there is a significant portion still independent primarily concentrated in the Economy and Midscale segments
- There are two main types of hotels:
 - Franchise: a hotel tied to a parent company that provides its name, operations requirements, and head office guidance. (80% of branded hotels are franchise operated)
 - Independent: a hotel fully controlled by its owner
- Within the franchise industry, most hotels are branded. The hospitality industry is projected to grow with a CAGR of 10.2% until 2026
- Expected to recover from COVID by 2023 given international markets slow return from pandemic

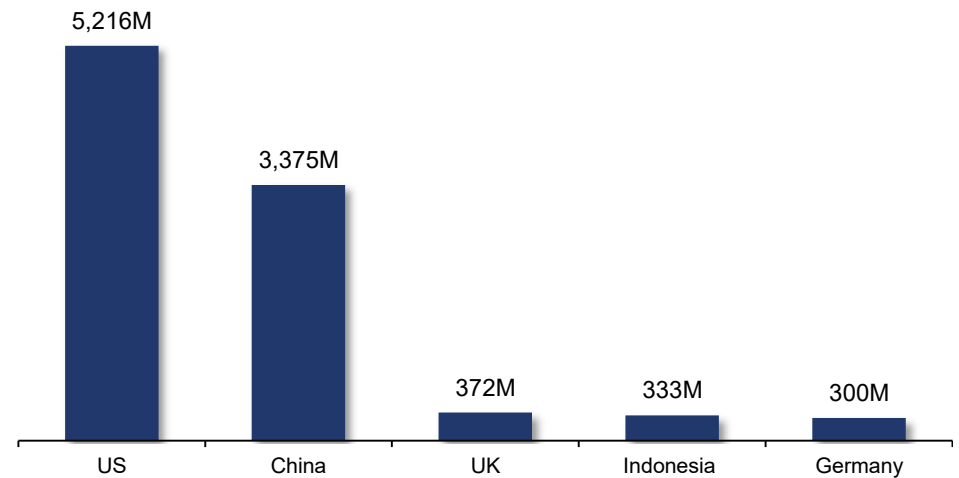
Large Industry TAM for Franchise Conversions



Hospitality Industry Segmentation



Global Lodging Construction Projects



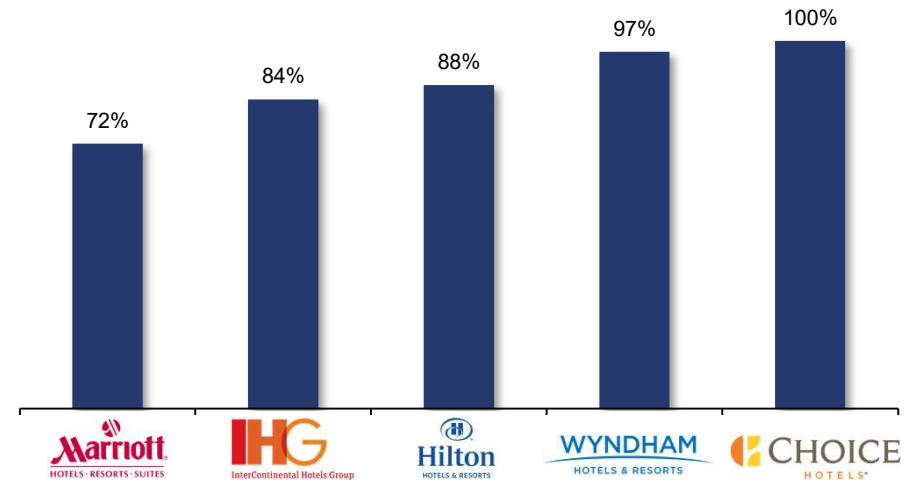
Industry Overview

Industry moving towards franchising model, due to limited capital outlay stability

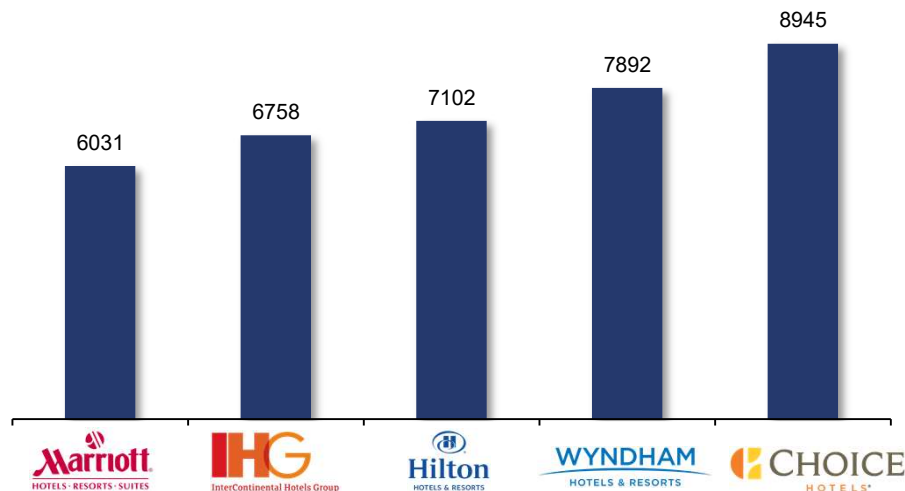
Advantages for Both Franchisee and Franchisor

- Growing number of companies joining the franchise model
 - Increasing number of advantages to franchise hotel with primary reasons include brand, national marketing and quality control
- Expansion and growth from existing industry players has been driven substantially by franchise model
 - Limited capital outlays and lower levels of risk from the franchisor and allows company develop an economy of scale through the network of locations that already exist
- Industry trend towards the select service model given various benefits
 - Select service limits on-site amenities and external functions such as food and beverage service
 - Full service is your traditional hotel generally with full amenities (food, gym, pool) most common in upscale hotels

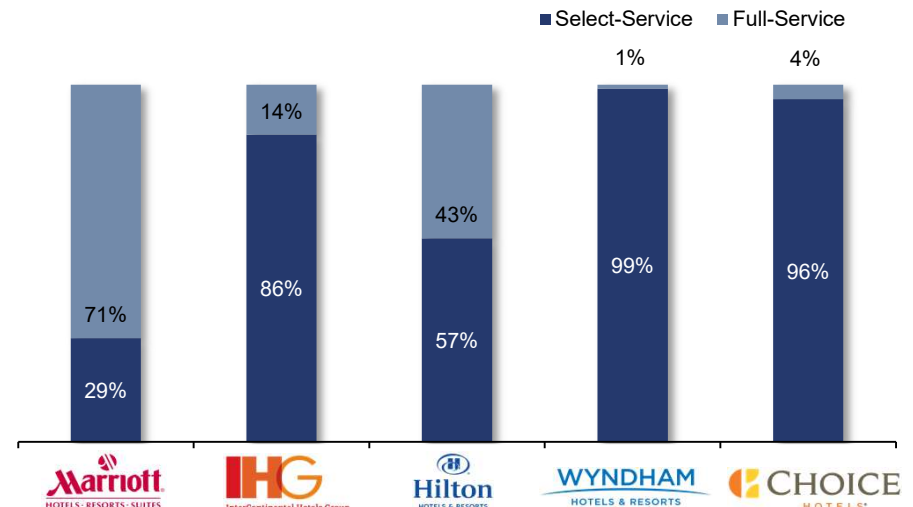
Percentage of Franchised Locations



Number of Brand Locations Worldwide



Hotel Development Type



Competitors

The select service and full service split

Majority Select Service

WYNDHAM

HOTELS & RESORTS

Revenue: US\$1.3B

- Based in New Jersey, Wyndham is the largest hotel operator based on number of hotels: just shy of 9,000
- Wyndham spun off from Wyndham Worldwide in 2018

CHOICE
HOTELS*

Revenue: US\$774.1M

- Choice Hotels, starting of as a motel franchise in 1939 soon became a larger player in the hospitality industry
- Choice primarily operates in the US but after recent expansions operates in 40+ countries

IHG® Hotels
& Resorts

Revenue: US\$2.9B

- IHG is a British multinational hospitality firm listen on the FTSE 100
- Operating since 1777, it is the oldest out of the comparable companies
- IHG has 16 brand in multiple price ranges such as the essential or luxury collection



Hilton

Revenue: US\$4.3B

- Hilton Worldwide operates both in the select service and full-service industry, with most of its subsidiaries being in the select service industry
- Based in the US, where it also began its businesses, it now operates hotels in 118 countries

HYATT®

Revenue: US\$5.0B

- Based in Chicago Hyatt primarily serves more upscale customers with most of its subsidiaries being full service hotels
- Hyatt's hotels can be found in 69 countries across all six continents



ACCOR

Revenue: US\$1.8B

- Accor is a French based multinational that franchises, manages, and owns hospitality businesses in 110 countries
- Accor is the largest hotel operator in Europe, with over 400,000 hotel rooms in Europe
- Though it primarily serves more high-end customers, Accor also owns lower end brands such as IBIS

Marriott

HOTELS · RESORTS · SUITES

Revenue: US\$13.9B

- Marriott is the largest hotel operator based on the number of rooms and market cap, selling its rooms in over 130 countries.
- Marriott expanded its hospitality business to theme parks in 1976
- Marriott primarily serves NA customers with over 70% of their hotels located in NA

Majority Full Service

Industry Comparable Table

Wyndham has the most hotel rooms in the industry

Metrics	Wyndham	Hilton	Hyatt	Marriott	Accor	IHG
Market Cap	7.80B	42.75B	10.56B	57.71B	8.85B	12.63B
RevPAR ⁽¹⁾	\$36	\$74	\$78	\$75	\$37	NA
Rooms	810,100	1,070,000	249,466	1,480,000	777,714	749,721
Hotels	8,945	6,758	1,150	7,892	5,200	6,031
Occupancy	NA	57%	48%	51%	34%	40%
Number of owned Hotels	2	54	38	64	117	19

Source(s): Company Filings, S&P Capital IQ
(1): Revenue per Available Room

Investment Thesis: Why Is This a Good Business?

