MASTER IN
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PROJECT

EQUITY RESEARCH: CHOICE HOTELS INTERNATIONAL

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Abstract

Choice Hotels International, Inc. is one of the largest hotel franchisors globally, operating a diversified portfolio of 22 brands across 7,575 hotels and 656,825 rooms, most of which are located in the United States. The company operates under an asset-light business model, as most of its hotels are franchised and revenue is mainly generated through royalty fees and other franchise-related services.

This report issues a HOLD recommendation for Choice Hotels International, with a 2026YE price target of $114.39 per share. Compared with the market price of $102.88 per share as of April 1, 2026, the valuation implies an upside potential of 11.19%.

Choice's investment case is supported by its scalable franchise model, stable royalty-fee income, continued system expansion, disciplined cost management, and gradual portfolio repositioning toward higher chain-scale hotels. The company is also expected to benefit from operating leverage, as additional franchise revenues can be generated without a proportional increase in costs.

The report also assesses the hospitality industry, especially in the United States, as well as Choice's competitive position within the market. The peer group was selected using the SARD model, followed by a qualitative analysis to ensure that the final comparables were appropriate in terms of business model, geographic exposure and brand positioning.

A FCFF model was used as the main valuation approach, complemented by APV and FCFE methods as cross-checks. The cash-flow forecasts incorporate Franchise Agreement Acquisition Costs as part of reinvestment, reflecting their importance in supporting growth through new franchise agreements. Relative valuation was also used as a market-based reference.

Despite the strength of the business model, the expected upside remains moderate. The main risks include strong competition in the U.S. lodging and franchise market, potential industry oversupply, dependence on franchisee performance, and a more uncertain macroeconomic backdrop, particularly as geopolitical tensions have increased.

Sensitivity analysis and Monte Carlo simulations were also performed to test the impact of key valuation drivers, including WACC, terminal growth, market share, ADR, occupancy, royalty rate, and cost efficiency.

JEL classification: G10; G32; G34

Keywords: Equity Research; Valuation; Mergers & Acquisitions

Resumo

A Choice Hotels International, Inc. é uma das maiores franchisadoras hoteleiras a nível global, com um portefólio diversificado de 22 marcas, 7.575 hotéis e 656.825 quartos, maioritariamente localizados nos Estados Unidos. A empresa segue um modelo de negócio asset-light, assente numa rede de hotéis franchisados, gerando receitas principalmente através de royalties e outros serviços relacionados com franchising.

Este relatório atribui uma recomendação de MANTER, com um preço-alvo para o final de 2026 de $114,39 por ação. Comparado com o preço de mercado de $102,88 por ação a 1 de abril de 2026, a avaliação implica um potencial de valorização de 11,19%.

A tese de investimento é suportada pelo modelo de franchising escalável da empresa, pelas receitas de royalties estáveis, pela expansão contínua do seu sistema hoteleiro, pela gestão disciplinada de custos e pelo reposicionamento gradual do portefólio para hotéis com maior potencial de receita. A empresa deverá também beneficiar de alavancagem operacional, uma vez que receitas adicionais de franchising podem ser geradas sem um aumento proporcional dos custos.

O relatório avalia também a indústria hoteleira, com especial enfoque nos Estados Unidos, bem como a posição da empresa no mercado. O grupo de empresas comparáveis foi selecionado através do modelo SARD, reforçado por uma análise qualitativa.

O modelo de FCFF foi utilizado como principal método de avaliação, complementado pelos modelos de APV e FCFE. Alguns múltiplos de mercado foram também utilizados como referência adicional. As projeções de fluxos de caixa incorporam os Franchise Agreement Acquisition Costs como parte do reinvestimento, refletindo a sua importância no crescimento através de novos contratos de franchising.

Apesar da força do modelo de negócio, o potencial de valorização esperado permanece moderado. Os principais riscos incluem a forte concorrência no mercado norte-americano, um possível excesso de oferta de quartos na indústria hoteleira, a dependência do desempenho dos franchisados e um contexto macroeconómico mais incerto, marcado pelo aumento das tensões geopolíticas. Foram também realizadas análises de sensibilidade e uma simulação de Monte Carlo para testar o impacto dos principais drivers de avaliação, incluindo WACC, crescimento terminal, quota de mercado, RevPAR, royalty rate e eficiência de custos.

Classificação JEL: G10; G32; G34

Palavras-Chave: Equity Research; Avaliação de Empresas; Fusões e Aquisições

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My final words of appreciation go to my girlfriend, Marisa, who has been my true partner throughout this journey. Thank you for always being there and for making every challenge feel lighter.

To all of you, thank you for being part of this journey.

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Glossary

ADR – Average Daily Rate
AI – Artificial Intelligence
APV – Adjusted Present Value
AWS – Amazon Web Services
Bn – Billion
bbl – Barrel of oil
CAGR – Compound Annual Growth Rate
CAPEX – Capital Expenditures
CAPM – Capital Asset Pricing Model
CEO – Chief Executive Officer
CHH – Choice Hotels International, Inc.
CRS – Central Reservation System
DCF – Discounted Cash Flow
EBIT – Earnings Before Interest and Taxes
EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization
EHL – École Hôtelière de Lausanne
ERP – Equity Risk Premium
ESG – Environmental, Social and Governance
EV – Enterprise Value
EV/EBIT – Enterprise Value to EBIT
EV/EBITDA – Enterprise Value to EBITDA
FAACs – Franchise Agreement Acquisition Costs
FCF – Free Cash Flow
FCFE – Free Cash Flow to Equity
FCFF – Free Cash Flow to the Firm
FTE – Flow to Equity
g – Long-run Sustainable Growth Rate
GDP – Gross Domestic Product
GHG – Greenhouse Gas
IMF – International Monetary Fund
M – Million
M&A – Mergers and Acquisitions
NEO – Named Executive Officer
NYSE – New York Stock Exchange
OTA – Online Travel Agency
P/E – Price-to-Earnings
PCE – Personal Consumption Expenditures
PP&E – Property, Plant and Equipment
PT – Price Target
RevPAR – Revenue per Available Room
ROIC – Return on Invested Capital
SARD – Sum of Absolute Rank Differences
SEC – U.S. Securities and Exchange Commission
SG&A – Selling, General and Administrative Expenses
SWOT – Strengths, Weaknesses, Opportunities and Threats
TSR – Total Shareholder Return
TV – Terminal Value
U.S. – United States
USD – United States Dollar
WACC – Weighted Average Cost of Capital
YE – Year End
YoY – Year-over-Year

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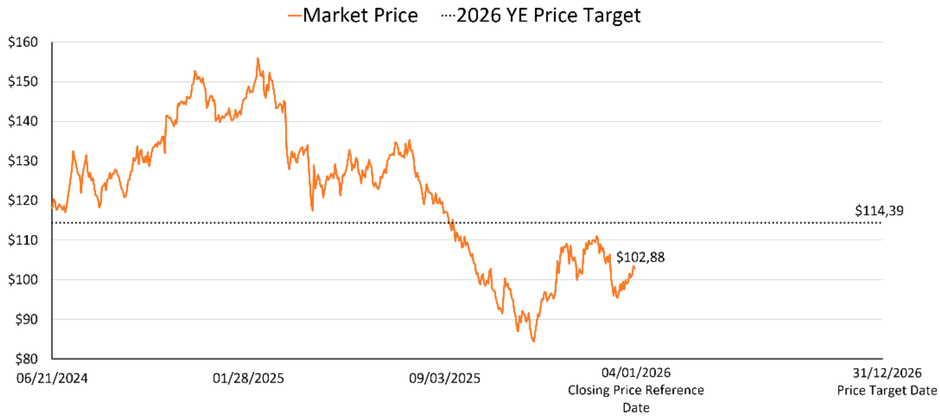
CHH: Equity Research

1. Investment Summary

Figure 1 *- CHH Daily Stock Price 2024-2026*



Source: *Author Analysis*

Table 1 *- Investment Snapshot*

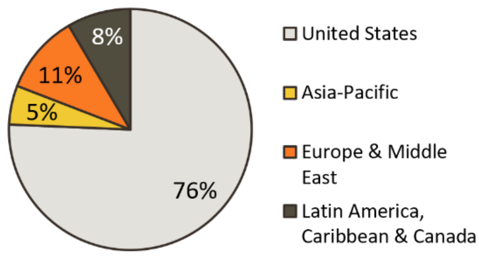
Investment Snapshot	
Ticker (NYSE)	CHH
Risk Level	Medium
Closing Price	$102,88
Price Target	$114,39
Upside Potential	**11,19%**
Recommendation	**HOLD / NEUTRAL**

Source: *Author Analysis*

A HOLD recommendation is issued for Choice Hotels International (NYSE:CHH), with a **2026YE price target** of **$114.39**, implying an **11.19% upside** relative to the current share price of **$102.88**. The price target is derived from a discounted cash flow valuation, complemented by relative valuation analysis to provide a market-based cross check.

While Choice Hotels International benefits from a scalable business model and strong cash-flow generation, the valuation suggests that the expected upside remains moderate, supporting a **HOLD recommendation (Table 1)**. Continued system expansion, disciplined cost management and stable royalty-fee income support the investment case, but a fierce competitive environment, particularly in the U.S. lodging market, together with ongoing geopolitical tensions and macroeconomic uncertainty, limit the potential upside.

Figure 2 *- % of Rooms by Geography*



Source: *Choice 2025 10K, Author Analysis*

2. Business Description

The Company

Choice Hotels International (NYSE: CHH), headquartered in Maryland, USA, is a major global hotel franchisor, operating a diversified portfolio of 22 brands ***(Appendix 1)***, comprising **7,575 hotels** and **656,825 rooms**. Although the company has rooms in **50 countries**, its operations remain highly concentrated in North America, with **76%** of the total room count being located in the **U.S. (Figure 2)**, and around **91%** of royalty fees **($439,8M)** – the company's main source of revenue – earned domestically **(Figure 3).**

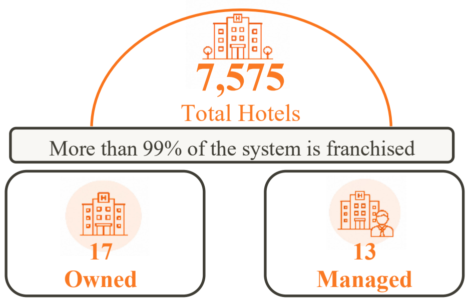
The company operates under an asset-light franchising model, owning very few hotels compared with the size of Its system. Of the 7,575 hotels in its portfolio, only **17** are **owned** and **13** are **managed**, while the remaining properties are franchised **(Figure 4)**. This structure allows the business to scale efficiently without the need for high capital investments, while maintaining high-margin, fee-based revenues.

The company's room mix is positioned with **69%** of the rooms being positioned in the **Midscale** and **Upper-midscale segments**, **15%** in the **Upscale and above**, and **16%** in **Economy**, leaving the company with zero exposure to the luxury chain scale **(Figure 5).**

Figure 3 *- Royalty Fees per Region ($M)*

Source: Choice 2025 10K, Author Analysis

Figure 4 *- Choice Hotels Operating Model*



Source: *Choice 2025 10K, Author Analysis*

History

It was **founded in 1939**, when seven independent hotel owners in Florida joined forces to share best practices and refer guests to one another. Later, in 1941, the informal cooperation evolved into a more structured organization becoming Quality Courts United, widely recognized as the first hotel chain in the United States. It was during these years that the group introduced standardized service levels, inspections, and coordinated marketing efforts – principles that still define the company today.

During the 1960s, the group transitioned into a for-profit franchising company and, in 1968, merged with Stewart Bainum's Park Consolidated, which moved the headquarters to Maryland and provided the financial stability needed for long-term expansion. In 1972, the company changed its name to Quality Inns International and started to **expand internationally** into **Europe**, **Mexico**, **Canada**, and **New Zealand**.

In 1981, the company became the first in the hotel industry to implement the strategy of **market segmentation**, by creating **distinct brands for different traveler needs** and price points, laying the foundation for today's multi-brand strategy **(Figure 6)**. A few years later, in 1991, the company unified its brands under the name Choice Hotels International. In 1995, it became the **first lodging company to launch a website** (ChoiceHotels.com) offering real-time access to its central reservation system, allowing guests to book rooms instantly online. Two additional milestones were achieved soon after, when **Choice became publicly traded**, listed on the New York Stock Exchange (NYSE), in **1996** and in **1998** launched its **loyalty rewards program**, **Choice Privileges**.

Throughout the 2000s, the company continued to demonstrate resilience and innovation, by investing in technology. It introduced **ChoiceADVANTAGE**, the industry's first **cloud-based property management system** and became the first lodging company to launch a global iPhone application. This decade also marked the company's entry into the Upscale segment through the development of Cambria Hotels & Suites.

Most recently, the 2010s and 2020s have been shaped by technological upgrades and strategic expansion. In 2021, the company introduced **ChoiceMax**, the industry's first mobile-enabled **revenue-management system**. In 2022, it completed the acquisition of the Radisson Hotel Americas brand, reaffirming its presence in the Upscale and Upper-upscale chains. In 2024, Choice became the first hotel company to migrate its entire system infrastructure to **Amazon Web Services (Figure 7)**.

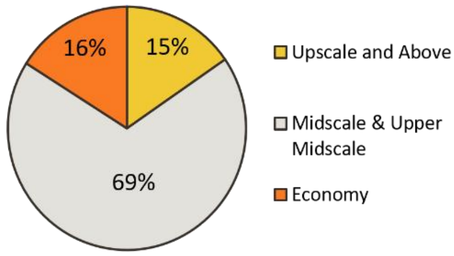
Overall, the company's timeline (***Appendix 2***) shows a clear pattern: Choice has repeatedly used **technology as a strategic advantage** to support franchisees, improve operating efficiency, and reinforce the scalability of its asset-light model.

Business Segments

Choice Hotels divides its operations into two business segments: **Hotel Franchising & Management and Corporate & Other**. The first contains the company's core asset-light activities, while the second includes its owned hotels and corporate-level items that are not allocated to the franchising segment.

Hotel Franchising & Management revenue is generated primarily through **franchise and management fees**, **partnership services**, and **reimbursable revenues associated with franchised and managed properties**. Since most reimbursable revenues are matched by corresponding expenses, their contribution to operating profit is limited. In 2025, the segment generated **$1,47Bn of revenue**, accounting for approximately **91%** of **total segment revenue (Figures 8 & 9)**.

Figure 5 - *Rooms by Chain Scale*



Source: *Choice 2025 10K, Author Analysis*

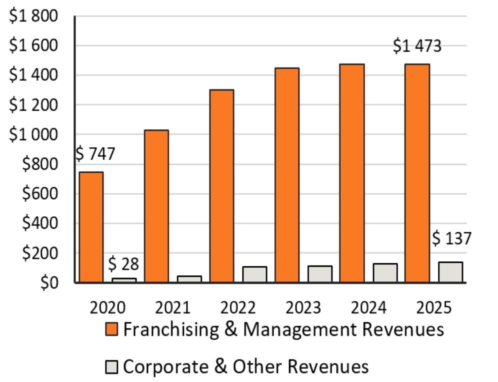
Figure 6 - *Market Segmentation by Distinct Brands*

Source: Choice website

Figure 7 - *Hotel Franchise System AWS migration*

Source: *Choice Website, Author Analysis*

Figure 8 - *Revenue per Business Segment ($M)*

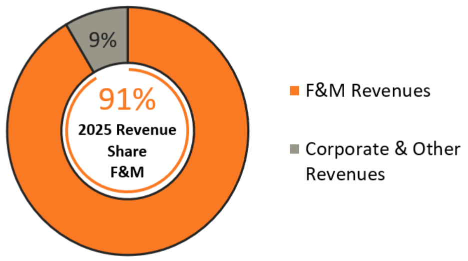


Source: *Choice 2025 10K, Author Analysis*

Corporate & Other generated **$137M** of **revenue** in 2025, compared with **$28M** in 2020, with the increase largely reflecting the expansion of Choice's owned hotels **(Figure 8)**. Although hotel ownership is not central to Choice's strategy, these properties help establish newer brands in selected markets and provide practical examples for potential franchisees, before being sold under long-term franchise agreements.

Despite the rise in revenue, the segment continues to operate at a loss. In 2025, it reduced consolidated EBITDA by **$129,5M**, compared with the **$637,6M** generated by **Hotel Franchising & Management (Figure 10)**.

Figure 9 - *Revenue Mix by Reporting Category, 2025*



Source: *Choice 2025 10K, Author Analysis*

Key Drivers of Profitability

Choice earns most of its profits by charging fees to hotel franchisees. Under this model, revenues depend primarily on three variables: the **number of rooms in the system**, the **room revenue (RevPAR)** generated by those hotels, and the **effective royalty rate** applied to the gross room revenue earned by the hotel owners.

The first driver is the revenue generated by each room. **RevPAR**, calculated as **ADR x Occupancy**, measures the revenue generated per available room. From 2021 to 2025, **ADR increased** from **$84.06 to $95.05**, while **occupancy decreased from 57.2% to 55.6%,** with the increase in room rates more than offsetting the lower occupancy and resulting in a modest rise in RevPAR **(Figure 11)**.

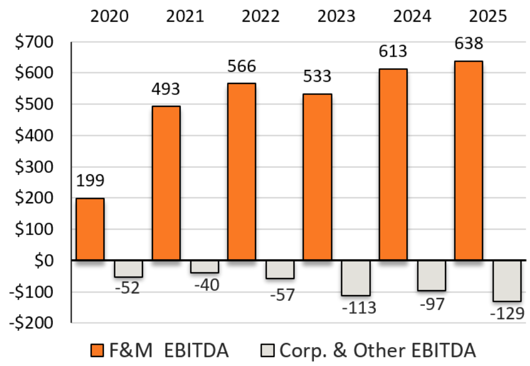
Beyond room performance, **the number of rooms in the system** is also a very relevant driver of the company's profitability. A larger room base expands the number of rooms on which franchise fees can be charged without requiring the franchisor to own or operate most of those assets directly.

Between 2021 and 2025, total system size increased from around **580,000 rooms** to **657,000 rooms**, implying a **3.2% CAGR (Figure 12)**. Domestically, however, rooms declined from **512,000** in 2024 to **497,000** in 2025, as management deliberately accelerated the strategic exit of hotels with lower economic contribution and weaker guest satisfaction, while increasing the system exposure to higher chain-scale segments.

A key advantage of the franchising model is that **additional supply is not necessarily negative** for the company. For hotel owners, excess supply is typically negative for profitability, as it pressures occupancy and room rates, while fixed operating costs remain high. For a franchisor, the effect is more balanced since new supply may pressure RevPAR, but it also expands the number of rooms generating fees provided that the company maintains or increases its market share.

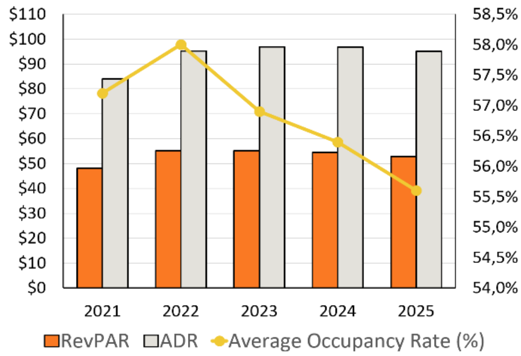
The third driver is the **royalty rate**, which determines how much of the hotel owners' room revenue is captured by Choice. The company's average U.S. royalty rate increased from **5.01%** in 2021 to **5.14%** in 2025. This is important because royalty rate improvement can partially offset weaker room growth or RevPAR performance. Choice's ability to increase this rate ultimately depends on the value delivered to franchisees through its brands, distribution platform and commercial services.

Figure 10 - *EBITDA by Business Segment ($M)*



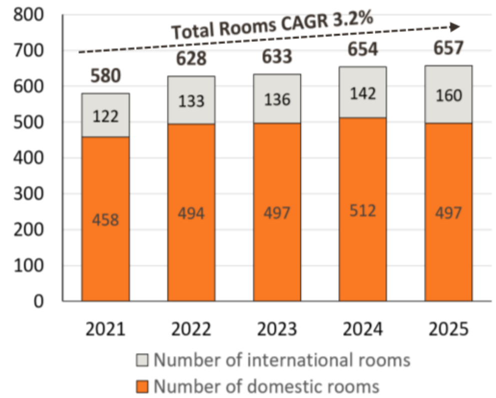
Source: *Choice 2025 10K, Author Analysis*

Figure 11 - *ADR, Occupancy and RevPAR Evolution*



Source: *Choice 2025 10K, Author Analysis*

Figure 12 - *Franchise System Expansion (000's of rooms)*



Source: *Choice 2025 10K, Author Analysis*

Strategy

Business Strategy

Asset-light Franchising Model

Choice's value proposition to franchisees is access to a **commercial platform** that would be difficult for an independent hotel owner to develop on its own. **Recognized brands, reservation and distribution systems**, a **loyalty program**, **marketing capabilities**, **revenue management tools** and **operating standards** all strengthen the value proposition offered to franchisees **(Figure 13)**. This makes the franchise agreement attractive for both parties, since franchisees can retain ownership of the hotels while improving their commercial reach, and the franchisor can expand its system size and generate recurring fee income through royalties, marketing and reservation fees.

The franchise agreement is the mechanism that supports this relationship. In the U.S., Choice's standard franchise agreements generally have terms ranging from **10** to **30 years**, creating a **long-term source of fees** once a hotel enters the system. These agreements also include termination rights if franchisees fail to comply with contractual obligations or quality standards. This is important because system growth only creates value if **it protects the strength of the brand**. The ability to remove underperforming properties therefore helps the company preserve brand perception and maintain the overall quality of its franchise system.

System Expansion

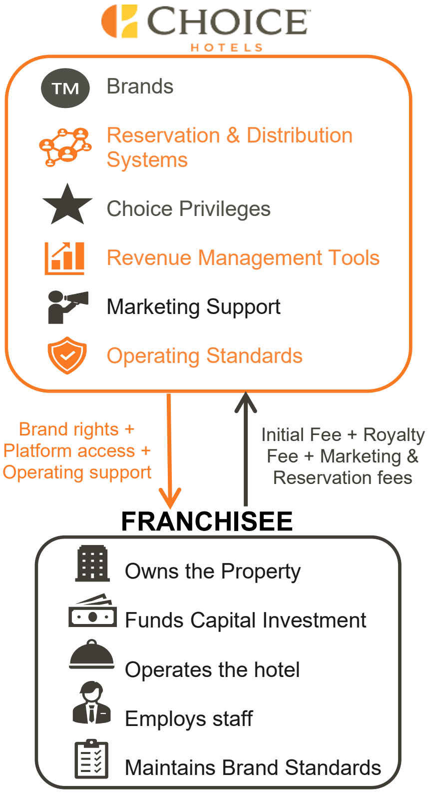
System size can be expanded via **new construction** or by **conversions**. The first happens when a developer **builds a hotel** under a Choice brand from the beginning while conversions occur when an **existing hotel joins the system** and is converted to one of Choice's brands. This latter route can be faster because the property already exists, although the owner may still need to complete renovations or a property improvement plan.

Having these two expansion options has a strategic value since both tend to be useful in different market conditions. When credit is accessible and construction costs are lower, new hotel development tends to gain momentum, allowing Choice to grow through new construction. In that environment, the company can **grow alongside broader industry supply growth**. On the other hand, conversions become more relevant when financing conditions tighten, as fewer hotels are developed and existing independent hotels **tend to seek a stronger brand to improve performance**. This strategy is reflected in the company's domestic pipeline, with new construction representing **62%** of the pipeline and conversions accounting for a meaningful **38% (Figure 14)**, giving the company a relevant buffer if developers' confidence declines.

Choice also uses **franchisee incentives** selectively to make affiliation more attractive. These incentives can include changes to fee structures, loans, guarantees, reduced property improvement requirements and **Franchise Agreement Acquisition Costs (FAACs)**. Among these incentives, FAACs are the most significant, as they represent upfront capital provided to secure franchise relationships, which Choice expects to recover through royalties and other fees over the life of the contract.

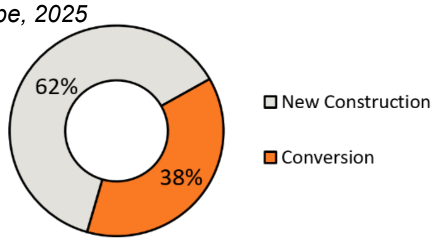
Net FAAC payments have been recurring and have increased in recent years, reaching **$112.2 million** in **2024 (Figure 15)**. As of **2025**, net Franchise Agreement and Acquisition Costs represented approximately **17% of total assets (Figure 16)**. This level is worth monitoring, as it shows that a meaningful portion of the balance sheet is tied to the future economics of franchise agreements.

***Figure 13** - CHH Asset Light Strategy*



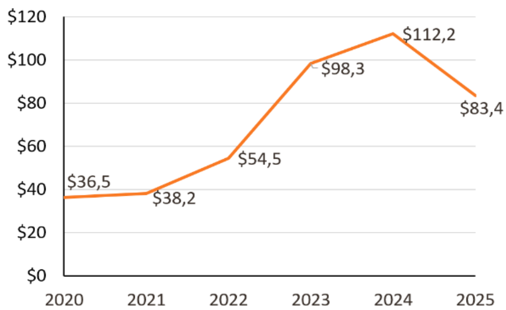
***Source:** Choice 2025 10K, Author Analysis*

***Figure 14** - CHH Pipeline by Development Type, 2025*



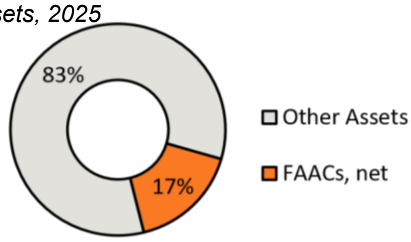
***Source:** Choice 2025 10K, Author Analysis*

***Figure 15** - CHH FAACs, 2020-2025 ($M)*



***Source:** Choice 2025 10K, Author Analysis*

***Figure 16** - CHH FAACs as a Share of Assets, 2025*



***Source:** Choice 2025 10K, Author Analysis*

Technology System, Loyalty Program and Franchisee Performance

Choice's technology and loyalty ecosystem is another key part of its franchisee value proposition. By investing in technology systems, the company **gives hotel owners access to tools that would be costly to develop independently**, supporting franchisee performance, retention, and recurring fee growth for the company **(Figure 17)**.

At the center of this technology ecosystem **(Figure 18)** is **Choice's Central Reservation System (CRS)**, which connects hotel inventory with guest demand. Instead of each hotel relying only on its sales channel, franchisees can distribute rooms, rates and availability through Choice's website, mobile app and OTAs. **ChoiceEDGE** supports this process by coordinating reservation and availability data across Choice's digital channels and other distribution partners.

Franchisees also have access to **choiceADVANTAGE**, Choice's proprietary and yield management system, which provides tools designed to help franchisees **manage rates and room inventory more effectively**. In practice, this tool aims to improve RevPAR by helping hotels optimize its two main drivers: ADR and occupancy.

Loyalty Program

Beyond the technology systems, Choice and its franchisees also benefit from **Choice Privileges**, a loyalty program with more than **74 million members worldwide**. The loyalty program enables members to earn points based on their spending levels with franchisees. Those points can later be redeemed for benefits, including hotel stays and partner rewards, creating an incentive for guests to return to the Choice system, supporting recurring demand for hotel owners.

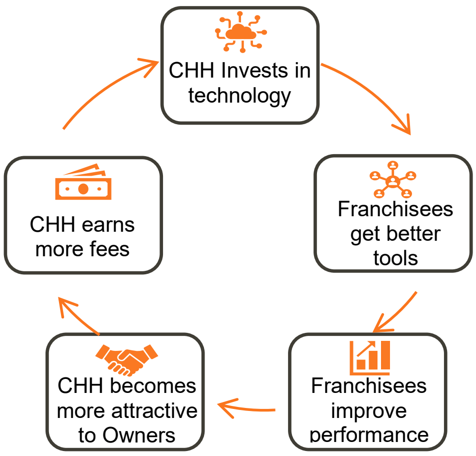
Brand Portfolio Diversification and Optimization

The company's brand portfolio is diversified across nearly all hotel chain scales, from **economy, midscale** and **upper midscale** to **upscale and upper-upscale (Figure 19)**. As a result, Choice can serve different guest budgets, travel occasions and hotel owners' needs. Even so, the **midscale segments remain the backbone** of Choice's system, which provides scale and strong exposure to price-sensitive travelers and helps explain why Choice's ADR is structurally below the broader industry average. For this reason, portfolio diversification is not only about having many brands. It is also about improving the revenue quality of the system. This has led management to increase exposure to higher chain scales through brands such as **Cambria**, **Ascend Collection** and **Radisson** that have stronger RevPAR potential.

The changes made to the U.S. portfolio are consistent with this approach. In 2025, Choice accelerated its U.S. **portfolio optimization**, with net room changes reflecting **strategic exits** of hotels with **lower economic contribution** and guest satisfaction, alongside healthy gross openings and development activity. The decline in U.S. rooms **(Figure 12)** should not be interpreted only as weaker growth. It also reflects an effort to improve the quality and earnings profile of the system by removing weaker properties while focusing on brands and markets with better long-term potential.

