



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTER OF SCIENCE IN FINANCE

MASTERS FINAL WORK PROJECT

**EQUITY RESEARCH:
WYNDHAM HOTELS & RESORTS INC.**

RAQUEL LÓIA HENRIQUES

OCTOBER 2021



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**SUPERVISOR:
TIAGO RODRIGO ANDRADE DIOGO**

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Abstract

Considering myself a travel passionate, I was fortunate to have the opportunity to travel throughout the world over the years, provided by my parents. Alongside with the Air Travel segment, the Hotel Industry, integrated into the Food and Beverage Industry was always present. Therefore, when presented with the industry options, the Hospitality Industry was my first choice.

Wyndham Hotels & Resorts was the selected company to perform my Master Final Work (MFW) under the research report format recommended by the CFA (Chartered Financial Analyst) Institute.

Under the ticket WH, Wyndham Hotels & Resorts operates in the Hotel Industry and is present in 95 countries with nearly 790,000 rooms in 2020YE. It is considered the biggest hotel franchiser company by number of branded hotels and the fourth largest hotel group by the number of rooms in the world.

The recommendation for 2022YE is **BUY**, with a target price of \$93.89/share, using the WACC Method and implying a 29.15% upside potential from August 31st, 2021, closing price of \$72.70/share. Due to the industry volatility and its high dependence on macroeconomic indicators, a High-Risk classification approach was chosen for the valuation. To complement the valuation, other methods were calculated as the Flow to Equity, the Adjusted Present Value (APV), and a market-based valuation based on a selection of comparable companies. The uncertainty in the industry primarily caused by COVID-19 explains the existing mispricing present in the company share price. The evolution of COVID-19 and the future governmental policies concerning travel restrictions, lockdowns can influence and change the recommendation.

This project is structured to enhance the investor's understanding of the entity, the industry where it is integrated, the recommendations and valuation methods used, and the investment risks associated. It starts with the company business description, followed by their type of governance and how ESG is approached. Then, an Industry and competitive position analysis is performed, following a top-down approach. Moreover, the recommendation is set alongside with the methods used, the main forecast assumptions and ratio analysis. Finally, the investment risks were assessed, along with the recommendation price sensitivity through the Monte Carlo Simulation and the sensitivity analysis. All the public information used to perform this Equity Research was disclosed and available as of 2021, August 31st.

JEL classification: F01; G10 ; G32; G34; L89; Z31

Keywords: Wyndham Hotels & Resorts; Hotel Industry; Franchising Contracts; Management Contracts; Equity Research; Valuation; DCF Models; Market-Based Valuation; Mergers & Acquisitions.

Resumo

Sendo uma “Amante de Viagens”, ao longo da minha vida tive o privilégio de me terem sido proporcionadas pelos meus pais, diversas atividades de lazer pelo mundo. A indústria hoteleira, juntamente com a de aviação, restauração, cultura entre outras, estiveram desde cedo presente na minha vida, levando a que, aquando da escolha da indústria para a realização do *Master Final Work*, a indústria hoteleira fosse a minha primeira opção.

O grupo Wyndham Hotels & Resorts foi o escolhido para a realização do MFW. Todo este projeto foi elaborado com base no *research report* recomendado pelo CFA Institute. Integrado na indústria hoteleira Wyndham está presente em 95 países e, com quase 800,000 quartos, foi considerado em 2020 o maior *franchiser* em número de hotéis e o Quarto em número de quartos no mundo.

Após a execução da avaliação da empresa, utilizando diversos modelos como os *DCF Models* e a *Market-Based Valuation*, **comprar** é a recomendação, com um preço alvo de \$93.89 por ação, implicando uma valorização de 29.15% relativamente ao preço de fecho considerado de \$72.70/ação, à data de dia 31 de agosto de 2021. Sendo a indústria hoteleira uma indústria cíclica e dependente de indicadores macroeconómicos, foi considerada a classificação risco elevado para este investimento. Uma das eventuais justificações para diferença verificada entre o preço de fecho e a recomendação feita, baseia-se na incerteza da indústria causada pela atual situação pandémica. A evolução da COVID-19 e as eventuais medidas tomadas pelos governos em matéria de restrições a deslocações, confinamento e obrigatoriedade de testagem poderão influenciar e mudar a recomendação anteriormente feita.

Este projeto foi estruturado com o objetivo de dar ao investidor uma análise detalhada da empresa, da indústria onde está inserida, uma recomendação de investimento juntamente com a descrição dos métodos utilizados e os principais riscos associados ao mesmo. Inicialmente é feita a descrição da empresa, incluindo o tipo de *governance* e as metas de sustentabilidade definidas. De seguida é realizada uma análise da indústria onde a empresa está inserida, utilizando a *top-down approach*. Por fim é apresentada a recomendação de investimento, os métodos de avaliação e princípios utilizados no *forecast*, e os riscos de investimentos associados, juntamente com uma análise de sensibilidade ao *Price Target* através da *Monte Carlo Simulation* e *Sensitivity Analysis*. Toda a informação pública utilizada na elaboração do MFW foi divulgada até ao dia 31 de agosto de 2021. Toda a informação divulgada à posteriori não foi considerada.

Classificação JEL: F01; G10 ; G32; G34; L89; Z31

Palavras-Chave: Wyndham Hotels & Resorts; Indústria Hoteleira; Equity Research; Avaliação de Empresas; Fusões e Aquisições;

Acknowledgments

Considering this challenging Master, in the current difficult times presently lived, my appreciation goes first to my supervisor, Professor Tiago Diogo, for his availability and motivation during all the process.

I also would like to express my gratitude to all the professors that, directly or indirectly, helped me achieved and contributed to this goal. From my primary school teacher, Professor Delfina, to all my Master's in Finance professors, it wouldn't be possible without them.

Last, but not least important, my deepest thank goes to my mother, father and brother, my family and friends, that were present and supportive in all the good and bad moments of my life.

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Abbreviations

ADR - Average Daily Rate

AI - Artificial Intelligence

BICS - Bloomberg Industry Classification System

Bn - Billions

CAGR - Compound Annual Growth Rate

EBITDA - Earnings Before Interest, Taxes, Depreciation, and Amortization

EESC - European Economic and Social Committee

ESG - Environmental, Social and Governance

EUR - Euro

EV - Enterprise Value

GDP - Gross Domestic Product

HDI - Household Disposable Income

IMF - International Monetary Fund

LSE - London Stock Exchange

M - Million

M&A - Mergers and Acquisitions

NYSE - New York Stock Exchange

RCA - Real Capital Analytics

RevPar - Revenue per available room

TV - Terminal Value

USD - U.S. dollar

WH - Wyndham Hotels & Resorts

YoY - Year Over Year

BUY | August 2021

WYNDHAM Hotels & Resorts, Inc.
Making Hotel Travel Possible For All

Date: 2021,31thAugust **Ticker:** WH.N(Reuters) WN.US(Bloomberg) **Close Price**(31thAugust):\$72.70 **Price Target** (2022YE): \$93.89

Recommendation: BUY **Upside Potential:** 29.15% **Annualized Return:** 21.15% **Level of Risk:** High Risk

1. Research Snapshot

Figure 2 - 3 Years Stock Price vs Price Target



Source: Author's Analysis

We issue a **BUY** recommendation for **WH** with a **2022YE** price target of **\$93.89/share**, using a DCF Model and implying a **29.15% upside** potential from **August 31st, 2021** closing price of **\$72.70/share**, **High Risk** (Figure 2 and 3). Wyndham Hotels & Resorts is integrated in the Hotels Industry. With a **Global Presence**, it is the fourth largest hotel company by number of rooms and the world's largest hotel franchiser by number of branded hotels. WH operates mainly in the economic and midscale segments.