Loyalty program generates significant repeat business

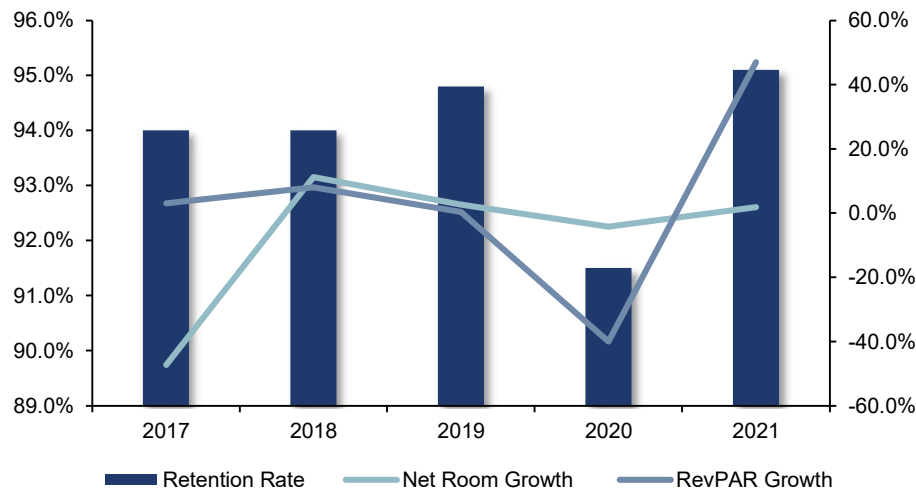
Revenue Rewarding Loyalty Program

- Wyndham Rewards is the industry's leading loyalty program, with over 92 million members making up 39% of occupancy globally and 47% in the US
 - Total membership has been growing 10% annually pre-pandemic and grew 7% in 2021
- Franchisees benefit through repeated stays and members receive points for qualified stays, which are redeemable for free nights and other goods (gift cards and merchandise)
 - Rewards members generally stay twice as long and spend twice as much as a hotel
- Customers don't pay to be part of Wyndham Rewards. Customers are offered to join, and are willing as the convenience factor across Wyndham ecosystem (22 Brands) is attractive

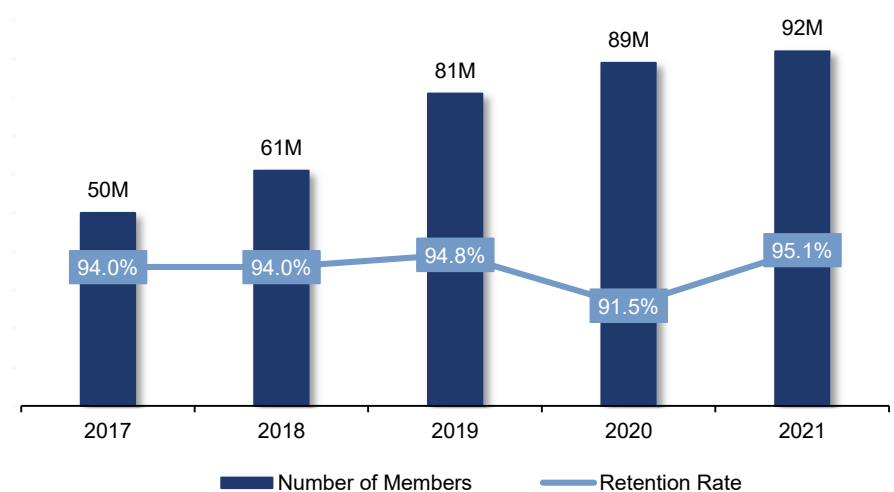
Levers to Drive Net Room Growth

- Wyndham has expanded its brand portfolio by introducing 2 brands in its fast-growing segments and launched the development of an economy extended-stay product
- Wyndham has been investing in new construction growth to support its pipeline, where signings increased 13% YOY, paving the way for robust openings for 2023 and onwards
- International room growth grew 5% in 2021 and was driven by direct franchises, higher average royalties, and more control over its products
 - The global system increased by 2%, with 1% from the US and 4% internationally
- To improve retention rates, Wyndham employs targeted service models/predictive analytics to increase owner engagement and is investing in brand programs to improve customer satisfaction

Recovering RevPAR and Net Room Growth



Growing Membership Count



Investment Thesis: Why is This a Good Business?

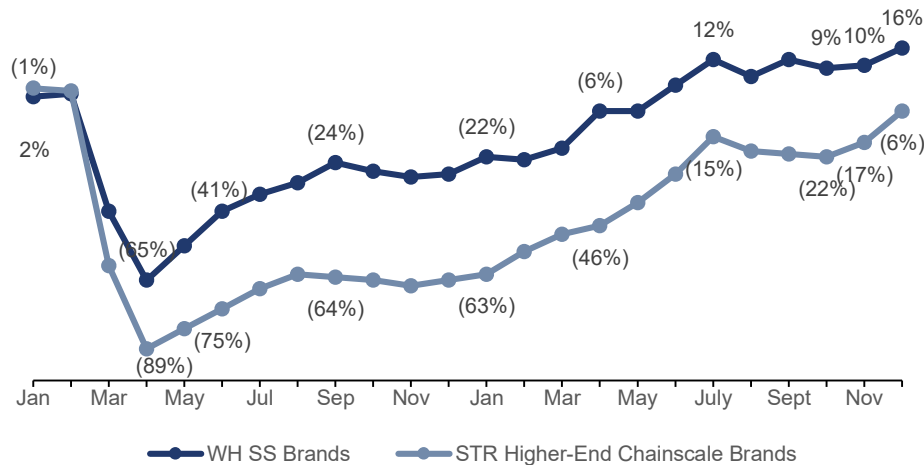
Diversified "House of Brands" portfolio drives RevPAR and conversions

Commentary

- Wyndham is building a staunch "house of brands" driving most value through its Economy and Midscale Segments
- Growing portion of Wyndham pipeline is moving towards a conversion strategy, where existing hotel owners become Wyndham franchisees because of the added-brand benefit
 - Conversions cost significantly less than new constructions (\$25 to 40 thousand) and turnaround time takes weeks, so CoC returns for franchisees >30%
- RevPAR driven by ADR and Occupancy Rates, both driven by volume. When under Wyndham brands, ADRs can rise showing pricing power
 - Resiliency in Economy and Midscale segments strong, can run profitable or break-even at 30% to 40% occupancy, luxury requires near 50%

WH SS Outperform Higher-End Chain Scales

Monthly US RevPAR Change vs 2019



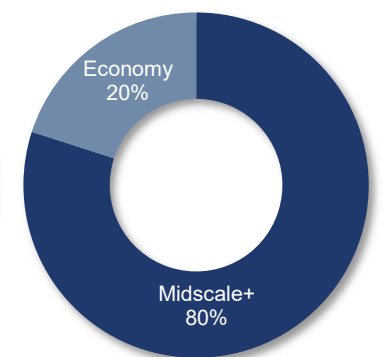
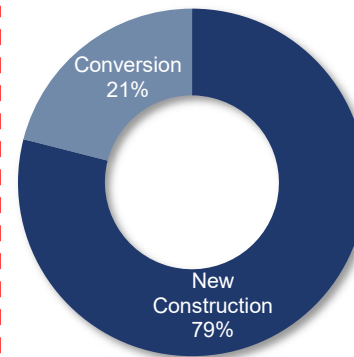
Substantial House of Brands



Pipeline

194K Rooms

1500 Hotels



Investment Thesis: What Is The Market Missing?

Market placing undue premium on managed hotels despite better franchising fundamentals

Street View

- Over the long run, as fixed costs are paid off, operating leverage will allow owners claim to 100% of profits rather than just a royalty
- Building stronger asset base and receiving economic benefits of owning property with minimal operating costs

Why is Consensus Wrong?

- Franchising business model is asset light, with very low CapEx requirements, WH management sees \$50mm+ for the medium term
- Trend and economics of select-service hotel allow for cost cutting measures in business model with already high margins. Select service business is:
 - Less labour intensive and has lower operating costs and has higher operating margins
 - Combination of brand value, plus low operating costs allow select-service business be resilient to economic cycles

Variant View

- Franchising hotels is economically the better alternative given the asset-light nature of the business, lower cost of capital, and better capital efficiency
- While over the long-term owning may be better, the franchising strategy has a much better growth profile



Franchise Business

WH OpCo

Franchisor

Company Owned Hotels

Maintenance Capital Requirements:

Low:

- Limited remodel subsidies, and corporate CapEx

High:

- Significant maintenance CapEx costs

Risk Profile:

Stable/Low Risk

- Low operating leverage
- Diverse and global customer base (existing conversions)

Medium Risk:

- High operating leverage
- Sensitivity to labour inputs

Typical EBITDA Margin:

35%—50% Margins

~10% Margins

- Royalty fees [4%-5% of GRR]
- Marketing and Reservation fee [3%-5% of GRR]

Typical Average Cost of Capital

Low: 7.0% to 8.0%

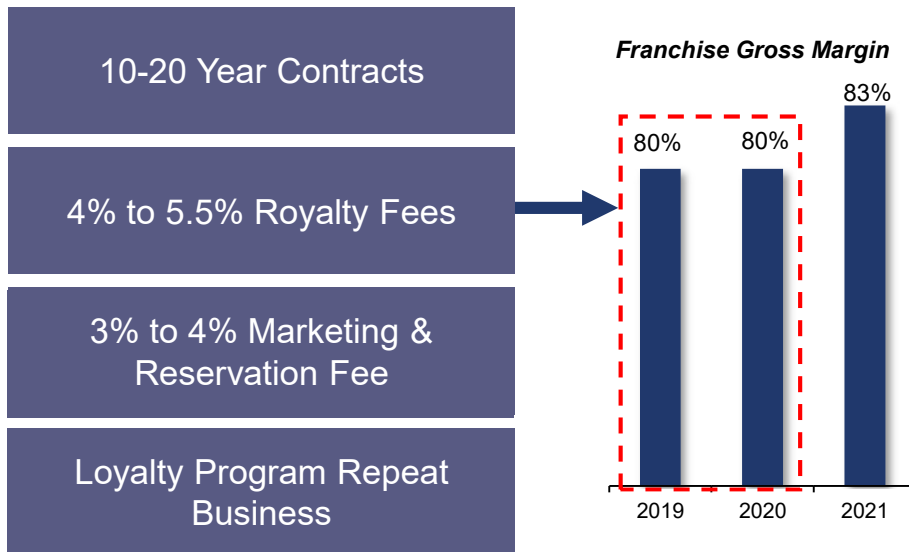
- Highly leveragable

Medium: 8.5% to 10%

Investment Thesis: What Is The Market Missing?

Idiosyncrasies between franchising vs management with SS tailwind highlight economics

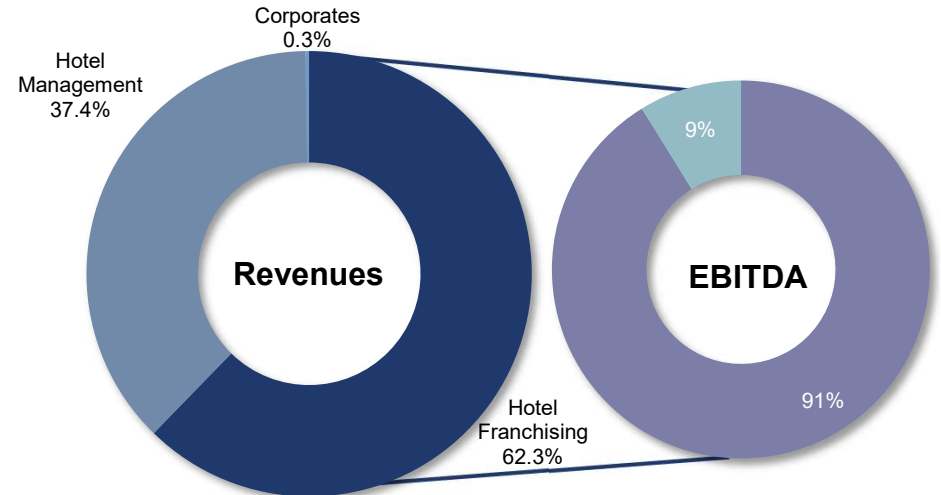
Attractive Unit Economics of Franchising Model