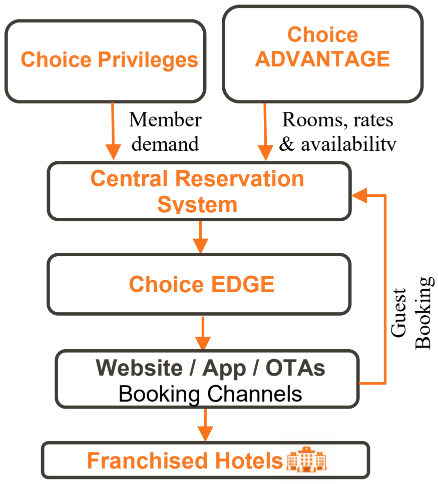
Extended stay represents another area where Choice is seeking growth. Demand in this segment tends to be **more stable as guests usually stay for longer periods**, often for work-related or temporary housing needs. This supports occupancy and can also make the operating model more attractive for franchisees. **In 2025**, Choice's extended-stay rooms reached an **occupancy rate** of **69.1%**, well above the **55.6% average** for the total U.S. Lodging Industry. At the same time, **U.S. extended-stay net rooms increased by 11.7%** compared with December 2025, while the total U.S. franchise room base **declined by 2.9%.**

Figure 17 - *Technology Investment Cycle*



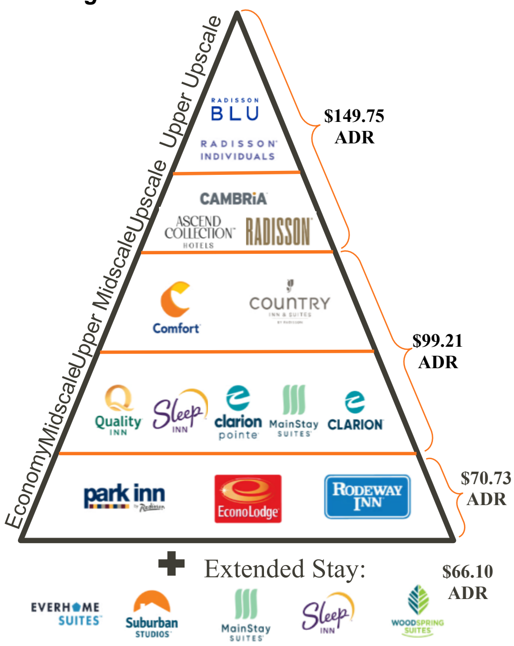
Source: *Choice 2025 10K, Author Analysis and Design*

Figure 18 - *CHH Digital Distribution Ecosystem*



Source: *Choice 2025 10K, Author Analysis*

Figure 19 - *CHH Brand Mix*



Source: Choice 2025 10K, Author Analysis and Design

International Expansion

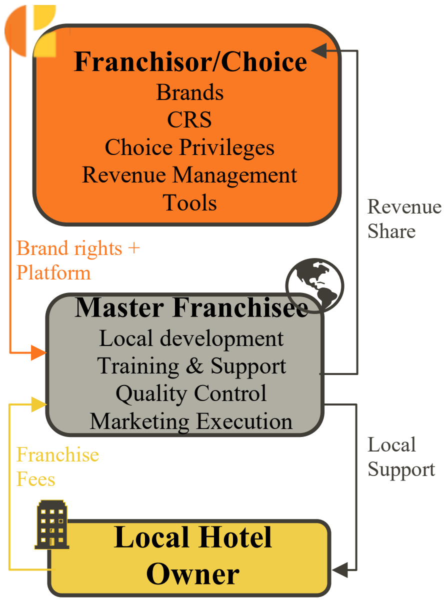
Despite the company's strong exposure to the U.S., Choice has already begun expanding its international presence through **master franchise agreements**. Unlike the **direct franchise agreement** model described earlier **(Figure 13)**, this structure allows the company to enter foreign markets through regional partners **(Figure 20)**.

Under a master franchise agreement, Choice grants a partner the right to develop its brands within a defined territory. The master franchisee then works directly with **local hotel owners**, supporting new signings and providing services such as training, marketing, reservations assistance and quality control. In simple terms, Choice provides the brand and system, while the master franchise handles much of the local execution.

This type of agreement is useful in international markets where Choice may not have the same local relationships, language capabilities, legal familiarity or operating infrastructure that it has in the U.S. The **trade-off** is that Choice usually **earns less revenue per hotel**, since the master franchisee performs part of the work and keeps a percentage of the fees.

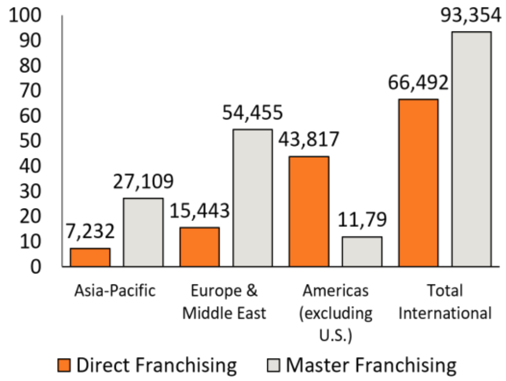
This strategy is visible in the company's international footprint. At the end of 2025, from the **159,846 international rooms** outside the U.S., **93,354** rooms were under **master franchising (Figure 21)**. International net rooms grew **12.5%** versus December 2024, supported by an **82%** increase in hotel openings during 2025. Therefore, while the U.S. remains the core market, international expansion provides an additional growth lever, particularly through local partners that can accelerate development in local markets.

Figure 20 - Master Franchise Agreement Flow



Source: *Choice 2025 10K, Author Analysis and*

Figure 21 - International Rooms (in 000's) by Franchise Agreement Type and Region



Source: *Choice 2025 10K, Author Analysis*

Capital Allocation Strategy

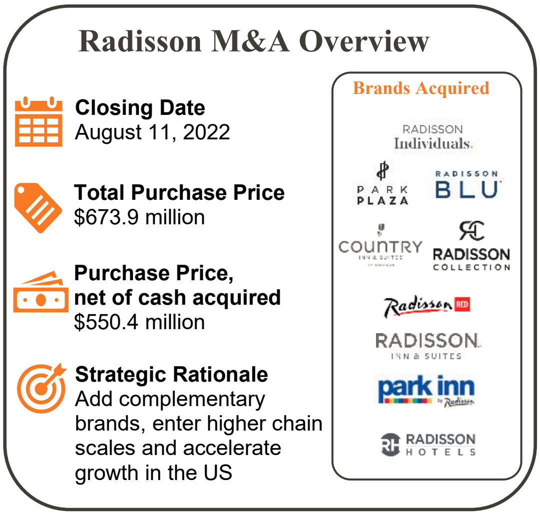
Selective M&A and Brand Expansion

Alongside organic franchise growth, Choice can use **acquisitions selectively to accelerate brand and system expansion**. M&A is a less recurring source of growth, but it can accelerate expansion when the right opportunities arise by adding brands, entering new chain scales or increasing the system size faster than internal development alone.

The **Radisson Hotels Americas acquisition (Figure 22)** is the clearest example. Completed in August 2022, the transaction added several brands to Choice's portfolio, including Country Inn & Suites by Radisson, Radisson Blu, Radisson RED, Radisson, Park Plaza, Radisson Inn & Suites, Park Inn by Radisson, Radisson Individuals, Radisson Collection. Strategically, the deal expanded Choice's footprint in the **upper-upscale chain scale**, supporting the company's broader effort to **improve the revenue quality of its system**. It also gave Choice a wider set of brands to offer hotel owners and developers, while adding existing franchise agreements and customer relationships that could be integrated into its reservation, loyalty, distribution and revenue management systems.

The acquisition was not only about adding hotels, and the purchase price allocation reinforces this interpretation. Of the **$673.9 million** purchase consideration, **$447.1 million** was allocated to **identifiable intangible assets**, mainly trade names and franchise agreements. This means that approximately **66% of the transaction value** was tied to brands and franchise contracts (***Appendix 3***), rather than physical hotel assets. In other words, Choice was mainly acquiring a brand and franchise platform, which is consistent with its asset-light strategy.

Figure 22 - Radisson Acquisition Overview



Source: *Choice 2023 10K, Author Analysis*

Share Repurchases

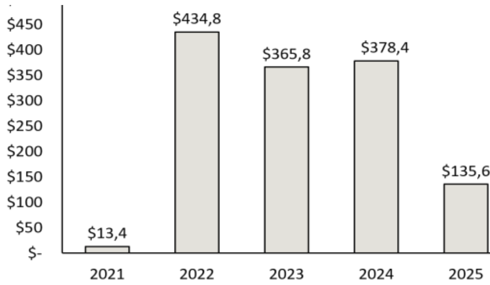
Choice also returns capital to shareholders through share repurchases and dividends. This fits the company's capital allocation strategy, as management states that capital decisions are intended to **maximize return on invested capital** and **create shareholder value**.

Unlike dividends, which investors usually expect to be recurring, share repurchases can be adjusted depending on cash generation, leverage, M&A opportunities, and market conditions. This way of returning value to shareholders has been a clear priority within Choice's return policy.

Between **2021 and 2025**, **the company spent approximately $1.33bn** on treasury stock purchases **(Figure 23)**, confirming that buybacks are not an occasional use of cash, but a recurring capital allocation tool used to return cash to shareholders. The effect of this policy is visible in the share count. Common **shares outstanding declined from approximately 55.6 million to 46.0 million** between **2021** and **2025**, representing a r**eduction** of around **17%**.

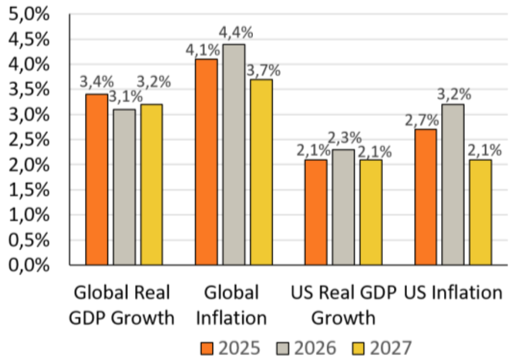
Dividends complement buybacks by providing a more stable and recurring form of shareholder return. **From 2021 to 2023**, Choice **increased dividends per share from $0.69 to $1.15**, before keeping the dividend flat at **$1.15** in **2024** and **2025**. This suggests that dividends work as the steady base of shareholder returns, while buybacks remain the more flexible tool for returning excess cash.

Figure 23 - *Treasury Stock Purchases, 2021-2025 ($M)*



Source: *Choice 2025 10K, Author Analysis*

Figure 24 - *Global Economic and U.S.*



Source: *IMF World Economic Outlook, April 2026*

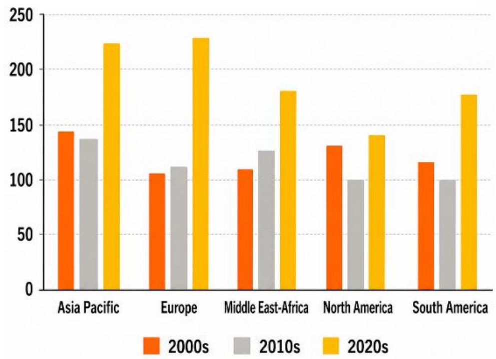
3. Industry Overview and Competitive Positioning

Macroeconomic Outlook

Global Environment

The global macroeconomic outlook ***(Appendix 4)*** remains supportive of continued expansion, but it has become more fragile. In its April 2026 World Economic Outlook, the IMF projects global growth of **3.1% in 2026** and **3.2% in 2027**, below the pace reached in 2025, while global headline inflation is expected to rise to **4.4% in 2026** before easing to **3.7% in 2027 (Figure 24)**. The war in the Middle East intensified an already uncertain environment **(Figure 25)**, shifting expectations toward a weaker and less stable scenario with major concerns for the global economy such as higher energy prices, geopolitical risk and possibly tighter financial conditions.

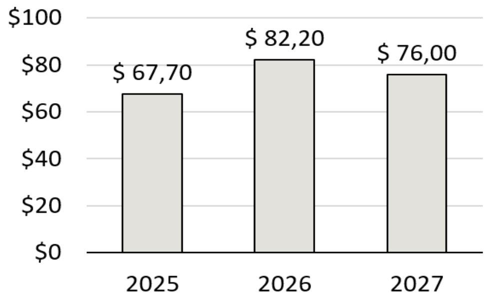
Figure 25 - *Regional Geopolitical Risk*



Source: *IMF World Economic Outlook, April 2026*

Energy prices are central to this uncertainty. The IMF expects energy commodity prices to rise by **19% in 2026**, while oil prices are projected to increase by **21.4%**, due to disruptions in production and transportation in the Middle East. This is reflected in the average oil price forecast, which is expected to average around **$82.2/bbl in 2026**, before easing to **$76.0/bbl in 2027 (Figure 26)**.

Figure 26 - *Average Oil Price per Barrel IMF Forecast*



Source: *IMF World Economic Outlook, April 2026*

This shock has made central banks' decisions more difficult, as policymakers now face a trade-off between supporting growth and containing inflation. While easing inflation would normally support rate cuts, persistent price pressures caused by higher energy costs increase the risk that cutting rates too early could reignite inflation. On the other hand, a "higher for longer" posture may put pressure on economic activity, investment and financial conditions. As of April 2026, the Federal Reserve has kept federal funds rate unchanged at **3.5%-3.75%**, following a series of cuts in late 2025. Many economists now expect only one cut in 2026, likely in September or December.

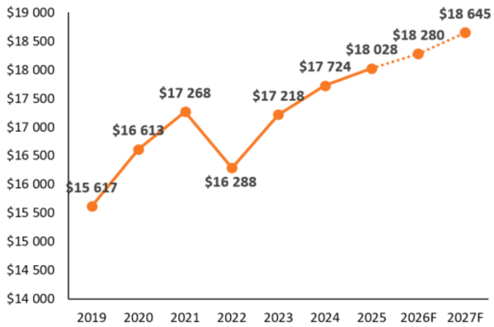
U.S. Environment

While the uncertainty persists, the IMF still expects the US to remain relatively resilient. Real GDP is projected to expand by **2.3% in 2026** and **2.1% in 2027**, while consumer price inflation is expected to reach **3.2% in 2026** before easing to **2.1% in 2027 (Figure 24)**.

Real disposable personal income also shows signs of resilience. After declining in 2022, it recovered steadily and reached a new high in 2025 **(Figure 27)**, suggesting that purchasing power has remained resilient despite higher prices. Looking ahead, Deloitte's March 2026 economic forecast expects real disposable personal income growth to remain positive but moderate, at **1.4% in 2026** and **2.0% per year between 2027 and 2030**.

Overall, the **macroeconomic environment remains positive for the lodging industry**, but **risks have increased**. The U.S. economy is still expected to grow, and real disposable income should continue to support consumer spending and travel demand. However, higher energy prices, inflation and uncertainty around future rate cuts could pressure discretionary spending and business activity. Financial conditions are also important, since hotel development, conversions and property improvements depend on financing availability and borrowing costs. For Choice, this creates a balanced outlook: domestic demand remains supported, but its economy and midscale customer base is more sensitive to changes in purchasing power, and franchisee growth depends on hotel owners' ability to invest.

Figure 27 - *U.S. Real Disposable Personal Income, 2019-2027F ($Bn)*



Source: *FRED and Deloitte U.S. Economic Forecast, 2025*

Hospitality Industry Overview

Industry Structure

The hospitality industry covers a wide range of activities, including accommodation, food & beverage, travel & tourism, recreational services and event management services. In 2025, the broader hospitality market is estimated to be worth **$5.5tn**, and is expected to reach **$7.5 Trillion by 2030**, corresponding to a **6.4% CAGR (Figure 28)**. Choice operates in this broader hospitality industry, but its business model is most directly exposed to the **lodging market** within the **accommodation services** area, which therefore constitutes the main focus of the following analysis.

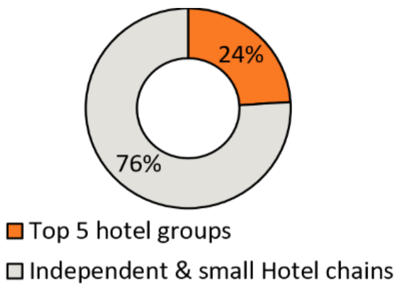
From a structural perspective, the lodging industry is **highly fragmented**. Large international hotel groups have expanded significantly, especially through asset-light franchise models, yet independent properties and smaller chains still account for most of the available room supply. STR estimates that the top five branded hotel groups account for only **24%** of global room supply, while **76%** is held by smaller branded groups and independent operators **(Figure 29)**. Competition is therefore spread across a large number of participants, with hotels differentiated by location, brand, service level, quality and target customer.

Figure 28 - *Hospitality Market Size and Growth*

Source: *The Business Research Company, STR Data*

This market structure creates **strong competitive pressure**, as hotels compete not only on price, but also on brand recognition, location, service standards, loyalty programs, distribution capabilities, and perceived quality. Scale can therefore be a meaningful advantage since larger hotel groups are generally better positioned to invest in technology, reservation systems, loyalty platforms, marketing, and franchisee support, which can improve brand visibility and make their systems more attractive to hotel owners.

Figure 29 - *Market Fragmentation*

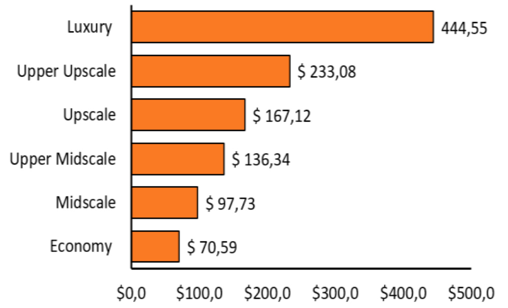


Source: *STR*

Hotel companies can also differ significantly in their **business models**. Some companies rely more heavily on **hotel ownership**, while others operate through **management contracts or franchise agreements** ***(Appendix 5)***. These differences matter because each model has a different risk profile, capital intensity, and margin structure. Over time, major hotel groups have increasingly moved toward asset-light models, particularly franchising, because this allows them to grow their system size with **lower capital requirements**. The economic rationale is straightforward. A franchisor can expand its room base without directly owning most of the underlying hotel assets, and at the same time earn recurring fees based on hotel revenues.

Differences across chain-scales affect the pricing power and demand elasticity, and influence hotel performance across segments. According to PwC, U.S. ADR ranges from approximately **$70.59** in the **economy** segment to **$442.55** in the **luxury** segment **(Figure 30)**. This wide dispersion shows how strongly lodging economics vary across the market and why chain-scale is an important industry characteristic

***Figure 30 -** U.S. ADR ($) by Chain Scale, 2025*



***Source:** PWC, U.S. Hospitality Directions – STR data, May 2026*

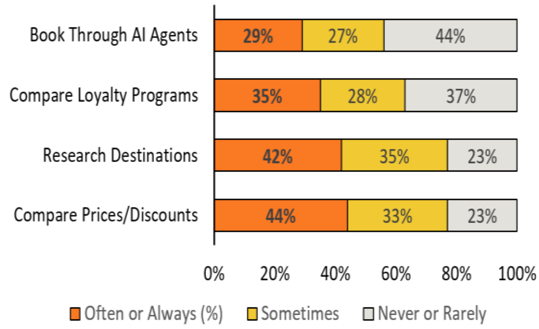
Industry Trends

Artificial intelligence

Artificial intelligence has become a prominent topic across almost all industries, and the hospitality sector is no different. For hotel companies, one of the clearest applications is how hotels price and manage demand. In this area, AI tools can support more **dynamic pricing** and more **precise demand forecasting** by combining booking trends, competitor rates and local market conditions.

Efficiency is another crucial aspect, particularly in labor-intensive functions. Hotels can automate routine guest interactions through chatbots, AI-supported call centers, and digital guest-service tools, helping reduce pressure on front-desk and reservation teams. According to PwC, AI applications in hospitality call centers reduced call abandonment by **6% to 8%**, increased reservation conversions by **25% to 35%**, and lowered call volume and handling time.

***Figure 31 -** AI Use by Travelers*



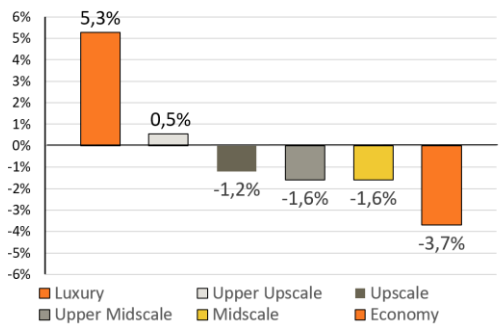
***Source:** PWC 2026 U.S. Consumer Poll on Summer Spending*

At the same time, AI is changing how consumers plan and book travel. PwC's 2026 Consumer Poll on Summer Spending found that **44%** of respondents often or always use AI tools to **compare prices and look for discounts**, while **42% use** them to **research destinations and travel options (Figure 31)**. As these tools become more influential in the booking process, hotel brands will need to ensure that their properties, room rates, availability, and loyalty benefits can be accurately identified by AI platforms.

Luxury Travel Trend

Another important industry trend is the continued premiumization of travel. Demand remained stronger at the upper end of the market in 2025, with Luxury hotels recording RevPAR growth of approximately **5.3%**, while lower chain scales recorded declines **(Figure 32)**. Greater pricing power and the lower sensitivity of higher-income travelers helped luxury hotels outperform the rest of the market.

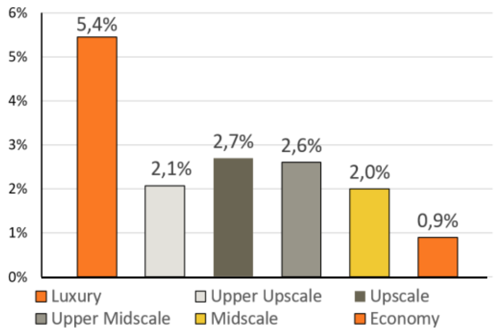
***Figure 32 -** U.S. RevPAR YoY (%) Growth by Chain Scale, 2026*



***Source:** PWC, U.S. Hospitality Directions – STR data, May 2026*

This pattern is expected to continue in 2026, although the improvement is expected to broaden across the lodging market. Luxury hotels are again expected to record the strongest RevPAR growth, at **5.4% (Figure 33)**, confirming the continued resilience of premium travel. However, other chain scales are also forecast to grow, indicating that the recovery is becoming more broadly distributed.

***Figure 33 -** U.S. RevPAR YoY (%) Growth by Chain Scale, 2025*



***Source:** PWC, U.S. Hospitality Directions – STR data, May 2026*

The outlook therefore continues to favor premium travel. Higher-end hotels remain better positioned to translate demand into stronger rates, particularly when offering distinctive experiences, personalized service, wellness and higher-quality food and beverage options. This gives the upper end of the market a clear advantage as travelers become more selective about where they spend.

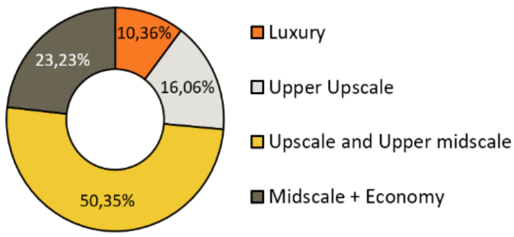
Supply

Global hotel supply continues to **expand**, supported by a large development pipeline. In **2025**, new openings added approximately **326,000 rooms** worldwide, while a further **389,000 rooms** are expected to open in **2026**. These numbers suggest that new supply will remain relevant for the lodging industry in the near term, especially in markets where pipeline activity remains concentrated.

Beyond these near-term openings, the global pipeline data provides further evidence that supply growth is likely to remain high. By the fourth quarter of **2025**, the global hotel pipeline comprised approximately **2.44 million rooms**, with the Upscale and upper-midscale properties representing the largest share of the pipeline **(Figure 34)**. This indicates that future development remains concentrated in branded segments above the lower end of the market. Geographically, the United States accounted for approximately **39%** of global pipeline rooms, followed by China at around **26%** **(Figure 35).**

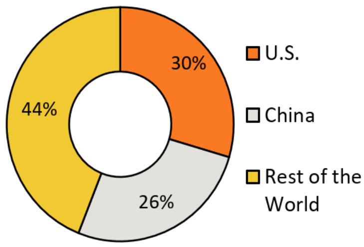
In the United States, hotel room supply regained momentum in 2025 after a prolonged slowdown. Average daily room supply increased to **5.67 million rooms** and is forecast to rise further to **5.80 million in 2026**, corresponding to growth of **2.3% (Figure 36)**. The pattern of supply growth also differs across chain scales. Luxury supply increased strongly in 2025 but is expected to moderate in 2026. By contrast, midscale segments are forecast to expand at a particularly strong pace, with **midscale room supply** expected to grow by **3.2%** in **2026**, above the overall US market (***Appendix 7***).

Figure 34 - *Global Pipeline by Chain Scale*



Source: *Lodging Econometrics*

Figure 35 - *Global Pipeline by Countries*



Source: *Lodging Econometrics*

Demand

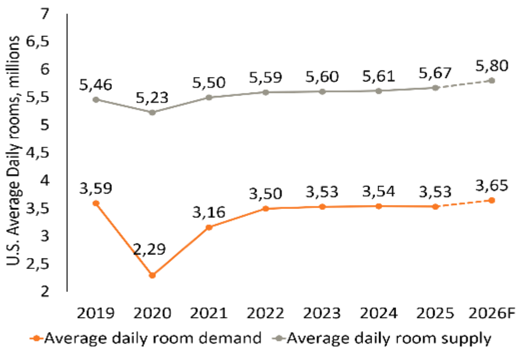
US lodging demand weakened in 2025, with average daily rooms sold declining by **0.2%** from **3.54 million** in **2024** to **3.53 million**. However, PwC expects a recovery in 2026, forecasting average room demand to increase by **3.2%** to approximately **3.65 million (Figure 36)**. Expectations for the first half of the year may still be relatively soft. However, demand should strengthen as the year progresses, supported by leisure travel, a busy events calendar and a gradual recovery in business, group and international travel.

The **FIFA World Cup** is expected to provide an **additional boost to demand**, as the tournament is likely to generate additional domestic and international travel across the host markets, supporting hotels and cities involved. International visitor arrivals to the United States are forecast to return to growth in 2026, with the World Cup contributing approximately **1.1 percentage points** to the annual increase **(Figure 37)**. This is particularly relevant because inbound travel has recovered more slowly than domestic leisure demand, while corporate and group travel have also remained below their previous trajectories.

Demand growth in the U.S. should also become more evenly distributed across chain scales in 2026. In 2025, luxury was the strongest segment, supported by resilient high-income consumers and continued demand for premium travel experiences. However, PwC now expects improvement in 2026 to extend beyond luxury, with the **midscale segment** projected to grow by **4.1%**, which is particularly relevant for Choice Hotels International given its strong exposure to the segment.

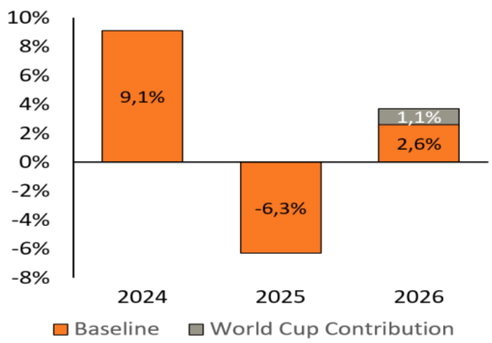
Nevertheless, higher travel costs remain a potential headwind. Higher oil prices have pushed up jet fuel costs, and part of that increase may be passed on to travelers through higher airfares. Oxford Economics estimates that a two-month conflict could result in a **5–10%** increase in base airfares. Although global air-passenger demand is expected to remain relatively resilient outside the Middle East and Africa **(Figure 38)**, more expensive transportation could weigh on price-sensitive travelers, particularly those using economy and midscale accommodation.

Figure 36 - *U.S. Room Supply & Demand, 2019-2026F (millions of rooms)*



Source: *PWC, U.S. Hospitality Directions – STR data, May 2026*

Figure 37 - *International Inbound in the U.S.*



Source: *Oxford Economics*

Occupancy and pricing

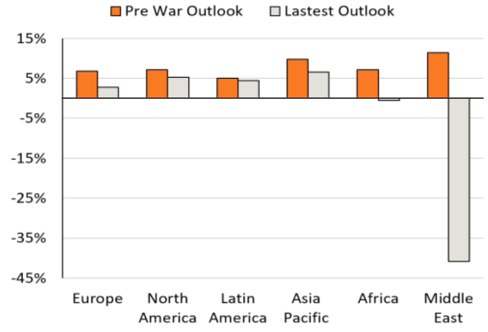
The balance between supply and demand points to an improvement in U.S. lodging performance in 2026 (***Appendix 6***). In recent years, demand growth has generally been too weak to create a meaningful increase in occupancy, while room supply continued to expand. However, **in 2026**, demand is expected to grow faster than supply, allowing **occupancy** to rise to **62.9% (Figure 39)**. Pricing, on the other hand, has been more resilient, with ADR increasing from **$124.7 in 2021** to **$160.63 in 2025** and projected to reach **$163.73 in 2026**.

Together with the expected rise in occupancy, this would increase nominal RevPAR from **$100.06 in 2025** to **$102.95 in 2026**. Nevertheless, part of the increase in nominal RevPAR reflects inflation rather than stronger real pricing power, since continued supply growth increases competition for guests and limits hotels' ability to raise room rates faster than inflation. As a result, real RevPAR[1] declined by **2.7% in 2025** and is forecast to decrease by a further **0.5% in 2026**, reaching **$99.57 in 2025 prices (Figure 40)**.