With an **Asset Light Business Model**, Wyndham can predict its revenues from the fee business with a high level of accuracy. They are characterized by **long-term management and franchising contracts** (10 to 20 years), corresponding to 65.08% of Total Revenues in 2020YE, and are expected to grow at **11.88% CARG** (2021F-2025). This type of model also reduces the **Capital Expenditures needs**, set has **less than \$100M per year**.

The industry was massively affected by the pandemic due to the travel restrictions, the lockdowns and other restrictive measures imposed by the governments, forcing the temporary shutdown of some hotels. The **lack of demand** triggered an all-time decrease in the RevPAR (-53% 2020YoY) and revenues (-37% 2020YoY) (Figure 4). **Nevertheless, is expected an economic recovery** for the upcoming years, resulting in the **rise of the World GDP**, expected to grow 4.20% per year (2021F-2025F (IMF, 2021)), and in the Global Household Disposable Income (HDI), enhancing the consumer expenditures on travel leisure's and other similar activities (Figure 5).

The **Hotel Industry** it is living an **standardized form and moving towards to differentiation**. WH continuously invests in new technologies, enhancing the consumer's experience and increasing the efficiency in its operations, investing in "NextGen property level technology" and in Wyndham's mobile app for travel planning. Until 2025, Wyndham also set specific ESG targets through the **Wyndham Green Program** to reduce in **15% the Greenhouse Gas Emissions**, eliminate **100% single use of plastic**, among others.

Figure 3 - WH Market Profile

Market Profile	
Market Cap. (2020YE) (\$M)	5 634
52-Week price range (\$)	\$45.23-\$81.10
Shares Outstanding(#M):	93.52
Average Daily Volume (#)	586,506
Free Float (%)	98%
Dividend Yield (2022F)	

Source: Bloomberg; Financial Times

Figure 1 - WH Price Target



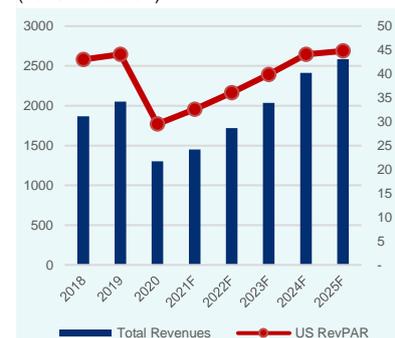
Source: Author's Analysis

Figure 4 - WH Profile

Company Profile			
	2018	2021F	2025F
Revenues	1,868	1,449	2,584
EBITDA	382	190	509
Net Income	162	- 10	309
U.S. RevPAR	43.04	32.62	44.80
International RevPAR	32.09	17.73	31.82
U.S. Rooms	506,100	522,380	627,590
International Rooms	303,800	326,750	375,720

Source: Author's Analysis

Figure 5 - Total Revenues vs US RevPAR (2018YE -2025F)



Source: Author's Analysis

2. Business Description

The Company

Wyndham Hotels & Resorts is the largest hotel company by number of branded hotels in the world¹ (Figure 7) (Appendix 1). The company has its headquarters in New Jersey, EUA and is listed in the NYSE, under the ticket “WH”, since June 2018. Nowadays, the company is distributed for approximately 95 countries, with almost 8,900 hotels with nearly 796,000 rooms.

With a worldwide presence (Figure 8), Wyndham segments are divided into **Hotel Franchising**, representing 66% of total sales in 2020YE (\$863M), and **Hotel Management** (34% of 2020YE Total Sales), which splits into owned and managed hotels (Figure 9).

According to the Chain Scale (Figure 10), Wyndham operates mainly in the **economy segment** (49%), followed by **midscale** (39%) and **upscale** (7%) segments (Appendix 2). The United States is the region with the largest share of revenues, 89%, corresponding to \$1,159bn 2020YE).

Wyndham’s mission is to make hotel travel possible².

The History

The business started in **1990** as a hotel franchisor in the United States, integrated into the **Hospitality Franchise Systems (HFS)**. In 1997 HFS merged with CUC International, Inc., a leading provider of membership-based discount service companies, and formed **Cendant Corporation**, with Wyndham Worldwide as a subsidiary.

Throughout the years, the company consolidated its presence in the industry through the **acquisition of licenses, franchise rights and an organic expansion** (Appendix 3). In 2006, **Wyndham Worldwide Corporation spun off** from Cendant Corporation and formed a hospitality company.

Wyndham Hotels & Resorts ceased to be an integral part of Wyndham Worldwide, currently Travel+Leisure Co., in **2018** and became an **independent public entity**. The most recent acquisition was **La Quinta Holdings Inc.** in 2018. This acquisition included the franchising and management business for **\$1,950bn** and led to the addition of more than 900 franchised hotels to the Wyndham portfolio and translated into an increase of almost 89,000 rooms (11% CAGR 2019-2020 on total rooms).

Financial Highlights

In 2020YE, Wyndham Hotels & Resorts had a revenue of **\$1,300bn** (-37% CAGR 2019YE-2020YE). This sharp fall was triggered by the COVID-19 Pandemic, resulting in an adjusted **EBITDA of \$327M** (-47% CAGR) and a **Net Loss of \$-132M** (-184% YoY).

Operational Segments

Wyndham’s operational business is divided into two segments, **Hotel Franchising** and **Hotel Management**. This distribution allows the company to have a clear vision of the performance of each segment. An additional segment, known as <<corporate and other>>, was also created to incorporate costs related to the spin-off and other unallocated costs that aren’t assigned to any other segment.

Figure 6 - Wyndham Hotels & Resort 2020YE Key Figures



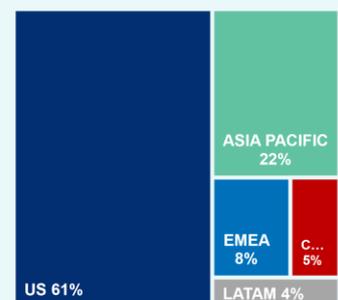
Source: Wyndham FY20 Annual Report

Figure 7 - Top 5 largest World Hotel Franchise Companies – 2020YE Number of Branded Hotels



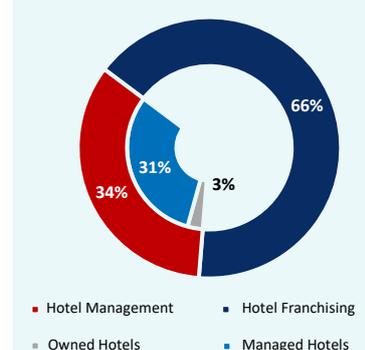
Source: Wyndham FY20 Annual Report

Figure 8 - System Size (by number of Rooms) by Geography



Source: Wyndham FY20 Annual Report

Figure 9 - Revenues per Segment (2020YE)



Source: Wyndham FY20 Annual Report

¹ Source: Bloomberg and the company’s 2020 Annual Reports

² Source: Company Website

For statistical and analytical purposes, Wyndham comprises its geographical segments in **two large groups**: the **United States**, which includes the United States of America and represents 61% of total properties and **International** that comprises EMEA, LATAM, CANADA and Asia Pacific (**Figure 8**).