Commentary

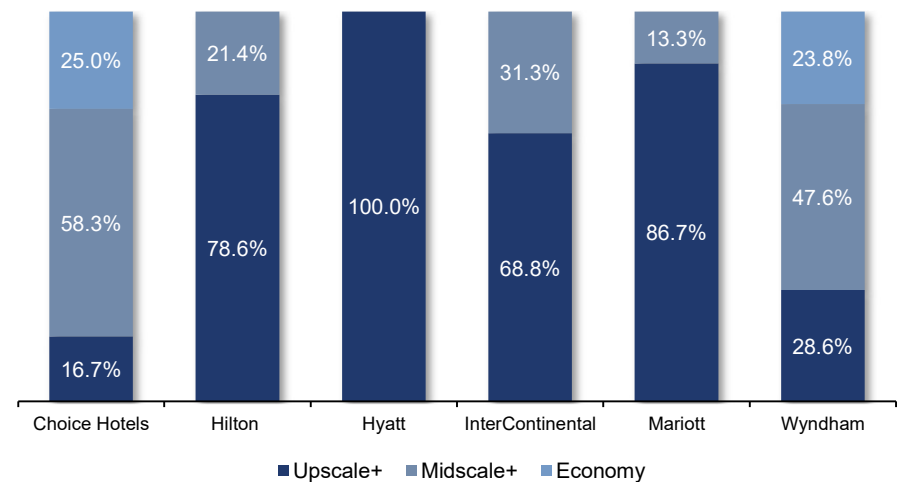
- Franchising model shows attractive unit economics showcasing the stability and resiliency of the business' cash flows
 - 3%-4% marketing and reservation fee goes towards WH's marketing expense and pays for reservation, pricing, and traffic system, and works as a pass through expense
 - Spend on marketing, reservation, and IT helps win Rewards business
- Management divesting from unfavourable management business through partner's strategic sale. Will retain and convert to franchising contracts
- More of lower end mid-scale and economy segment brands are part of the select-service market. Wyndham and Choice are best positioned to capitalize on tailwind

Divesting Unfavourable Management Business



Management Business ~38% of Revenue but only 9% of EBITDA

Brand Position Mix Capitalize on Select Service



The Bear Case (What Could Go Wrong?)

Asset light business model protects against investment risks

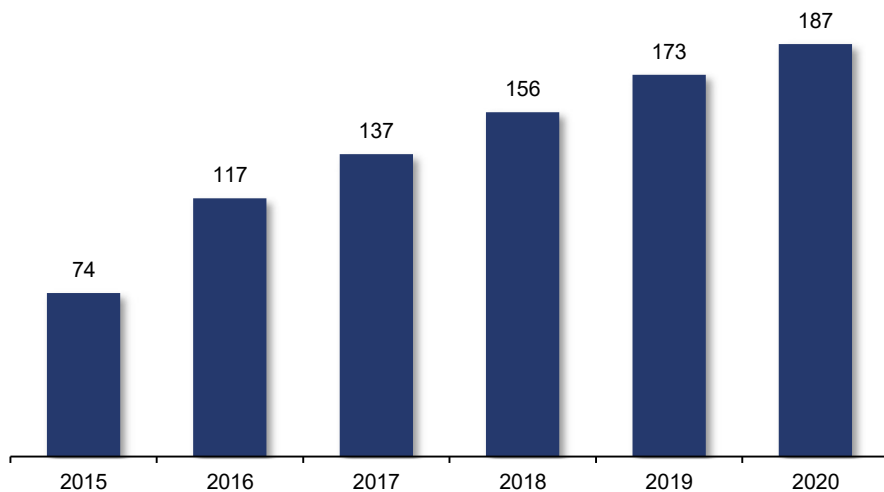
Airbnb Stealing Market Share

- Currently majority of bookings for Wyndham Hotels is for same day or next day room bookings
- Airbnb hosts currently do not target the same lower average price range as Wyndham, and they have difficulty with the same turnaround time
 - Company primarily targets younger consumers rather than essential domestic travel like Wyndham Hotels
- As the Airbnb model grows and develops, and if hosts are able lower their price range or increase booking turnaround time, there is potential to take market share from Wyndham Hotels
 - From 2009 to 2019, the company had a growth rate of more than 153%

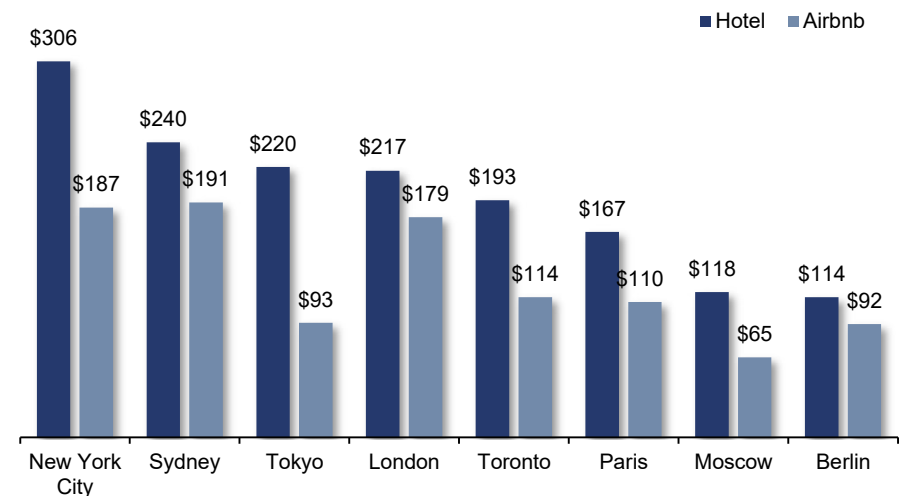
Increasing Competition and COVID-19 Rebound

- Additional number of hotel brands are expanding franchising model for business given the benefits and risk mitigations
 - Potential challenge in acquiring new contracts and has potential to compress margins from initial franchising costs and royalty fees
- Uncertainty with COVID-19 policy has the potential to impact Wyndham Hotels ongoing operations
 - Wyndham Hotels currently can cover 36 months of fixed expenses
 - Risk of slower return to leisure travel to pre-pandemic levels
 - Countries such as China still maintain a Zero-COVID-19 policy and frequent lockdowns can hinder international growth

Airbnb Night Stays in US and Europe



Average Cost of Stay in Major Cities



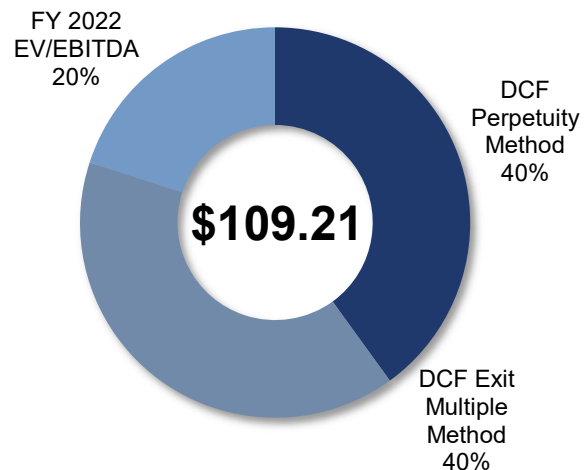
Valuation Summary

Football field and weighted average implied upside

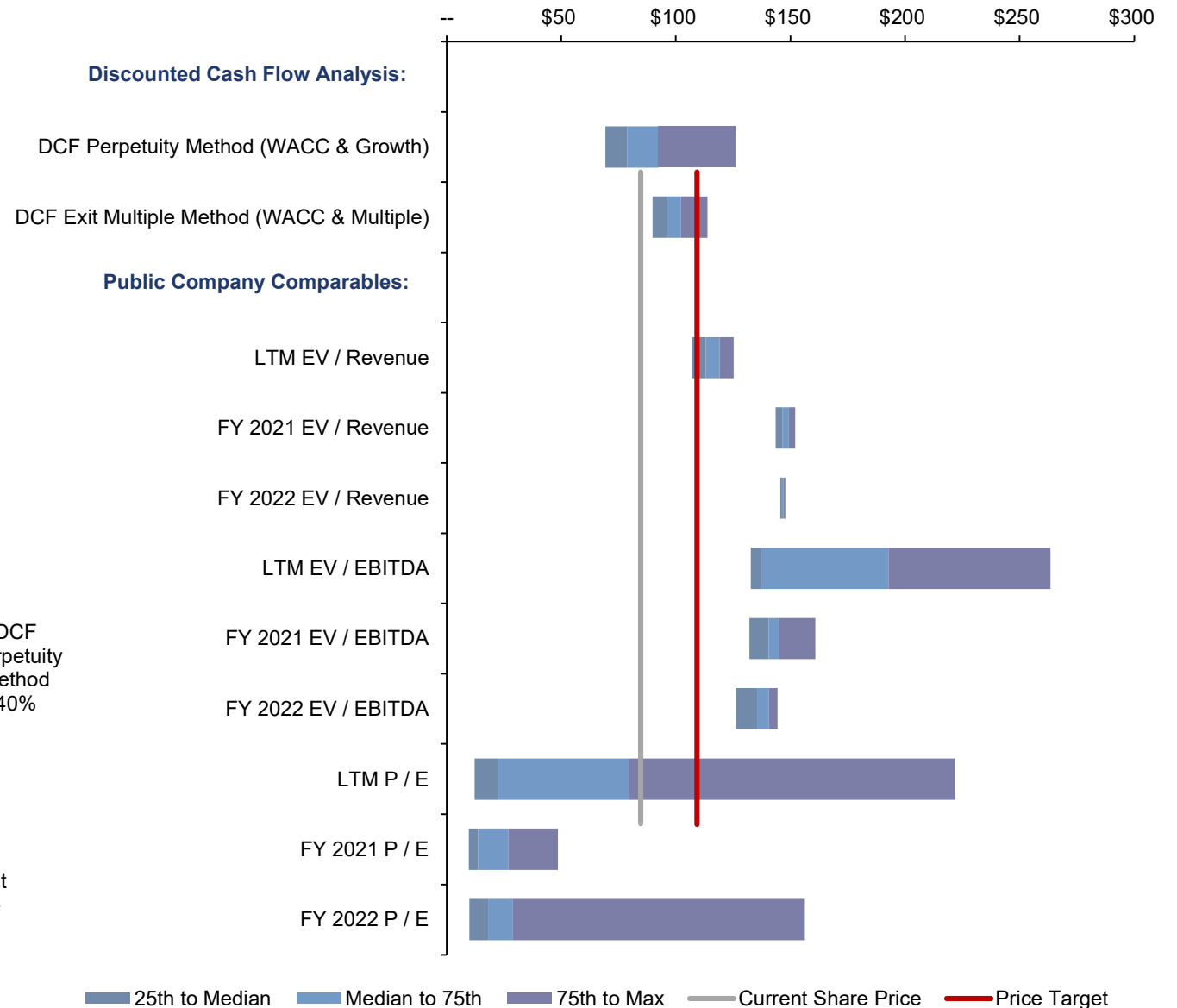
We recommend a **BUY**
Wyndham Hotels & Resorts
with an implied upside of
29.2%

Results and Weighting

- **Current Price:** \$84.54
- **Target Price:** \$109.21
- **Implied Upside:** 29.2%