Overall, the outlook points to a moderate improvement in U.S. lodging fundamentals, although real pricing is still constrained. Demand is expected to recover in 2026, with performance becoming more balanced across chain scales after stronger recent growth in Luxury. Beyond 2026, however, the durability of this recovery will depend on macroeconomic conditions, inbound and business travel, transport costs and the pace of new supply.

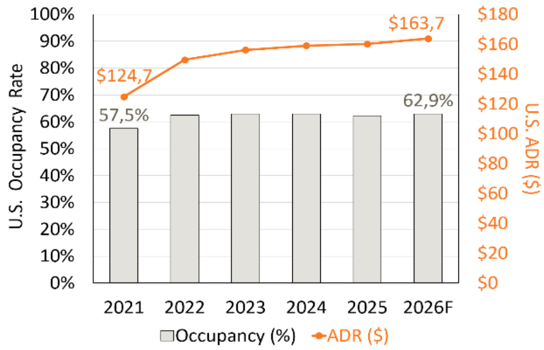
For Choice, this creates a mixed but not necessarily negative backdrop. Continued supply growth in its core segments may limit occupancy gains and real pricing power if new room additions outpace demand. However, as an asset-light franchisor, Choice can also benefit from a larger hotel supply base if it continues to attract franchisees and maintain brand relevance.

Figure 38 - *Regional Air Passenger Demand Growth Outlook, 2026*



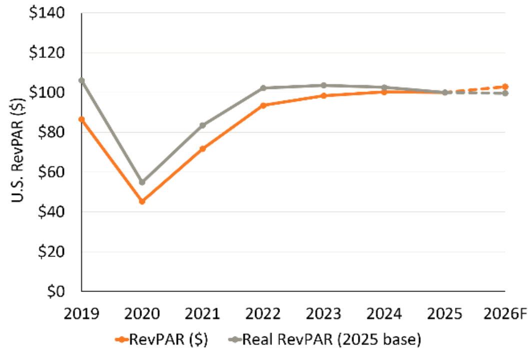
Source: *Oxford Economics*

Figure 39 - *U.S. Occupancy vs ADR, 2019-2026F*



Source: *PWC, U.S. Hospitality Directions – STR data, May 2026*

Figure 40 - *U.S. RevPAR vs Real RevPAR, 2019-2026F*



Source: *PWC, U.S. Hospitality Directions – STR data, May 2026*

Competitive Positioning

Peers Identification

The starting point for the peer selection was **Bloomberg's Industry Classification Browser** under the **Lodging Category** (***Appendix 8***). From this initial universe, and to improve comparability, companies with less than **90%** of total revenues derived from **hotel-related activities** and companies with a **market capitalization** below **one billion $** were **excluded**. After applying these filters, the sample was reduced to **25 companies**.

This group was then further refined using the **SARD model**. Four variables were considered: **FCF margin** as a proxy for efficiency, **Net Debt to EBITDA** as a proxy for risk, five-year average **revenue growth** as a proxy for growth, and **market capitalization** as a proxy for size ***(Appendix 9)***. The companies with the lowest SARD scores were Marriott International, Hyatt Hotels, Wyndham Hotels & Resorts, InterContinental Hotels Group, Isrotel Ltd, and Hotel Properties Ltd.

The final peer group **(Figure 41)**, however, was not selected blindly from the SARD results. A **qualitative review** of each company identified by the model was performed to assess whether their business models and valuation drivers were comparable to Choice. As a result, Isrotel Ltd and Hotel Properties Ltd **were excluded** since the first one is a regional hotel owner, operating mainly in Israel, while the second one combines hotel ownership with property development and investment activities. As a final adjustment, **Hilton** was added to the final peer group, since it operates a global and asset-light hotel platform with significant exposure to the U.S market.

Table 2 - *CHH SARD Results*

Ticker	SARD Rank	SARD Peer	Final Peer
MAR	3	✓	✓
H	3	✓	✓
WH	3	✓	✓
IHG	6	✓	✓
HLT	14	✗	✓
HPL	2	✓	✗
ISRO	1	✓	✗

Source: *Bloomberg, Author Analysis*

[1] Real RevPAR indexed to 2025 values

Peers Strategy

Wyndham (WH)

Wyndham operates a global hotel franchise platform, with more than **8,300 hotels** and approximately **869,000 rooms** across **100 countries**. Its portfolio is mainly positioned in the economy, midscale and upper-midscale segments, which makes its chain-scale exposure very close to Choice. The company also follows an almost entirely asset-light franchising model, and growth is supported by brand expansion, hotel conversions and new construction, while franchisees remain responsible for hotel ownership and operations. Together, these characteristics make Wyndham the **closest strategic comparable** to Choice Hotels International ***(Appendix 10)***.

InterContinental Hotels Group (IHG)

InterContinental is a global hotel group with meaningful exposure to the Americas, which accounts for roughly half of its room base. Its brand portfolio is mainly exposed to midscale and upper-midscale segments, through brands such as Holiday Inn, while also maintaining exposure to upscale, upper-upscale and luxury segments via brands such as Crowne Plaza or Six Senses.

With approximately **73% of rooms under franchise agreements**, the company operates an asset-light structure. Although its geographic mix is less concentrated in the U.S. than Choice's, the company remains a useful peer since it combines a large franchised system with relevant exposure to midscale and upper-midscale hotels.

Marriott (MAR)

Marriott is the largest company in the peer group, with approximately **1.78 million rooms worldwide** and around **60%** of its rooms located in the US. Its brand portfolio ranges from midscale to luxury, giving it a broader and more premium portfolio than Choice. Marriott Bonvoy, one of the largest loyalty programs in the world with nearly **271 million members**, also plays an important role in the company's strategy.

For the peer group, Marriott is relevant because it combines a large U.S. presence, a significant franchised room base, an asset-light growth model and a hotel platform that is relevant for benchmarking Choice's valuation.

Hilton (HLT)

Hilton operates a global hotel platform with more than **1.3 million rooms** across **144 countries** and territories. Its portfolio is mainly concentrated in upper-midscale, upscale and upper-upscale segments, although the company has also expanded into luxury.

Hilton was included in the peer group because its business model shares important similarities with Choice. The company has a large U.S. presence, meaningful exposure to franchise and management fees, and limited hotel ownership, making it a relevant comparison for an asset-light lodging company.

Hyatt (H)

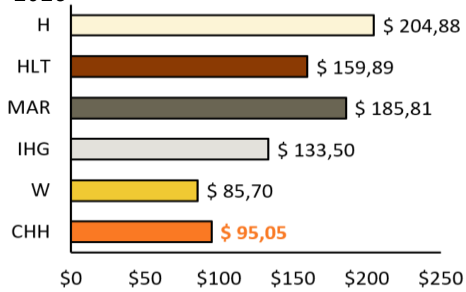
Hyatt has the most **premium** positioning within the peer set. Although it has a **smaller room base** than the rest of the peers, it records the **highest ADR**, reflecting stronger exposure to upscale, upper-upscale and luxury hotels, making it a more niche operator within the group.

Hyatt also differs from Choice because it still owns and leases some hotels. Even so, the company has been moving toward a more asset-light model, with greater reliance on management and franchise fees.

Figure 41 *- Final Peer Group*

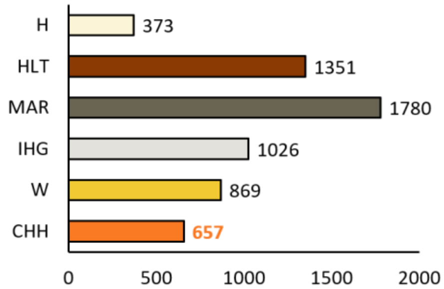
Source: *Author Analysis*

Figure 42 *- Average Daily Rate per Peer, 2025*



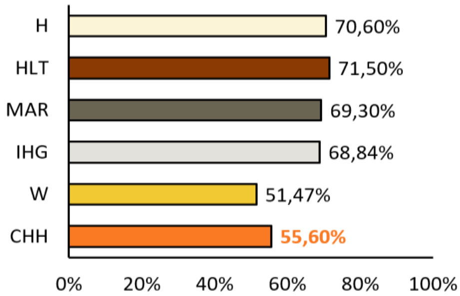
Source: *Respective companies' 2025 10Ks, Author Analysis*

Figure 43 *- Number of Rooms (in 000's) by Peer, 2025*



Source: *Respective companies' 2025 10Ks, Author Analysis*

Figure 44 *- Occupancy Rate by Peer,*



Source: *Respective companies' 2025 10Ks, Author Analysis*

SWOT Analysis

Figure 45 - *SWOT Analysis*

Strengths

1. Highly asset-light franchise model, reducing property-level operating risk while supporting strong operating leverage and scalable fee-based revenue.
2. Commercial platform and loyalty ecosystem, improving franchisee performance through reservation systems, revenue management tools, marketing capabilities and Choice Privileges.
3. Diversified brand portfolio across almost all chain scales, allowing Choice to serve different customer segments and guest budgets.
4. Ability to grow through both new construction and hotel conversions, allowing Choice to expand in different market conditions.

Weaknesses

1. Smaller global scale and brand recognition, limiting Choice's competitive position in comparison with major peers.
2. High dependence on the U.S market, reducing geographic diversification and increasing exposure to domestic lodging cycles.
3. Limited exposure to the luxury and upper-upscale segments, reducing pricing power and participation in premium travel demand.
4. Dependence on franchisee operations and brand standards, as weak property-level operations by third-party hotel owners can damage brand perception despite Choice's audits, training and operating standards.
5. Lower occupancy and ADR compared with most peers, limiting RevPAR performance

Opportunities

1. Further penetration of higher ADR chain scales, through brands such as Cambria, Ascend and Radisson, supporting pricing power and brand desirability.
2. International expansion, especially in markets where branded economy/midscale lodging remains underpenetrated.
3. Rising demand from independent hotels seeking stronger brand affiliation and access to Choice's reservation and revenue management technology systems.
4. Extended-stay expansion, leveraging Choice's existing brands to capture longer-duration demand and support more stable occupancy.
5. Further AI adoption across revenue management and hotel operations, strengthening Choice's technology platform and improving franchisee profitability.

Threats

1. Intense competition for franchisees and guests, pressuring franchise terms, incentives and system growth.
2. Macroeconomic slowdown and weaker travel demand, particularly among economy and midscale guests.
3. Brand desirability risk, as weaker owner or guest perception could reduce franchise growth and booking demand.
4. Technology and cybersecurity risks linked to key reservation, pricing and distribution systems.
5. Franchisee financial distress or hotel closures, which could reduce system size and royalty revenues.
6. OTA dependence and alternative lodging pressure, increasing distribution costs and guest competition.

Source: *Author Analysis*

Porter's 5 Forces

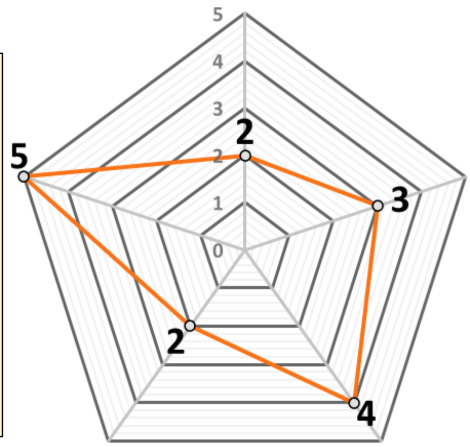
***Figure 46 -** Porter's 5 Forces*

Threat of New Entrants (2)

Although the lodging market is fragmented at the property level, entering as a credible franchisor is hard. New entrants need brand recognition, reservation systems, loyalty infrastructure, revenue management tools and owner relationships.

Competitive Rivalry (5)

Major hotel groups compete intensely to attract hotel owners, sign new franchise agreements and capture guest demand. In the asset-light model, growth depends on net room additions, brand reputation, loyalty programs and technology platforms, forcing continuous investment in marketing and franchisee support to protect market share and royalty growth.



Threat of Substitutes (3)

Alternative lodging platforms such as Airbnb compete with hotels for leisure, group and extended stay demand. However, hotels retain advantages in corporate travel, standardized service, safety, loyalty programs and brand reputation.

Bargaining Power of Suppliers (2)

Generally limited, as Choice benefits from scale across vendors, procurement partners and operating suppliers. However, OTAs remain relevant distribution partners and can increase commission costs, although Choice's internal reservation, distribution and revenue-management tools reduce supplier dependence.

Bargaining Power of Buyers (4)

The main buyers are hotel owners and developers, who can choose among several hotel franchisors and negotiate fees, incentives and renovation requirements. At the guest level, low switching costs and OTA price transparency increase bargaining power, although large brands retain leverage through loyalty programs and its own reservation systems.

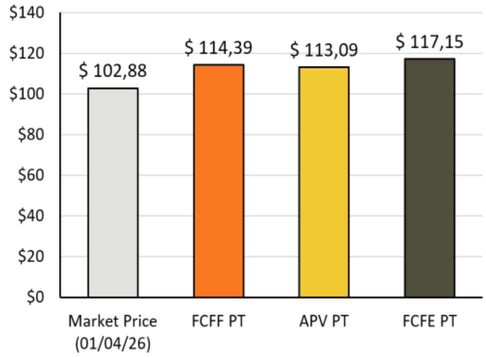
***Source:** Author Analysis*

4. Valuation

To reach an investment recommendation for Choice Hotels International (NYSE: CHH), the valuation was built over a **six-year forecast period** from **2026YE** to **2031YE**. The analysis resulted in a **price target of $114.39 per share**, compared with Choice Hotels' market price of **$102.88 as of April 1, 2026**, implying an **upside potential** of **11.19%**.

As the main valuation approach, the **FCFF model** was used to derive the final price target, while **APV** and **FCFE models** were applied as cross-checks. All the methods produced similar outputs, corroborating the consistency of the valuation. Cash-flow calculations were adjusted to reflect franchise agreement acquisition costs, which were treated similarly to capital expenditures. These costs were deducted as cash reinvestment, while the related amortization was added back as a non-cash expense, following the same logic applied to CAPEX and depreciation.

Figure 47 - *Price target ($) by valuation method*



Source: *Author Analysis*

Free Cash Flow to the Firm

The Free Cash Flow to the Firm DCF ***(Appendix 27)*** was selected as the main valuation model, as it values the operating cash flows generated by Choice before the impact of financing decisions.

Under this method, projected free cash flows to the firm increase from **$266.2 million** in **2026** to **$464.1 million** in **2031**. These cash flows were discounted using a WACC of **8.73% (Appendix 36)**. The terminal value was calculated with a **3.05% growth rate** ***(Appendix 38)***, resulting in an equity value of approximately **$5.18 billion,** or **$114.39** per share against the closing price of **$102.88** from April 1st, 2026 **(Table 3)**.

Table 3 - *FCFF Valuation*

FCFF	
Equity Value	$5 177,31
Market Price (01/04/26)	$102,88
Price Target	**$114,39**
HOLD / NEUTRAL	**11,19%**

Source: *Author Analysis*

Adjusted Present Value (APV)

The Adjusted Present Value model **(*Appendix 28)*** was used as a complementary DCF approach to the FCFF valuation. This method separates the value of the operating business from the value created by its financing structure. Therefore, under this model Choice is first valued as if it were entirely equity-financed, using the **unlevered cost of capital** of **9.04%** and then the value of the interest tax shield is added separately.

This resulted in an **unlevered enterprise value** of approximately **$6.63 billion.** Adding the **present value of the tax shield**, estimated at **$315.4 million**, the **levered enterprise value** amounted to **$6.94 billion**. By deducting debt and adding cash, the valuation implies an equity value of **$5.12 billion**, or **$113.09 per share (Table 4)**.

Table 4 - *APV Valuation*

APV	
Equity Value	$5 118,24
Market Price (01/04/26)	$102,88
Price Target	**$113,09**
HOLD / NEUTRAL	**9,92%**

Source: *Author Analysis*

Free Cash Flow to Equity

The Free Cash Flow to Equity method was applied as a cross-check, focusing directly on the cash flow available to shareholders after operating expenses, taxes, reinvestment needs and financing effects. This method is relevant for Choice, since the company **actively manages its capital structure** as part of its capital allocation strategy.

However, FCFE is more exposed to financing assumptions than FCFF, as changes in new borrowings can materially affect annual equity cash flows, even when the underlying operating performance of the business has not changed. For this reason, FCFE was used as a complementary valuation approach, providing an additional equity holder perspective while allowing the FCFF model to remain the main valuation reference.

In line with the debt assumptions ***(Appendix 26)***, financial debt was **assumed to be refinanced at maturity**, with **additional borrowing issued only when debt-to-EBITDA** declined below the historical average of approximately **2.7x**. To avoid capitalizing a final-year cash flow affected by this borrowing adjustment, terminal FCFE was normalized through a linear trend (***Appendix 30***).

The forecast equity cash flows were discounted at a **cost of equity** of **10.66%**, resulting in an **equity value** of approximately **$5.30 billion** (***Appendix 29***), or **$117.15 per share**, yielding an upside of **13.87% (Table 5)**.

Table 5 - *FCFE Valuation*

FCFE	
Equity Value	$5 301,89
Market Price (01/04/26)	$102,88
Price Target	**$117,15**
HOLD / NEUTRAL	**13,87%**

Source: *Author Analysis*

Total Payout Model

The Total Payout model was tested as an additional equity valuation method, based on **dividends** and **net share repurchases**. Net share repurchases were calculated after **deducting share-based compensation** from treasury stock purchases, to estimate the effective cash returned to shareholders.

During the explicit forecast period, buybacks were forecast **as a percentage of cash available before buybacks**, based on the historical average ratio. This links repurchases to excess cash generation rather than assuming a fixed payout amount. For the terminal year, a more conservative payout was applied as it would be unrealistic to assume that the company could repurchase shares at the same pace indefinitely.

With an implied equity value of approximately **$2.27 billion *(Appendix 31)***, the model produced a materially lower valuation than the other approaches. Given its sensitivity to the terminal payout level, the result was not used as a valuation reference for the final price target.

Table 6 - *EV/EBITDA Valuation*

EV/EBITDA	
CHH EBITDA	$ 552,56
EV/EBITDA Peers	$ 22,55
Implied EV	$ 12 460,33
Debt	$ 1 909,14
Cash	$ 90,58
Equity	$ 10 641,77
Price	$ 235,61
Market Price (01/04/2026)	$ 102,88
Buy	**129%**

Source: *Author Analysis*

Market Based Valuations

To complement the intrinsic valuation, a **market-based valuation** was performed using trading multiples from the final peer group ***(Appendix 32)***. This approach was not used to determine the price target, but to provide a market reference based on how comparable hotel companies are currently priced.

EV/EBITDA and **EV/EBIT** multiples were considered the most relevant multiples, as both are commonly used in the hotel sector to compare operating profitability. The results were consistent with each other, with implied prices of **$235.61 per share** under EV/EBTDA and **$238.17 per share** under EV/EBIT, corresponding to upside potentials of **129%** and **132%**, respectively **(Table 6 & 7)**.

The **P/E ratio** was also included as market-based reference, as it shows how much investors are willing to pay for each dollar of the company's net income. This multiple also pointed to a valuation above the current market price **(Table 8)**.

Overall, the trading multiples produce valuation multiples **well above the current share price**. Although the selected peer group provides a relevant market benchmark, these results should be interpreted with **caution**, as differences in scale, geographic diversification, brand positioning and growth profile can affect the multiples investors are willing to pay. Therefore, the result does not invalidate the peer analysis but highlights the limitation of applying median peer multiples mechanically. For this reason, the multiples output was treated as a market-based cross-check rather than as a direct price target.

Table 7 - *EV/EBIT Valuation*

EV/EBIT	
EBIT	$ 486,30
EV/EBIT Peers	$ 25,86
EV	$ 12 575,76
Debt	$ 1 909,14
Cash	$ 90,58
Equity	$ 10 757,20
Price	$ 238,17
Market Price (01/04/2026)	$ 102,88
Buy	**132%**

Source: *Author Analysis*

Table 8 - *P/E Valuation*

P/E	
EPS	$ 6,86
P/E Peers	$ 36,70
Price	$ 251,84
Market Price (01/04/2026)	$ 102,88
Buy	**145%**

Source: *Author Analysis*

Key Valuation Drivers

Cost of Capital Assumptions

The **Cost of Equity (Ke)** was estimated using the **Capital Asset Pricing Model**. Given that **22%** of Choice's rooms are located outside the United States, the total **Equity Risk Premium** was computed as a room-weighted average across the international footprint of the company, using **Damodaran's updated country ERP dataset** as of April 1, 2026. This resulted in a blended ERP of **5.60%** ***(Appendix 33)***. The use of the April 2026 dataset is particularly relevant, as it captures part of the market repricing following the escalation of geopolitical tensions in the Middle East.

The **Risk-Free Rate** (Rf) was proxied by the **U.S. 10-year Treasury Yield of 4.30 %** as of **April 1, 2026**.

For the **Beta (β)**, a **peer-implied levered beta** ***(Appendix 34)*** was computed instead of relying solely on Choice Hotels' company specific Bloomberg Adjusted beta. CHH's adjusted beta of **0.787** showed relatively low explanatory power, with an R^2 of 13.6%, below the peer group range of 23.9% - 40.4%. In addition, CHH's adjusted beta was materially below the peer group beta range of **0.912x – 1.090x**, despite operating in the same cyclical lodging industry. Therefore, a peer-implied beta was used to obtain a more normalized measure of systematic risk.

To compute the peer-implied beta, Bloomberg adjusted betas were retrieved for the same peer group previously selected through the SARD model. These peer betas were then unlevered using each company's net debt-to-market equity ratio. A **21% statutory tax rate** was applied in the unlevering process. The median peer unlevered beta was **0.863**, which was then relevered to Choice's capital structure, based on its **40%** net debt-to-equity ratio. This resulted in a **peer-implied levered beta** of **1.136**. Combining this beta with the blended ERP and the U.S. risk-free rate resulted in a **Cost of Equity** of **10.664%**.

The **Cost of Debt (Kd)** ***(Appendix 35)*** was computed using the **Credit Spread method**. The company-specific default spread was derived from Choice Hotel's **interest coverage ratio of 5.16x**, which corresponds to an **A2/A** synthetic rating under Damodaran's default spread table for large non-financial firms, implying a **0.78%** default spread. A **tax rate of 21%** corresponding to Choice's **statutory tax rate** was used to estimate the after-tax Kd. Combining all these components resulted in a **WACC of 8.727%** 2026F valuation **(Table 9)**.

Table 9 - *Cost of Capital*

WACC	
	2026
Cost of Capital (WACC)	**8,73%**
Cost of Equity (Re)	10,66%
Cost Of Debt (Rd)	5,08%
E/V	70,88%
D/V	29,12%
MV of Equity	$4 646,70
BV of Debt	$1 909,14
V	$6 555,84
Marginal Tax Rate	21,00%

Source: *Author Analysis*

Terminal Growth Rate

The terminal growth rate was estimated using the relationship between ROIC and the reinvestment rate **(Figure 48)**. Choice's reinvestment includes three main components**: investment in owned hotel properties**, **investment in other property and equipment** such as technology, systems and corporate infrastructure, and **franchise agreement acquisition costs**.

The first two components are included in CAPEX. However, as explained in the strategy chapter of this report, the **main growth engine of Choice's asset-light business is the expansion of its franchise system**. Franchise agreement acquisition costs mainly consist of incentives paid to hotel owners to enter into new franchise agreements or complete improvements under existing agreements.

Figure 48 - *Stable Growth Formula (with FAACs)*

$$g = ROIC \times Reinvestment\ Rate$$

$$\mathbf{Reinvestment} = Capex - D\&A + FAAC's - FAAC's\ Amortization + \Delta\ NWC$$

$$Reinvestment\ Rate = \frac{Reinvestment}{NOPAT}$$

Source: Author Analysis

These payments are **capitalized as intangible assets** and **amortized over the expected benefit period of the franchise agreement**. This treatment is economically similar to CAPEX: the initial payment represents a cash investment that is expected to generate benefits over several years, while the related amortization is a non-cash charge. Franchise agreement acquisition costs were therefore included in reinvestment, and the associated amortization was deducted from that investment base.

As PP&E-related capex converges toward depreciation in the terminal period, **FAACs become the main source of positive net reinvestment**, reflecting their role in supporting franchise system expansion. In the terminal year, **net reinvestment** amounts to approximately **$85.9 million**, corresponding to a reinvestment rate of approximately **16%**. Combined with a forecast **ROIC of 19.26%**, this results in a **terminal growth rate (g)** of **3.05%** ***(Appendix 38)***.

This rate remains **above the forecast PCE inflation rate of 2.20%**, which is reasonable given the company's ability to grow through RevPAR growth supported by inflation, room additions, royalty rate improvements and operating leverage. At the same time, it stays **below the 2030 forecast nominal GDP growth** of approximately **4.0% (Table 10)**, supporting its long-term sustainability.

***Table 10 -** Long Run Growth Rates*

Terminal Growth Rate (g) Firm - Excluding FAACs
0,23%
Terminal Growth Rate (g) Firm - Including FAACs
3,05%
U.S. PCE Inflation Growth 2030F
2,20%
U.S. Real GDP Growth 2030F
1,80%
U.S. Nominal GDP 2030F
4,00%

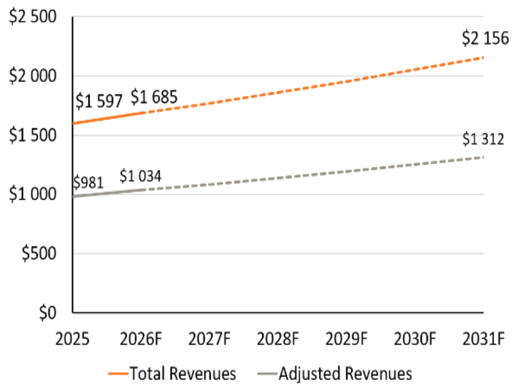
***Source:** Author Analysis*

Forecast Assumptions and Analysis

Revenues

Choice Hotels' revenues include franchise and management fees, partnership services and fees, revenue from owned hotels, other revenue, and reimbursable revenue associated with franchised and managed properties (***Appendix 21***). Total reported revenues are forecast to increase steadily from approximately **$1.6 billion** in **2025** to **$2.2 billion** in **2031,** while adjusted revenues[2] are expected to increase from approximately **$981 million** in **2025** to **$1.3 billion** by **2031**. This growth is mainly supported by franchise and management fees, which rise from approximately **$673 million** to **$923 million** over the forecast period **(Figure 50)**.

Figure 49 - Reported & Adjusted Revenue Forecast ($M)



Source: Author Analysis

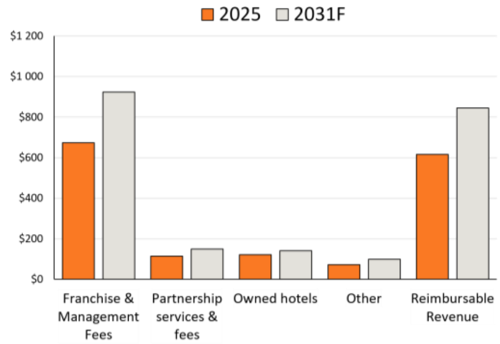
Franchise and Management Fees Forecast

Franchise and management fees are divided into three components: domestic royalty fees, international royalty fees, and other franchise and management fees. Given their importance to Choice's business model, domestic royalty fees were forecast using a **top-down approach** based on the expected development of the U.S. lodging market and Choice's position within it.

The starting point was **PwC's May 2026 U.S. lodging outlook**, based on **STR data** ***(Appendix 6)***. To better reflect Choice's portfolio, the broader lodging market was adjusted by **excluding luxury, upper-upscale, and independent hotels**, whose pricing, operating characteristics, and customer mix are less representative of Choice's branded franchise system ***(Appendix 22)***.

Within this fitted market, **demand growth** was linked to **U.S. real disposable personal income** projections, while **supply growth** was assumed to gradually converge toward its historical average **(~1.75%)**. As a result, fitted market demand is forecast to increase from approximately **2.068 million rooms** in **2025** to **2.357 million** by **2031**, while supply rises from approximately **3.290 million** rooms to **3.697 million** over the same period ***(Appendix 23).***

***Figure 50 -** Revenue Breakdown by Segment* ($M)



***Source:** Author Analysis*

[2] Adjusted Revenues = Total Revenues - Revenue for reimbursable costs from franchised and managed properties

Although demand is expected to increase, the market is unlikely to absorb the expected new room supply immediately. Therefore, the fitted market occupancy remains stable in the middle of the forecast period, before improving gradually as demand catches up and supply growth normalizes **(Figure 51)**. Choice's occupancy was assumed to follow the same YoY growth pattern of the fitted market, rather than being set equal to the market level.