Hotel Franchising

Being the most significant segment, it comprises the **licenses or lodging brands** and **provides related services to third-party hotel owners** and others³. The **royalties and franchising fees** are the most important source of revenues in this segment, **36% in 2019YE and 2020YE**, consisting of a **fixed percentage of gross room revenue from every franchised hotel**, in exchange for using the brand name. In addition, it also provides, in exchange for a fee, **Marketing and Reservation services**.

With an **Adjusted EBITDA of \$383M 2020YE**, the Hotel Franchising as a **Franchising Segment margin of 43%** (-1% CARG17-20), excluding the effects of the marketing, reservation and loyalty funds and license fees from the segment revenues.(**Figure 11**).

Hotel Franchising represented in 2020YE **66% of the total business revenue** with nearly **747,000 rooms** worldwide and a **global RevPAR of \$23,74** (-39%YOY) (**Appendix 4**).

Hotel Management

The **Hotel Management Segment** represents a minor part of the business revenue (34% in 2020YE) with a total of **49,400 rooms globally** and a global **RevPAR of \$34,67** in 2020YE (**Appendix 5**). This segment is **divided into two** other segments, **hotel management services** for companies under management contracts and **management of owned hotels**. Regarding **Hotel Management services**, Wyndham **delivers management** and assistance **in exchange for base management fees**, and, in some cases, incentive management fees linked to specific performance metrics. Similar to franchised hotels, the company also provides marketing and reservation services for a fee.

In the case of **Owned Hotels**, Wyndham **supports all the risks and rewards** of the owned hotel, bearing the property appreciation or depreciation risk. In 2020YE, Wyndham Hotels & Resorts **owned two hotels, Wyndham Grand Rio Mar Beach Resort and Spa** in Puerto Rico and the **Wyndham Grand Orlando Bonnet Creek in Florida**, representing a total of **3% of the business revenue**.

In 2020YE, the Hotel Management segment contributed with **\$437M** (-43,1% YoY) to the total business revenue with an **Adjusted EBITDA of \$13M** (-80,3% YOY) (**Figure 12**).

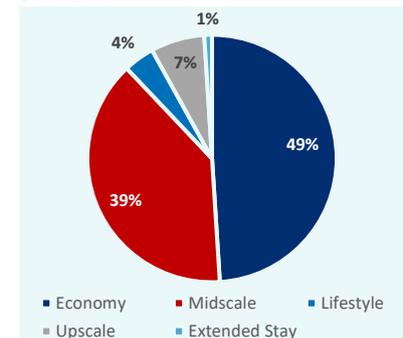
Key Drivers of Profitability

RevPAR

The most relevant profitability driver can be obtained as a **combination of the occupancy rate and the ADR**, having a tight relation between this driver and the hotel's revenues (**Appendix 6**). Wyndham RevPAR has been **steadily increasing throughout the years**, both in the United States and International segments (9,7% CAGR 2017YE-2019YE).

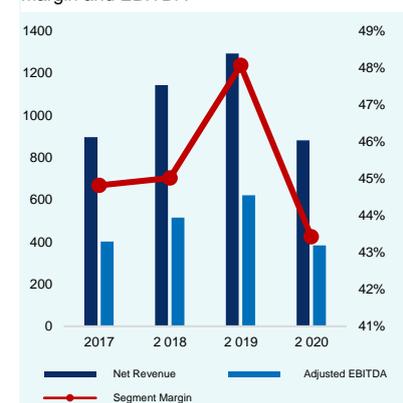
³ Source: According to the company Report (2020)

Figure 10 - System Size (by n° of rooms) by Chain Level



Source: Wyndham FY20 Annual Report

Figure 11 - Hotel Franchising Revenues, Margin and EBITDA



Source: Wyndham FY20 Annual Report

Figure 12 - Hotel Management Net Revenues and EBITDA (18YE-20YE)



Source: Wyndham FY20 Annual Report

Figure 13 - Wyndham RevPAR (2017YE-1Q2021)



Source: Wyndham FY20 Annual Report

COVID-19 pandemic led to a **significant decrease in demand**, with the global RevPAR reaching half of its 2019 values in 2020 (- 45.84%YoY) (Figure 13). It is expected a **slow recovery** achieving the **2019YE normal values in 2024F**.

Occupancy Rate

Wyndham’s revenues are tied to **how well the available rooms are managed**, making this driver an accurate indicator of business efficiency. Optimally, the rate should be lower than 100% to increase the prices and maximize the revenues while keeping rooms available that may be used for certain situations without representing extra costs.

Since the split in 2018, Wyndham recorded an **annual average occupancy rate of 56% and 42% in 2019YE and 2020YE**, respectively. The **rise between June and August** is consistent with the **seasonal effect** as a result of the travel increase during summer (+ 2% CAGR (2Q2019EY – 3Q2019EY)).

The decline in demand and the lockdowns triggered by the **COVID-19 pandemic** led to a **decrease in the occupancy rate (-25% CAGR (19YE-20YE))**. Nevertheless, aside from the pandemic, Wyndham’s occupancy rate in 1Q2021 **is reaching 1Q2019 values**, being 2021 April (57%), only **2 p.p** away from April 2019 (Figure 14).

ADR

While on its own it does not offer much information, when paired with the occupancy rate gives a **better understanding of how well the hotel is managing their possible revenues**, representing the average rate charged for renting a lodging room for one day⁴.

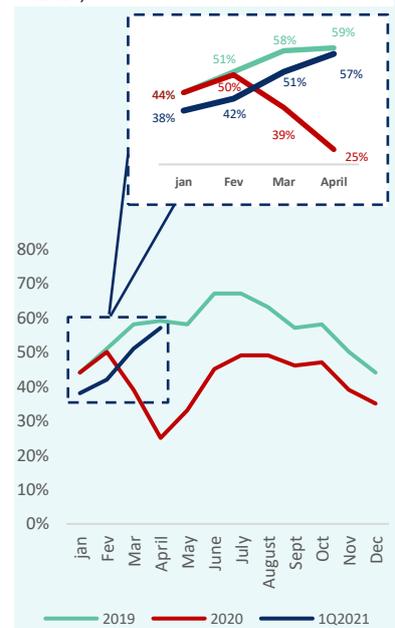
The **Average Daily Rate** was **\$82.00 in 2019YE** and **\$73.03 in 2020YE**, with a **spike in the summer season** on both years (+3.42% CAGR 2Q2019-3Q2019 and +12.58% CAGR 2Q2020-3Q2020). Despite the pandemic, in the 1Q2021, alongside with the Occupancy Rate and the RevPAR, Wyndham **ADR is close to reaching April 2019 values** (only \$3.09 away from April 2019) and already **overstep the first pandemic year (April 2020)** in 25.06% CAGR April2020-April2021 (Figure 15).