Football Field Valuation Summary



Comparable Company Analysis

Wyndham trades at a discount to peers despite favourable fundamentals

Company Name	Equity Value (\$M)	Enterprise Value (\$M)	EV/EBITDA				P/E				Leverage		
			2019A	LTM	2022	2023E	2019A	LTM	2022	2023E	Debt/EBITDA	FCF Yield	FCF Margin
Restaurant Franchises													
McDonald's Corporation	\$186,456	\$231,100	21.9x	19.7x	18.3x	17.0x	30.9x	24.7x	25.1x	23.2x	24.7x	3.9%	30.6%
Yum! Brands, Inc.	\$34,813	\$46,546	22.8x	20.2x	18.8x	17.3x	26.9x	22.1x	24.6x	22.3x	22.1x	22.0%	22.4%
Restaurant Brands International Inc.	\$3,853	\$40,998	18.5x	19.3x	16.8x	15.7x	6.0x	4.6x	2.8x	2.5x	4.6x	8.9%	28.2%
Hotel Franchises													
Hilton Worldwide Holdings Inc.	\$42,267	\$50,659	26.3x	41.5x	21.9x	18.0x	48.0x	nmf	36.3x	28.2x	nmf	2.9%	1.3%
Hyatt Hotels Corporation	\$10,583	\$13,761	26.2x	nmf	20.6x	15.1x	13.8x	nmf	nmf	59.5x	nmf	2.0%	6.7%
Marriott International, Inc.	\$56,838	\$66,831	26.9x	33.2x	19.8x	16.5x	44.6x	51.7x	31.0x	24.7x	51.7x	4.4%	7.2%
InterContinental Hotels Group PLC	\$12,366	\$14,187	14.9x	26.1x	16.0x	13.7x	32.1x	46.5x	26.1x	20.5x	46.5x	5.0%	21.3%
Choice Hotels International, Inc.	\$7,886	\$8,482	23.6x	18.2x	19.2x	17.9x	35.4x	27.3x	28.9x	26.2x	27.3x	3.9%	28.9%
Median	\$23,590	\$43,772	23.2x	20.2x	19.0x	16.8x	31.5x	26.0x	26.1x	23.9x	26.0x	4.1%	21.9%
Average	\$44,383	\$59,071	22.6x	25.5x	18.9x	16.4x	29.7x	29.5x	25.0x	25.9x	29.5x	6.6%	18.3%

Wyndham Hotels & Resorts, Inc.	\$7,835	\$9,785	7.9x	6.3x	5.8x	14.3x	49.9x	17.8x	15.8x	14.3x	32.1x	24.7x	21.8x
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Company Name	Revenue Growth			EBITDA Growth			EBITDA Margin			Return Metrics (LTM)		
	2019	2022E	2023E	2019	2022E	2023E	LTM	2022E	2023E	ROIC	ROA	ROE
Restaurant Franchises												
McDonald's Corporation	0.5%	4.5%	5.4%	4.6%	7.4%	7.6%	50.6%	51.9%	53.0%	14.0%	11.6%	na
Yum! Brands, Inc.	(1.6%)	7.1%	7.0%	7.5%	7.4%	8.8%	34.9%	35.0%	35.6%	34.4%	22.6%	na
Restaurant Brands International Inc.	4.6%	8.9%	5.9%	4.0%	14.7%	7.5%	37.0%	39.0%	39.6%	6.5%	5.2%	33.1%
Hotel Franchises												
Hilton Worldwide Holdings Inc.	2.7%	236.4%	16.7%	10.3%	89.8%	21.6%	49.9%	28.2%	29.3%	6.7%	4.0%	na
Hyatt Hotels Corporation	2.4%	253.4%	15.8%	(20.2%)	898.1%	36.1%	4.6%	13.1%	15.4%	(2.1%)	(1.4%)	(6.5%)
Marriott International, Inc.	3.0%	462.2%	12.5%	(13.9%)	67.8%	19.7%	59.0%	17.6%	18.7%	8.7%	4.3%	119.2%
InterContinental Hotels Group PLC	9.2%	(20.5%)	14.0%	18.7%	62.7%	16.8%	23.5%	48.0%	49.2%	14.8%	6.4%	na
Choice Hotels International, Inc.	7.1%	12.9%	6.5%	4.2%	(5.5%)	7.5%	43.6%	36.5%	36.9%	21.9%	15.3%	nmf
Median	2.9%	10.9%	9.8%	4.4%	38.7%	12.8%	40.3%	35.8%	36.2%	11.3%	5.8%	33.1%
Average	3.5%	120.6%	10.5%	1.9%	142.8%	15.7%	37.9%	33.7%	34.7%	13.1%	8.5%	48.6%

Wyndham Hotels & Resorts, Inc.	11.5%	20.4%	8.5%	15.8%	12.9%	10.3%	13.7%	44.2%	39.7%	8.3%	6.4%	23.8%
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- Added restaurant franchises for similar margin and growth profile including similar franchising business models
- Wyndham is generally trading a discount compared to its peers on a EV/Revenue, EV/EBITDA, and P/E basis
- The implied share price of \$157.13 with the multiple of FY 2022 EV/EBITDA and 127.10 multiple of FY 2022 P/E
- Wyndham trades at a discount to hotel peers despite a better FCF Margin and Yield

Discounted Cash Flow Analysis

Intrinsic valuation

Discounted Cash Flow Analysis (In \$ Millions)	Historicals					Projections											
	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total Revenue	1,280.0	1,868.0	2,053.0	1,300.0	1,565.0	1,670.0	1,838.5	2,016.2	2,193.8	2,363.3	2,513.9	2,675.5	2,822.8	2,963.6	3,087.9	3,188.9	3,263.4
% Growth		45.9%	9.9%	(36.7%)	20.4%	6.7%	10.1%	9.7%	8.8%	7.7%	6.4%	6.4%	5.5%	5.0%	4.2%	3.3%	2.3%
Cost of Goods Sold	(312.0)	(394.0)	(448.0)	(362.0)	(365.0)	(389.6)	(404.5)	(427.4)	(460.7)	(491.6)	(522.9)	(556.5)	(587.1)	(616.4)	(642.3)	(663.3)	(678.8)
Gross Profit	968.0	1,474.0	1,605.0	938.0	1,200.0	1,280.4	1,434.0	1,588.7	1,733.1	1,871.8	1,991.0	2,119.0	2,235.6	2,347.1	2,445.6	2,525.6	2,584.6
Gross Profit Margin	75.6%	78.9%	78.2%	72.2%	76.7%	76.7%	78.0%	78.8%	79.0%	79.2%	79.2%	79.2%	79.2%	79.2%	79.2%	79.2%	79.2%
Total Other Operating Expenses	(671.0)	(1,078.0)	(1,141.0)	(730.0)	(745.0)	(779.0)	(854.9)	(929.6)	(1,003.8)	(1,075.8)	(1,143.4)	(1,210.7)	(1,268.5)	(1,325.5)	(1,376.6)	(1,421.2)	(1,454.9)
Operating Income	297.0	396.0	464.0	208.0	455.0	501.4	579.1	659.1	729.3	795.9	847.6	908.3	967.2	1,021.6	1,069.0	1,104.4	1,129.7
EBIT Margin	23.2%	21.2%	22.6%	16.0%	29.1%	30.0%	31.5%	32.7%	33.2%	33.7%	33.7%	33.9%	34.3%	34.5%	34.6%	34.6%	34.6%
EBITDA Margin	29.1%	26.5%	27.9%	23.5%	35.1%	34.5%	35.7%	36.6%	36.7%	36.9%	36.9%	37.0%	37.1%	37.1%	37.1%	37.1%	37.1%
Income Tax	(13.0)	(61.0)	(50.0)	26.0	(91.0)	(135.4)	(156.4)	(178.0)	(196.9)	(214.9)	(228.9)	(245.2)	(261.1)	(275.8)	(288.6)	(298.2)	(305.0)
NOPAT	284.0	335.0	414.0	234.0	364.0	366.0	422.8	481.1	532.4	581.0	618.7	663.1	706.0	745.8	780.4	806.2	824.7
Add: Depreciation and Amortization	75.0	99.0	109.0	98.0	95.0	75.2	77.2	78.6	76.8	75.6	80.4	82.9	79.0	77.1	77.2	79.7	81.6
% of Revenue	5.9%	5.3%	5.3%	7.5%	6.1%	4.5%	4.2%	3.9%	3.5%	3.2%	3.2%	3.1%	2.8%	2.6%	2.5%	2.5%	2.5%
Less: Capital Expenditures	(46.0)	(73.0)	(50.0)	(33.0)	(37.0)	(41.8)	(40.4)	(40.3)	(43.9)	(41.4)	(41.5)	(41.5)	(40.9)	(40.0)	(38.6)	(36.7)	(34.3)
% of Revenue	(3.6%)	(3.9%)	(2.4%)	(2.5%)	(2.4%)	(2.5%)	(2.2%)	(2.0%)	(2.0%)	(1.8%)	(1.7%)	(1.6%)	(1.5%)	(1.4%)	(1.3%)	(1.2%)	(1.1%)
Add / (Less): Change in Net Working Capital	149.0	(158.0)	(105.0)	(68.0)		79.2	(18.0)	(14.9)	(11.6)	(11.4)	(8.9)	(9.5)	(5.9)	(5.3)	(4.1)	(2.6)	(1.0)
% of Change of Revenue		25.3%	(85.4%)	13.9%	(25.7%)	75.4%	(10.7%)	(8.4%)	(6.5%)	(6.7%)	(5.9%)	(5.9%)	(4.0%)	(3.7%)	(3.3%)	(2.6%)	(1.4%)
Unlevered Free Cash Flow	313.0	510.0	315.0	194.0	354.0	478.6	441.5	504.6	553.7	603.9	648.8	695.0	738.2	777.5	814.8	846.6	870.9
% Growth						35.2%	(7.7%)	14.3%	9.7%	9.1%	7.4%	7.1%	6.2%	5.3%	4.8%	3.9%	2.9%
PV of Unlevered Free Cash Flow						443.1	378.6	400.6	407.0	411.0	408.9	405.5	398.8	389.0	377.4	363.1	345.9

Perpetuity Growth Method	
Cumulative PV of UFCF	4,728.9
% of Enterprise Value	44.6%
Terminal Value	
Final Year UFCF	870.9
Perpetuity Growth Rate	2.0%
Terminal Value	14,806.0
PV of Terminal Value	5,879.7
% of Enterprise Value	55.4%
Total Enterprise Value	10,608.6
Plus: Cash	171.0
Plus: Marketable Securities	--
Less: Total Debt	(2,121.0)
Less: Preferred Stock	--
Less: Minority Interest	--
Total Equity Value	8,658.6
Diluted Shares Outstanding	92.7
Implied Share Price	\$93.43
Current Share Price	\$84.54
Implied Margin of Safety	10.5%

Exit Multiple Method	
Cumulative PV of UFCF	4,728.9
% of Enterprise Value	40.4%
Terminal Value	
Final Year EBITDA	1,211.3
Exit EBITDA Multiple	14.50x
Terminal Value	17,563.3
PV of Terminal Value	6,974.6
% of Enterprise Value	59.6%
Total Enterprise Value	11,703.5
Plus: Cash	171.0
Plus: Marketable Securities	--
Less: Total Debt	(2,121.0)
Less: Preferred Stock	--
Less: Minority Interest	--
Total Equity Value	9,753.5
Diluted Shares Outstanding	92.7
Implied Share Price	\$105.24
Current Share Price	\$84.54
Implied Margin of Safety	24.5%

Commentary

- Total revenue driven by increases in royalty and franchising fees
- Increase in 2023 expecting global COVID recovery
- 8% hurdle rate used for comparability across YUSIF potential investments
- Exit multiple of 14.5x used as a discount to comparable companies and current trading multiple