The company's **ADR** was forecast using the IMF's projected annual changes in U.S. consumer prices **(*Appendix 4*)**. RevPAR was subsequently calculated as the product of ADR and occupancy, increasing from approximately **$52.9** in **2025** to **$61.6** by **2031 (Figure 51).**

Domestic room count was estimated using the fitted market room supply and the company's forecast market share. Market share was assumed to gradually converge toward its historical average **(~15.19%)**, increasing by **0.1 percentage points per year** throughout the forecast period. This results in the number of domestic rooms rising from approximately **497 thousand** in **2025** to **562 thousand** by **2031 (Figure 52)**

The **effective royalty rate** was assumed to continue increasing at its historical CAGR of approximately **0.8%**, rising from **5.14%** in **2025** to **5.39%** by **2031 (Figure 53)**. This reflects the gradual improvement in the quality and revenue mix of Choice's hotel system, including the increasing contribution of higher chain-scale brands and the company's continued portfolio repositioning. A historical **adjustment factor** was applied to reconcile formula-based royalty fees with reported domestic royalty fees, with the detailed calculation presented in ***Appendix 23.***

International royalty fees were forecast based on international room growth and royalty fee per room. The room count was projected using the **2.7%** historical **CAGR** from **2015** to **2025**, while royalty fee per room was linked to the **IMF regional inflation** projection **weighted by Choice's international room exposure**. Fees are expected to rise from approximately **$41 million** in **2025** to **$64 million** by **2031 (Figure 53)**.

Intangibles

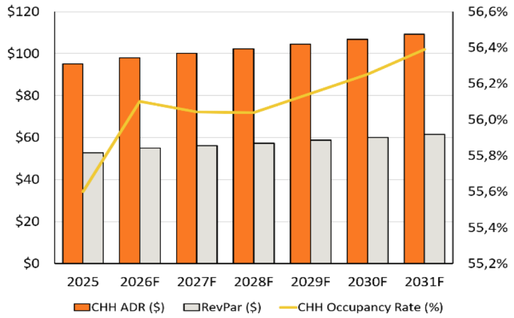
Choice's intangible assets include trademarks, franchise rights, reacquired territory rights, franchise agreement acquisition costs (FAACs), other trademarks and capitalized SaaS licenses, with the detailed roll-forward presented in ***Appendix 24***.

As discussed in the strategy section, FAACs are an important part of the company's growth model. Annual FAAC additions were forecast using their historical percentage of franchise and management fees, reflecting the economic relationship between the growth of Choice's fee-generating franchise platform and the incentives required to support franchise sales and development. Based on this assumption, annual FAAC additions increase from approximately **$117 million** in **2026** to $**152 million** by **2031**.

FAACs are capitalized and amortized over the contractual period during which the related franchise agreement is expected to generate benefits. For forecasting purposes, a **20-year straight-line useful life** was applied. As additions remain above annual amortization, the net FAAC balance increases from approximately **$485 million** in **2025** to **$960** million by **2031 (Figure 54)**.

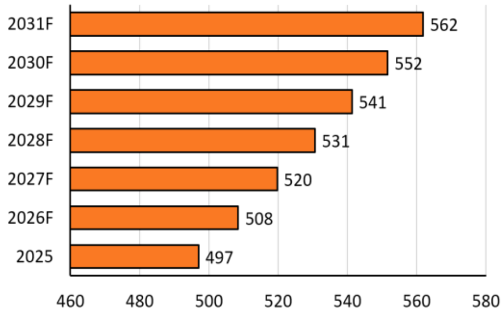
The forecast **does not assume major brand or platform acquisitions**. For that reason, non-amortizing trademarks are kept constant, while franchise rights and reacquired territory rights gradually decline as they continue to be amortized.

Figure 51 - Fitted Market Projected ADR, Occupancy and RevPAR, 2025-2031F



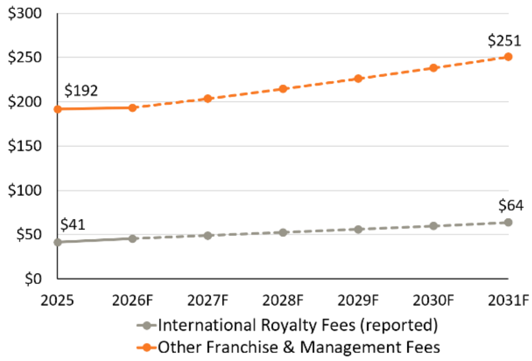
***Source:** Author Analysis*

Figure 52 - Domestic Room Count (000's) Forecast, 2025-2031F



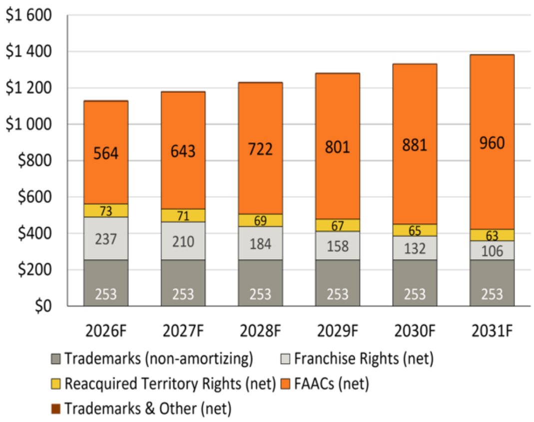
***Source:** Author Analysis*

Figure 53 - International Royalty fees & Other F&M Fees forecast, 2025-2031F ($M)



***Source:** Author Analysis*

Figure 54 - Intangibles Forecast by Component ($M)



***Source:** Author Analysis*

Property, Plant and Equipment

The property and equipment line was forecast using a **roll-forward approach** ***(Appendix 25)***, based on capital expenditures reported in investing cash flows, which include both **investments in owned hotel properties** and **investments in other property and equipment**, such as technology, systems and corporate infrastructure.

Investment in owned hotel properties was forecast to **decline** from approximately **$107 million** in **2025** to **$48 million** in **2031**. This reflects the completion of recent Cambria and Everhome Suites developments and Choice's asset-light strategy. At year-end 2025, the company owned only 17 hotels within a system of 7,575 properties and does not expect to retain owned hotels permanently, instead seeking to dispose of them to franchisees under long-term agreements. By contrast, investment in other property and equipment increases from approximately **$39 million** to **$59 million**, supporting the company's technology, systems and broader operating infrastructure **(Figure 55)**.

As a result, gross PP&E increases from approximately **$811 million** in **2025** to **$1.49 billion** in **2031**, while net PP&E grows more moderately from **$649 million** to **$841 million**, as depreciation offsets part of the new investment **(Figure 56)**.

Debt

Long-term debt was forecast using a **refinancing** and **target leverage approach**. Existing debt instruments were assumed to be refinanced at maturity, reflecting the company's continued access to debt.

No additional borrowings were assumed whenever **debt-to-EBITDA** remained above the **normalized historical average**[3] threshold of **2.7x** ***(Appendix 26)***. As a result, debt remains stable in the first forecast years and increases in the later years, as additional borrowing is triggered when leverage falls below the threshold.

The assumption prevents the model from allowing Choice to deleverage to unusually low levels and keeps the capital structure broadly aligned with its historical profile **(Figure 57)**.

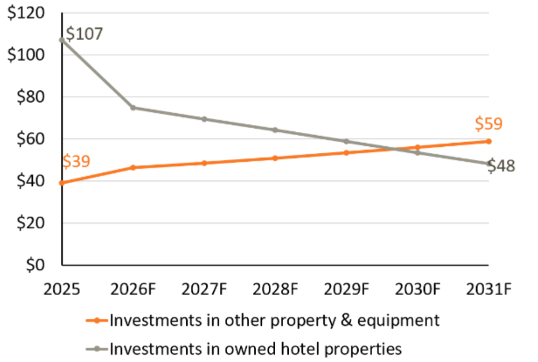
Payout Policy

Given the irregular nature of Choice's historical share repurchases, buybacks were modeled as a function of **available liquidity**. Based on the historical average relationship between **treasury stock purchases** and **cash before buybacks**, the model assumes **buybacks equal to 62%**[4] **of cash available before repurchases**.

For the terminal year, treasury stock purchases were normalized using the historical average amount of buybacks, as it would be unrealistic to assume that the company could maintain the same buyback pace in perpetuity. As a result, treasury stock purchases increase from approximately **$137 million** in **2026** to **$163 million** in **2031** **(Figure 58)**.

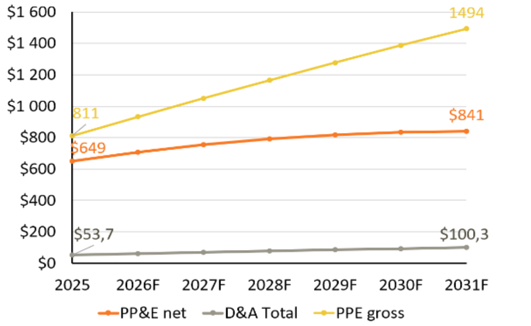
Dividend per share is projected using its historical CAGR of approximately **4%**, increasing from **$1.15** in **2025** to **$1.43** in **2031**. As the share count declines, total dividends paid remain broadly stable at approximately **$55–57** million per year.

Figure 55 - *Capex Forecast by Component ($M)*



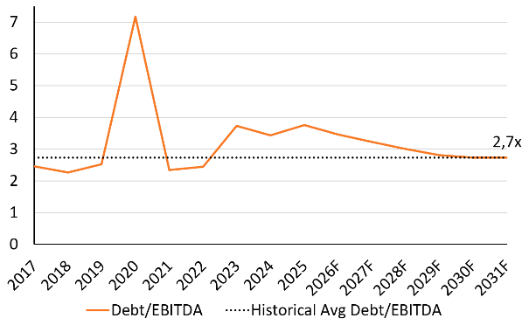
Source: *Author Analysis*

Figure 56 - *PP&E Roll-Forward Forecast ($M)*



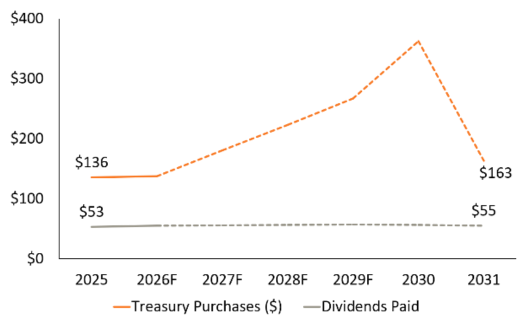
Source: *Author Analysis*

Figure 57 - *Debt-to-EBITDA normalization*



Source: *Author Analysis*

Figure 58 - *Shareholder Payout Forecast ($M)*



Source: *Author Analysis*

[3] Historical debt-to-EBITDA was calculated from 2016 until 2025, excluding COVID-19 years and the Radisson acquisition year (2023), given their distortive impact on leverage.
[4] Average buyback ratio was calculated as the average of treasury stock purchases as a % of cash available before buybacks.

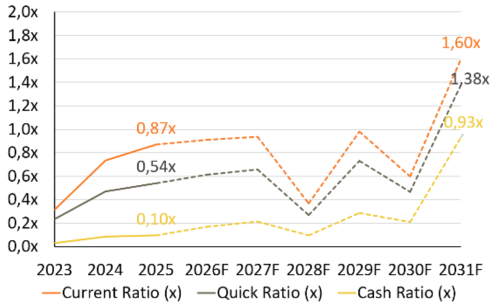
5. Financial Analysis

Liquidity

Choice's liquidity position is projected to improve throughout the forecast period, supported by strong cash generation and the low capital intensity of its asset-light franchise model. Despite the company's history of selective M&A, no acquisitions were projected, as no specific transaction has been announced and future deals remain uncertain in terms of timing, size and execution, contributing to a higher cash accumulation.

The **current ratio** is projected to increase from **0.87x** in **2025** to **1.60x** in **2031**, while the **quick ratio** rises from **0.54x** to **1.38x**. Additionally, the cash ratio improves from **0.03x** to **0.93x**. The sharper increase in the final forecast year can be explained by the cash accumulation following the assumption of the normalization of share buybacks **(Figure 59)**.

Figure 59 - *Liquidity Ratios*



Source: *Author Analysis*

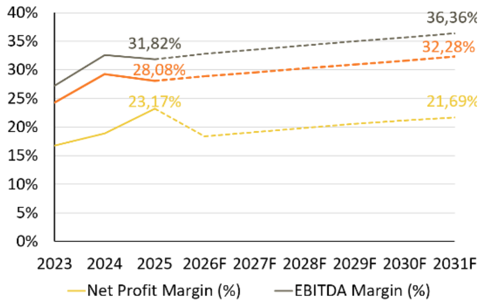
Profitability

Profitability is expected to improve over the forecast period, driven by the **scalability** of the franchise model and a more favorable business mix. As the hotel system grows, the company can generate additional franchise and management fees without a proportional rise in costs, reinforcing operating leverage.

Operating margins are projected to gradually improve, with EBITDA margins increasing from **31.8%** in **2025** to **36.4%** in **2031**, while EBIT margin rises from **28.1%** to **32.3%**. Net profit margin declines from **23.2%** in **2025** to **18.4%** in **2026**, despite stronger operating margins, mainly because 2025 benefited from one-off acquisition-related gains below operating income. From 2026 onward, net profit margin normalizes and gradually recovers to **21.7%** by **2031 (Figure 60)**.

The gradual reduction in investment in owned hotel properties further supports this margin improvement, as the owned-hotel business has historically yielded lower profitability compared to the franchise segment.

Figure 60 - *Profitability Ratios*

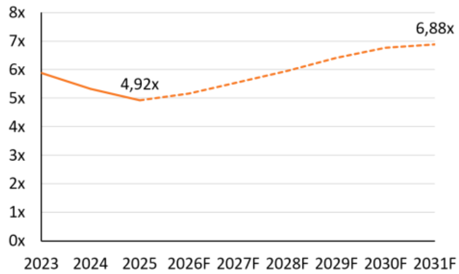


Source: *Author*

Solvency

The forecast points to a gradual strengthening of the company's solvency ratios, mainly supported by EBITDA growth and a controlled leverage policy. As discussed in the debt assumptions, debt-to-EBITDA converges from **3.75x** in **2025** to the normalized historical average of **2.73x** in **2031 (Figure 57)**. Similarly, interest coverage also improves, increasing from **4.92x** in **2025** to **6.88x** in **2031 (Figure 61).**

Figure 61 - *Interest Coverage Ratio*



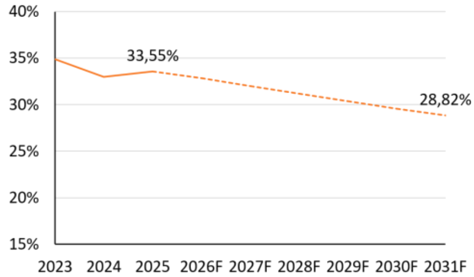
Source: *Author Analysis*

Efficiency

The model projects a gradual improvement in cost efficiency, with SG&A declining from **33.5%** of adjusted revenue in **2025** to **28.8%** in **2031 (Figure 62)**, indicating that corporate costs are expected to rise at a slower pace compared to the company's growing revenue. This reflects the scalability of Choice's franchise model.

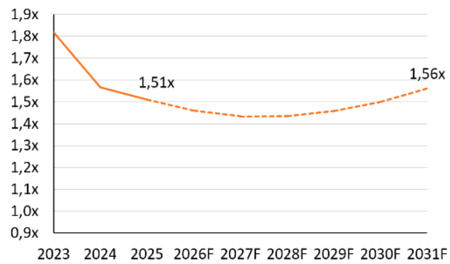
Fixed asset turnover, based on adjusted revenue, declines from **1.51x** in **2025** due to the impact of recent investments in owned hotels on the asset base. However, this ratio is expected to bounce back to **1.56x** by **2031 (Figure 63)**, as revenue increases and investments in owned hotel properties gradually become less prominent.

Figure 62 - *SG&A as % of Adjusted Revenues Forecast*



Source: *Author*

Figure 63 - *Fixed Assets Turnover*



Source: *Author Analysis*

6. Investment Risks

Risk Matrix

Market Risks (MR)

External shocks and Travel Disruption (MR1)

The hospitality industry is extremely sensitive to external shocks such as geopolitical tensions, terrorist attacks, pandemics, natural disasters and extreme weather events. These types of unlikely events can severely impact Choice's business due to the reduced travel appetite, mobility restrictions or even temporary hotel closures. Given that 76% of Choice's rooms are in the U.S., this risk deserves particular attention, as the country is frequently **exposed to events like hurricanes and wildfires**.

Highly Competitive Pressure in the U.S. Lodging and Franchise Market (MR2)

Choice faces **strong competition** at both the **hotel and franchisor level**. Hotels compete with large chains and independent operators for guests, which can pressure RevPAR. At the same time, major franchisors compete to attract hotel owners and secure development opportunities, which can pressure franchise terms, increase the need for incentives to franchisees and make net room growth harder to achieve. As a result, competitive pressure remains a risk with a direct impact on Choice's business.

Industry Oversupply (MR3)

An increase in hotel supply, particularly in economy, midscale and upper-midscale segments, could put **pressure on occupancy** gains and **real pricing power** if demand growth does not keep pace. However, for Choice, supply growth is not only negative, as its asset-light franchise model can also benefit from a **larger** hotel base through **new signings and conversions**. Given the elevated development pipeline discussed earlier in the report, this risk is classified with a medium-high probability, while the impact is considered medium due to its mixed effect on the company.

Shift toward OTAs (MR4)

Although Choice's loyalty and distribution ecosystem supports direct bookings, a continued shift toward OTAs could increase **commission costs** and weaken the company's direct relationship with guests. This risk remains relevant as OTAs make price comparison easier and give travelers more booking alternatives. However, while OTAs can **reduce margins** through commissions, they can also **support booking volumes** as an additional distribution channel. For these reasons, the risk is classified as high probability and medium impact.

Substitute Accommodation Risk (MR5)

Alternative lodging options, such as **Airbnb** and other **short-term rental platforms**, can compete with hotels, especially for leisure and extended-stay demand. However, the impact is partly mitigated, as branded hotels still benefit from loyalty programs and consistent service standards. For this reason, this risk is classified as high probability and low-medium impact.

Economic Risks (ER)

Macroeconomic Slowdown (ER1)

Demand in the lodging industry is strongly linked to macroeconomic conditions. When times get tougher for consumers, one of the first industries to be hit is usually the hospitality sector. Persistent inflation and possibly higher interest rates due to current geopolitical tensions can weaken real disposable income, lower consumer confidence and therefore **reduce travel activity pressuring RevPAR**.

Foreign Exchange Risk (ER2)

Although Choice is mainly exposed to the U.S. market, its international operations create some foreign exchange exposure. Currency movements can affect the **value of international revenues** when translated into U.S. dollars and may also make international **performance less predictable**. However, the overall impact remains limited, as Choice's revenues are primarily concentrated in the U.S.

Operational Risks (OR)

Cybersecurity Risk (OR1)

Choice relies heavily on **technology infrastructure** to support bookings and franchisee operations. This dependence exposes the company to cyberattacks such as ransomware, phishing, credential theft and data breaches, which could **compromise guest data and affect bookings**. In a period where cybersecurity threats are becoming more sophisticated, cybersecurity remains a direct operational risk for the company.

Low Technology Development (OR2)

Choice is a pioneer when it comes to several technological developments in the hotel industry. However, the company **must continue to invest** in property management systems, revenue management tools, and loyalty platforms and digital distribution technologies to **remain attractive to Franchisees**.

Brand Reputation & Quality Control (OR3)

Choice depends on franchisees to maintain **service quality**, **property standards** and **guest experience** across its hotel system. Although the company sets brand standards, conducts audits and provides training, the **day-to-day execution remains largely in the hands of individual franchisees**. This creates a risk of inconsistent service quality and property standards that can damage brand perception and make Choice less attractive to both guests and hotel owners.

Regulatory Risks (RR)

Legal, Regulatory & Franchise Compliance (RR1)

Choice is exposed to franchise laws, consumer protection regulation, employment standards (through franchisees), and other rules that can vary across countries. Failure by Choice and by franchisees to comply with these regulations may result in **litigation**, **penalties** and **reputational damage**.

Environmental Risk (RR2)

Hotels generate significant energy consumption, placing them under increasing **scrutiny from regulators**. At the same time, standards related to carbon disclosure, energy efficiency and waste management are rising, and weak ESG performance can damage brand reputation. For Choice, applying these requirements is more complex because most hotels are owned and operated by franchisees, giving the company less direct control over property-level compliance.

Financial Risks (FR)

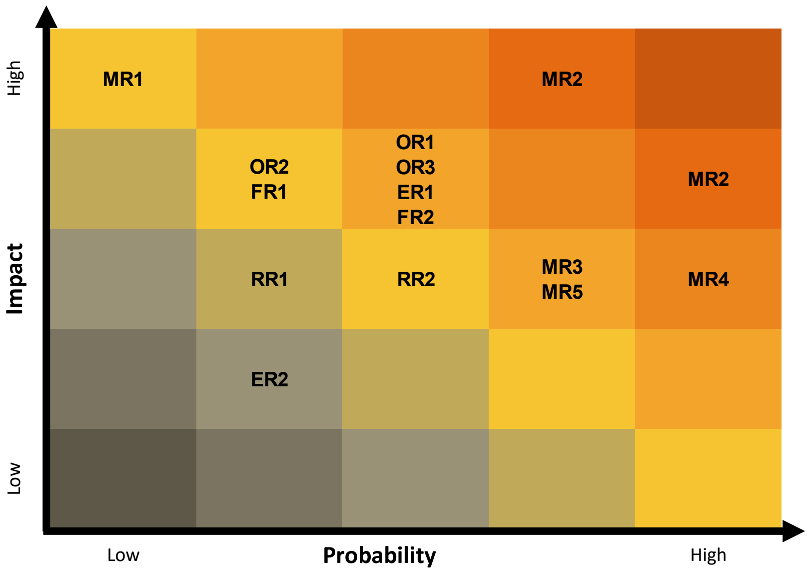
Capital Structure & Debt Management (FR1)

Although Choice operates an asset-light business model, it still relies on long-term debt as part of its capital structure and capital allocation strategy. Debt has supported acquisitions and share repurchases, but it also creates **exposure to refinancing conditions and interest rate movements**. If borrowing costs remain elevated or cash flow weakens, Choice could face lower financial flexibility, limiting its ability to fund growth, refinance debt, pursue acquisitions or return capital to shareholders.

Financial Franchisee Health (FR2)

Choice's business model depends on the financial health of its franchisees, as they are responsible for operating, maintaining and investing in the hotels. If franchisee profitability weakens, Choice could be indirectly affected through **delayed property renovations**, **lower service quality**, **hotel closures** and **weaker royalty fee revenues**. Given the role of franchisee incentives and FAACs in supporting system growth, weaker franchisee economics could also make **future franchise agreements less attractive** and reduce the return on these investments.

Figure 64 - *Risk Matrix*



Source: *Author Analysis*

Sensitivity Analysis

The discounted cash flow valuation of Choice Hotels is sensitive to changes in the weighted average cost of capital (WACC) and the perpetual growth rate (g). To assess the robustness of the valuation and measure the effect of deviations from the base-case assumptions, a ceteris paribus sensitivity analysis was conducted, changing one variable at a time while holding the remaining assumptions constant.

The base-case valuation assumes a **WACC of 8.73%** and a **perpetual growth rate of 3.05%**, resulting in an **estimated share price** of **$114.39**. The broader sensitivity matrix considers WACC values between **8.23%** and **9.23%** and perpetual growth rates between **2.55%** and **3.55%**, using increments of **10 basis points**.

In the first analysis, the perpetual growth rate was held constant at **3.05%**, while the WACC was varied by 10 basis points around the base case. A decrease in WACC from **8.73%** to **8.63%** increases the estimated share price to **$117.26**, representing an increase of approximately **3%** relative to the base case. Conversely, an increase in WACC to 8.83% reduces the estimated share price to **$111.63**, corresponding to a decrease of approximately **2% (Table 11)**.

In the second analysis, WACC was held constant at 8.73%, while the perpetual growth rate was varied by 10 basis points. An increase in (g) from **3.05%** to **3.15%** raises the estimated share price to **$116.71**, approximately **2%** above the base-case valuation. In contrast, a decrease in (g) to **2.95%** lowers the estimated share price to **$112.15**, representing a reduction of approximately **2% (Table 12)**.

Table 11 - *Share price sensitivity to WACC*

	Sensitivity to WACC		
	WACC (%)	Share price ($)	Change vs Base
Bull	**8,63%**	**$117,26**	**3%**
Base	8,73%	$114,39	0%
Bear	8,83%	$111,63	-2%

Source: *Author*

Table 12 - Share price sensitivity to g

	Sensitivity to g		
	g (%)	Share price ($)	Change vs Base
Bull	**3,15%**	**$116,71**	**2%**
Base	3,05%	$114,39	0%
Bear	2,95%	$112,15	-2%

Source: *Author*

Table 13 - *Sensitivity Analysis (g and WACC)*

Sensitivity Analysis												
		Variations in WACC										
	$114,39	**8,23%**	**8,33%**	**8,43%**	**8,53%**	**8,63%**	**8,73%**	**8,83%**	**8,93%**	**9,03%**	**9,13%**	**9,23%**
Variations in g	**2,55%**	$117,10	$114,28	$111,56	$108,93	$106,38	$103,92	$101,54	$99,23	$97,00	$94,83	$92,73
	2,65%	$119,46	$116,55	$113,74	$111,03	$108,41	$105,88	$103,43	$101,05	$98,75	$96,53	$94,37
	2,75%	$121,91	$118,91	$116,01	$113,21	$110,51	$107,90	$105,38	$102,93	$100,57	$98,28	$96,06
	2,85%	$124,45	$121,35	$118,35	$115,47	$112,68	$109,99	$107,39	$104,88	$102,44	$100,09	$97,81
	2,95%	$127,09	$123,88	$120,79	$117,80	$114,93	$112,15	$109,47	$106,88	$104,38	$101,95	$99,61
	3,05%	$129,83	$126,50	$123,31	$120,23	$117,26	**$114,39**	$111,63	$108,96	$106,38	$103,88	$101,47
	3,15%	$132,67	$129,23	$125,92	$122,74	$119,67	$116,71	$113,86	$111,10	$108,44	$105,87	$103,39
	3,25%	$135,63	$132,07	$128,64	$125,35	$122,17	$119,12	$116,17	$113,33	$110,58	$107,93	$105,37
	3,35%	$138,71	$135,02	$131,47	$128,05	$124,77	$121,61	$118,57	$115,63	$112,80	$110,07	$107,43
	3,45%	$141,93	$138,09	$134,41	$130,87	$127,47	$124,20	$121,05	$118,02	$115,09	$112,27	$109,55
	3,55%	$145,27	$141,29	$137,47	$133,80	$130,27	$126,89	$123,63	$120,49	$117,47	$114,56	$111,75

Source: *Author Analysis*

Monte Carlo Simulation

A Monte Carlo simulation was performed as a robustness check on the FCFF valuation, allowing the main operating and valuation assumptions to change simultaneously. The analysis included **50,000 iterations** and considered **WACC**, the **terminal growth rate (g)**, **market-share growth**, **ADR growth**, **occupancy growth**, the **effective royalty-rate growth** and **SG&A growth**.

The operating variables were selected to reflect the main drivers of Choice's franchise model. As outlined in the company's 2025 Form 10-K, its results are largely influenced by the number of rooms in the system, hotel occupancy and room rates, the royalty rates included in franchise agreements and its ability to manage costs. Accordingly, market-share growth was used to capture changes in system expansion, while ADR and occupancy jointly determine RevPAR. The royalty-rate and SG&A assumptions were included to reflect franchise agreement pricing and cost discipline. WACC and terminal growth were also simulated because of their direct effect on the DCF valuation.

WACC and terminal growth were simulated directly within defined minimum and maximum values, whereas the remaining variables were applied as annual shocks to their respective base-case assumptions. Truncated normal distributions were used so that the simulated inputs remained within the selected economic ranges.

The simulation produced a **mean price** of **$114.74** per share and a **median** of **$113.41**, compared with the **base-case FCFF price target** of **$114.39** The close alignment between the mean and the base valuation indicates that the central DCF result is not dependent on one specific combination of assumptions. The standard deviation of **$16.74** and the 5th-to-95th percentile range of **$89.62** to **$144.51** reflect the uncertainty inherent in the valuation when the main operating and financial assumptions vary together **(Table 14)**.

Overall, **74.61% of the simulated outcomes were above the market price of $102.88**. Based on the recommendation ranges applied in the report, the simulation resulted in probabilities of **15%** for Sell, **22%** for Reduce, **24%** for Hold/Neutral and **39%** for Buy **(Table 15)**. These results support the base-case valuation while also illustrating the range of outcomes associated with changes in Choice's principal business and valuation drivers.