Strategy

Wyndham Hotels & Resorts mission is to **make hotel travel possible for everyone** by supporting franchising and hotel owners with powerful marketing and sales programs, resources and opportunities to grow. The company’s core strategic goals are:

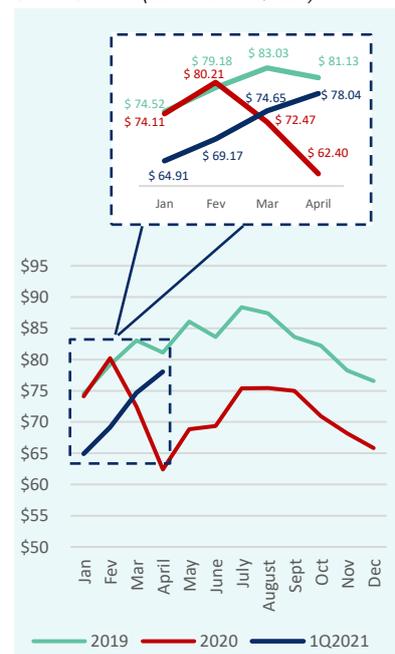
- ❖ **Drive net room growth** by continuously offering value to franchisees and allowing them to maximize their return through an increasing number of reservations, operating costs reduction, third party commissions, latest technology solutions available and trying always to reduce the cost of build and run hotels under Wyndham brands.
- ❖ **Elevate the brand experience** by driving a quality experience and guest satisfaction to all clients. Wyndham wants to elevate the customer experience by providing quality training, offering assurance programs, high brand standards and a robust operations support model.

Figure 14 - Wyndham Hotels & Resorts Occupancy Rate – United States (2019YE to 1Q2021)



Source: Wyndham Hotels & Resorts Investor Presentation (1Q2021)

Figure 15 Wyndham Hotels & Resorts ADR United States - (2019 YE – 1Q2021)



Source: Wyndham Hotels & Resorts Investor Presentation (1Q2021)

⁴ Source: Wyndham Hotels & Resorts definitions (Company Website)

- ❖ **Capture a greater market share** for the Franchising Hotels through the Wyndham Rewards, loyalty, sales, marketing, distribution, and technology programs.

Between 2015YE and 2020YE, Wyndham Rewards received more than 100 awards, including “Best Hotel Loyalty Program” from US News& World, USA Today, among others. It was considered the most straightforward, rewarding loyalty program in the hotel industry⁵.

- ❖ **Foster a values-driven culture** through the premise “Count on Me” that comprises an inclusive culture with integrity, accountability, caring and inclusiveness as its core values. In 2020YE, Wyndham was considered the “best place to work for LGBTQ Equality” on the Human Rights Campaign’s Corporate Equality Index and the 2020 Best for Vets Employer by Military Times.
- ❖ **Use cash flow to create value for stockholders.** Wyndham Hotels & Resorts aims to make hotel travel possible for all, being always present wherever people go. To achieve this mission, the company integrates an asset-light business, a business model that concentrates on managing and franchising hotels rather than owning and controlling the real estate. With this model, the company limits its hedging needs and reduces the capital needed to develop and operate hotels⁶. Since the fee business revenue comes from long-term franchising and management contracts (10 to 20 years), Wyndham can forecast the amount of revenues for the year with a high level of accuracy. In addition, this model allows the company to plan with advance the use and allocation of the generated cash flow, whether to invest in acquisitions and innovation or return the capital to the stockholders through share repurchase or dividends.

The **sharp decline in demand** triggered by **COVID-19** threatens **Wyndham’s business operations and financial performance**. With COVID-19, Wyndham’s focus is to **keep driving bookings to hotels** with a powerful marketing and sales program and ultimately make hotel travel possible for everyone.

Shareholder Structure

Trade in the **New York Stock Exchange** under the symbol “**WH**”, Wyndham Hotels & Resorts had **93,368,910 shares** of common stock outstanding at the end of 2020.

All the stockholders **vote together as a single class** and each holder of common stock has the right to one vote for each share.

In sum, all the directors and Executive Offices have together almost **2.10%** of the share capital and up to nearly **2 million common shares**, with emphasis to **Stephen P. Holmes, non-executive Chairman** with **758,373 shares** and **Geoffrey A. Ballotti, President and Chief Executive Office** with **500,642**, both representing less than 1% of outstanding common stock (**Figure 16**).

As of December 31, 2020, **no preferred stocks were issued and outstanding** by Wyndham Hotels & Resorts.

Divided Policy

Wyndham Hotels & Resorts paid a dividend of **\$0.32 per share in 1Q2020**, being reduced by **75%**, to **\$0.08 per share**, in the remaining quarters of 2020. This abrupt

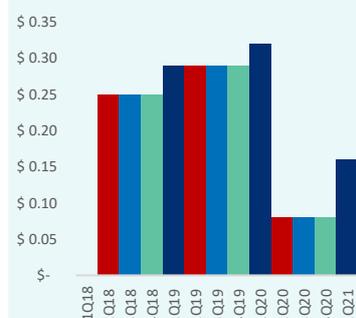
⁵ Source: WH Investor presentation and 2020 Annual Report
⁶ (Seo, K., & Soh, J. (2019)

Figure 16 - 2020YE Top 10 Shareholders (% of capital)

Name	Institution Type	Nº of Shares	% of class
Capital Research Global Investors	Investor Advisory	11,023,302	11.83%
The Vanguard Group	Investor Advisory	8,170,933	8.77%
BlackRock, Inc.	Investor Advisory	8,104,430	8.70%
Boston Partners	Investor Advisory	4,734,766	5.08%
American Funds Insurance Series	Hedge Fund Manager	3,132,634	3.35%
William Blair Investment Management	Investor Advisory	3,100,807	3.32%
American Funds Small Cap World Funds	Hedge Fund Manager	3,000,601	3.21%
Jackson Square Partners	Investor Advisory	2,686,006	2.83%
Massachusetts Financial Services Co	Investor Advisory	2,384,676	2.64%
State Street Corp	Investor Advisory	2,208,428	2.58%
All Directors and executive officers as a group (17 persons)		1,937,388	2.06%

Source: Wyndham 2020YE Proxy Statement and Bloomberg

Figure 17 - Dividend Policy (2Q2018-1Q2021)



Source: Wyndham 2020YE Proxy Statement

fall was a consequence triggered by the **COVID-19 pandemic**. According to the revised Wyndham credit agreement, the dividend payments **may be reduced** if the company **liquidity is below \$300M in the future, to \$0.01**.

In the 2021 1Q, the board **increased the quarterly dividends by 50% to \$0.16** (Figure 17). However, the board **doesn't guarantee a future dividend stable dividend policy**.