Discounted Cash Flow Analysis

Sensitivity analysis

Implied Share Price: Growth Rate & WACC

		Perpetuity Growth Rate				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	7.0%	\$103.4	\$110.1	\$118.2	\$128.2	\$140.6
	7.5%	\$92.8	\$98.3	\$104.7	\$112.4	\$121.8
	8.0%	\$83.8	\$88.3	\$93.4	\$99.5	\$106.9
	8.5%	\$76.1	\$79.7	\$83.9	\$88.8	\$94.6
	9.0%	\$69.3	\$72.3	\$75.8	\$79.8	\$84.5

Implied Share Price: Exit Multiple & WACC

		Exit EBITDA Multiple				
		13.5x	14.0x	14.5x	15.0x	15.5x
WACC	7.0%	\$111.5	\$114.4	\$117.3	\$120.2	\$123.1
	7.5%	\$105.6	\$108.3	\$111.1	\$113.8	\$116.6
	8.0%	\$100.1	\$102.6	\$105.2	\$107.8	\$110.4
	8.5%	\$94.8	\$97.3	\$99.7	\$102.2	\$104.6
	9.0%	\$89.8	\$92.2	\$94.5	\$96.8	\$99.1

Margin of Safety: Growth Rate & WACC

		Perpetuity Growth Rate				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	7.0%	22.3%	30.3%	39.9%	51.6%	66.3%
	7.5%	9.8%	16.2%	23.8%	33.0%	44.1%
	8.0%	(0.8%)	4.4%	10.5%	17.7%	26.4%
	8.5%	(10.0%)	(5.7%)	(0.7%)	5.1%	11.9%
	9.0%	(18.0%)	(14.4%)	(10.3%)	(5.6%)	(0.1%)

Margin of Safety: Exit Multiple & WACC

		Exit EBITDA Multiple				
		13.5x	14.0x	14.5x	15.0x	15.5x
WACC	7.0%	31.8%	35.3%	38.7%	42.1%	45.6%
	7.5%	24.9%	28.2%	31.4%	34.6%	37.9%
	8.0%	18.3%	21.4%	24.5%	27.6%	30.6%
	8.5%	12.1%	15.0%	18.0%	20.9%	23.8%
	9.0%	6.3%	9.0%	11.8%	14.5%	17.3%

Appendices

Management Team

Strong management team with decades of experience in defense

Geoff Ballotti

CEO



Prior to becoming CEO, Geoff Ballotti served as president and chief executive officer from 2014-2018. From 2008 until 2014 Geoff Ballotti was the CEO of Wyndham's Destination network. He was previously the chairman of the U.S. Travel Association and American Hotel & Lodging association. Before working at Wyndham, he worked at Starwood Hotels and a bank in Boston. Ballotti obtained an MBA from Harvard in 1989.

starwood
Hotels and
Resorts



Michele Allen

CFO



Previously, Michele Allen served as the executive vice president and treasurer of Wyndham from 2018-2019. She has 23 years of industry experience and started working for Wyndham in 1999. She steadily climbed the ranks at Wyndham through positions such as senior vice president which she started in 2013. Prior to this Michele Allen worked at Deloitte as an auditor where she gained her CPA. She graduated from Cedar Crest College.

Deloitte.

Paul Cash

General counsel



With 17 years of industry experience Paul Cash is the EVP, general counsel, chief compliance officer and corporate secretary. He started his career at Wyndham in 2005 as the EVP and general counsel. Prior to this he was a partner at Alston & Bird focusing on M&A of entertainment businesses. Paul Cash has 3 degrees, including a doctor of law, which he obtained at University of Illinois.

**ALSTON
& BIRD**

Ownership Analysis

Institutional investors own ~94% shares outstanding

Top 25 Institutional Investors

Shareholder	%	Owner	Investment
Name	Ownership	Type	Style
The Vanguard Group, Inc.	9.26%	Investment Manager	Growth
BlackRock, Inc.	8.49%	Investment Manager	Growth
Capital Research and Management Company	7.41%	Investment Manager	Growth
William Blair Investment Management, LLC	4.29%	Investment Manager	Growth
Boston Partners Global Investors, Inc.	3.20%	Investment Manager	Growth
Jackson Square Partners, LLC	2.80%	Investment Manager	Growth
State Street Global Advisors, Inc.	2.68%	Investment Manager	Growth
FMR LLC	2.41%	Investment Manager	Growth
Massachusetts Financial Services Company	2.22%	Investment Manager	Growth
Goldman Sachs Asset Management, L.P.	1.93%	Investment Manager	Growth
Gates Capital Management, Inc.	1.89%	Hedge Fund Manager	Growth
Impactive Capital LP	1.69%	Hedge Fund Manager	Growth
Bessemer Investment Management LLC	1.66%	Investment Manager	Growth
Citadel Advisors LLC	1.61%	Hedge Fund Manager	Growth
AGF Management Limited	1.42%	Investment Manager	Growth
Arrowstreet Capital, Limited Partnership	1.28%	Hedge Fund Manager	Growth
BNY Mellon Asset Management	1.27%	Investment Manager	Growth
Geode Capital Management, LLC	1.24%	Investment Manager	Growth
Invesco Ltd.	1.20%	Investment Manager	Growth
Ceredex Value Advisors LLC	1.17%	Investment Manager	Growth
Tesco Pension Investment Limited	1.09%	Corporate Pension Sponsor	Growth
Millennium Management LLC	1.05%	Hedge Fund Manager	Growth
Tremblant Capital Group	1.03%	Hedge Fund Manager	Growth
Burgundy Asset Management Ltd.	1.03%	Investment Manager	Growth
Schroder Investment Management Limited	0.96%	Investment Manager	Growth
Top 25 Institutional Shareholders	64.25%		

Ownership Summary

	% of Total	Common Stock
Type	Shares Outstanding	Equivalent Held
Institutions	94.33%	87,069,507
Individuals/Insiders	0.94%	864,256
Public & Other	4.70%	4,338,598
State-Owned	0.04%	33,243
Total	100%	92,305,604

Insider Ownership

	Common	% of Shares
Holder	Stock Held	Outstanding
Holmes, Stephen P. (Non-Executive Chairman)	445,283	0.48%
Ballotti, Geoffrey A. (President, CEO & Director)	246,974	0.27%
Falvey, Mary R. (Former CAO)	51,226	0.06%
Cash, Paul F. (General Counsel &CCO)	20,680	0.02%
Checchio, Lisa B. (CMO)	16,524	0.02%
Allen, Michele (CFO)	14,250	0.02%
Strickland, Scott R. (Executive VP & CIO)	13,106	0.01%
Richards CPA, Pauline D. E. (Director)	10,952	0.01%
Buckman Esq., James E. (Lead Director)	9,307	0.01%
Lepage, Scott (President of Americas)	8,654	0.01%
Biblowit, Myra J. (Director)	7,924	0.01%
Rossi, Nicola (CAO)	7,010	0.01%
Melancon, Monica (CHRO)	4,189	0.01%
Nelson, Ronald L. (Director)	3,294	0.00%
Deoras, Mukul V. (Director)	3,180	0.00%
Loewen, Robert D. (Former COO)	1,703	0.00%
Total Insider Ownership		0.94%

Discounted Cash Flow Analysis

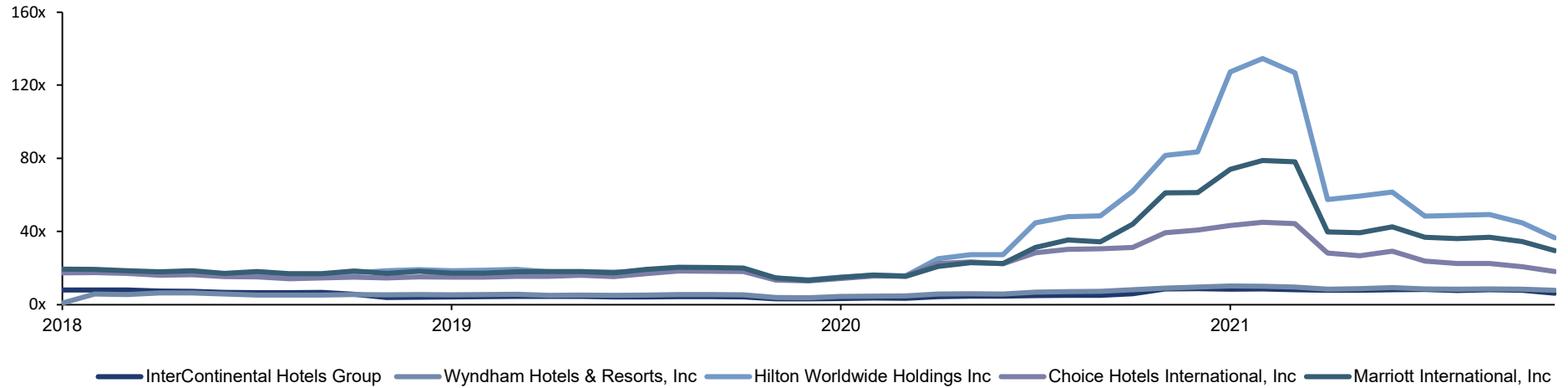
Key assumptions

Assumptions																	
(In \$ Millions)	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Royalties & Franchise Fees Growth	21.2%	8.8%	(31.7%)	40.5%		10.0%	8.0%	8.0%	7.5%	7.5%	7.0%	6.5%	5.5%	5.5%	5.0%	4.0%	3.0%
Bull Case						12.0%	10.0%	10.0%	9.5%	9.5%	9.0%	8.5%	7.5%	7.5%	7.0%	6.0%	5.0%
Base Case						10.0%	8.0%	8.0%	7.5%	7.5%	7.0%	6.5%	5.5%	5.5%	5.0%	4.0%	3.0%
Bear Case						8.0%	6.0%	6.0%	5.5%	5.5%	5.0%	4.5%	3.5%	3.5%	3.0%	2.0%	1.0%
Marketing, Reservation & Loyalty Growth	32.3%	14.5%	(34.2%)	26.5%		14.0%	11.0%	11.0%	10.0%	8.0%	6.0%	7.0%	6.0%	5.0%	4.0%	3.0%	2.0%
Bull Case						16.0%	9.0%	13.0%	12.0%	10.0%	8.0%	9.0%	8.0%	7.0%	6.0%	5.0%	4.0%
Base Case						14.0%	11.0%	11.0%	10.0%	8.0%	6.0%	7.0%	6.0%	5.0%	4.0%	3.0%	2.0%
Bear Case						12.0%	9.0%	9.0%	8.0%	6.0%	4.0%	5.0%	4.0%	3.0%	2.0%	1.0%	--
Hotel Management Growth	14.8%	0.8%	(48.8%)	82.8%		8.0%	6.5%	5.0%	3.5%	2.5%	2.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Bull Case						9.0%	7.5%	6.0%	4.5%	3.5%	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Base Case						8.0%	6.5%	5.0%	3.5%	2.5%	2.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Bear Case						7.0%	5.5%	4.0%	2.5%	1.5%	1.5%	--	--	--	--	--	--
License and Other Fees Growth	48.0%	18.0%	(35.9%)	(6.0%)		18.0%	14.0%	14.0%	10.0%	9.0%	8.0%	7.5%	6.5%	6.0%	5.0%	3.5%	2.0%
Bull Case						20.0%	16.0%	16.0%	12.0%	11.0%	10.0%	9.5%	8.5%	8.0%	7.0%	5.5%	4.0%
Base Case						18.0%	14.0%	14.0%	10.0%	9.0%	8.0%	7.5%	6.5%	6.0%	5.0%	3.5%	2.0%
Bear Case						16.0%	12.0%	12.0%	8.0%	7.0%	6.0%	5.5%	4.5%	4.0%	3.0%	1.5%	--
Cost Reimbursements Growth	122.0%	6.3%	(43.8%)	(8.6%)		(10.0%)	12.0%	10.0%	10.0%	9.0%	7.0%	6.5%	5.5%	5.0%	4.0%	3.3%	2.5%
Bull Case						(9.0%)	13.0%	11.0%	11.0%	10.0%	8.0%	7.5%	6.5%	6.0%	5.0%	4.3%	3.5%
Base Case						(10.0%)	12.0%	10.0%	10.0%	9.0%	7.0%	6.5%	5.5%	5.0%	4.0%	3.3%	2.5%
Bear Case						(11.0%)	11.0%	9.0%	9.0%	8.0%	6.0%	5.5%	4.5%	4.0%	3.0%	2.3%	1.5%