Table 14 - *Monte Carlo Simulation Statistics*

Mean FCFF Price	**$114,74**
Median FCFF Price	$113,41
Standard Deviation	$16,74
5th Percentile	$89,62
25th Percentile	$102,70
75th Percentile	$125,48
95th Percentile	$144,51
Probability Above Market Price	**74,61%**
Number of Simulations	50000

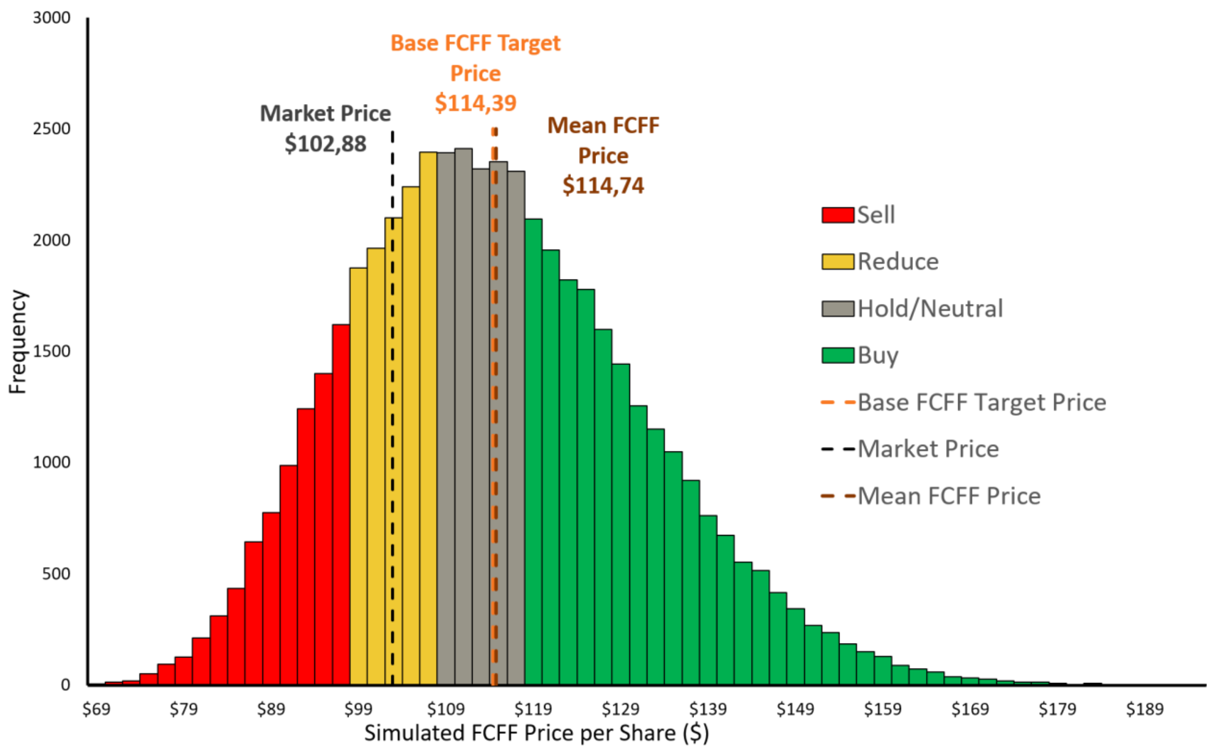
Source: *Author Analysis*

Table 15 - *Monte Carlo Scenario Probabilities*

Recommendation	**Probability**
Sell	15%
Reduce	22%
Hold/Neutral	24%
Buy	39%
Total	100%

Source: *Author Analysis*

Figure 65 - *Monte Carlo Simulation Histogram*



Source: *Author Analysis*

7. ESG

Choice structures its sustainability strategy around a **"People, Planet and Performance"** framework ***(Appendix 40)***, covering social responsibility, environmental initiatives and governance accountability. This framework is particularly relevant given Choice's asset-light franchise model, where many ESG initiatives depend on the adoption of standards and tools by franchisees across the hotel system.

Shareholder Structure & Governance Model

Choice Hotels' shareholder base is composed of large institutional investors and long-standing ownership by members of the Bainum family, a shareholder group historically linked to the company's ownership and strategic decisions. The largest disclosed shareholders include **Baron Capital Inc.** with approximately **17%**, **Realty Investment Co. Inc.** with **15%** and several major institutional investors such as **Virtus Investment Partners Inc.**, **Morgan Stanley**, **BlackRock**, and **State Street (Table 15).**

The company follows a governance model in line with the **Anglo-Saxon model**, typically observed among U.S. listed corporations. Shareholders elect the Board of Directors by exercising their governance rights through the **annual meeting and proxy voting process**, while the Board is responsible for supervising management. Day-to-day operations are then led by the executive leadership team.

The Board of Directors

The Board is composed of **11** directors, of which **8** are independent, representing approximately **73%** of the Board **(Figure 66)**. Among the three non-independent directors, **Patrick S. Pacious** sits on the board due to his role as President and Chief Executive Officer. His presence gives the Board direct access to management's view on strategy, operations, and company performance. While Pacious is responsible for running the company, **Stewart W. Bainum Jr.** serves as Chairman of the Board.

Brian B. Bainum is the third non-independent director, and his presence reflects the continued role of the Bainum family within CHH's governance structure. This is relevant because the family continues to be an important shareholder, beneficially owning approximately **43%** of the company's outstanding common stock. This ownership can be viewed positively as it may support long-term strategic continuity and alignment with shareholders. However, it is also a governance consideration, since concentrated family ownership may reduce the relative influence of minority shareholders compared with a company with a more dispersed ownership structure.

Board Committees

To organize its oversight responsibilities more effectively, Choice's Board operates through **four committees (Table 16)**. Each committee focuses on a specific area of governance and reports back to the full Board, allowing directors to review key topics in greater detail.

The **Audit Committee** is responsible for the Board's oversight of the company's auditing, accounting, and financial reporting purposes. Its responsibilities include reviewing annual and quarterly SEC filings, meeting separately with the external auditors, monitoring internal controls, and assessing company policies related to areas such as risk management and cybersecurity and data-security practices.

***Table 16 -** Shareholder Structure, 2025*

Rank	Holder Name	% Ownership
1	Baron Capital Inc	16,90%
2	Realty Investment Co Inc	14,99%
3	Virtus Investment Partners Inc	8,35%
4	Morgan Stanley	7,77%
5	Bainum Bruce	7,59%
6	Bainum Roberta	6,87%
7	Bainum Stewart W	6,67%
8	Vanguard Group Inc/The	5,14%
9	Bainum Barbara	5,04%
10	BlackRock Inc	4,73%
11	Balyasny Asset Management LP	2,58%
12	UBS AG	2,16%
13	Voss Capital LP	2,13%
14	BTIM Corp	2,05%
15	Two Sigma Investments LP	2,03%
16	Mid Pines Associates LP	2,00%
17	Fundsmith LLP	1,64%
18	State Street Corp	1,61%
19	Rock Creek Group LP/The	1,46%
20	Wellington Management Group LLP	1,45%

Source: *Bloomberg*

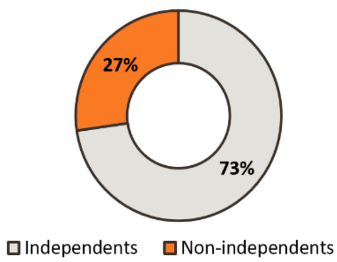
***Table 17 -** Board of Directors, 2025*

Director	Audit Committee	Human Capital & Compensation	Corporate Governance & Nominating	Diversity
Patrick S. Pacious ★				
Stewart W. Bainum, Jr. ★				
Brian B. Bainum				Committee Member
Gordon A. Smith ✳	Committee Member		Committee Member	
William L. Jews ☆	Committee Chair	Committee Member		Committee Member
Monte J. M. Koch ☆	Committee Member		Committee Member	
Liza K. Landsman ☆		Committee Member		Committee Chair
Ervin R. Shames ☆		Committee Member	Committee Chair	
Maureen M. Sullivan ☆	Committee Member	Committee Member		Committee Member
John P. Tague ☆	Committee Member	Committee Chair		
Donna F. Vieira ☆	Committee Member	Committee Member	Committee Member	

- President & CEO ★
- Lead Independent Director ✳
- Committee Member
- Committee Chair
- Chairperson of the Board ★
- Independent Director ☆

Source: *Choice 2025 Proxy Statement, Author Analysis*

***Figure 66 -** Board Independence*



Source: *Choice 2025 Proxy Statement, Author Analysis*

The **Human Capital and Compensation Committee** supports the Board in fulfilling its responsibilities related to executive compensation, leadership development, and succession planning. Its role is to ensure that Choice's compensation plans attract and retain key executives, reward performance and align management incentives with shareholder interests.

The **Corporate Governance and Nominating Committee** focuses on the composition and effectiveness of the board itself. Its role is to identify qualified director candidates, recommend nominees for election, assess Board and committee composition, and supervise the Board evaluation process. It also monitors broader governance matters including conflict-of-interest policies involving directors and senior executives, as well as ESG and corporate social responsibility strategies.

The **Diversity Committee** assists and advises management in building a workplace culture that values diversity of thought and perspective. Its role goes beyond internal workplace culture, extending to areas such as franchise development, vendor relations, marketing, philanthropy, and community involvement.

Executive Officers and Compensation

For compensation disclosure, the proxy statement focuses on a narrower group of executives called **Named Executive Officers** (NEOs) **(Table 17)**. These are the executives whose compensation is disclosed in detail and whose incentives are most relevant for assessing management alignment with shareholders. For this group, Choice built a compensation program based on a **pay-for-performance philosophy**, with a clear emphasis on variable pay.

In 2025, only **17%** of the CEO's total direct compensation was base salary, while **83%** was variable based on performance **(Figure 67)**. For the other NEOs, base salary represented **22%** of total compensation, with the remaining **78%** linked to variable-at-risk **(Figure 68)**.

Beyond base salary, Choice's variable compensation is separated between short-term and long-term incentives**.** Base salary represents the fixed portion of compensation, while short-term incentives are linked to annual performance metrics such as **adjusted operating income** and **corporate revenue**. Long-term incentives are mainly equity-based and tied to multi-year performance, including **cumulative EPS** and **relative TSR**. Overall, this structure supports shareholder alignment by combining near-term operating targets with longer-term value creation.

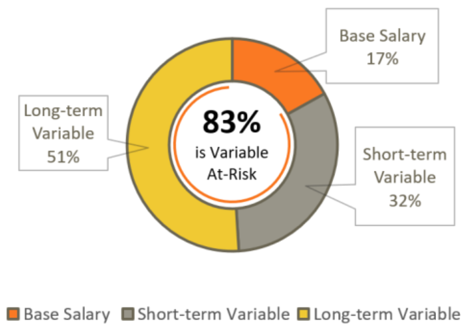
Choice also strengthens shareholder alignment through executive share **ownership requirements**. Each NEO is required to hold a minimum level of the company's shares. The CEO must hold shares with a market value equal to **5.0x** base salary, while the other NEOs are required to hold **3.0x** base salary. As of December 31, 2025, all NEOs exceeded the required ownership levels, with Patrick Pacious holding **30.2x** base salary and the other NEOs holding between **4.4x** and **8.7x** base salary **(Figure 69)**

***Table 18 -** NEO'S Composition, 2025*

Executive Officer	Position
Patrick S. Pacious	President & CEO
Scott E. Oaksmith	CFO
Dominic Dragisich	Chief Growth & Strategy Officer
Simone Wu (1)	Former Senior Vice President, General Counsel, Corporate Secretary & External
Patrick Cimerola	Chief Human Resources Officer

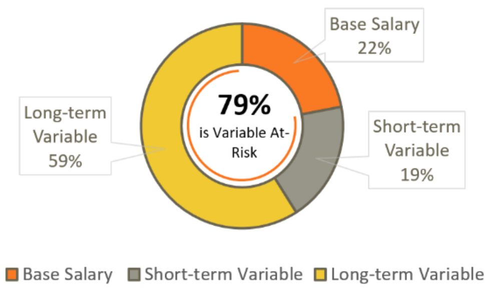
Source: *Choice 2025 Proxy Statement, Author Analysis*

***Figure 67 -** CEOs Compensation mix, 2025*



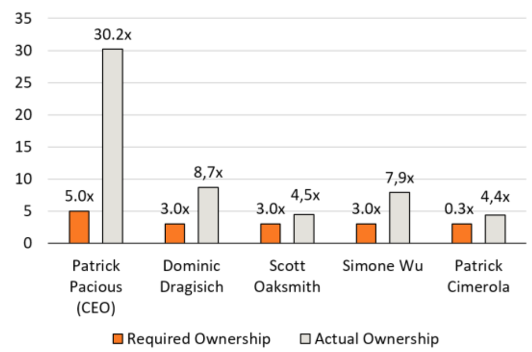
Source: *Choice 2025 Proxy Statement, Author Analysis*

***Figure 68 -** NEOs Composition, 2025*



Source: *Choice 2025 Proxy Statement, Author Analysis*

***Figure 69 -** NEOs Share Ownership Requirements*



Source: *Choice 2025 Proxy Statement, Author Analysis*

Environmental & Social Responsibility

Choice's franchising model shapes everything about how ESG works across the company, as most hotel operations are not under its direct control. As a result, Choice relies on **setting standards** and **providing tools** to support franchisees, but the practical implementation of the environmental and social initiatives depends on hotel owners at property level.

The emissions data makes this concrete. In 2024, Choice reported total **GHG emissions** of **1.64 million metric tons of CO_2e**, with **Scope 3**[5] representing more than **99% of the total**. Most of these emissions came from franchised hotels **(Figure 70)**, confirming that Choice's environmental footprint is mainly concentrated in the hotel system rather than in directly controlled operations.

To influence franchisees, Choice runs programs like Commitment to Green and Room to be Green, which provide hotel owners with **environmental standards**, **training resources**, and **tools to monitor energy, water consumption and greenhouse gas emissions**.

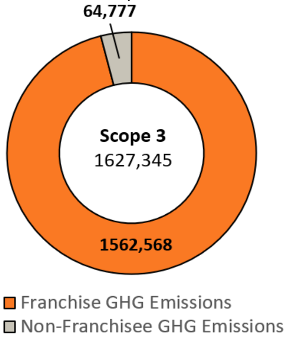
From a social perspective, Choice directs its attention towards employees, franchisees and local communities in which it operates. The company's efforts cover **associate training** and **wellbeing programs**, measures aimed at **broadening access to franchise ownership** and **human trafficking awareness** and **prevention**.

Table 19 - *2024 GHG Emissions by Scope (thousand metric tons CO2e)*

Scope	2024 GHG Emissions
Scope 1	6,400
Scope 2	10,006
Scope 3	1627,345

Source: *Choice 2024 Sustainability Report*

Figure 70 - *Scope 3 GHG Emissions Breakdown, 2024 (thousand metric tons CO2e)*



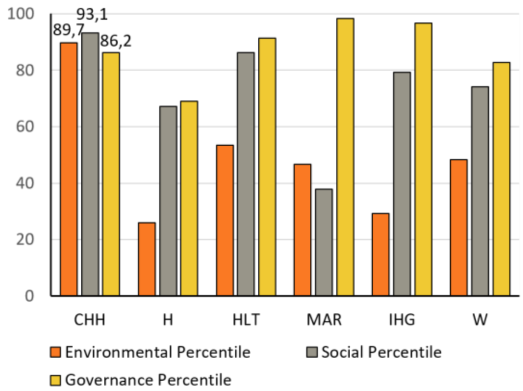
Source: *Choice 2024 Sustainability Report*

ESG Peer Benchmark

According to Bloomberg's ESG pillar percentiles, Choice occupies a strong position relative to its peer group. The company **leads** in both the **Environmental and Social percentiles**, with scores of **89.7** and **93.1**, respectively, while also recording a **solid Governance percentile of 86.2**. This suggests that, from Bloomberg's perspective, Choice compares favorably with peers on ESG disclosure, initiatives and governance-related indicators **(Figure 71)**.

This relative positioning reinforces ESG as a positive qualitative factor for Choice, particularly because it supports the company's brand reputation, franchisee attractiveness and ability to respond to increasing sustainability expectations from guests, corporate clients and regulators.

Figure 71 - *ESG Pillar Percentiles*



Source: *Bloomberg*

ESG Impact on Valuation

This relative ESG positioning may affect Choice's valuation through both cash-flow expectations and risk perception. Strong performance versus peers, particularly in Environmental and Social indicators, can support brand reputation, franchisee attractiveness and relationships with guests and corporate clients, which may contribute to more resilient royalty-fee generation and long-term system growth. It can also **reduce reputational** and **regulatory risk**, supporting a lower perceived risk profile and, indirectly, a more stable terminal value.

However, given Choice's asset-light franchising model, this impact is expected to be mostly indirect. The company has limited direct control over many property-level environmental and social practices, as these depend largely on franchisees. Therefore, ESG is treated as a **qualitative factor that supports the investment case**, rather than as a separate numerical adjustment to the price target.

[5] **Note:** Scope 1 emissions refer to direct emissions from sources controlled by the company. Scope 2 emissions refer to indirect emissions from purchased energy. Scope 3 emissions refer to other indirect emissions across the value chain, including emissions from franchised hotels.

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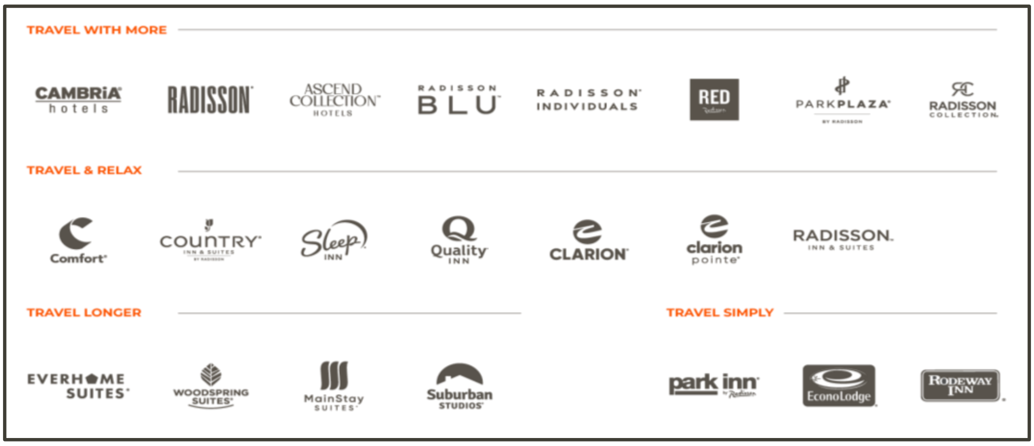
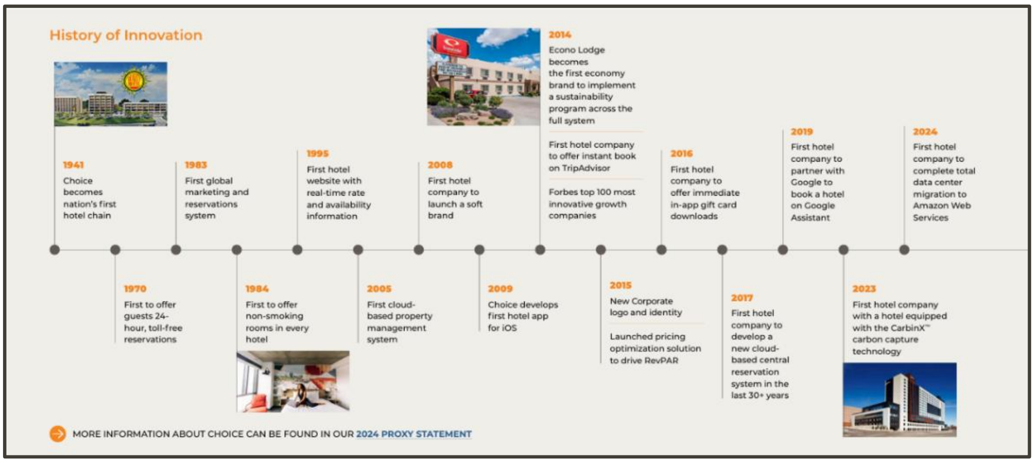
Appendices

Appendix 1: *Choice Hotels Brand Portfolio*



Source: *Choice Hotels International Website*

Appendix 2: *Choice Hotels History Timeline*



Source: *Choice Hotels 2024 Sustainability Report*

Appendix 3: Radisson Acquisition Purchase Consideration

Item	Amount	% of Deal Value
Trade Names	223,700	33,2%
Franchise Agreements	220,100	32,7%
Management Agreements	3,300	0,5%
Total Intangible Assets	**447,100**	**66,3%**
Property & Equipment	125,441	18,6%
Cash Acquired	113,023	16,8%
Other Assets Acquired	107,466	15,9%
Liabilities Assumed	-178,631	-26,5%
Goodwill	59,457	8,8%
Purchase Consideration	**673,856**	**100,0%**

Source: *Choice 2025 10K, Author Analysis*

Appendix 4: *Real GDP and Inflation IMF Forecast per Region*

Real GDP growth (Annual percent change)	2025	2026F	2027F	2028F	2029F	2030F	2031F
United States	2,10%	2,30%	2,10%	2,10%	1,90%	1,80%	1,80%
Asia and Pacific	4,90%	4,40%	4,20%	4,20%	4,10%	4,00%	4,00%
Europe	1,50%	1,30%	1,40%	1,50%	1,50%	1,40%	1,40%
Middle East (Region)	2,50%	-0,40%	5,00%	3,40%	3,40%	3,30%	3,30%
Latin America and the Caribbean	2,40%	2,30%	2,70%	2,90%	2,90%	2,70%	2,60%

Inflation rate, average consumer prices (Annual percent change)	2025	2026F	2027F	2028F	2029F	2030F	2031F
United States	2,70%	3,20%	2,10%	2,20%	2,20%	2,20%	2,20%
Asia and Pacific	2,70%	3,70%	3,30%	3,20%	3,10%	3,20%	3,20%
Europe	3,70%	3,40%	2,80%	2,60%	2,50%	2,50%	2,40%
Middle East (Region)	11,50%	14,20%	9,40%	8,20%	7,20%	6,60%	6,50%
Latin America and the Caribbean	7,60%	6,70%	4,90%	3,70%	3,50%	3,50%	3,50%
Europe + Middle East Average	7,60%	8,80%	6,10%	5,40%	4,85%	4,55%	4,45%

Source: *World Economic Outlook, IMF April, 2026*

Appendix 5: *Hotel Ownership Types*

Comparing Hotel Ownership Structures

HOW HOTEL OWNERSHIP TYPES DIFFER IN RISK, CONTROL, AND INVOLVEMENT

OWNERSHIP MODEL	PRIVATELY OWNED AND OPERATED	FRANCHISED	MANAGED	LEASED
Owner Involvement	High	Medium-High	Low-Medium	Low
Operational Control	Full	Medium	Low	None
Financial Risk	High	Medium	Medium	Low
Return Potential	High (but volatile)	Moderate to high	Steady, scalable returns	Fixed, stable returns
Best For	Experienced hoteliers, lifestyle assets	Growth-focused investors, multi-property	Institutional owners, hands-off investors	Passive investors, real estate holders

EHL

hospitalityinsights.ehl.edu

Source: *EHL, Hotel Ownership & Management: Exploring Investment Opportunities, 2025*

Appendix 6: *US Lodging Market – 2016-2026F*

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Demand											
Average daily rooms sold (000s)	3,376	3,461	3,538	3,591	2,292	3,160	3,495	3,529	3,538	3,530	3,645
Change from prior year	1.2%	2.5%	2.2%	1.5%	-36.2%	37.9%	10.6%	1.0%	0.3%	-0.2%	3.2%
Supply											
Average daily supply (000s)	5,176	5,269	5,362	5,457	5,226	5,495	5,588	5,600	5,612	5,667	5,797
Average supply change from prior year	1.0%	1.8%	1.8%	1.8%	-4.2%	5.2%	1.7%	0.2%	0.2%	1.0%	2.3%
End-of-year supply (000s)	5,186	5,276	5,371	5,468	5,330	5,538	5,550	5,577	5,605	5,643	5,836
End-of-year supply change from prior year	1.5%	1.7%	1.8%	1.8%	-2.5%	3.9%	0.2%	0.5%	0.5%	0.7%	3.4%
Occupancy											
Occupancy	65.2%	65.7%	66.0%	65.8%	43.9%	57.5%	62.5%	63.0%	63.0%	62.3%	62.9%
Change from prior year	0.1%	0.7%	0.5%	-0.3%	-33.4%	31.1%	8.8%	0.8%	0.0%	-1.2%	0.9%
Pct. point change from prior year	0.1	0.4	0.3	(0.2)	(21.9)	13.6	5.0	0.5	0.0	(0.7)	0.6
Average daily rate											
ADR	$124.54	$127.10	$130.25	$131.56	$103.29	$124.72	$149.53	$156.16	$158.99	$160.63	$163.73
Change from prior year	3.0%	2.1%	2.5%	1.0%	-21.5%	20.8%	19.9%	4.4%	1.8%	1.0%	1.9%
Revenue per available room											
RevPAR	$81.24	$83.47	$85.94	$86.58	$45.30	$71.72	$93.52	$98.40	$100.23	$100.06	$102.95
RevPAR, change from prior year	3.2%	2.7%	3.0%	0.7%	-47.7%	58.3%	30.4%	5.2%	1.9%	-0.2%	2.9%

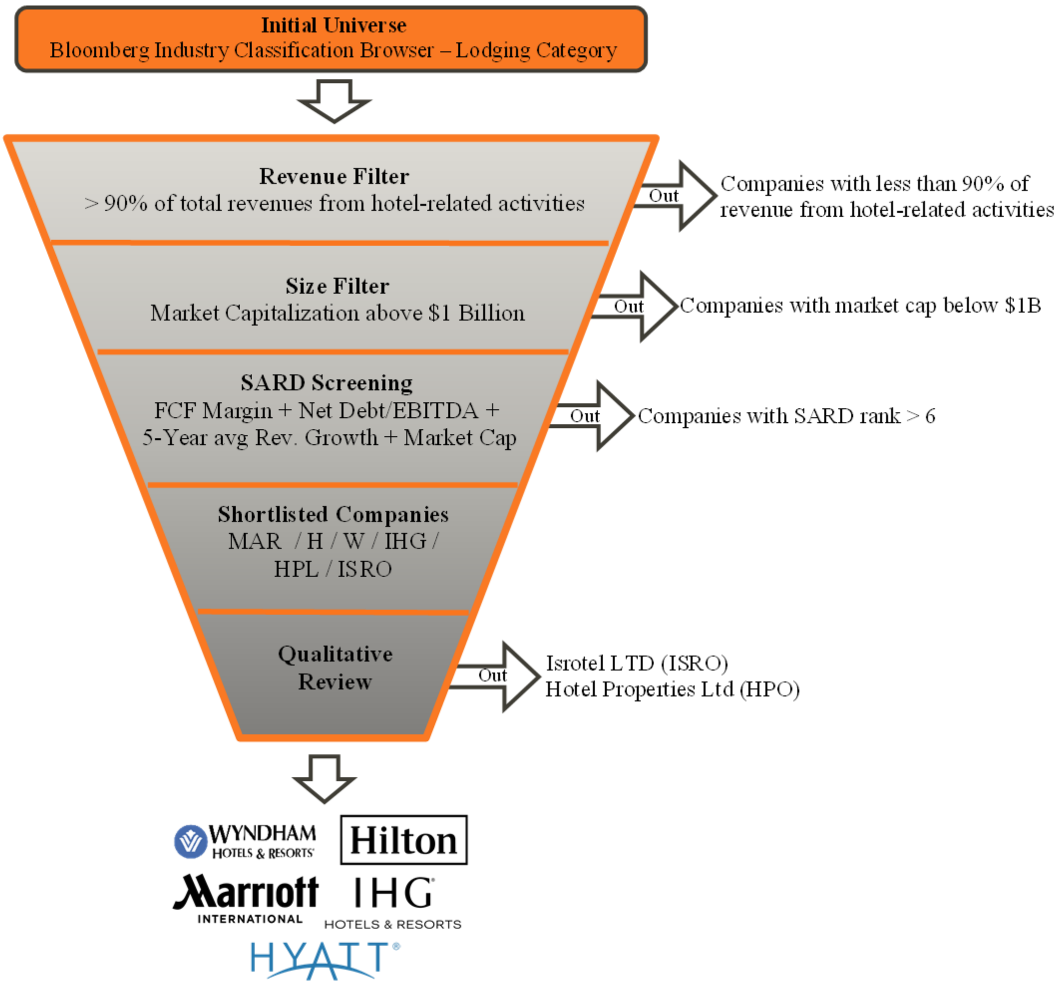
Source: *PwC, US hospitality directions, May 2026*

Appendix 7: *U.S. Chain scale summary – 2025-2026F (% change from prior year)*

	2025					2026				
Chain scale	**Demand**	**Supply**	**Occupancy**	**ADR**	**RevPAR**	**Demand**	**Supply**	**Occupancy**	**ADR**	**RevPAR**
Luxury	4.3	3.8	0.5	4.8	5.3	2.8	1.8	1.0	4.4	5.4
Upper upscale	1.5	2.2	(0.7)	1.5	0.5	2.1	2.1	0.0	2.1	2.1
Upscale	0.8	2.0	(1.1)	(0.1)	(1.2)	3.5	2.7	0.8	1.9	2.7
Upper midscale	0.4	1.8	(1.4)	(0.2)	(1.6)	3.0	2.1	0.8	1.7	2.6
Midscale	1.9	3.0	(1.1)	(0.5)	(1.6)	4.1	3.2	0.9	1.1	2.0
Economy	(1.9)	(0.1)	(1.8)	(1.9)	(3.7)	1.9	0.8	1.1	(0.1)	0.9
Independent hotels	(3.3)	(1.4)	(1.9)	0.7	(1.2)	4.2	2.6	1.6	1.8	3.4
US total	-0.3	1.6	-1.2	1.0	-0.3	3.2	2.3	0.9	1.9	2.9