3. Management and ESG

Governance Model

The Corporate Governance model followed by Wyndham Hotels & Resorts is the **Anglo Saxon**. The **Board of Directors** is **elected annually** in the Annual Meeting of Stockholders. Since 2018YE, the **President and CEO of Wyndham**, also a member of the BoD, is Geoffrey A. Ballotti. The company follows the regulations provided by the **Securities and Exchange Commission ("SEC")** and the **rules for companies listed in the NYSE**.

The Board of Directors

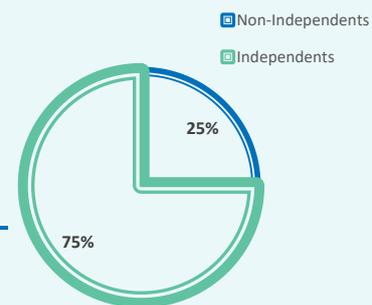
The Board of Directors (BoD) can comprise between **3 and 15 members**. Is currently formed by **8 members elected on an annual basis since the 2021 Annual Meeting**. Under **NYSE rules**, the BoD is composed by **6 Independent Directors** and **2 Non-Independent**, the Non-Executive Chairman and former CEO of Wyndham Worldwide, Stephen P. Holmes and the current President and CEO, Geoffrey A. Ballotti (Figure 18).

Between its responsibilities, the **Board of Directors** is responsible for **reviewing and approving the strategic direction** and the **supervision of the executive managers** responsible for the execution of strategy once developed.

The BoD considers that **the role of the Chairman and the CEO should be separated**, where the **CEO manages the development and execution of the strategies** while the **Chairman oversees the Board**. In addition, there is also the nomination of the **Independent Lead Director**, performed by James E. Buckman since 2019. Among others, the Lead Director **provides an independent oversight**, being responsible for connecting the Non-executive Chairman with the other Directors and chair meetings of the Board when the Chairman is absent.

According to the 2020 Proxy Statement, the Board of Directors comprises four committees (Figure 19): **Audit Committee**, responsible for selecting the independent audit company, oversight of the external reporting process and adequacy of internal information and report. Under the Board's Director Independence Criteria and the listing standards, the Audit Committee comprises only independent directors. The **Compensation Committee** oversees the executive compensation program within the company and stockholders' interests and selects the compensation for Wyndham CEO and other Senior Executives. All members of the Compensation Committee are also independent Directors. Among other duties, the **Governance Committee** recommends to the BoD candidates for the election of the board and oversees the Social Responsibility Program effectiveness. When the BoD is not present, the **Executive Committee** has the power to replace and exercise all the Board authority, excluding measures that, according to legal and internal policies, can only be taken by the BoD.

Figure 18 - Board of Directors - 2020YE Independent Directors Proportion



Source: Wyndham 2020YE Proxy Statement

Figure 19 – 2020FY Committee Membership

Director	Audit Committee	Compensation Committee	Governance Committee	Executive Committee
Geoffrey A. Ballotti				Chair
Myra J. Biblowit	Member		Chair	
James E. Buckman	Member	Member		Member
Bruce B. Churchill	Member	Member		
Mukul V. Deoras	Member		Member	
Stephen P. Holmes				Chair
Ronald L. Nelson			Member	
Pauline E. Richards	Member		Chair	

Source: Wyndham 2020YE Proxy Statement

Figure 20 - Wyndham Executive Officers (March 31, 2021)

Position	Executive Officer
President, CEO and member of the BoD	Geoffrey A. Ballotti
Chief Financial Officer	Michele Allen
General Counsel, Chief Compliance Officer and Corporate Secretary	Paul F. Cash
Chief Marketing Officer	Lisa Borromeo Checchio
President, the Americas	Scott LePage
Global Chief Development Officer	Tom H. Barber
Chief Operating Officer	Robert D. Loewen

Source: Wyndham FY20 Annual Report

Each Committee has an active role in **overseeing risk management** with the purpose of **anticipate** and mitigate possible risks (**Appendix 8**). The **Board** is responsible for **Oversight of Management Risk** while the **Executive Officers** are focused on the **day-to-day risks**.

The **2021 elected board** has an **average age of 66 years**, with **2 female directors'** representation **the minimum required of 25%** of the board.

The Executive Officers

Under the lead of Geoffrey Ballotti, as their President and CEO since 2018, the **Executive Officers** are responsible for the **day-to-day management**, reporting only to the Board and their committees.

As part of the **COVID-19 pandemic cost mitigation plan**, Wyndham **operations were restructured**, leading to the extinction of the Chief Administrative Information and Chief Accounting Office role. (**Figure 20**).

The Executive Commission comprises members with a **high level of expertise** and a **large industry experience**, including **senior executives of its former parent**, Wyndham Worldwide Destinations, current Travel+Leisure CO.

The **Executive Officer's remuneration packages** are aligned with the stockholders' interests, alongside with benchmarking research of a selected peer group (**Appendix 9**). The remuneration packages include: **1. Base salary** (Fixed factor); **2. a Cash-based annual incentive compensation** (variable factor) linked to specific metrics, with a maximum yearly incentive award opportunity of **150%** of the base salary. The metrics used in 2020FY were based on the Adjusted EBITDA (Financial Objective) and Global Net Room Growth (Strategic Target). **3. Long-term incentive compensation**. They are established by the Compensation Committee and are created to attract and retain key employees in the long term. They are based on an annual review, in the degree of responsibility and other potential elements selected by the committee, such as operational and strategic results and leadership characteristics. In 2020 the equity-based annual compensation was in the form of stock options⁷, RSUs⁸ and PVRsUs⁹. In addition, the Executive Officers are also entitled to receive the employee benefits regarding perquisites and health, welfare and retirement (**Figure 21**).

Due to COVID-19 and its severe impact on the hospitality industry, the compensation program was reviewed alongside with all the metrics. As a result, in June 2020, the **Compensation Committee** defined a new single metric to determine potential incentive compensations, a liquidity metric based on the cash on hand and Wyndham credit facility. The Committee also reduced in 50% the potential payout levels of the cash-based annual incentive plan to a **target award opportunity of 50%** and a **maximum payout level of 75%**.

Sustainability and ESG

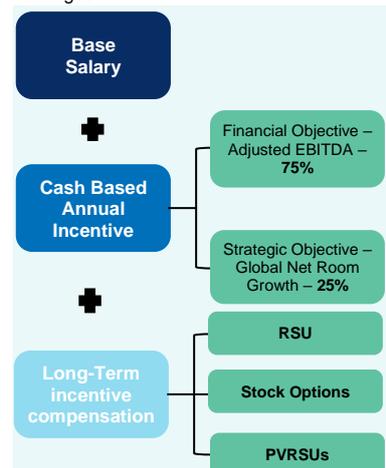
Wyndham Hotels & Resorts **Sustainability** program meets the **United Nations Sustainable Development Goals**, focusing on water, biodiversity and wildlife conservation through **Wyndham Green Program**, implemented in all Wyndham managed and franchised hotels (**Figure 22**). The company developed **specific 2025**

⁷ The right to purchase a number of shares for the PPS equal to the closing market price.