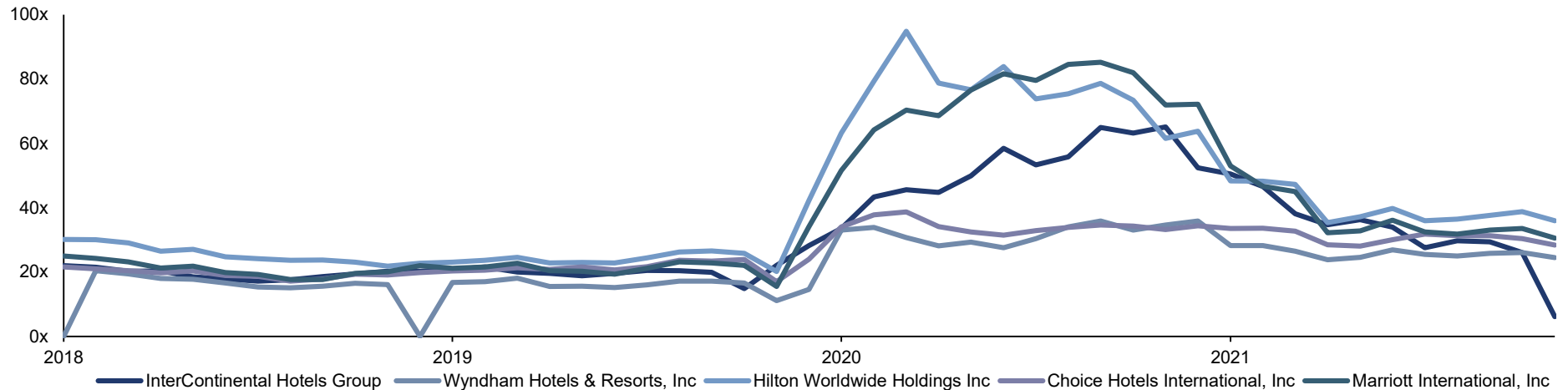
Benchmarking

Historical multiples per comparable companies

EV/EBITDA



Price to Earnings



La Quinta Deal Summary

In 2018, Wyndham Worldwide acquired La Quinta Holdings for \$1.95 Billion

Business Overview

- La Quinta is an American owner, operator and franchisor of select-service hotels primarily serving the upper-midscale and midscale segments
- Their portfolio consists of 894 properties, of which 576 are franchised and 318 are managed, all located in the US, Canada, Mexico, Honduras, and Colombia
- They earn revenues through receiving royalty and franchising fees from its hotel franchising segment and management fees from its hotel management segment
- Prior to the acquisition, La Quinta completed the spin-off of CorePoint Lodgings, a publicly traded real estate investment trust that owns 316 La Quinta hotels

Transaction Rationale

- Wyndham will build its midscale segment and expand its presence in the upper-midscale segment, adding over 900 franchised and managed hotels and 89,00 rooms to its portfolio
- Approximately 15 million members will be added to Wyndham's loyalty program from La Quinta's.
- **\$55-70 million in annual cost synergies starting in 2019**
- **Accretive to 2019 earnings**
- La Quinta became one of Wyndham's flagship brands due to its large presence in the segment and having one of the highest customer engagement levels

Involved Parties

- Keith Cline, President and CEO of La Quinta became the President and CEO of CorePoint Lodging
- No changes to Wyndham's executive team and La Quinta remained under Wyndham Hotel and Resorts portfolio after Wyndham's spinoff

Firm		
Financial Advisor		

Financial Metrics and Ratios

- La Quinta shareholders received \$8.40 per share in cash
- **Total transaction enterprise value of \$1.95 billion**
- \$8.40 is funded by proceeds from Wyndham's \$500 million offering of 5.375% senior notes due 2026 and \$1.6 billion in term loan due 2025
- Wyndham repaid \$715 million of La Quinta debt net of cash and set aside a reserve of \$240 million for estimated taxes incurred in connection with the taxable spin-off

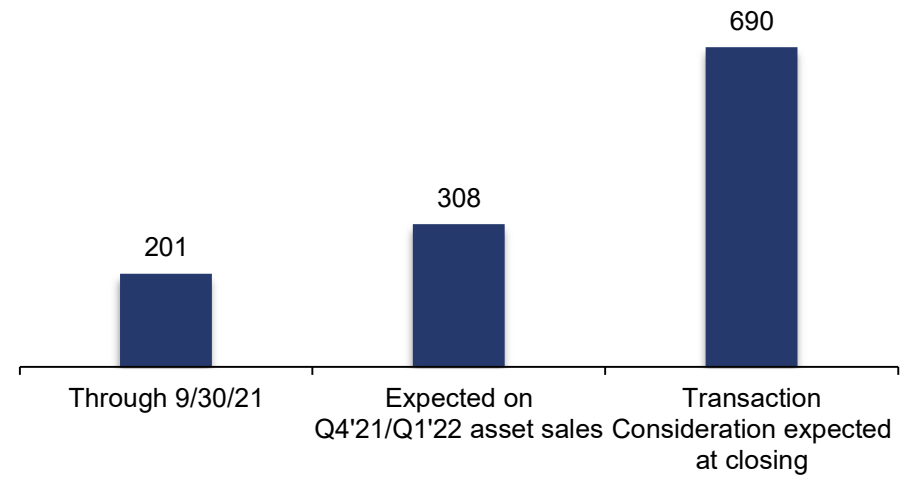
CPLG Transaction Implications and Commentary

Divesting from unfavorable select-service management business

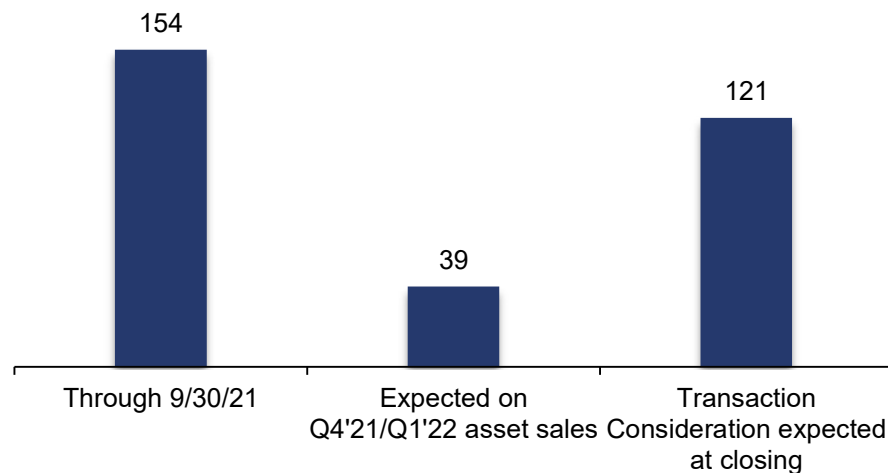
Commentary

- May 2018 with the acquisition of La Quinta Holdings, Wyndham took over 314 CorePoint Locations
- November 8 CorePoint announced the sale of its business and entered into an agreement with Wyndham hotels to terminate hotel management contracts
- CPLG will pay termination fee of approximately \$84 million
- Wyndham will shift away from select service hotels given:
 - Resource intensity of operations
 - Lower gross margins
 - Additional opportunities to focus on more profitable cash generative franchising business model

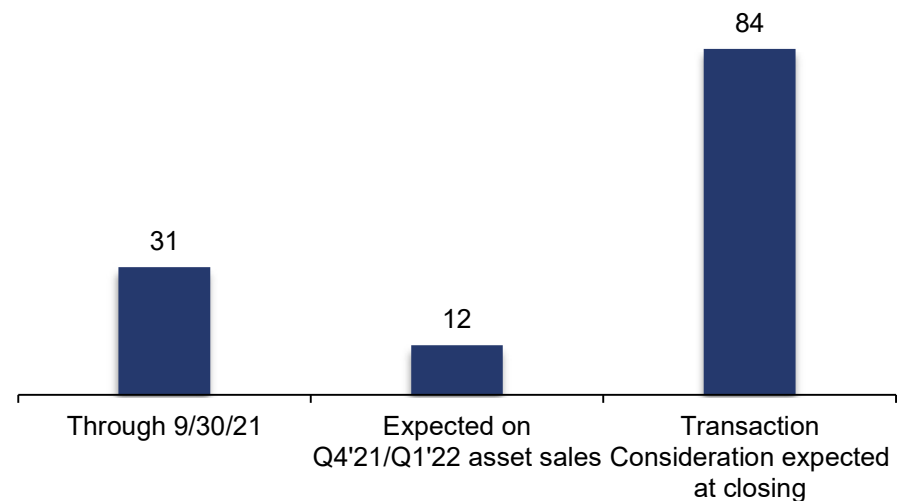
Cost of Termination Per Hotel (Thousands)



Hotels Terminated



Termination Fees (Millions)