Source: *PwC, US hospitality directions, May 2026*

Appendix 8: *Peer Group Selection Process*



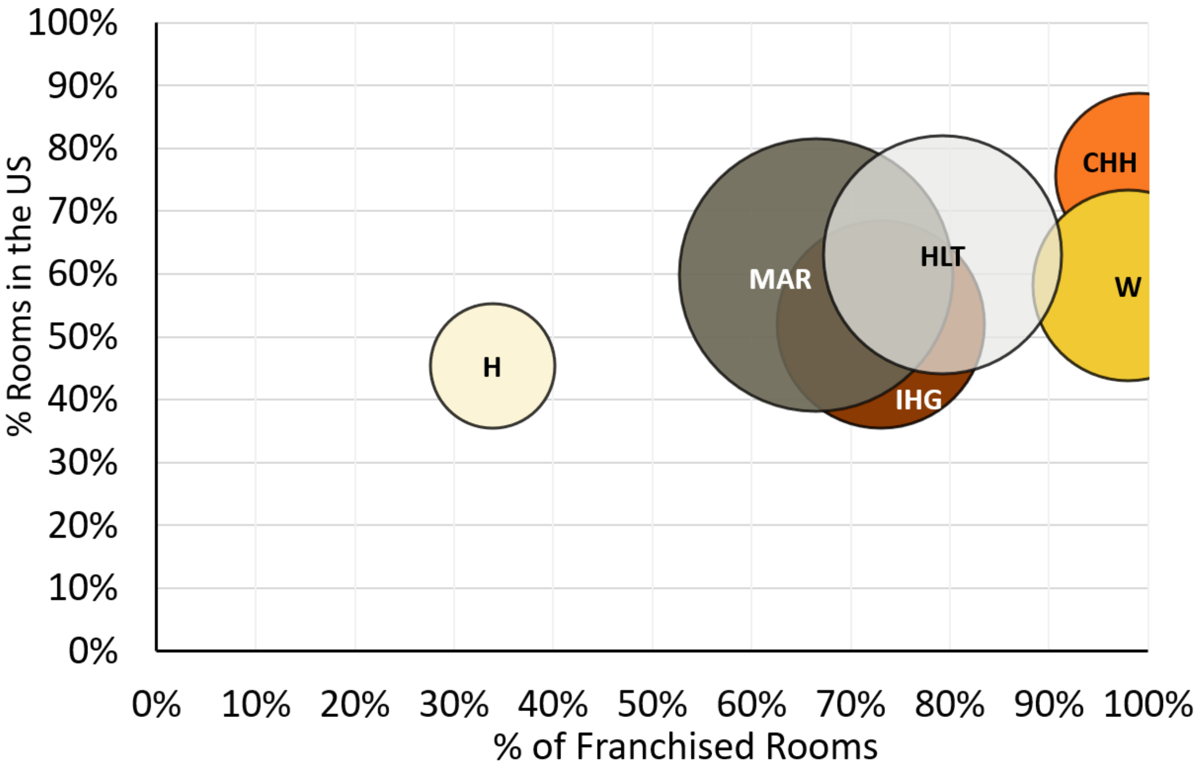
Source: *Author Analysis*

***Appendix 9**: SARD Rank*

SARD Sample	Proxies				Proxies Rank						
Ticker	FCF Margin	Net Debt to EBITDA	Rev - 5 Yr Avg Gr	Market Cap	Efficiency	Risk	Growth	Size	SARD	SARD Rank	Peer?
CHOICE HOTELS INTL INC	**35,75**	**3,81**	**16,56**	**4443544801**	**5**	**14**	**21**	**19**	**0**		
MARRIOTT INTERNATIONAL -CL A	18,63	3,55	21,06	92302306361	21	15	17	8	2	3	YES
HILTON WORLDWIDE HOLDINGS IN	24,72	4,14	23,91	70592621915	15	11	15	9	9	14	NO
HYATT HOTELS CORP - CL A	12,04	4,85	32,16	15074802313	25	10	8	14	2	3	YES
ACCOR SA	20,16	2,72	31,76	9665247273	19	19	10	16	5	7	NO
INTERCONTINENTAL HOTELS GROUP	24,26	2,76	17,20	21746968775	16	17	20	10	4	6	YES
TRAVEL + LEISURE CO	17,31	5,03	14,23	3848604734	22	9	22	21	15	15	NO
WHITBREAD PLC	30,33	5,91	50,91	3851345644	8	5	3	20	23	22	NO
H WORLD GROUP LTD-ADR	47,79	2,57	21,36	14782669979	1	20	16	15	7	12	NO
MELIA HOTELS INTERNATIONAL	26,88	3,94	36,17	2442032000	12	13	5	24	5	7	NO
SCANDIC HOTELS GROUP AB	29,87	6,71	28,28	18974227860	9	4	12	12	22	21	NO
SHANGRI-LA ASIA LTD	22,22	10,87	17,73	15919731249	17	3	18	13	8	13	NO
PIERRE & VACANCES	29,11	5,79	13,45	854682682	10	6	23	26	6	11	NO
RESORTTRUST INC	14,64	-0,68	9,89	380582000000	24	25	24	5	19	19	NO
WYNDHAM HOTELS & RESORTS INC	32,75	5,29	2,33	6054341482	7	7	25	18	2	3	YES
INDIAN HOTELS CO LTD	33,23	-0,01	31,81	916263000000	6	24	9	4	16	16	NO
XENIA HOTELS & RESORTS INC	22,09	5,21	27,29	1483313027	18	8	13	25	5	7	NO
ISROTEL LTD	26,40	2,73	29,75	9365458908	13	18	11	17	0	1	YES
HOTEL PROPERTIES LTD	19,62	13,46	24,60	2505257769	20	1	14	23	1	2	YES
DAN HOTELS CORP LTD	10,89	4,05	17,53	3130423953	26	12	19	22	20	20	NO
RLH PROPERTIES SAB DE CV	14,98	12,14	32,53	20548435283	23	2	7	11	16	16	NO
EIH LTD	37,08	-0,77	33,82	204306000000	4	26	6	6	17	18	NO
CHALET HOTELS LTD	47,46	3,28	43,60	165220000000	2	16	4	7	30	25	NO
FLORIDA ICE & FARM CO SA-CA	25,20	1,94	-13,10	1248280000000	14	21	26	3	5	7	NO
TRANSCORP HOTELS PLC	39,57	0,36	59,55	2287160000000	3	23	2	2	29	24	NO
BUKIT ULUWATU VILLA TBK PT	28,07	1,80	64,79	26094100000000	11	22	1	1	24	23	NO

***Source:** Author Analysis*

***Appendix 10:** Peer Positioning: Franchise Mix, U.S. Exposure and System Size*



H – Hyatt; MAR – Marriott; HLT – Hilton; IHG – InterContinental Group; W – Wyndham; CHH – Choice Hotels International

***Source:** Respective Companies' 10ks and Author Analysis*

Appendix 11: *Statement of Financial Position*

BALANCE SHEET IN THOUSANDS OF $	Historical Years						Forecasted Years					
	2020	**2021**	**2022**	**2023**	**2024**	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**	**2031F**
Total Assets	**1587**	**1932**	**2102**	**2395**	**2531**	**2918**	**3126**	**3314**	**3493**	**3664**	**3858**	**4344**
Total Current Assets	**433**	**762**	**348**	**297**	**339**	**406**	**450**	**484**	**520**	**557**	**626**	**998**
Cash & cash equivalents	235	512	42	27	40	45	84	110	136	162	220	580
Accounts receivable	150	153	217	196	177	207	219	230	242	254	267	280
Income taxes receivable	4	13	5	14	5	13	12	13	14	15	16	17
Notes receivable, net of allowance	24	54	52	21	76	95	91	85	80	74	68	63
Prepaid expenses and other current assets	20	30	33	39	41	45	45	47	49	52	54	57
Total Non Current Assets	**1154**	**1170**	**1754**	**2098**	**2191**	**2512**	**2676**	**2830**	**2973**	**3107**	**3232**	**3346**
Property and equipment, net	335	377	427	493	604	649	708	755	792	818	834	841
Operating lease right-of-use assets	18	34	69	85	83	78	83	85	87	88	90	92
Goodwill	159	159	219	220	220	306	306	306	306	306	306	306
Intangible assets (net)	304	312	742	811	884	1082	1132	1182	1233	1283	1334	1385
Notes receivable, net of allowances	96	66	56	79	33	12	16	21	27	32	37	42
Investments in equity securities, at fair value	-	-	-	116	-	-	-	-	-	-	-	-
Investments employee benefit plans at fair value	29	34	32	40	48	50	51	52	53	54	56	57
Investments in affiliates	58	28	31	71	117	135	176	218	259	300	342	383
Deferred income taxes	68	69	88	90	108	75	75	75	75	75	75	75
Other assets	88	90	91	93	94	124	129	136	143	150	158	166
TOTAL LIABILITIES	**1593**	**1666**	**1948**	**2359**	**2576**	**2737**	**2781**	**2821**	**2863**	**2907**	**3034**	**3220**
Total Current Liabilities	**256**	**570**	**436**	**943**	**463**	**467**	**494**	**517**	**1414**	**568**	**1045**	**624**
Accounts payable	83	81	119	131	135	156	163	169	176	183	190	198
Accrued expenses and other current liabilities	79	104	131	109	137	125	132	139	146	153	161	169
Deferred revenue	50	82	93	108	102	101	106	112	118	124	131	138
Liability for guest loyalty program	43	87	90	95	89	85	92	97	102	107	113	119
Current portion of long-term debt	-	216	3	499	-	-	-	-	872	-	449	-
Total Non Current Liabilities	**1337**	**1096**	**1512**	**1417**	**2113**	**2270**	**2287**	**2304**	**1449**	**2339**	**1989**	**2596**
Long-term debt	1059	844	1201	1069	1769	1906	1909	1912	1044	1918	1553	2144
Long-term deferred revenue	122	106	134	134	132	131	138	145	153	161	170	179
Deferred Compensation and Retirement Plan obligations	34	39	37	46	53	57	58	59	61	62	63	65
Income taxes payable	23	21	15	9	-	-	-	-	-	-	-	-
Deferred Income Taxes	-	-	-	-	-	25	25	25	25	25	25	25
Operating lease liabilities	13	35	71	109	113	108	111	114	116	119	121	124
Liability for guest loyalty program	77	42	47	43	41	40	42	45	47	49	52	55
Other liabilities	9	9	6	7	5	3	3	3	3	3	3	3
TOTAL SHAREHOLDERS (DEFICIT) EQUITY	**(6)**	**266**	**155**	**36**	**(45)**	**181**	**345**	**493**	**630**	**757**	**823**	**1124**
Common Stock	1	1	1	1	1	1	1	1	1	1	1	1
Additional paid-in-capital	234	259	298	331	370	404	450	496	544	593	643	694
Accumulated other comprehensive loss	(5)	(5)	(5)	(6)	(6)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Treasury Stock	(1260)	(1265)	(1695)	(2047)	(2412)	(2536)	(2674)	(2854)	(3077)	(3344)	(3706)	(3869)
Retained Earnings	1025	1275	1556	1756	2001	2318	2573	2856	3168	3513	3891	4304

Source: *Company's Annual Report 2025 (historical), Author analysis (forecasts)*

Appendix 12: *Statement of Financial Position - Common Size*

BALANCE SHEET IN THOUSANDS OF $	Historical Years						Forecasted Years					
	2020	**2021**	**2022**	**2023**	**2024**	**2025,0**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**	**2031F**
Total Assets	**1587**	**1932**	**2102**	**2395**	**2531**	**2918**	**3126**	**3314**	**3493**	**3664**	**3858**	**4344**
Total Current Assets	**27%**	**39%**	**17%**	**12%**	**13%**	**12%**	**12%**	**12%**	**14%**	**15%**	**18%**	**21%**
Cash & cash equivalents	15%	26%	2%	1%	2%	2%	3%	3%	4%	4%	6%	13%
Accounts receivable	9%	8%	10%	8%	7%	7%	7%	7%	7%	7%	7%	6%
Income taxes receivable	0%	1%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Notes receivable, net of allowance	2%	3%	2%	1%	3%	3%	3%	3%	2%	2%	2%	1%
Prepaid expenses and other current assets	1%	2%	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%
Total Non Current Assets	**73%**	**61%**	**83%**	**88%**	**87%**	**88%**	**88%**	**88%**	**86%**	**85%**	**82%**	**79%**
Property and equipment, net	21%	20%	20%	21%	24%	22%	23%	23%	23%	22%	22%	19%
Operating lease right-of-use assets	1%	2%	3%	4%	3%	3%	3%	3%	2%	2%	2%	2%
Goodwill	10%	8%	10%	9%	9%	10%	10%	9%	9%	8%	8%	7%
Intangible assets (net)	19%	16%	35%	34%	35%	37%	36%	36%	35%	35%	35%	32%
Notes receivable, net of allowances	6%	3%	3%	3%	1%	0%	1%	1%	1%	1%	1%	1%
Investments in equity securities, at fair value	0%	0%	0%	5%	0%	0%	0%	0%	0%	0%	0%	0%
Investments employee benefit plans at fair value	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%	1%
Investments in affiliates	4%	1%	1%	3%	5%	5%	6%	7%	7%	8%	9%	9%
Deferred income taxes	4%	4%	4%	4%	4%	3%	2%	2%	2%	2%	2%	2%
Other assets	6%	5%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
TOTAL LIABILITIES	**100%**	**86%**	**93%**	**99%**	**102%**	**94%**	**89%**	**85%**	**82%**	**79%**	**79%**	**74%**
Total Current Liabilities	16%	30%	21%	39%	18%	16%	16%	16%	40%	16%	27%	14%
Accounts payable	5%	4%	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Accrued expenses and other current liabilities	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Deferred revenue	3%	4%	4%	5%	4%	3%	3%	3%	3%	3%	3%	3%
Liability for guest loyalty program	3%	4%	4%	4%	4%	3%	3%	3%	3%	3%	3%	3%
Current portion of long-term debt	0%	11%	0%	21%	0%	0%	0%	0%	25%	0%	12%	0%
Total Non Current Liabilities	**84%**	**57%**	**72%**	**59%**	**84%**	**78%**	**73%**	**70%**	**41%**	**64%**	**52%**	**60%**
Long-term debt	67%	44%	57%	45%	70%	65%	61%	58%	30%	52%	40%	49%
Long-term deferred revenue	8%	5%	6%	6%	5%	4%	4%	4%	4%	4%	4%	4%
Deferred Compensation and Retirement Plan obligations	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%
Income taxes payable	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Deferred Income Taxes	0%	0%	0%	0%	0%	1%	1%	1%	1%	1%	1%	1%
Operating lease liabilities	1%	2%	3%	5%	4%	4%	4%	3%	3%	3%	3%	3%
Liability for guest loyalty program	5%	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%
Other liabilities	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL SHAREHOLDERS (DEFICIT) EQUITY	**0%**	**14%**	**7%**	**1%**	**-2%**	**6%**	**11%**	**15%**	**18%**	**21%**	**21%**	**26%**
Common Stock	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Additional paid-in-capital	15%	13%	14%	14%	15%	14%	14%	15%	16%	16%	17%	16%
Accumulated other comprehensive loss	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Treasury Stock	-79%	-65%	-81%	-85%	-95%	-87%	-86%	-86%	-88%	-91%	-96%	-89%
Retained Earnings	65%	66%	74%	73%	79%	79%	82%	86%	91%	96%	101%	99%

Source: *Company's Annual Report 2025 (historical), Author analysis (forecasts)*

Appendix 13*: Income Statement*[6]

INCOME STATEMENT IN THOUSANDS OF $	Historical Years						Forecasted Years					
	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F	2029F	2030F	2031F
Total Revenues	**774**	**1069**	**1402**	**1544**	**1585**	**1597**	**1685**	**1769**	**1859**	**1954**	**2053**	**2156**
Franchise & Management Fees				652	670	673	711	749	789	832	876	923
Partnership services & fees				92	99	114	120	125	131	137	143	149
Owned hotels	20	38	71	98	113	121	126	129	132	135	138	141
Other				55	64	72	76	80	85	89	94	99
Revenue Reimbursable Costs from F&M Properties				648	638	616	651	685	722	761	802	845
Total operating expenses	**638**	**640**	**940**	**1165**	**1121**	**1148**	**1198**	**1246**	**1297**	**1350**	**1404**	**1460**
Selling, general and administrative				313	312	329	339	347	354	362	370	378
Business combination, diligence and transition costs	-	-	40	56	17	5	-	-	-	-	-	-
Depreciation and amortization	26	25	30	45	52	60	66	70	75	79	84	88
Owned hotels	16	25	49	71	83	92	95	97	99	101	103	105
Reimbursable Exp. from F&M Properties				680	656	663	698	732	769	807	847	889
Impairment of long-lived assets	(15)	()	-	(4)	-	-	-	-	-	-	-	-
EBIT	**122**	**429**	**479**	**375**	**464**	**448**	**486**	**523**	**562**	**604**	**649**	**696**
Gain (loss) on sale of business and assets, net	-		16	-	-	(1)	-	-	-	-	-	-
Interest expense	49	47	44	64	87	91	94	94	94	94	96	101
Interest Income	(8)	(5)	(7)	(8)	(9)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Gain from an acquisition of a joint venture	-	-	-	-	-	(100)	-	-	-	-	-	-
Loss (gain) on extinguishment of debt	17	-	-	(4)		-	-	-	-	-	-	-
Other (gain) loss	(5)	(5)	7	(11)	2	(7)	-	-	-	-	-	-
Equity in net gain of affiliates	15	16	(2)	(3)	(12)	14	-	-	-	-	-	-
Total other expenses and income, net	**69**	**52**	**42**	**38**	**68**	**(8)**	**88**	**88**	**88**	**88**	**90**	**95**
EBT	**53**	**376**	**437**	**337**	**396**	**456**	**398**	**435**	**474**	**516**	**559**	**601**
Income tax expense	(22)	88	105	78	96	87	88	97	105	115	124	133
Net income	**75**	**289**	**332**	**259**	**300**	**369**	**310**	**339**	**369**	**402**	**435**	**468**

Source: *Company's Annual Report 2025 (historical), Author analysis (forecasts)*

[6] **Note on income statement presentation:**
The income statement is presented using Choice's current reporting format where the information is available. The company only provides values under the current reporting structure from 2023 onward. For 2020–2022, several revenue and expense lines were still reported under the previous format and are therefore not separately available in the same structure.

For this reason, blank spaces are used in 2020–2022 for line items that were not separately disclosed under the current format. These blank spaces do not represent zero values. The difference is related only to presentation and does not affect total revenues, total operating expenses, operating income, or net income.

Appendix 14: *Income Statement - Common Size*

INCOME STATEMENT IN THOUSANDS OF $	Historical Years						Forecasted Years					
	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Total Revenues	**774**	**1069**	**1402**	**1544**	**1585**	**1597**	**1685**	**1769**	**1859**	**1954**	**2053**	**2156**
Total operating expenses	**82%**	**60%**	**67%**	**75%**	**71%**	**72%**	**71%**	**70%**	**70%**	**69%**	**68%**	**68%**
Selling, general and administrative	0%	0%	0%	20%	20%	21%	20%	20%	19%	19%	18%	18%
Depreciation and amortization	3%	2%	2%	3%	3%	4%	4%	4%	4%	4%	4%	4%
EBIT	**16%**	**40%**	**33%**	**24%**	**29%**	**28%**	**29%**	**30%**	**30%**	**31%**	**32%**	**32%**
Interest expense	6%	4%	3%	4%	5%	6%	6%	5%	5%	5%	5%	5%
Total other expenses and income, net	**9%**	**5%**	**3%**	**2%**	**4%**	**-1%**	**5%**	**5%**	**5%**	**5%**	**4%**	**4%**
EBT	**7%**	**35%**	**31%**	**22%**	**25%**	**29%**	**24%**	**25%**	**26%**	**26%**	**27%**	**28%**
Income tax expense	-3%	8%	7%	5%	6%	5%	5%	5%	6%	6%	6%	6%
Net income	**10%**	**27%**	**24%**	**17%**	**19%**	**23%**	**18%**	**19%**	**20%**	**21%**	**21%**	**22%**

Source: *Company's Annual Report 2025 (historical), Author analysis (forecasts)*

Appendix 15: *Cash Flow Statement*

CASHFLOW STATEMENT IN THOUSANDS OF $	Historical Years						Forecasted Years					
	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F	2029F	2030F	2031F
CASH FLOWS FROM OPERATING ACTIVITIES	**110**	**384**	**367**	**297**	**319**	**270**	**393**	**422**	**461**	**503**	**544**	**586**
Net Income	75	289	332	259	300	370	310	339	369	402	435	468
Depreciation and amortization	26	25	30	45	52	60	66	70	75	79	84	88
Depreciation and amortization - Reimbursable expenses from franchised and managed pr	23	26	33	31	19	20	26	29	32	35	38	41
Franchise agreement acquisition cost amortization	11	13	16	20	29	32	38	44	51	58	65	72
Gain from an acquisition of a joint venture	-	-	-	-	-	(100)	-	-	-	-	-	-
Loss (gain) on extinguishment of debt	17	-	-	(4)		-	-	-	-	-	-	-
Impairment of long-lived assets	15		-	4	-	-	-	-	-	-	-	-
Gain on sale of business and assets, net	-	1	(16)	-	-	(1)	-	-	-	-	-	-
Non-cash share-based compensation and other charges	10	36	43	47	43	38	46	47	48	49	50	51
Non-cash interest, investments, and affiliate (income) loss, net	(7)	(14)	7	(9)	(7)	(6)	3	3	3	3	2	2
Deferred income taxes	(45)	(1)	(20)	(1)	(19)	20	-	-	-	-	-	-
Equity in net (gain) loss of affiliates, less distributions received	15	24		(2)	(2)	20	-	-	-	-	-	-
Franchise agreement acquisition costs, net of reimbursements	(36)	(38)	(55)	(98)	(112)	(83)	(117)	(123)	(130)	(137)	(144)	(152)
Change in working capital and other	6	23	(5)	6	17	(98)	21	13	14	15	15	16
CASH FLOWS FROM INVESTING ACTIVITIES	**(24)**	**(79)**	**(442)**	**(266)**	**(85)**	**(218)**	**(162)**	**(159)**	**(156)**	**(153)**	**(150)**	**(148)**
Investments in other property and equipment	(34)	(74)	(24)	(48)	(39)	(39)	(46)	(48)	(51)	(53)	(56)	(59)
Investments in owned hotel properties	-	-	(66)	(69)	(107)	(107)	(75)	(69)	(64)	(59)	(53)	(48)
Contributions to investments in affiliates	(5)	(3)	(3)	(39)	(53)	(94)	(62)	(62)	(62)	(62)	(62)	(62)
Issuances of notes receivable	(10)	(20)	(6)	(4)	(38)	(7)	(16)	(16)	(16)	(16)	(16)	(16)
Purchases of equity securities	-	-	-	(112)	-	-	-	-	-	-	-	-
Business acquisition, net of cash acquired	-	-	(550)	-	-	(73)	-	-	-	-	-	-
Distributions from sales of affiliates	-	16	-	1	16	45	20	20	20	20	20	20
Collections of notes receivable	6		1	11	32	7	17	17	17	17	17	17
Proceeds from sales of equity securities	-	-	-	-	108	-	-	-	-	-	-	-
Proceeds from the sale of assets and business	-	6	167	-	-	52	-	-	-	-	-	-
Proceeds from the termination of intangible assets	-	-	45	-	-	-	-	-	-	-	-	-
Other items, net	(1)	(1)	1	(5)	(4)	(3)	-	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**115**	**(28)**	**(394)**	**(46)**	**(222)**	**(50)**	**(192)**	**(237)**	**(280)**	**(324)**	**(336)**	**(79)**
Net borrowings pursuant to revolving credit facilities	(18)	-	360	(132)	112	133	-	-	-	-	-	-
Proceeds from the issuance of long-term debt	697	-	-	500	594	-	-	-	-	400	83	589
Proceeds from economic development loans	-	-	-	-	-	2	-	-	-	-	-	-
Repayment of long-term debt	(474)	-	(217)	-	(500)	-	-	-	-	(400)	-	(450)
Payments to extinguish acquired debt	(14)	-	(56)	-	-	-	-	-	-	-	-	-
Proceeds from acquired derivative	-	-	2	-	-	-	-	-	-	-	-	-
Debt issuance costs	(5)	()	()	(2)	(8)	-	-	-	-	-	-	-
Purchases of treasury stock	(55)	(13)	(435)	(363)	(381)	(138)	(137)	(181)	(223)	(267)	(362)	(163)
Dividends paid	(25)	(25)	(53)	(56)	(55)	(53)	(55)	(56)	(57)	(57)	(57)	(55)
Proceeds from the exercise of stock options	10	11	4	6	18	7	-	-	-	-	-	-
Net change in cash and cash equivalents	**201**	**277**	**(470)**	**(15)**	**13**	**2**	**39**	**26**	**26**	**27**	**58**	**359**
Effect of foreign exchange rate changes on cash and cash equivalents		()	(1)			3	-	-	-	-	-	-
Cash and cash equivalents, beggining of period	**34**	**235**	**512**	**42**	**27**	**40**	**45**	**84**	**110**	**136**	**162**	**220**
Cash and cash equivalents, end of period	**235**	**512**	**42**	**27**	**40**	**45**	**84**	**110**	**136**	**162**	**220**	**580**

Source: *Company's Annual Report 2025 (historical), Author analysis (forecasts)*

***Appendix 16**: Cash Flow Statement – Common Size*

CASHFLOW STATEMENT IN THOUSANDS OF $	Historical Years						Forecasted Years					
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**	**2031F**
CASH FLOWS FROM OPERATING ACTIVITIES	**110**	**384**	**367**	**297**	**319**	**270**	**393**	**422**	**461**	**503**	**544**	**586**
Net Income	68%	75%	90%	87%	94%	137%	79%	80%	80%	80%	80%	80%
Depreciation and amortization	23%	6%	8%	15%	16%	22%	17%	17%	16%	16%	15%	15%
Depreciation and amortization - reimb. exp. from F&M Properties	21%	7%	9%	10%	6%	7%	7%	7%	7%	7%	7%	7%
Franchise agreement acquisition cost amortization	10%	3%	4%	7%	9%	12%	10%	10%	11%	11%	12%	12%
Gain from an acquisition of a joint venture	0%	0%	0%	0%	0%	-37%	0%	0%	0%	0%	0%	0%
Loss (gain) on extinguishment of debt	15%	0%	0%	-1%	0%	0%	0%	0%	0%	0%	0%	0%
Impairment of long-lived assets	13%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Gain on sale of business and assets, net	0%	0%	-4%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Non-cash share-based compensation and other charges	9%	9%	12%	16%	14%	14%	12%	11%	10%	10%	9%	9%
Non-cash interest, investments, and affiliate (income) loss, net	-6%	-4%	2%	-3%	-2%	-2%	1%	1%	1%	1%	0%	0%
Deferred income taxes	-41%	0%	-5%	0%	-6%	7%	0%	0%	0%	0%	0%	0%
Equity in net (gain) loss of affiliates, less distributions received	14%	6%	0%	-1%	-1%	7%	0%	0%	0%	0%	0%	0%
Franchise agreement acquisition costs, net of reimbursements	-33%	-10%	-15%	-33%	-35%	-31%	-30%	-29%	-28%	-27%	-26%	-26%
Change in working capital and other	6%	6%	-1%	2%	5%	-36%	5%	3%	3%	3%	3%	3%
CASH FLOWS FROM INVESTING ACTIVITIES	**-22%**	**-21%**	**-121%**	**-90%**	**-26%**	**-81%**	**-41%**	**-38%**	**-34%**	**-30%**	**-28%**	**-25%**
Investments in other property and equipment	-31%	-19%	-7%	-16%	-12%	-14%	-12%	-11%	-11%	-11%	-10%	-10%
Investments in owned hotel properties	0%	0%	-18%	-23%	-33%	-40%	-19%	-16%	-14%	-12%	-10%	-8%
Contributions to investments in affiliates	-5%	-1%	-1%	-13%	-17%	-35%	-16%	-15%	-13%	-12%	-11%	-11%
Issuances of notes receivable	-9%	-5%	-2%	-1%	-12%	-3%	-4%	-4%	-4%	-3%	-3%	-3%
Purchases of equity securities	0%	0%	0%	-38%	0%	0%	0%	0%	0%	0%	0%	0%
Business acquisition, net of cash acquired	0%	0%	-150%	0%	0%	-27%	0%	0%	0%	0%	0%	0%
Distributions from sales of affiliates	0%	4%	0%	0%	5%	16%	5%	5%	4%	4%	4%	3%
Collections of notes receivable	6%	0%	0%	4%	10%	3%	4%	4%	4%	3%	3%	3%
Proceeds from sales of equity securities	0%	0%	0%	0%	34%	0%	0%	0%	0%	0%	0%	0%
Proceeds from the sale of assets and business	0%	2%	45%	0%	0%	19%	0%	0%	0%	0%	0%	0%
Proceeds from the termination of intangible assets	0%	0%	12%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other items, net	-1%	0%	0%	-2%	-1%	-1%	0%	0%	0%	0%	0%	0%
CASH FLOWS FROM FINANCING ACTIVITIES	**105%**	**-7%**	**-107%**	**-15%**	**-69%**	**-19%**	**-49%**	**-56%**	**-61%**	**-64%**	**-62%**	**-13%**
Net borrowings pursuant to revolving credit facilities	-17%	0%	98%	-44%	35%	49%	0%	0%	0%	0%	0%	0%
Proceeds from the issuance of long-term debt	633%	0%	0%	169%	186%	0%	0%	0%	0%	79%	15%	101%
Proceeds from economic development loans	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%
Repayment of long-term debt	-431%	0%	-59%	0%	-157%	0%	0%	0%	0%	-79%	0%	-77%
Payments to extinguish acquired debt	-13%	0%	-15%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Proceeds from acquired derivative	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Debt issuance costs	-4%	0%	0%	-1%	-3%	0%	0%	0%	0%	0%	0%	0%
Purchases of treasury stock	-50%	-3%	-118%	-122%	-119%	-51%	-35%	-43%	-48%	-53%	-67%	-28%
Dividends paid	-23%	-7%	-14%	-19%	-17%	-20%	-14%	-13%	-12%	-11%	-10%	-9%
Proceeds from the exercise of stock options	9%	3%	1%	2%	5%	3%	0%	0%	0%	0%	0%	0%
Net change in cash and cash equivalents	**183%**	**72%**	**-128%**	**-5%**	**4%**	**1%**	**10%**	**6%**	**6%**	**5%**	**11%**	**61%**
Effect of foreign exchange rate changes on cash and cash equivalents	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%
Cash and cash equivalents, beggining of period	**31%**	**61%**	**139%**	**14%**	**8%**	**15%**	**11%**	**20%**	**24%**	**27%**	**30%**	**38%**
Cash and cash equivalents, end of period	**213%**	**133%**	**11%**	**9%**	**13%**	**17%**	**21%**	**26%**	**29%**	**32%**	**40%**	**99%**