⁸ Represents the right of receiving a share of common stock in a vesting date (subject to continued employment, is only possible to use and exercise the RSU after the vesting date);

⁹ Represents the right of receiving a share of common stock in a vesting date. Is linked to the achievement of pre-established performance goals (EBIT per share).

Figure 21 - Executive Officers Remunerations Packages



Source: Wyndham 2020YE Proxy Statement

Figure 22 - Wyndham Hotels & Resorts 2021 SDGs



Source: 2021 ESG Report

performance targets to support the SDGs goals with the purpose of setting objectives and reviewing their progress in such matters (Appendix 7).

To prove Wyndham's effort on sustainability matters, the company is recognized by the FTSE4GOOD and the S&P Global ESG Rank with a score of 43 points in 2020. In addition, according to the Bloomberg ESG Disclosure¹⁰ score, Wyndham scored 52,1 out of 100 points.

4. Industry Overview and Competitive Positioning

Economic Outlook

GDP

Up to 2019, the global economy had been facing a **growth acceleration** with a **3.7% CAGR (2010 to 2019)**. The GDP growth in the Asia and Pacific region is consistent with the growth in emerging markets and developing economies. However, the growth differential between the United States, EMEA and the Asia Pacific augmented in 2017. The explanation passes by the trade war between China and the U.S., which concerned European businesses regarding their largest trading partners, prompting a decrease in exportations.

The **COVID-19 pandemic** triggered an all-time low in 2020. **Economic activity dropped to unprecedented levels** due to the **lockdowns implemented** throughout the world, inciting **unemployment**, lowering discretionary spending, and prompting **business closures**, resulting in **Real GDP growth** of -3.5%, -3.9%, -1.3% and -3.3% for the United States, EMEA, Asia and Pacific, and World, respectively (IMF, 2021) (Figure 23).

World Population

It is expected that the population reaches **7,875m in 2021** (+1.028% YoY) and **7,954bn in 2022** (+1.003% YoY). The World population rise at a **0.808% CAGR during 2017-2020** and has a CAGR prediction of 0.676% between 2020 and 2022 (Figure 24).

Household Disposable Income

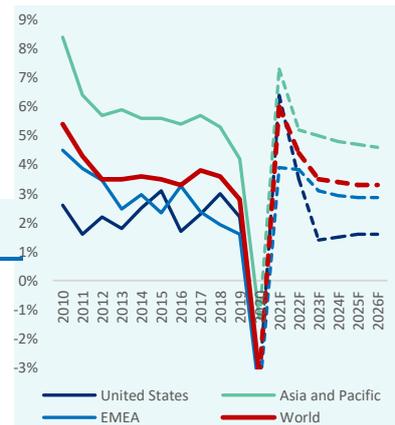
The Household Disposable Income (HDI) per capita had been **following the same trend as the GDP** due to the increase in consumer spending (Figure 25). Despite the negative growth in the OECD GDP (-5.22% 2019-2020 YoY), **most OECD countries saw the HDI overtake the GDP**.

According to the OECD Growth and economic well-being report¹¹, a possible **explanation for this gap** was the **massive transfers to the household sector**, made by the governments in response to **COVID-19**, especially in the major economies like the United States (+5.74% YoY) and Canada (+7.34% YoY) in April 2020 (Appendix 10). In the long run, these 2 indicators, tend to be similar.

Global Corporate Profit

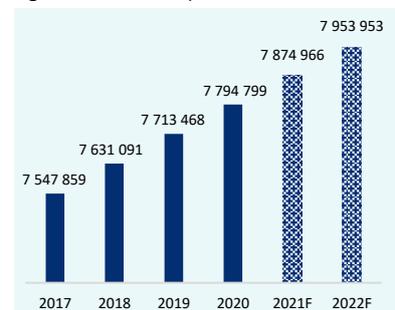
Amidst the pandemic, the corporate profits are presenting values lower than expected for the period. As an **important driver for the business travels**, these profits are a **good foreteller of revenues** that the industry may generate in the short term. The CAGR oscillated throughout the years, presenting low levels every time a

Figure 23 - Real GDP growth (annual % change)



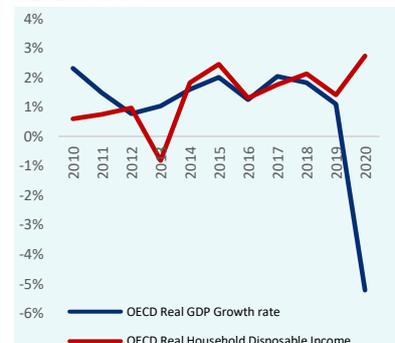
Source: IMF (2021)

Figure 24 - World Population



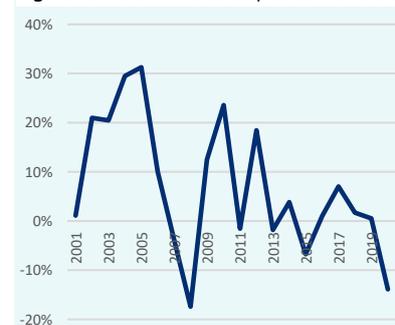
Source: United Nations Org.

Figure 25 - Household Disposable Income - OECD Countries



Source: OECD Stat (2021)

Figure 26 - Growth Rate Corporate Profits US



Source: Federal Reserve Economic Data (2021)

¹⁰ Measures the company transparency. The more information disclosed, higher the score.

¹¹ Source: Growth and economic well-being: Government support measures continue to shield household income from economic impact of COVID-19 in second quarter of 2020

crisis breaks out, such as the 2008 financial crisis (-17.41% CAGR 2008-09) and currently COVID-19 (-13.86% CAGR 2019-20) (Figure 25).

It is important to refer that **right after every crisis, the CAGR seems to be extremely high in the short term**, as shown in 2009-2010 and as it is expected in 2021 (Appendix 11).

Tourism

Tourism is a booster of the global economy, creating employment opportunities, generating tax revenues, among others. It is **one of the most affected industries** by the current changing environment and the resulting uncertainty conditions. Due to its **dependence on macro-economic stability**, the tourism industry is **usually among the first industries to suffer** impacts from an economic crisis, pandemics, etc. Still, it is also important to refer that **after recovering from the 2008 crisis, tourism was one of the most accelerated industries to grow** (+4.07% CAGR 2009YE-2010YE). The rise in the tourism demand, aligned with the GDP and global HDI growth, led to an increase in the air transport industry, represented by the rise in international passengers carried and profit (Figure 27).

It was expected that the industry continued to grow, with a forecast of 4,723M of passengers carried in 2020 (+3.96% YoY), but as a result of its vulnerability, the sector was severely affected by the pandemic, with substantial losses of investments, profits, and jobs (Figure 28).

World Hotels Demand

The hotel industry is cyclical, and after a decade of growth, with a CAGR of 6% during 2009-2017, it **now faces a downcycle triggered by COVID-19**. The **drop in GDP and HDI** will negatively affect the demand, translating into **lower consumer spending and leisure traveling**. **Business travels**, having as an indicator the corporate profits, will also impact negatively as **alternatives such as video conferencing** are becoming more widely used. Reflecting on the lower demand, the **number of consumers dropped to 595.1M** (-46.8% YoY). The industry revenue is projected to reach **\$190,966bn in 2021YE** (+36.40% YoY) and is expected to grow at an **18.1% CAGR** during 2020-2025, leading to a forecasted market volume of **\$466,862bn by 2025** (Figure 29).