Brand Portfolio

Diversified portfolio across various verticals within hotel industry

Economy



Midscale



Upper Midscale



Upscale



Upper Upscale



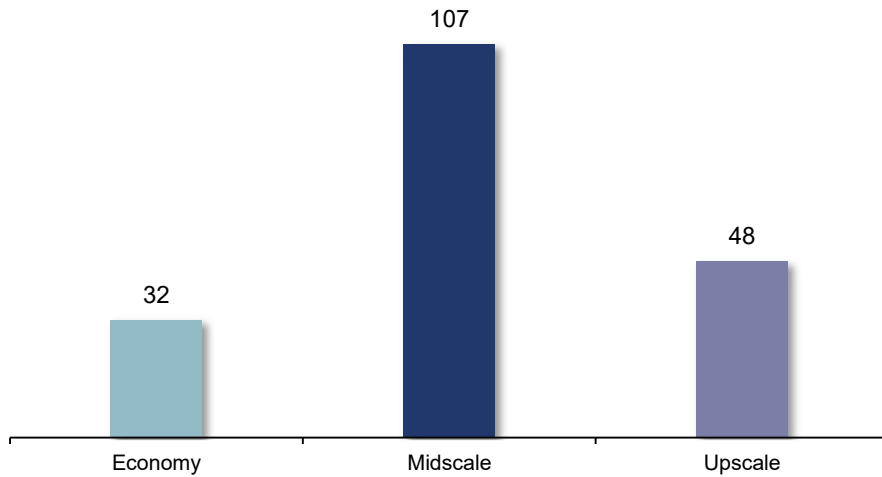
Luxury



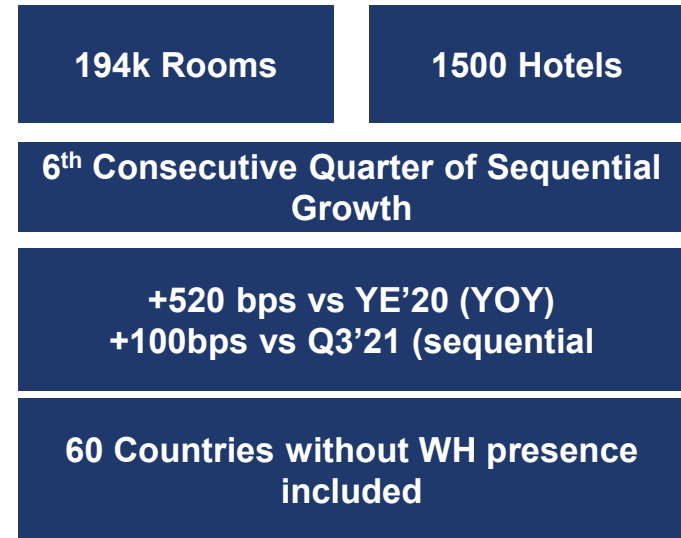
Breakdown of Hotel Pipeline

Sound mix of conversion vs new construction, and solid pipeline growth profile

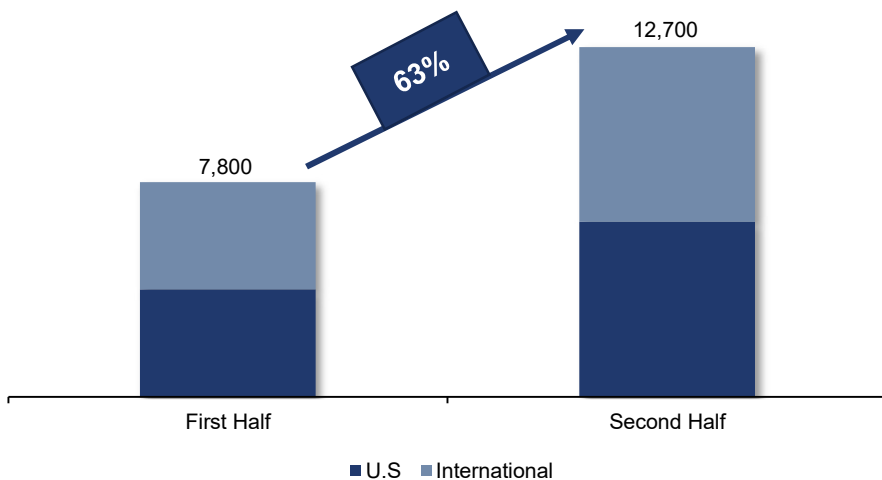
Pipelines by Chain Scale (000's)



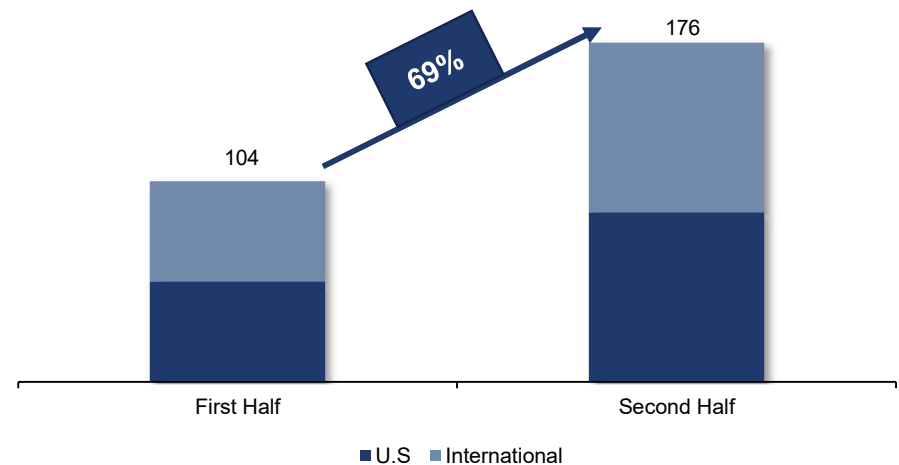
Total Pipeline Overview



2020 Openings to Conversions (Rooms)



2020 Openings to Conversions (Hotels)

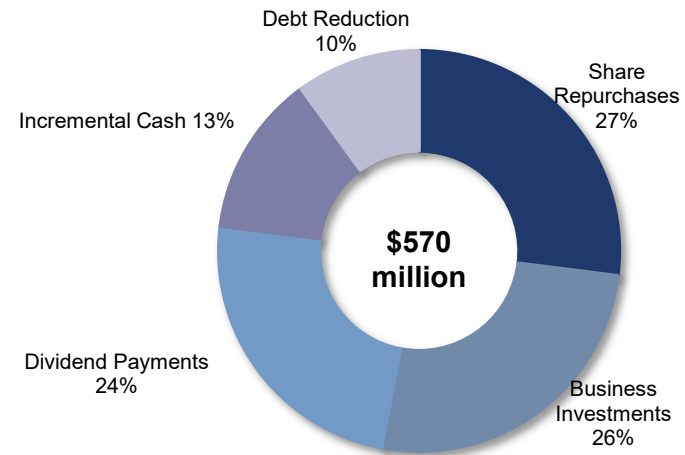


Wyndham ensures shareholders returns

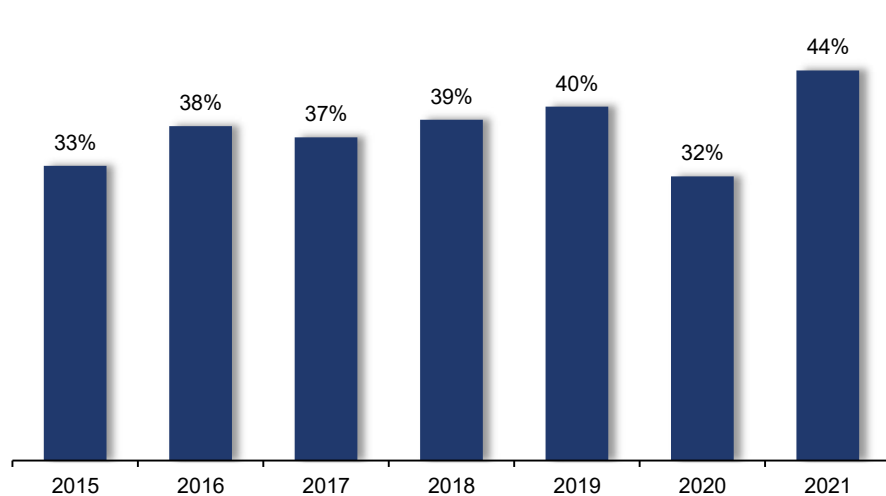
Commentary

- Wyndham's EBITDA has been climbing since 2017, except for the drop in 2020, which the hotel and lodging industry experienced as a result of the pandemic
- In 2021, 66% of EBITDA was converted in free cash flow
 - This was driven by a 47% increase in global RevPAR and the Board's approval to sell the 2 hotels Wyndham owns
- Wyndham has over \$900 million in liquidity and is maintaining total leverage at 3.2x, which is within its 3-4x target range
- Capital deployment is focused on investing in technology improvements, refreshing brand programs to maintain brand equity, accretive acquisitions, and returning excess cash
 - \$192 million was returned to shareholders in 2021

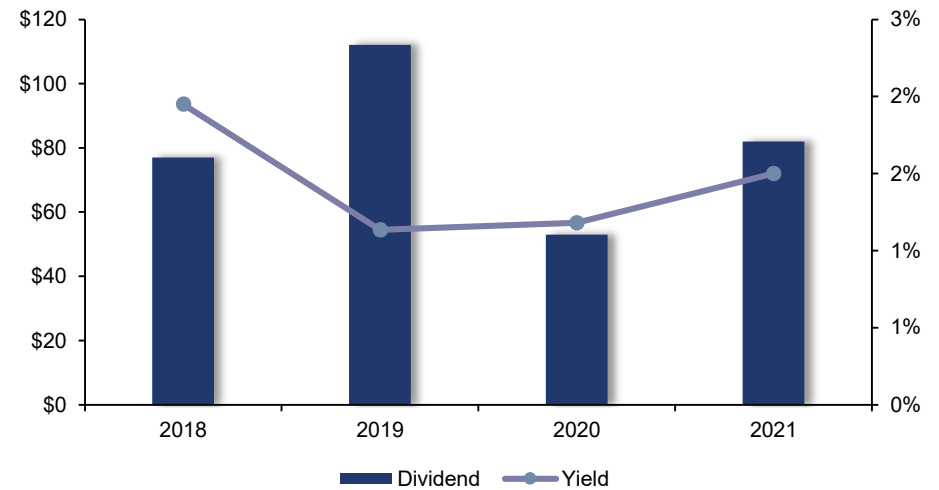
Cash Allocation



EBITDA Margins

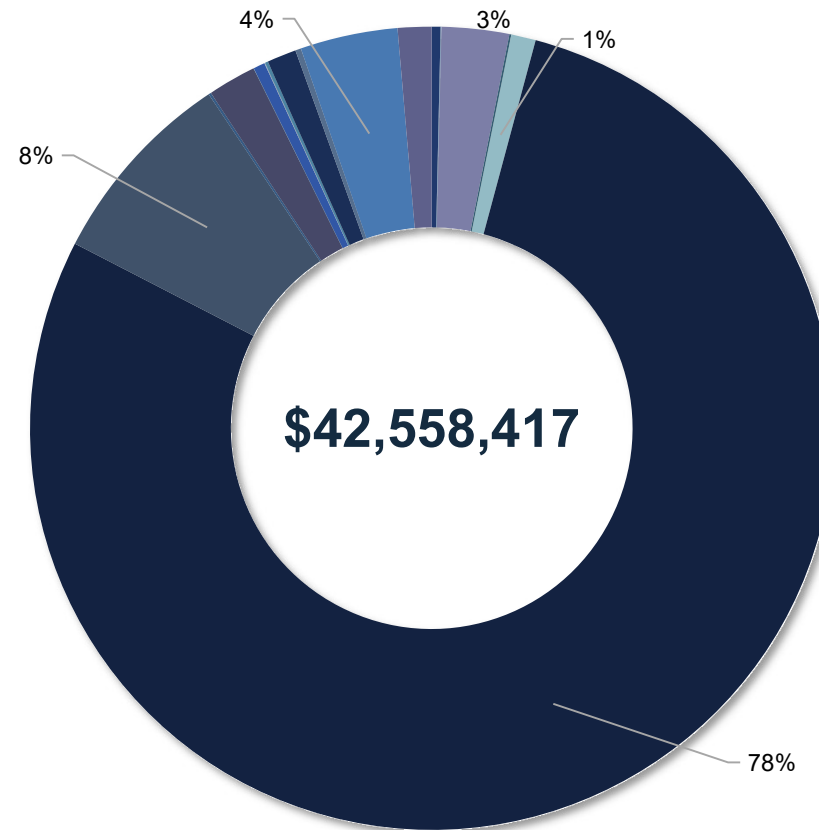


Dividends Paid (USD, M)