***Source:** Company's Annual Report 2025 (historical), Author analysis (forecasts)*

Appendix 17: *Financial Ratios*

Ratios	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F	2029F	2030F	2031F
Liquidity ratios												
Current Ratio (x)	1,69	1,34	0,80	0,31	0,73	0,87	0,91	0,94	0,37	0,98	0,60	1,60
Quick Ratio (x)	1,50	1,17	0,59	0,24	0,47	0,54	0,61	0,66	0,27	0,73	0,47	1,38
Cash Ratio (x)	0,92	0,90	0,10	0,03	0,09	0,10	0,17	0,21	0,10	0,29	0,21	0,93
Profitability ratios												
EBITDA Margin (%)	19,05%	42,43%	35,15%	27,20%	32,54%	31,82%	32,80%	33,55%	34,27%	34,99%	35,68%	36,36%
EBIT Margin (%)	15,72%	40,11%	32,98%	24,29%	29,26%	28,08%	28,87%	29,57%	30,24%	30,93%	31,61%	32,28%
Net Profit Margin (%)	9,74%	27,02%	23,69%	16,74%	18,91%	23,17%	18,40%	19,14%	19,84%	20,56%	21,19%	21,69%
ROA (%)	4,75%	14,96%	15,80%	10,79%	11,84%	12,68%	9,92%	10,22%	10,56%	10,96%	11,27%	10,77%
ROIC (%)	20,82%	38,72%	25,34%	17,06%	19,55%	16,88%	16,58%	16,89%	17,31%	17,87%	18,51%	19,26%
ROCE (%)	9,14%	31,50%	27,75%	25,83%	22,43%	18,30%	18,48%	18,70%	27,03%	19,52%	23,07%	18,72%
ROE (%)	-1310,62%	108,68%	214,76%	726,18%	-661,94%	204,13%	89,92%	68,61%	58,50%	53,04%	52,82%	41,61%
Return on PP&E (%)	36,33%	113,66%	108,20%	76,00%	76,74%	69,06%	68,71%	69,28%	70,98%	73,88%	77,76%	82,79%
Solvency ratios												
Debt to Total Assets (%)	67%	55%	57%	65%	70%	65%	61%	58%	55%	52%	52%	49%
Financ. Debt/Financ. Debt + Equit	100,55%	79,95%	88,61%	97,78%	102,63%	91,32%	84,71%	79,49%	75,23%	71,69%	70,87%	65,60%
Debt to Shareholders Equity (%)	-18406,43%	398,85%	778,17%	4404,80%	-3906,53%	1051,78%	553,87%	387,49%	303,79%	253,28%	243,23%	190,73%
Debt to EBIT (x)	8,70	2,47	2,60	4,18	3,81	4,25	3,93	3,66	3,41	3,17	3,09	3,08
Debt to EBITDA (x)	7,18	2,34	2,44	3,73	3,43	3,75	3,46	3,22	3,01	2,81	2,73	2,73
Net Debt/EBITDA (x)	5,59	1,21	2,36	3,67	3,35	3,66	3,30	3,04	2,79	2,57	2,43	2,00
Interst Coverage Ratio (x)	2,48	9,19	10,56	5,88	5,32	4,92	5,16	5,55	5,96	6,41	6,76	6,88
Efficiency ratios												
SG&A/Adjusted Revenue (%)	40,08%	26,94%	23,98%	34,88%	33,00%	33,55%	32,84%	31,99%	31,17%	30,35%	29,58%	28,82%
Total Assets Turnover (x)	0,23	0,28	0,33	0,37	0,37	0,34	0,33	0,33	0,33	0,33	0,32	0,30
Fixed Asset Turnover (x)	1,11	1,43	1,64	1,82	1,57	1,51	1,46	1,44	1,44	1,46	1,50	1,56
Accounts Receivables Turnover (x	5,16	6,98	6,47	7,88	8,97	7,70	7,70	7,70	7,70	7,70	7,70	7,70
Days Sales Outstanding (days)	70,69	52,28	56,40	46,30	40,69	47,43	47,43	47,43	47,43	47,43	47,43	47,43
Payble Turnover (x)	7,34	7,58	7,32	8,11	7,80	6,94	6,94	6,94	6,94	6,94	6,94	6,94
Days Payable Outstanding (days)	49,71	48,15	49,89	45,01	46,80	52,62	52,62	52,62	52,62	52,62	52,62	52,62

Source: *Company's Annual Report 2025 (historical), Author analysis (forecasts)*

Appendix 18: *Statement of Financial Position Assumptions*

BALANCE SHEET IN THOUSANDS OF $	Historical Years						Forecasted Years						Assumptions
	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F	2031F	
Total Assets	1587	1932	2102	2395	2531	2918	3126	3314	3493	3664	3858	4344	
Total Current Assets	433	762	348	297	339	406	450	484	520	557	626	998	
Cash & cash equivalents	235	512	42	27	40	45	84	110	136	162	220	580	Cash (t) = cash (t-1) + OCF (t) + ICF (t) FCF (T)
Accounts receivable	150	153	217	196	177	207	219	230	242	254	267	280	DSO= (AR / Revenues) x 365 ⇒ AR(t) = (DSO(2025) x Revenues) / 365
Income taxes receivable	4	13	5	14	5	13	12	13	14	15	16	17	As a % of Income Tax Expenses
Notes receivable, net of allowance	24	54	52	21	76	95	91	85	80	74	68	63	Notes Receivables, net (t+1) = Total notes receivables, net (t-1) + issuance of notes receivables - collection of notes receivables
Prepaid expenses and other current assets	20	30	33	39	41	45	45	47	49	52	54	57	Projected as a percentage of total revenues
Total Non Current Assets	1154	1170	1754	2098	2191	2512	2676	2830	2973	3107	3232	3346	
Property and equipment, net	335	377	427	493	604	649	708	755	792	818	834	841	See PP&E Appendix
Operating lease right-of-use assets	18	34	69	85	83	78	83	85	87	88	90	92	As a (historical) % of Total Operating Lease Liabilities
Goodwill	159	159	219	220	220	306	306	306	306	306	306	306	Constant at 2025 levels - No Acquisitions assumed
Intangible assets (net)	304	312	742	811	884	1082	1132	1182	1233	1283	1334	1385	See Intangibles Appendix
Notes receivable, net of allowances	96	66	56	79	33	12	16	21	27	32	37	42	
Investments in equity securities, at fair value	-	-	-	116	-	-	-	-	-	-	-	-	Choice sold evey investment in equity securities. Projected as zero until 2031F
Investments employee benefit plans at fair value	29	34	32	40	48	50	51	52	53	54	56	57	As a (historical) % of Deferred Compensation and Retirement Plan obligations
Investments in affiliates	58	28	31	71	117	135	176	218	259	300	342	383	Inv. Aff (t) = Inv. Aff. (t-1) + Cont. Inv. Aff. (t from CFI) - Dist. sales aff. (t from CFI)
Deferred income taxes	68	69	88	90	108	75	75	75	75	75	75	75	Constant over the projection period
Other assets	88	90	91	93	94	124	129	136	143	150	158	166	As a % of total revenues (historical average)
TOTAL LIABILITIES	1593	1666	1948	2359	2576	2737	2781	2821	2863	2907	3034	3220	
Total Current Liabilities	256	570	436	943	463	467	494	517	1414	568	1045	624	
Accounts payable	83	81	119	131	135	156	163	169	176	183	190	198	DPO = (AP / Operating Expenses) x 365 ⇒ AP(2025) = (DPO(2025)) x Operating Expenses) / 365
Accrued expenses and other current liabilities	79	104	131	109	137	125	132	139	146	153	161	169	Projected as a percentage of revenue
Deferred revenue	50	82	93	108	102	101	106	112	118	124	131	138	it was held constant at the 2024 level
Liability for guest loyalty program	43	87	90	95	89	85	92	97	102	107	113	119	It was held constant in the forecast.
Current portion of long-term debt	-	216	3	499	-	-	-	-	872	-	449	-	See debt schedule - Table A. 13
Total Non Current Liabilities	1337	1096	1512	1417	2113	2270	2287	2304	1449	2339	1989	2596	
Long-term debt	1059	844	1201	1069	1769	1906	1909	1912	1044	1918	1553	2144	See Debt Schedule Appendix
Long-term deferred revenue	122	106	134	134	132	131	138	145	153	161	170	179	It was kept constant throughout the forecast.
Deferred Compensation and Retirement Plan obligations	34	39	37	46	53	57	58	59	61	62	63	65	Grows with SG&A
Income taxes payable	23	21	15	9	-	-	-	-	-	-	-	-	
Deferred Income Taxes	-	-	-	-	-	25	25	25	25	25	25	25	Kept constant
Operating lease liabilities	13	35	71	109	113	108	111	114	116	119	121	124	As a % of SG&A (Historical Average)
Liability for guest loyalty program	77	42	47	43	41	40	42	45	47	49	52	55	Kept constant throughout the projection period.
Other liabilities	9	9	6	7	5	3	3	3	3	3	3	3	Held constant at the last reported value.
TOTAL SHAREHOLDERS (DEFICIT) EQUITY	(6)	266	155	36	(45)	181	345	493	630	757	823	1124	
Common Stock	1	1	1	1	1	1	1	1	1	1	1	1	Held flat in the forecast.
Additional paid-in-capital	234	259	298	331	370	404	450	496	544	593	643	694	APIC (t) = APIC (T-1) + Share-Based comoensation expense
Accumulated other comprehensive loss	(5)	(5)	(5)	(6)	(6)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	It was kept constant at its 2025 level
Treasury Stock	(1260)	(1265)	(1695)	(2047)	(2412)	(2536)	(2674)	(2854)	(3077)	(3344)	(3706)	(3869)	Treasury Stock (t) = Treasury Stock (t-1) - Purchases of Treasury Stock from CFF (t)
Retained Earnings	1025	1275	1556	1756	2001	2318	2573	2856	3168	3513	3891	4304	Retained Earnings (t) = Retained Earnings (t-1) + Net Income (t) - Dividends Paid (t)

Source: *Company's Annual Report 2025 (historical), Author analysis (forecasts)*

Appendix 19: *Income Statement Assumptions*

INCOME STATEMENT IN THOUSANDS OF $	Historical Years						Forecasted Years						Assumptions
	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F	2029F	2030F	2031F	
Total Revenues	**774**	**1069**	**1402**	**1544**	**1585**	**1597**	**1685**	**1769**	**1859**	**1954**	**2053**	**2156**	
Franchise & Management Fees				652	670	673	711	749	789	832	876	923	See F&M Fees explanation - section 5. Valuation Methods
Partnership services & fees				92	99	114	120	125	131	137	143	149	Grows with annual rooms opened and the IMF U.S. forecasted inflation
Owned hotels	20	38	71	98	113	121	126	129	132	135	138	141	rows with domestic RevPAR forecast. Number of Owned hotels kept consta
Other				55	64	72	76	80	85	89	94	99	Forecasted as a % of Franchise & Management Fees
Revenue Reimbursable Costs from F&M Properties				648	638	616	651	685	722	761	802	845	Forecasted as a % of Franchise & Management Fees
Total operating expenses	**638**	**640**	**940**	**1165**	**1121**	**1148**	**1198**	**1246**	**1297**	**1350**	**1404**	**1460**	
Selling, general and administrative				313	312	329	339	347	354	362	370	378	Grows in line with the IMF U.S. forecasted inflation
Business combination, diligence and transition costs	-	-	40	56	17	5	-	-	-	-	-	-	Assumed to be zero since no acquisitions or integrations are projected
Depreciation and amortization	26	25	30	45	52	60	66	70	75	79	84	88	See PP&E Appendix
Owned hotels	16	25	49	71	83	92	95	97	99	101	103	105	Grows with domestic the IMF forecasted Inflation
Reimbursable Exp. from F&M Properties				680	656	663	698	732	769	807	847	889	Projected to grow in line with the corresponding revenues
Impairment of long-lived assets	(15)	()	-	(4)	-	-	-	-	-	-	-	-	
EBIT	**122**	**429**	**479**	**375**	**464**	**448**	**486**	**523**	**562**	**604**	**649**	**696**	
Gain (loss) on sale of business and assets, net	-		16	-	-	(1)	-	-	-	-	-	-	
Interest expense	49	47	44	64	87	91	94	94	94	94	96	101	See Debt Schedule Appendix
Interest Income	(8)	(5)	(7)	(8)	(9)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	Historical effective yield (≈6%) x projected notes receivable balance
Gain from an acquisition of a joint venture	-	-	-	-	-	(100)	-	-	-	-	-	-	No acquisitions assumed
Loss (gain) on extinguishment of debt	17	-	-	(4)		-	-	-	-	-	-	-	
Other (gain) loss	(5)	(5)	7	(11)	2	(7)	-	-	-	-	-	-	
Equity in net gain of affiliates	15	16	(2)	(3)	(12)	14	-	-	-	-	-	-	See Investments in affiliates from the BS
Total other expenses and income, net	**69**	**52**	**42**	**38**	**68**	**(8)**	**88**	**88**	**88**	**88**	**90**	**95**	
EBT	**53**	**376**	**437**	**337**	**396**	**456**	**398**	**435**	**474**	**516**	**559**	**601**	
Income tax expense	(22)	88	105	78	96	87	88	97	105	115	124	133	Applied the historical average effective tax rate
Net income	**75**	**289**	**332**	**259**	**300**	**369**	**310**	**339**	**369**	**402**	**435**	**468**	

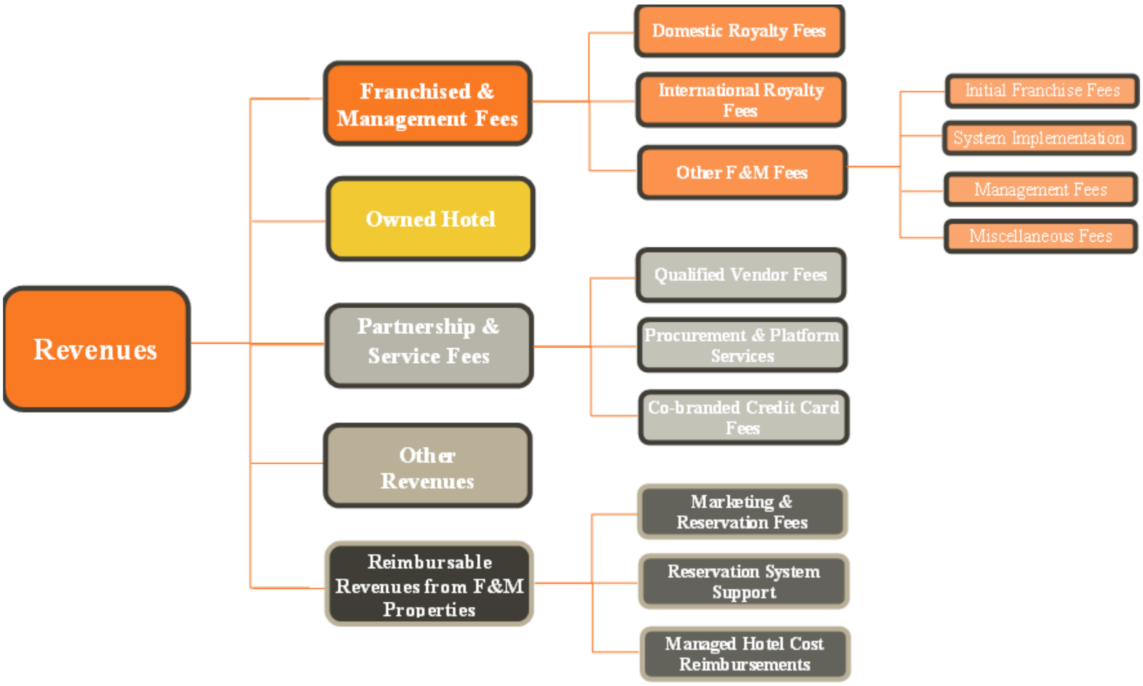
Source: *Company's Annual Report 2025 (historical), Author analysis (forecasts)*

Appendix 20: *Cash Flow Statement Assumptions*

CASHFLOW STATEMENT IN THOUSANDS OF $	Historical Years						Forecasted Years						Assumptions
	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F	2029F	2030F	2031F	
CASH FLOWS FROM OPERATING ACTIVITIES	**110**	**384**	**367**	**297**	**319**	**270**	**393**	**422**	**461**	**503**	**544**	**586**	
Net Income	75	289	332	259	300	370	310	339	369	402	435	468	From IS
Depreciation and amortization	26	25	30	45	52	60	66	70	75	79	84	88	PP&E D&A + Intangibles Amortization
Depreciation and amortization - Reimb. Exp. from F&M Properties	23	26	33	31	19	20	26	29	32	35	38	41	From IS - D&A from reimb. Expenses
Franchise agreement acquisition cost amortization	11	13	16	20	29	32	38	44	51	58	65	72	See Intangibles Appendix
Gain from an acquisition of a joint venture	-	-	-	-	-	(100)	-	-	-	-	-	-	No acquisitions assumed
Loss (gain) on extinguishment of debt	17	-	-	(4)		-	-	-	-	-	-	-	held constant at zero
Impairment of long-lived assets	15		-	4	-	-	-	-	-	-	-	-	held constant at zero
Gain on sale of business and assets, net	-	1	(16)	-	-	(1)	-	-	-	-	-	-	held constant at zero
Non-cash share-based compensation and other charges	10	36	43	47	43	38	46	47	48	49	50	51	Derived as a fixed historical average % of SG&A
Non-cash interest, investments, and affiliate (income) loss, net	(7)	(14)	7	(9)	(7)	(6)	3	3	3	3	2	2	Issuance costs of debt being amortized
Deferred income taxes	(45)	(1)	(20)	(1)	(19)	20	-	-	-	-	-	-	held constant at zero
Equity in net (gain) loss of affiliates, less distributions received	15	24		(2)	(2)	20	-	-	-	-	-	-	held constant at zero
Franchise agreement acquisition costs, net of reimbursements	(36)	(38)	(55)	(98)	(112)	(83)	(117)	(123)	(130)	(137)	(144)	(152)	See Intangibles Appendix
Change in working capital and other	6	23	(5)	6	17	(98)	21	13	14	15	15	16	
CASH FLOWS FROM INVESTING ACTIVITIES	**(24)**	**(79)**	**(442)**	**(266)**	**(85)**	**(218)**	**(162)**	**(159)**	**(156)**	**(153)**	**(150)**	**(148)**	
Investments in other property and equipment	(34)	(74)	(24)	(48)	(39)	(39)	(46)	(48)	(51)	(53)	(56)	(59)	See PP&E Appendix
Investments in owned hotel properties	-	-	(66)	(69)	(107)	(107)	(75)	(69)	(64)	(59)	(53)	(48)	See PP&E Appendix
Contributions to investments in affiliates	(5)	(3)	(3)	(39)	(53)	(94)	(62)	(62)	(62)	(62)	(62)	(62)	3-year Historical Average
Issuances of notes receivable	(10)	(20)	(6)	(4)	(38)	(7)	(16)	(16)	(16)	(16)	(16)	(16)	3-year Historical Average
Purchases of equity securities	-	-	-	(112)	-	-	-	-	-	-	-	-	
Business acquisition, net of cash acquired	-	-	(550)	-	-	(73)	-	-	-	-	-	-	No acquisitions assumed
Distributions from sales of affiliates	-	16	-	1	16	45	20	20	20	20	20	20	3-year Historical Average
Collections of notes receivable	6		1	11	32	7	17	17	17	17	17	17	3-year Historical Average
Proceeds from sales of equity securities	-	-	-	-	108	-	-	-	-	-	-	-	
Proceeds from the sale of assets and business	-	6	167	-	-	52	-	-	-	-	-	-	No disposables assumed
Proceeds from the termination of intangible assets	-	-	45	-	-	-	-	-	-	-	-	-	
Other items, net	(1)	(1)	1	(5)	(4)	(3)	-	-	-	-	-	-	
CASH FLOWS FROM FINANCING ACTIVITIES	**115**	**(28)**	**(394)**	**(46)**	**(222)**	**(50)**	**(192)**	**(237)**	**(280)**	**(324)**	**(336)**	**(79)**	
Net borrowings pursuant to revolving credit facilities	(18)	-	360	(132)	112	133	-	-	-	-	-	-	See Debt Schedule Appendix
Proceeds from the issuance of long-term debt	697	-	-	500	594	-	-	-	-	400	83	589	See Debt Schedule Appendix
Proceeds from economic development loans	-	-	-	-	-	2	-	-	-	-	-	-	See Debt Schedule Appendix
Repayment of long-term debt	(474)	-	(217)	-	(500)	-	-	-	-	(400)	-	(450)	See Debt Schedule Appendix
Payments to extinguish acquired debt	(14)	-	(56)	-	-	-	-	-	-	-	-	-	
Proceeds from acquired derivative	-	-	2	-	-	-	-	-	-	-	-	-	
Debt issuance costs	(5)	()	()	(2)	(8)	-	-	-	-	-	-	-	
Purchases of treasury stock	(55)	(13)	(435)	(363)	(381)	(138)	(137)	(181)	(223)	(267)	(362)	(163)	See Payout Policy explanation - section 5. Valuation Methods
Dividends paid	(25)	(25)	(53)	(56)	(55)	(53)	(55)	(56)	(57)	(57)	(57)	(55)	Held constant
Proceeds from the exercise of stock options	10	11	4	6	18	7	-	-	-	-	-	-	

Source: *Company's Annual Report 2025 (historical), Author analysis (forecasts)*

Appendix 21: *Revenues Scheme*



Source: *Author Analysis*

Appendix 22: *Choice Hotels U.S. Lodging Fitted Market*

CHH "Fitted Market": Economy + Midscale + Upper Midscale + Upscale											
Metric	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**
Fitted Market Room Demand (000s)	**1840,7**	**1909,5**	**1966,6**	**2010,8**	**1407,0**	**1898,4**	**2038,6**	**2051,6**	**2060,8**	**2068,1**	**2132,8**
Demand Economy	398,8	402	402,7	398,1	336,2	394,1	378,4	357,5	349	342,4	348,9
Demand Midscale	280,1	287,4	292,1	298,1	238,4	300,2	303,2	297,8	297,6	303,2	315,8
Demand Upper Midscale	655	681,3	706,7	726,7	487,8	693	761,4	775,5	784,4	787,5	810,8
Demand Upscale	506,8	538,8	565,1	587,9	344,6	511,1	595,6	620,8	629,8	635	657,3
Weight on total demand	28%	28%	29%	29%	24%	27%	29%	30%	31%	31%	31%
Change from prior year (Demand)	1,70%	3,74%	2,99%	2,25%	-30,03%	34,93%	7,39%	0,64%	0,45%	0,35%	3,13%
Fitted Market Room Supply (000s)	**2834,9**	**2920,4**	**2998,2**	**3075,4**	**3063,3**	**3164,4**	**3204,5**	**3220**	**3236,4**	**3289,7**	**3362,3**
Supply Economy	708,4	711,6	706,2	699,6	691,5	680,4	660,6	649,1	640,7	639,9	645,2
Supply Midscale	465,7	473,1	479,6	491,5	495,9	505,8	505,0	504,2	507,2	522,4	539,2
Supply Upper midscale	971,8	1002,1	1039,7	1074,6	1076	1124,3	1156,1	1170,6	1183,8	1205,1	1231
Supply Upscale	689	733,6	772,7	809,7	799,9	853,9	882,8	896,1	904,7	922,3	946,9
Change from prior year (Supply)	1,86%	3,02%	2,66%	2,57%	-0,39%	3,30%	1,27%	0,48%	0,51%	1,65%	2,21%
Fitted Market Occupancy (%)	**64,93%**	**65,38%**	**65,59%**	**65,38%**	**45,93%**	**59,99%**	**63,62%**	**63,71%**	**63,68%**	**62,87%**	**63,43%**
Change from prior year (Occupancy)	-0,16%	0,70%	0,32%	-0,32%	-29,75%	30,61%	6,04%	0,15%	-0,06%	-1,27%	0,90%

Source: *Author Analysis*

Appendix 23 - *Franchise & Management Fees Breakdown*

			2025	2026F	2027F	2028F	2029F	2030F	2031F
Total Revenues			**$1 596,79**	**$1 684,66**	**$1 769,10**	**$1 858,67**	**$1 954,11**	**$2 052,75**	**$2 156,47**
Franchise & Management Fees			**$673,20**	**$711,01**	**$748,88**	**$789,00**	**$831,79**	**$876,05**	**$922,65**
Royalty Fees	**US Lodging Industry - Fitted Market**	Total Room Demand	2068,10	2132,80	2175,456	2218,965	2265,563	2310,875	2357,092
		YoY Growth (%)	0,35%	3,13%	2,00%	2,00%	2,10%	2,00%	2,00%
		Total Room Supply	3289,70	3362,30	3433,140	3502,039	3568,819	3633,304	3696,887
		YoY Growth (%)	1,65%	2,21%	2,11%	2,01%	1,91%	1,81%	1,75%
		Occupancy (%)	62,9%	63,4%	63,4%	63,4%	63,5%	63,6%	63,8%
		YoY Growth (%)	-1,3%	1%	0%	0%	0%	0%	0%
		Assumption on supply growth: convergence to the industry average		2,21%	2,11%	2,01%	1,91%	1,81%	1,75%
		Assumption on demand growth: US Real Disposable Personal Income growth		3,03%	2,00%	2,00%	2,10%	2,00%	2,00%
	Choice's Domestic Royalties	**Domestic Royalty Fees (reported)**	**439,840**	**472,298**	**496,276**	**521,982**	**549,558**	**578,024**	**607,965**
		Royalty Fees by formula: (RevPAR x # Rooms) x Royalty Fee	492,764	529,128	555,991	584,790	615,684	647,576	681,119
		Adjustment Factor (average)	11%						
		RevPar ($)	52,850	55,031	56,128	57,358	58,731	60,137	61,611
		ADR ($)	95,050	98,092	100,152	102,355	104,607	106,908	109,260
		Occupancy Rate (%)	55,60%	56,10%	56,04%	56,04%	56,15%	56,25%	56,39%
		Number of Rooms	496,979	508,455	519,686	530,646	541,306	551,638	561,853
		Effective Royalty Rate	5,14%	5,18%	5,22%	5,26%	5,31%	5,35%	5,39%
		Effective Royalty Rate growth assumption	0,00%	0,04%	0,04%	0,04%	0,04%	0,04%	0,04%
		Inflation consumer prices (Annual percent change), IMF Data 2026	2,70%	3,20%	2,10%	2,20%	2,20%	2,20%	2,20%
		Δ Occupancy Rate	-1,42%	0,90%	-0,10%	-0,01%	0,19%	0,19%	0,25%
		Choice's Market Share	15,11%	15,12%	15,14%	15,15%	15,17%	15,18%	15,20%
		Average Choice's Market Share (last 5 years)	15,19%						
	Choice's International Royalties	**International Royalty Fees (reported)**	**41,323**	**45,40**	**48,998**	**52,505**	**56,085**	**59,845**	**63,831**
		Number of rooms	159,846	164,170	168,610	173,171	177,855	182,666	187,607
		Number of rooms Growth YoY (%)	13%	3%	3%	3%	3%	3%	3%
		CAGR							
		Royalty International Rooms (2015-2025)	2,70%						
		Royalty Fees per room	$0,26	$0,28	$0,29	$0,30	$0,32	$0,33	$0,34
		Regional Inflation Wheighted by Rooms Exposure	**6,55%**	**6,97%**	**5,08%**	**4,34%**	**4,00%**	**3,89%**	**3,85%**
	Other Franchise & Management Fees	**Other Franchise & Management Fees**	**192,034**	**193,3093**	**203,6059**	**214,5143**	**226,1478**	**238,1812**	**250,8493**
		Avg Other F&M Fees/(Domestic + International Royalty Fees)	37%						

Source: *Author Analysis*

1

$$Occupancy = \frac{Fitted\ Market\ Demand}{Fitted\ Market\ Supply}$$

$$CHH\ Occupancy\ (t) = CHH\ Occupancy\ (t\text{-}1) \times (1 + \Delta\ Fitted\ Market\ Occupancy)$$

2

$$CHH\ Market\ Share\ (t) = CHH\ Market\ Share\ (t\text{-}1) \times (1 + 0.01)$$

$$CHH\ Domestic\ Rooms\ (t) = Fitted\ Market\ Supply\ (t) \times CHH\ Market\ Share\ (t)$$

3

$$CHH\ ADR\ (t) = CHH\ ADR\ (t\text{-}1) \times (1 + inflation)$$

$$CHH\ RevPAR = CHH\ ADR\ (t) \times CHH\ Occupancy$$

4

$$Effective\ Royalty\ Rate\ (t+1) = Effective\ Royalty\ Rate\ (t) \times (1 + 0{,}8\%)$$

5

$$Adj.Factor\ (AF) = \frac{Royalty\ Fees\ by\ formula - Domestic\ Royalty\ Fees\ (reported)}{Domestic\ Royalty\ Fees\ (reported)}$$

6

$$Domestic\ Royalty\ Fees = RevPAR\ \times \#\ Rooms\ \times 365\ \times Effective\ Royalty\ Rate\ \times AF$$

Appendix 24: *Intangibles Forecast*

Intangible Assets (net)	2025	2026F	2027F	2028F	2029F	2030F	2031F
	1082	**1132**	**1182**	**1233**	**1283**	**1334**	**1385**
Trademarks (non-amortizing)	**253**	**253**	**253**	**253**	**253**	**253**	**253**
Amortizing intangible assets (net)	**830**	**879**	**929**	**980**	**1030**	**1081**	**1132**
Amortizing intangible assets (gross)	1086	1203	1326	1456	1593	1737	1889
Franchise Rights (gross)	**353**	**353**	**353**	**353**	**353**	**353**	**353**
Franchise Rights (net)	**263**	**237**	**210**	**184**	**158**	**132**	**106**
Useful life (12 to 15 years)							
Amortization		26	26	26	26	26	26
Acc Amortization	90	116	142	168	195	221	247
Reacquired Territory Rights (gross)	**76**	**76**	**76**	**76**	**76**	**76**	**76**
Reacquired Territory Rights (net)	**75**	**73**	**71**	**69**	**67**	**65**	**63**
Useful life (38 years)							
Amortization		2	2	2	2	2	2
Acc Amortization	1	3	5	7	9	11	13
FAACs (gross)	645	762	885	1015	1152	1296	1447
FAACs (net)	485	564	643	722	801	881	960
Useful life (10 to 30 years)							
FAAC Amortization		38	44	51	58	65	72
Acc Amortization	160	198	242	293	350	415	487
FAACs (From CFO)	83	117	123	130	137	144	152
Trademarks & Other (Gross)	11	11	11	11	11	11	11
Trademarks & Other (net)	6	6	5	4	4	3	3
Useful life (10 to 30 years)							
Amortization		1	1	1	1	1	1
Acc Amortization	5	5	6	6	7	7	8
Capitalized SaaS Licenses (Gross)	2	2	2	2	2	2	2
Capitalized SaaS Licenses (net)	1	0	0	0	0	0	0
Useful life (3 years)							
Amortization		1	0	0	0	0	0
Acc Amortization	1	2	2	2	2	2	2

Assumptions

• **Non Amortizing Trademarks** - this line represents indefinite-lived assets that are not subject to amortization and usually grow with brand acquisitions. Since no brand acquisition was assumed, this line is kept constant over time.