Since price wars would result in lower average room rates, they are not expected to be practiced. Thus, RevPAR (Figure 1) will mirror the occupancy recovery. It is expected to drop 60% in Europe and is not likely to recover until at least 2023 (FitchRatings, 2020). The U.S. dropped to an occupancy rate of 41% in 2020 and is only expected to recover until the end of 2022.

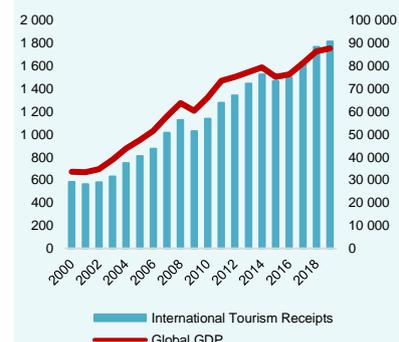
World Hotels Supply

The supply side in the industry, represented by the **number of hotels worldwide**, is **inelastic** and has been growing at a **CAGR of 1.2% during 2008-2018** (Figure 30). As the **costs of entering the market** represent a barrier to the entrance, this can be interpreted as a **big chain's investments with some niche investors**.

However, in the lodging industry, there is a **rising risk for small companies** and low segments of big hotels in the **Sharing Economy**. **Airbnb** has grown in popularity in the last decade, reaching 150m in 2018, **growing at a CAGR of 58% during 2012-2018** (Appendix 12). This new type of lodging may saturate some markets.

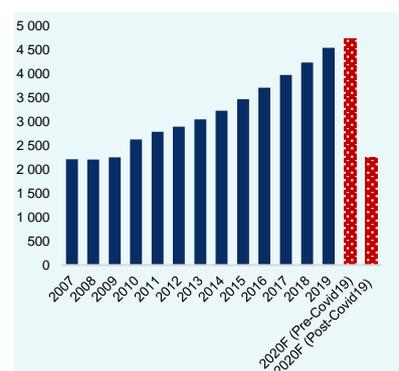
It is also essential to understand who is supplying in this industry, with different region markets displaying a significant disparity. In Europe, most of the hotels are

Figure 27 - Global International Tourism Receipts vs Global GDP per year (in mn)



Source: Data WorldBank; IMF

Figure 28 - Global Passengers per year (in bn)



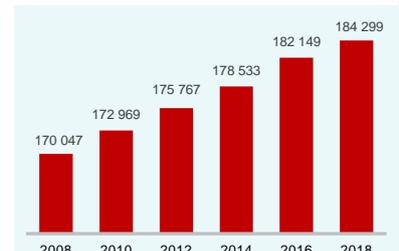
Source: Data World Bank; Statista

Figure 29 - Revenue growth adjusted for the expected impact of COVID-19 (2018-2025F)



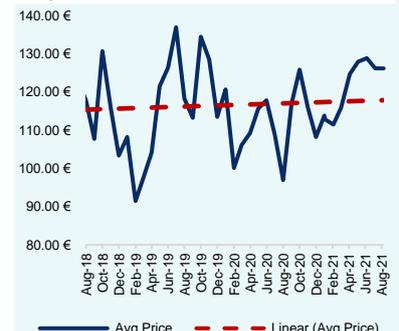
Source: Statista (July 2021)

Figure 30 - Worldwide number of hotels



Source: Statista

Figure 31 - Average Hotel Price per night in Europe



Source: Trivago

independent (68% of the total market), whereas in the U.S., branded hotels take the lead (74% of the total market) (**Appendix 13**).

Hotels Price

The Hotel Industry prices are very susceptible to changes over time and are strongly tied with macro-economic factors.

In **Europe**, there is a **positive trend** when looking into the 2018-2019 period, even though the growth is very slow and steady, starting at €115.1 and finishing at €115.7 (**Figure 31**). This is due to the **increase in the tourism level in the region**, having a positive effect on occupancy rates. However, the rise in the number of hotels available acts as an opposite force that balances out the market price. In the **U.S.**, the picture is very similar, but there is almost no growth, just a **constant trend with a slight upward inclination** (**Figure 32**). There is also a seasonal effect on price, due to the traveling increase during summer in most European and American cities (**Appendix 14**).

The overall panorama changes with the **COVID-19**. Trying to face the lack of demand, hotels **reduced their prices**, reaching an average price of **-8% YoY 2019YE-2020YE** in the U.S. and **-5% YoY 2019YE-2020YE** in Europe.

Hotel Industry Overview

The Hotel Industry constitutes a segment of the broader hospitality industry alongside **Food and Beverage, Recreation, and Travel and Tourism**. Even though it specializes in accommodation, **it can provide goods and services related to the other segments**, since there is a strong interconnection among them.

Industry Structure

The hotel industry is characterized as a monopolistic competition market. Composed of **a large number of firms**, it is considered to be a **fragmented industry**, having **54% of rooms affiliated with a global or regional chain**¹².

In 2020, the top five hotel groups by number of rooms (IHG, Marriott International Inc., Hilton Worldwide Holdings Inc., Wyndham Hotels & Resorts Inc., and Accor S.A.) had increased their market share by **3 pp.** (**Figure 33**).

Geographically speaking, the **U.S. remains the largest hotel market**, although Greater China has been experiencing continuous growth (**Figure 34**).

The Hotel Industry can also be **categorized by price level**, ranging from the Luxury segment to the Economy segment (**Figure 35**). The reliance on brand loyalty and the degree of differentiation in the offering differ throughout them, being more noticeable in the more high-end segments.

M&A Activity

As competition intensifies, distribution channels proliferate, and consumers become more demanding. To establish a competitive advantage and aim for future growth, it is crucial to actively **build a strong portfolio** of distinctive and preferred brands for both owners and guests.

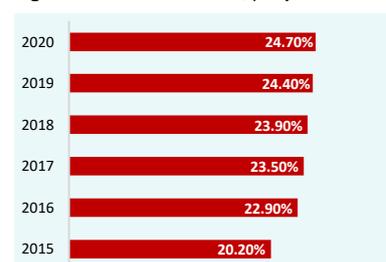
According to RCA, hotel M&As shows a relatively steady upward trend compared with commercial M&As, having increased \$50bn in ten years, up to \$70bn in 2019. The number of hotel M&A transactions has also shown an increasing trend, from 3 in 2014 to 18 in 2018.

Figure 32 - Avg. Hotel Price per night in the U.S.