Costs of New Wyndham Hotel

Cost structure of starting a new hotel with Wyndham



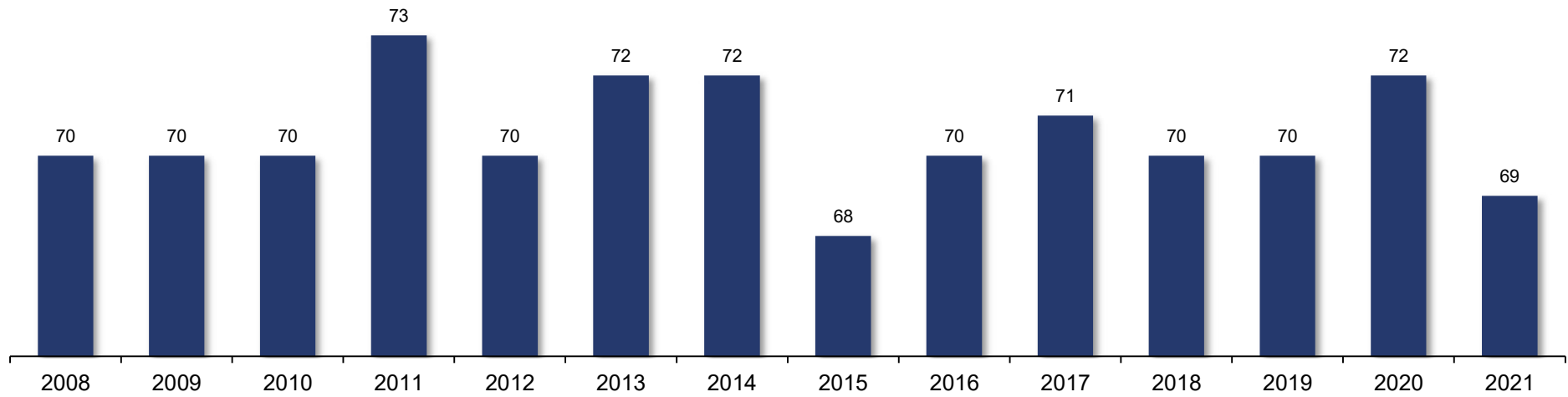
- Application Fee, Initial Franchise Fee
- Phase I Environmental Survey
- Insurance
- Hotel Construction
- Signage
- Photos
- Technology Systems
- Training Tuition
- Pre-Opening Marketing/ Grand
- Pre-Opening Wages
- Construction Contingency

- Market Study
- Architecture, Design and Engineering
- Permits, Licenses, Deposits and Related Fees
- Furniture, Fixtures and Equipment
- Opening Inventory and Supplies
- Liquor License
- Property Management Set-Up and Installation
- Training Expense
- Opening
- Other Expenses
- Additional Funds for First 3 Months of Operation

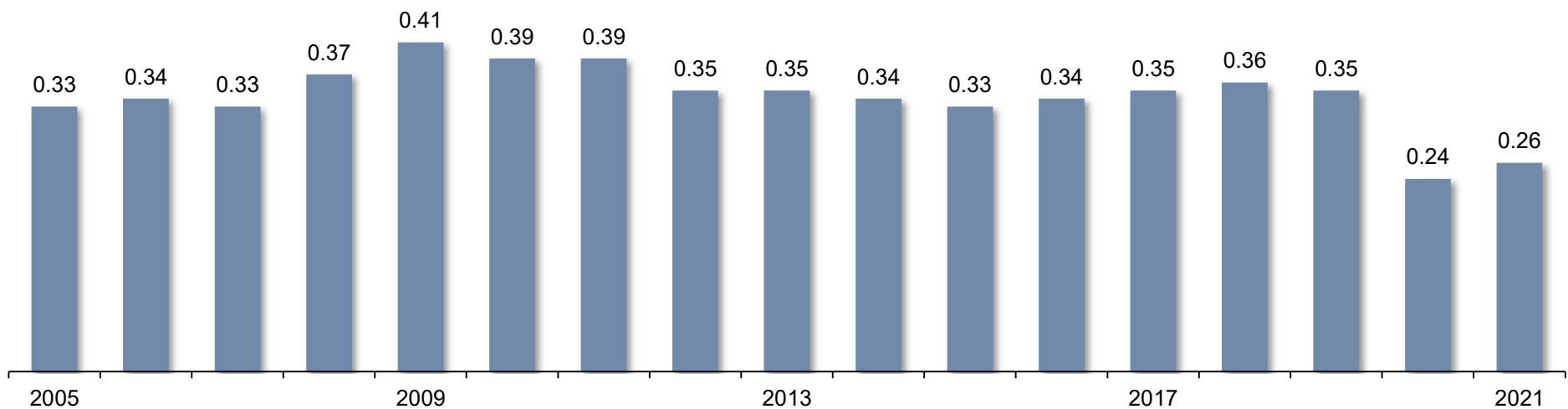
Industry Macro Illustrations

Wyndham and general industry characteristics

Consumer Satisfaction Surveys (ACSI Score)

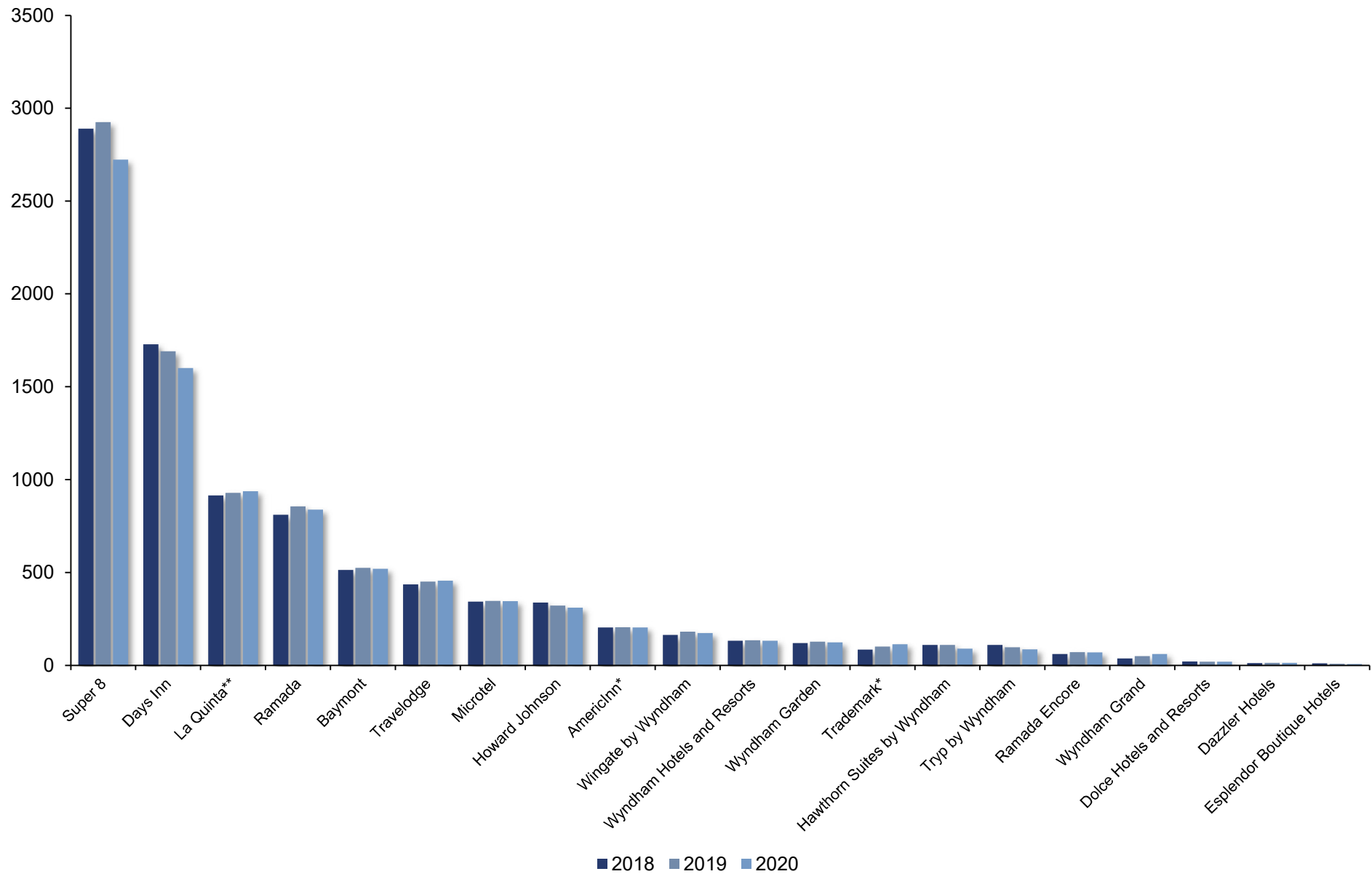


Capital Intensity of Starting New Hotel (Capital Intensity Ratio)



Brand Portfolio Location Frequency

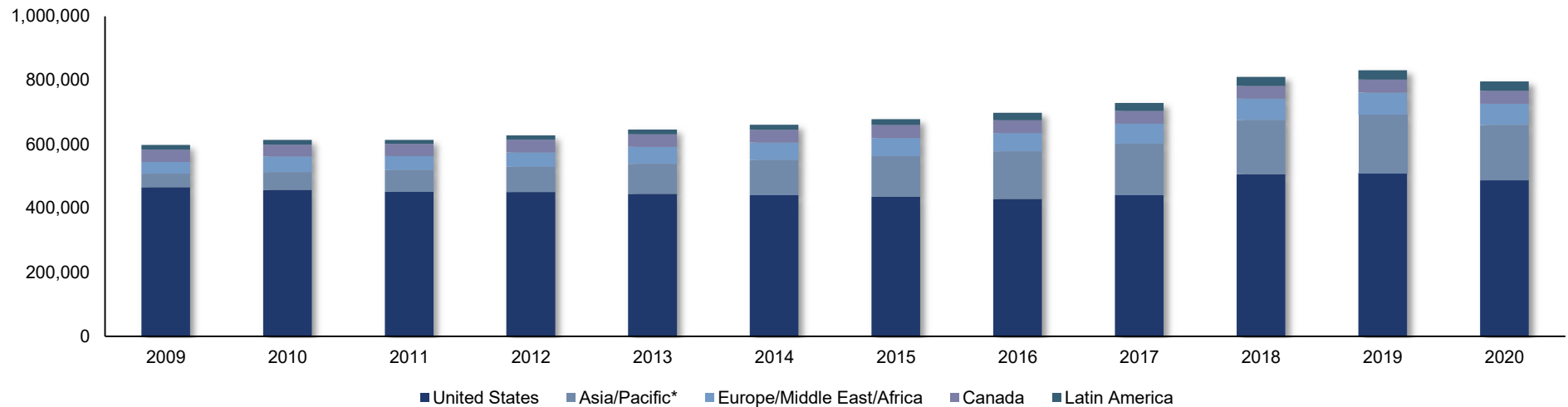
All Wyndham US locations concentrated near major highways



Source(s): Statista

Hotel rooms over time, and new housing starts

Hotel Rooms by Geography



New Housing Starts (Thousands)