• **Franchise Agreement Acquisition Costs (FAACs)** - represent cash incentives provided to new franchisees and therefore scale with system expansion. The forecasts assumes that FAACs (gross) increase annually by the projected incentive outflows in the CFO (see CFO appendix) and are amortized over a 20 year useful life.

→ **FAAC gross (t+1)** = FAAC gross (t) + FAAC additions (t) from CFO
→ **FAACs net (t)** = FAACs gross (t) - Acc. Amortization (t)
Note: FAAC (from CFO) was forecasted using the historical average of the percentage of FAACs/Franchise and Management Fees, reflecting the economic link between system revenue and development incentives.

• **Franchise Rights; Trademarks & Others; Capitalized SaaS Licenses** - rolled forward using the straight-line amortization based their disclosed useful lifes.

• **Franchise Rights** arise from past acquisitions and do not grow organically - do not grow with expansion of hotels of the already existing brands in the portfolio - only when there's a brand acquisition. Given this, gross balances were held constant and net values will decline gradually as accumlated amortization increases.

• **Reacquired Territory Rights** were kept constant on a gross basis, as no new territory reacquisition was assumed. The net balance declines gradually over the forecast period due to amortization over the remaining useful life.

Source: *Author Analysis*

Appendix 25: *PP&E Forecast*

PP&E net	2025	2026F	2027F	2028F	2029F	2030F	2031F
	649	**708**	**755**	**792**	**818**	**834**	**841**
PPE gross	811	932	1050	1165	1278	1387	1494
Investments in other property & equipment	39	46	48	51	53	56	59
Investments in owned hotel properties	107	75	69	64	59	53	48
D&A Total	**54**	**63**	**71**	**78**	**86**	**93**	**100**
D&A expensed on D&A IS	35	37	42	46	51	55	59
D&A IS/PPE gross (Average of the last 3 years)	4%						
D&A Expensed on Reimbursabe costs	18	26	29	32	35	38	41
D&A Expensed on Reimbursable costs/PPE Gross	3%						

PP&E is forecasted using a roll-forward. PP&E Gross increases each year by the capex shown in the CFI (see CFI appendix) - specifically (i) Investments in other PP&E and (ii) Investments in Owned Hotel Properties.
→ **PPE Gross (t+1) = PPE Gross (t) + Capex from CFI (t+1)**

PP&E net is computed as the prior-year balance plus these investments (from CFI) minus D&A.
→ **PPE net (t+1) = PPE net (t) + Capex from CFI (t+1) - D&A (t+1)**
Total D&A of PP&E = D&A (expensed on D&A IS + D&A expensed on reimbursable costs)
Both type of D&As were forecasted using a proportional approach using the historical average values that each D&A had relative to PP&E Gross

Source: *Author Analysis*

Appendix 26: *Debt Schedule*

Long-term debt	2025	2026F	2027F	2028F	2029F	2030F	2031F
	1906	**1909**	**1912**	**1044**	**1918**	**1553**	**2144**
1 B$ Unsecured Revolving Credit Facility (less deferred issuance costs)	**470**	**471**	**471**	**472**	**473**	**473**	**473**
Net (repayments) borrowings pursuant to revolving credit facilities (from CFF)	133	-	-	-	-	-	-
Issuance costs and Discounts (unamortized)	3	2	2	1	-	-	-
Δ Issuance costs and Discounts (amortized)	()	(1)	(1)	(1)	(1)	(1)	-
Proceeds from the issuance of long-term debt (from CFF)	133	-	-	-	-	-	-
Repayment of long-term debt (from CFF)	-	-	-	-	-	-	-
Effective Int. Rate (5.22% in 2025)							
Interest Expense	-	24,56	24,61	24,65	24,69	24,69	24,69
2019 Unsecured Senior Note (due in 2029)	**398**	**398**	**399**	**399**	**-**	**-**	**-**
Principal	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issuance Costs and Discounts (unamortized)	**2**	**2**	**1**	**1**	**-**	**-**	**-**
Δ Issuance costs and Discounts (amortized)	**(1)**	**(1)**	**(1)**	**(1)**	**(1)**	**-**	**-**
Proceeds from the issuance of long-term debt (from CFF)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Repayment of long-term debt (from CFF)	**-**	**-**	**-**	**-**	**(400)**	**-**	**-**
Coupon Rate (3.70%)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest Expense	**15**	**15**	**15**	**15**	**15**	**-**	**-**
2020 Unsecured Senior Note (due in 2031)	**447**	**447**	**448**	**448**	**449**	**449**	**-**
Principal	-	-	-	-	-	-	-
Issuance Costs and Discounts (unamortized)	3	3	2	2	1	1	-
Δ Issuance costs and Discounts (amortized)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Proceeds from the issuance of long-term debt (from CFF)	-	-	-	-	-	-	-
Repayment of long-term debt (from CFF)	-	-	-	-	-	-	(450)
Coupon Rate (3.70%)	-	-	-	-	-	-	-
Interest Expense	-	17	17	17	17	17	17
2024 Unsecured Senior Note (due in 2034)	**590**	**591**	**592**	**593**	**594**	**596**	**597**
Principal	-	-	-	-	-	-	-
Issuance costs and Discounts (unamortized)	10	9	8	7	6	4	3
Δ Issuance costs and Discounts (amortized)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Proceeds from the issuance of long-term debt (from CFF)	-	-	-	-	-	-	-
Repayment of long-term debt (from CFF)	-	-	-	-	-	-	-
Coupon Rate (5,85%)	-	-	-	-	-	-	-
Interest Expense	-	35	35	35	35	35	35
Economic development loans	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Effective Int. Rate (3%)		-	-	-	-	-	-
Interest Expense	-	,1	,1	,1	,1	,1	,1
Refinaning of Senior Notes	-	-	-	-	400,0	400,0	850,0
New Issuance of long-term debt	-	-	-	-	400,0	-	450,0
Coupon Rate	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	14,8	14,8
Issuance Costs	-	-	-	-	-	(1,4)	(1,4)
New Loans	-	-	-	-	-	-	-
2030 Loan			-	-	-	83,0	83,0
Interest Expense			-	-	-	3,1	3,1
2031 Loan			-	-	-	-	139,4
Interest Expense			-	-	-	-	5,2
Current Portion of Long-Term Debt	-	-	-	871,6	-	449,5	-
Total Financial Debt	**1906**	**1909**	**1912**	**1915**	**1918**	**2003**	**2144**

Assumptions

• **Revolving Credit Facility:** Outstanding revolving borrowings are forecasted to be fully refinanced at maturity in 2029, rather than fully repaid. Choice will continue to maintain access to flexible short-term funding to supporto liquidity and capital returns.

Until the maturiry, the revolver balance gradually increases each year due to amortization of deferred issuance costs (consistent with US GAAP Accounting). Interest expense is based on the last available effective interest rate (5.22% in 2025), which is kept constant over the forecasting period.

• **Senior Unsecured Notes:** Outstanding Notes follow the scheduled maturity profile, with the principals of the 2019 and 2020 senior notes due in 2020 due in 2029 and 2031, respectively.

At maturity, **full refinancning is assumed (check refinancning line of this appendix),** consistent with Choice's historical practice of rolling long-term debt. The refinancning is assumed to occur at the same coupon rate as the original issuance.

Amortization of original issuance costs and discounts continues until the refinancning date, implicating small changes in the carrying value each year. For the refinancing, no new issuance costs were assumed.

Financial debt was forecast based on the existing maturity schedule, with scheduled repayments assumed to be refinanced. No additional borrowing was projected while debt to EBITDA remained above the normalized historical average.

However, as EBITDA growth gradually reduces leverage, debt to EBITDA would fall below the 2.7× historical average in the final forecast years. This level was considered inconsistent with Choice’s historical financing policy and its regular use of debt to support acquisitions and shareholder returns. Therefore, once leverage falls below 2.7×, additional borrowing is assumed only to restore the ratio to this threshold.

Under this approach, approximately $83 million of new debt is issued in 2030 and $139 million in 2031, in addition to the refinancing of scheduled maturities. The assumption prevents the model from implying an unintended long-term deleveraging strategy, while avoiding incremental borrowing before leverage falls below its normalized level.

Source: *Author Analysis*

Appendix 27: *FCFF Method*

Free Cash Flow to the Firm	0	1	2	3	4	5
	2026F	2027F	2028F	2029F	2030	2031TV
EBIT	486,302	523,159	562,068	604,451	648,816	696,207
EBIT(1-t)	384,178	413,295	444,034	477,517	512,564	550,003
Marginal Tax Rate	21%	21%	21%	21%	21%	21%
D&A	66,263	70,297	74,854	79,300	83,637	87,870
FAACs Cost Amortization	38,096	44,254	50,742	57,581	64,785	72,371
Δ in NWC	-15,619	-10,252	-10,847	-11,494	-11,846	-12,411
CAPEX	121,064	117,948	114,968	112,143	109,400	106,788
FAACs	116,927	123,156	129,754	136,790	144,069	151,732
FCFF	266,165	296,995	335,754	376,959	419,363	464,136
Discount Factor	1,000	1,087	1,182	1,285	1,398	1,520
PV FCFF		273,154	284,014	293,272	300,072	305,450
PV of Explicit CF	1455,962					
Vn - Terminal Value	8428,657					
PV of the Terminal Value	5546,9339					
V0 - Enterprise Value	**7002,896**					
Debt	1909,144					
Cash & Cash Equivalents	83,557					
Equity Value	**5177,309**					
Shares Outsanding	45,2591					
Market Price (01/04/26)	$102,88					
Price Target	**$114,39**					
HOLD / NEUTRAL	**11,19%**					

Source: *Author Analysis*

Appendix 28: *APV Method*

Adjusted Present Value	0	1	2	3	4	5
	2026F	2027F	2028F	2029F	2030	2031TV
FCFF	266,165	296,995	335,754	376,959	419,363	464,136
Tax Rate	21%	21%	21%	21%	21%	21%
Interest Expense	94,192	94,234	94,276	94,317	96,001	101,159
Int. Tax Shield	19,780	19,789	19,798	19,807	20,160	21,243
Discount Factor Ru	1,000	1,090	1,189	1,296	1,414	1,541
PV FCFF		272,377	282,400	290,776	296,672	301,129
PV Tax shield		18,149	16,652	15,278	14,262	13,783
Unelevered Terminal Value	7991,782					
PV Unelevered Terminal Value	5185,034					
Vu - PV Unelevered Enterprise Value	**6628,389**					
Terminal Value of Tax Shield	365,782					
PV of Terminal Tax Shield	237,318					
PV of Total Tax Shield	**315,441**					
Levered Enterprise Value (Vl)	**6943,830**					
Debt	1909,144					
Cash & Cash Equivalents	83,557					
Equity Value	**5118,243**					
Shares outstanding	45,259					
Market Price (01/04/26)	$102,88					
Price Target	**$113,09**					
HOLD / NEUTRAL	**9,92%**					

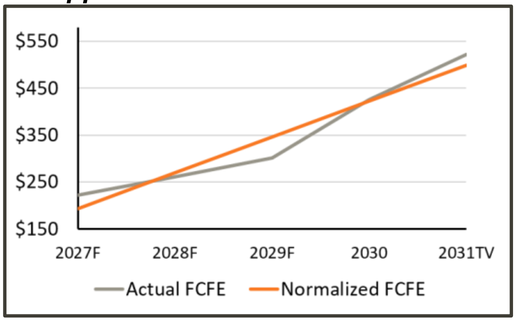
Source: *Author Analysis*

Appendix 29: *FCFE Method*

Free Cash Flow to Equity	0	1	2	3	4	5
	2026F	2027F	2028F	2029F	2030	2031TV
Net Income	309,936	338,565	368,791	401,720	434,913	467,757
D&A	66,263	70,297	74,854	79,300	83,637	87,870
FAACs Cost Amortization	38,096	44,254	50,742	57,581	64,785	72,371
Capex	121,064	117,948	114,968	112,143	109,400	106,788
FAACs	116,927	123,156	129,754	136,790	144,069	151,732
Δ in WC	-15,619	-10,252	-10,847	-11,494	-11,846	-12,411
Net Borrowings	0,000	0,000	0,000	0,000	83,031	139,418
FCFE	191,922	222,264	260,511	301,162	424,742	521,307
Discount Factor	1,000	1,107	1,225	1,355	1,500	1,659
PV of FCFE		200,851	212,734	222,237	283,235	314,138
PV of Explicit CF	1233,194					
Vn - Terminal Value	6751,936					
PV of the Terminal Value	4068,6909					
Equity Value	**5301,885**					
Shares outstanding	45,259					
Market Price (01/04/26)	102,88					
Price Target	**117,15**					
HOLD / NEUTRAL	**13,87%**					

Source: *Author Analysis*

Appendix 30: *FCFE Normalization*



Source: *Author Analysis*

Appendix 31: *Total Payout Model*

Total Payout Model	0	1	2	3	4	5
	2026F	2027F	2028F	2029F	2030	2031TV
Dividends Paid	54,847	55,960	56,644	56,861	56,542	55,039
Treasury Repurchases	137,394	180,550	222,935	266,768	362,148	163,045
SBC ($)	45,766	46,727	47,755	48,806	49,879	50,977
Net buybacks	91,628	133,823	175,180	217,962	312,269	112,068
Net payout	146,475	189,783	231,825	274,823	368,811	167,107
Discount Factor	1,000	1,107	1,225	1,355	1,500	1,659
PV Net payout		171,499	189,308	202,801	245,938	100,698
Sum of the PV Net Payout	910,244					
Vn - Terminal Value	2263,559					
PV Terminal Value	1364,012					
Equity Value	2274,255					
Shares outstanding (2026)	45,259					
Market Price (01/04/26)	102,88					
Price Target	**50,25**					
SELL	**-51,16%**					

Source: *Author Analysis*

Appendix 32: *Market Based Valuation*

P/E		
EPS	$	6,85
P/E Peers	$	36,70
Price	$	251,32
Market Price	$	102,88
Buy		144%

P/S		
Sales per Share	$	37,22
P/S Peers	$	4,22
Price	$	157,08
Market Price	$	102,88
Buy		53%

P/CF		
CF per Share	$	8,68
P/CF Peers	$	27,86
Price	$	241,82
Market Price	$	102,88
Buy		135%

EV/EBITDA		
CHH EBITDA	$	552,56
EV/EBITDA Peers	$	22,55
Implied EV	$	12 460,33
Debt	$	1 909,14
Cash	$	83,56
Equity	$	10 634,75
Price	$	234,98
Market Price	$	102,88
Buy		128%

EV/Sales		
Sales	$	1 684,66
EV/Sales Peers	$	4,96
EV	$	8 355,90
Debt	$	1 909,14
Cash	$	83,56
Equity	$	6 530,31
Price	$	144,29
Market Price	$	102,88
Buy		40%

EV/EBIT		
EBIT	$	486,30
EV/EBIT Peers	$	25,86
EV	$	12 575,76
Debt	$	1 909,14
Cash	$	83,56
Equity	$	10 750,18
Price	$	237,53
Market Price	$	102,88
Buy		131%

Source: *Author Analysis*

Appendix 33: *Cost Of Equity Estimation*

Cost of Equity (Re)		
	2026	**Source**
Cost of Equity (Re)	**10,664%**	
βl	**1,136**	**Data from Bloomberg -** Peer implied levered β method
Rf - U.S. 10-Year Treasury (01/04/2026)	**4,30%**	**Bloomberg**
Choice ERP	**5,60%**	**Damodaran (2026), ERP dataset** Choice's ERP Caclulated as the wheighted average of the ERP of each country in which Choice operates, using the prportion of Choice's hotel rooms in each country as weights
US ERP	3,81%	
Asia-Pacific ERP	0,30%	
Europe & Middle East ERP	0,63%	
LA, Caribbean & Canada ERP	0,86%	
Unlevered Cost of Capital (Ru)	**9,04%**	

Geographic Segmentation of Rooms	ERP
United States	**5,03%**
Asia-Pacific	**5,82%**
Australia	4,77%
China	5,80%
India	7,98%
Japan	5,80%
New Zealend	4,77%
Europe & Middle East	**5,93%**
Andorra	7,10%
Austria	5,17%
Czech Republic	5,65%
Denmark	4,77%
Faroe Islands	4,77%
Finland	5,17%
France	5,65%
Germany	4,77%
Ireland	5,65%
Italy	7,55%
Kingdom of Saudi Arabia	5,65%
Lithuania	6,01%
Norway	4,77%
Poland	6,01%
Portugal	6,52%
Slovakia	6,52%
Spain	6,52%
Sweden	4,77%
Turkey	10,02%
United Kingdom	5,65%
LA, Caribbean & Canada	**10,16%**
Argentina	15,72%
Aruba	7,98%
Bahamas	11,34%
Barbados	12,80%
Bolivia	19,37%
Brazil	8,43%
Canada	4,77%
Chile	6,01%
Colombia	7,98%
Costa Rica	9,16%
Dominican Republic	9,16%
Ecuador	19,37%
El Salvador	14,26%
Grenada	14,26%
Guatemala	8,43%
Honduras	11,34%
Mexico	7,55%
Panama	7,98%
Peru	7,01%
Puerto Rico	5,03%
Sint Maarten	9,16%
Suriname	15,72%
Trinidad and Tobago	9,16%
Uruguay	7,10%
US Virgin Islands	5,03%

Geographic Segmentation	# of Rooms	% Total
US rooms	496,979	76%
Asia-Pacific rooms	34,341	5%
Europe & Middle East rooms	69,898	11%
LA, Caribbean & Canada rooms	55,607	8%
Total Rooms	656,825	100%

$$ERP_{Choice} = \sum(ERP_{Region} \times ERP_{Rooms,Region})$$

$$R_{e} = R_f + \beta_L \times \mathrm{ERP}$$

$$R_{U} = \left(R_e \times \frac{E}{D + E}\right) + \left(R_d \times \frac{D}{D + E}\right)$$

Source: *Author Analysis*

Appendix 34: *Beta Estimation*

Companies	Adj. Beta	R^2	Market Cap	LT Debt	ST Debt	Cash + ST Inv.	Net Debt	Net D/E	Unelevered Beta	Median Peer Beta u	CHH Beta Relevered
CHH	**0,787**	**13,60%**	**4647**	**1906,122**	**0**	**44,997**	**1861,125**	**40%**	**0,598**		**1,136**
W	0,913	23,90%	6006	2515	45	64	2496	42%	0,687		
IHG	0,957	40,40%	22237	3723	478	1132	3069	14%	0,863		
MAR	1,027	35,30%	92743	14886	1198	358	15726	17%	0,906	0,863	
HLT	0,911	36,70%	72044	12023	0	918	11105	15%	0,812		
H	1,0917	30,80%	15862	4271	6	813	3464	22%	0,931		

$$\beta_U = \frac{\beta_L}{1 + (1-T) \times \frac{Net\ Debt}{Equity}}$$

$$\beta_{L,Choice} = Median\ (\beta_{U,Peers}) \times \left[1 + (1-T) \times \frac{Net\ Debt}{Equity}_{Choice}\right]$$

Source: *Author Analysis*

Appendix 35: *Cost of Debt*

Cost of Debt (Rd)		
	2026	**Source**
Cost Of Debt (Rd)	**5,080%**	**U.S. 10-Year Treasury retreived from Bloomberg**
Rf - U.S. 10-Year Treasury	**4,30%**	**Damodaran (2026), CDS Spreads dataset**
Choice's Default Spread	**0,78%**	Choice's company default spread was computed based on Damodaran's table for large non-financial service firms - int. coverage ratio = 5,16 implicating a rating of A2/A
Choice's Int. Coverage Ratio	**5,16**	

For large non-financial service firms			
If interest coverage ratio is			
>	*≤ to*	*Rating is*	*Spread is*
-100000	0.199999	D2/D	19.00%
0.2	0.649999	C2/C	16.00%
0.65	0.799999	Ca2/CC	12.61%
0.8	1.249999	Caa/CCC	8.85%
1.25	1.499999	B3/B-	5.09%
1.5	1.749999	B2/B	3.21%
1.75	1.999999	B1/B+	2.75%
2	2.2499999	Ba2/BB	1.84%
2.25	2.49999	Ba1/BB+	1.38%
2.5	2.999999	Baa2/BBB	1.11%
3	4.249999	A3/A-	0.89%
4.25	5.499999	A2/A	0.78%
5.5	6.499999	A1/A+	0.70%
6.5	8.499999	Aa2/AA	0.55%
8.50	100000	Aaa/AAA	0.40%

$$Interest\ Coverage = \frac{EBIT}{Interest\ Expense}$$

$$R_d = R_f + Default\ Spread$$

Source: *Author Analysis*

Appendix 36: *WACC – Cost of Capital Estimation*

WACC	
	2026
Cost of Capital (WACC)	**8,73%**
Cost of Equity (Re)	**10,664%**
Cost Of Debt (Rd)	**5,080%**
E/V	71%
D/V	29%
MV of Equity	4646,696
BV of Debt	1909,144
V	6555,840
Marginal Tax Rate	21,00%

Source: *Author Analysis*

Appendix 37: *Terminal Growth Rate – Firm Approach (Excluding FAACs)*

GROWTH - FIRM - Excluding FAACs	2026F	2027F	2028F	2029F	2030	2031TV
ROIC	16,58%	16,89%	17,31%	17,87%	18,51%	19,26%
CAPEX	121,064	117,948	114,968	112,143	109,400	106,788
D&A	66,263	70,297	74,854	79,300	83,637	87,870
Δ in NWC	-15,619	-10,252	-10,847	-11,494	-11,846	-12,411
NOPAT	378,391	407,069	437,344	470,323	504,842	541,717
Reinvestment	39,183	37,399	29,267	21,349	13,917	6,507
Reinvestment rate (FCFF)	10%	9%	7%	5%	3%	1%
Growth (FCFF)	**1,72%**	**1,55%**	**1,16%**	**0,81%**	**0,51%**	**0,23%**

Source: *Author Analysis*

Appendix 38: *Terminal Growth Rate – Firm Approach (Including FAACs)*[7]

GROWTH - FIRM - Including FAACs	2026F	2027F	2028F	2029F	2030	2031TV
ROIC	16,58%	16,89%	17,31%	17,87%	18,51%	19,26%
CAPEX	121,064	117,948	114,968	112,143	109,400	106,788
D&A	66,263	70,297	74,854	79,300	83,637	87,870
FAACs (net of reimbursements)	116,927	123,156	129,754	136,790	144,069	151,732
FAACs Amortization	38,096	44,254	50,742	57,581	64,785	72,371
Δ in NWC	-15,619	-10,252	-10,847	-11,494	-11,846	-12,411
NOPAT	378,391	407,069	437,344	470,323	504,842	541,717
Reinvestment	118,014	116,301	108,279	100,558	93,201	85,868
Reinvestment rate (FCFF)	31%	29%	25%	21%	18%	16%
Growth (FCFF)	**5,17%**	**4,83%**	**4,29%**	**3,82%**	**3,42%**	**3,05%**

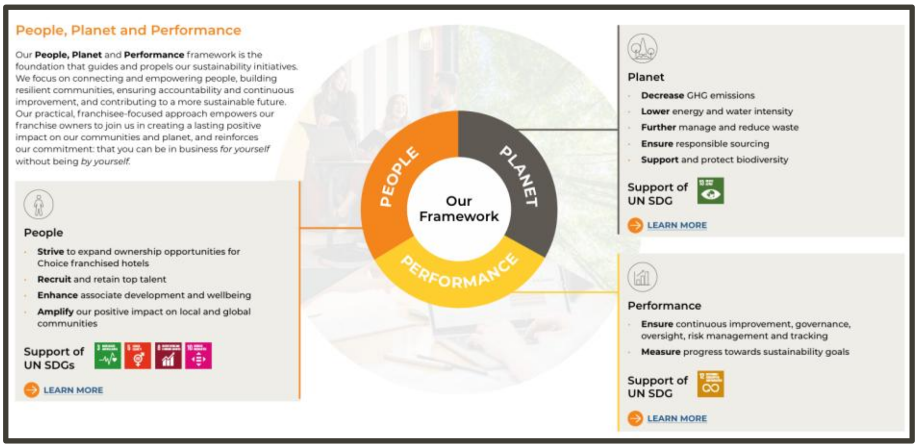
Source: *Author Analysis*

Appendix 39: *Terminal Growth Rate – Equity Approach (Including FAACs)*

GROWTH - EQUITY	2026F	2027F	2028F	2029F	2030	2031TV
ROE	90%	69%	58%	53%	53%	42%
Net Income	309,936	338,565	368,791	401,720	434,913	467,757
Capex	121,064	117,948	114,968	112,143	109,400	106,788
D&A	36,965	41,641	46,198	50,644	54,981	59,214
FAACs (net of reimbursements)	116,927	123,156	129,754	136,790	144,069	151,732
FAACs Amortization	38,096	44,254	50,742	57,581	64,785	72,371
Δ in NWC	-15,619	-10,252	-10,847	-11,494	-11,846	-12,411
Reinvestment	147,312	144,957	136,935	129,214	121,857	114,524
Financial Debt Ratio	0,847	0,795	0,752	0,717	0,709	0,656
Reinvestment rate (FCFE)	7,27%	8,78%	9,20%	9,10%	8,16%	8,42%
Growth (FCFE)	**6,54%**	**6,03%**	**5,38%**	**4,83%**	**4,31%**	**3,50%**

Source: *Author Analysis*

Appendix 40: *Choice Hotels ESG framework*



Source: *Choice Hotels 2024 Sustainability Report*

[7] **Note:** Terminal Growth Rate – Firm Approach (Including FAACs) was the selected approach for the valuation

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I disclose that AI tools were employed during the development of this thesis as follows:

- AI-based research tools were used to assist in the literature review and data collection.
- AI-powered software was utilized for data analysis and visualization.
- Generative AI tools were consulted for brainstorming and outlining purposes. However, all final writing, synthesis, and critical analysis are my own work. Instances where AI contributions were significant are clearly cited and acknowledged.

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Afonso Evangelista, 30/06/2026

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Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10%