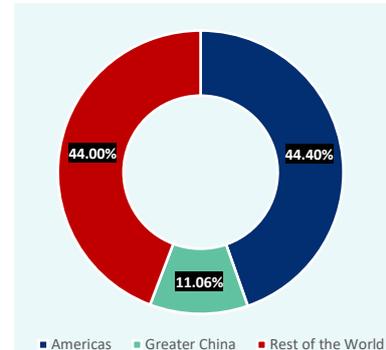
Source: Trivago

Figure 33 - Branded Hotels, per year



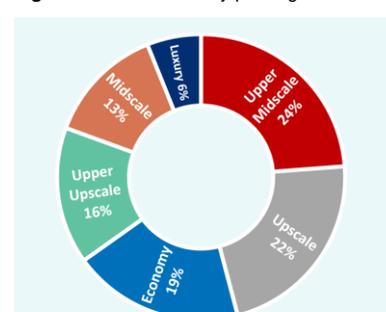
Source: IHG Annual Report (2020)

Figure 34 - Geography, by % of room revenue



Source: IHG Annual Report (2020)

Figure 35 - Hotel Industry per segment



Source: IHG Annual Report (2020)

¹² Source: IHG Industry Overview (2021)

With COVID-19, **M&As are less of a priority**. March 2020 presented less 365 M&A deals than the previous month, amounting to 1,984; the hotel industry is likely to replicate this trend. However, with the worsening of global conditions, **the number of M&As may increase** due to the **dependence of small companies on bigger ones to face the lack of demand**.

Industry Trend

The industry is **leaving its standardized form and moving to customization and differentiation**. The **ESG standards** are vital for measuring the sustainability and social impact of investment in a company, **being a growingly popular way for investors to evaluate businesses**. To improve their standards, hotels should invest in such matters, as promoting gender equality, to **belong in indexes** like Dow Jones Sustainability index and FTSE4GOOD (Figure 36).

The industry continues to **invest in technology** to improve not only the **customer experience** but also the **efficiency of its operations**. The **rise of social media** leads to the need for real **'Instagrammable' experiences**, with **hotel choice being as important as the chosen destination**.

Regarding COVID-19, **the industry is still trying to rebuild**, with the temporary shutdown of many hotels. With the restrictions relief, many Hotels acquired the **Safe & Hygiene certificate** and are now trying to differentiate with **reopening promotions** and **flexible booking/cancelations policies**.

PESTEL Analysis

Figure 36 - FTSE4GOOD Hotel Group entries



Figure 37 - Wyndham Hotels and Resorts PESTEL Analysis

P	E	S	T	E	L
<p>Despite its strong presence in the United States, Wyndham is spread all over the world, exposed to changes in regulatory measures, as licensing practices, that can affect not only the opening of new hotels, as the number of consumers and potential clients (business and tourists). Changes in taxes like Country Tourism Tax and the rising of new regulations against over tourism (e.g. Venice) can influence potential profits. Other external factors as political changes, terrorism and uncertainty in tourist areas can also impact the industry due to the fear and lack of conditions to travel. Governmental policies, triggered by COVID-19, regarding travel restrictions, quarantine, occupancy limits and social distancing poses obstacle in the performance of the industry.</p>	<p>The cyclicality of the economy (recession/expansion), the GDP and the percentage of global income that is available for pleasure and leisure can affect the demand in the hotel industry. Exchange rates as well as interest rates to borrow and invest in the area can be a factor that influence tourists and the profitability of hotels in some regions. Other services offered by hotels like meals, spa treatments and other extra activities are also dependent of macro-economic factors. Massive economic impact as a result of the COVID-19 virus pandemic.</p>	<p>Demographic changes like population growth, education levels and the rise in the number of young consumers, that start to travel early in life, are affecting the hotel industry. The increase of leisure Interests like volunteer, sports and culture, as a motive to travel, also influences the industry and the way to reach those targets. The lockdowns and fear and uncertainty to travel due to COVID-19.</p>	<p>Availability of new software's that help managed reservations, staff and all the client needs. The increasing number of digital applications and websites that make the booking step user friendly like TripAdvisor, Booking, Edreams, among others. Alongside with new software's and website, the rise on social media as a way to reach the consumers and potential clients is also influencing the Hotel industry.</p>	<p>Environmental and weather changes have an impact in many hotels. In some regions, hotels are only open in specific times of the year due to the weather conditions (e.g. Summer or Winter Season). Huge pressure from governmental entities and environmental activists regarding footprint, Greenhouse Gas Emission, carbon emissions and waste.</p>	<p>VISA restriction rules in some countries like United States and United Kingdom can poses as an obstacle for consumers and hotels in some regions. Legal procedures to open new hotels and the increase in regulations regarding safety and wealth (e.g., employees conditions) also impact the hotel industry. The reduced legal procedures and taxes to Airbnb hosts and similar platforms that constitute a huge annual cost to hotel owners.</p>

Source: Author's Analysis

Peers Identification

The **Sum of Absolute Rank Differences (SARD)**¹³ was applied to financial data of **35 publicly traded hotel groups** extracted from **Bloomberg**. Taking into account their performance based on relevant indicators such as Market Capitalization, Return on Equity, Debt to Equity and Current Ratio, 6 companies were selected. After that, the selected companies were examined to **consider only hotel groups with a hospitality focus**, excluding casino entertainment companies and Equity Real Estate Investment Trusts groups.

The following six were identified as the most comparable and relevant hotels to form a peer group: Hilton Grand Vacations Inc, Hyatt Hotels Corporation, Playa Hotels & Resorts Nv, Hilton Worldwide Holdings Inc, Choice Hotels International and Marriott Vacations World (**Figure 38**) (**Appendix 15**).

Peers Strategy

In a world of **increasing uncertainty and competition**, accelerated by the global pandemic, hotels remain focused on **constant sustained growth**. Players of the industry share several similarities in their strategies, such as the **continuous investment in new technology** and **optimization of loyalty programs**.

Hyatt Hotels Corporation is focused on the upper segment and aims to maximize its core business through a constant quality growth; optimize the capital deployment, through an asset-line business, with 74% of total revenues in 2020YE derived from the management and franchising segments. Hyatt also aims to improve and develop the way they reach their clients, by embracing new partners, technology and service differentiation.

With all-inclusive resorts in prime beachfront locations, **Playa Hotels & Resorts** is primarily present in Mexico, the Caribbean and Latin America. Playa has a network of strategic partners such as Hilton Worldwide Holdings and Hyatt Hotels Corporation, allowing the company to reach more guests with its global brand partners and reduce cannibalization and access to the partners' loyalty programs. With more than 8,000 rooms, the company aims to keep making successful strategic alliances, boosting the occupancy rates and RevPAR, and improving the use of technology to increase guest satisfaction and operations efficiency.

With more than a century of presence in the Hotel Industry, **Hilton Worldwide Holdings Inc** stands between the midscale and the luxury segment. Exciding the 6,000 hotels worldwide, Hilton aims to increase the guest experience, retain the best talent in the industry and keep a sustainable growth. In addition, Hilton seeks to maintain and form new strategic partners, focusing on preserving capital by maximizing the investments return and distributing the available capital in dividends and share repurchase.

Also leading this segment, **Choice Hotels** distinguishes itself by its portfolio of strong well-segmented brands. Its strategy passes by constant franchise expansion in the domestic and international market, having its growth deriving from acquisitions and organic growth.

At last, **Hilton Gran Vacations** and **Marriot Vacation World** are time-sharing companies that sell vacations on behalf of third-party owners in exchange for brand, sales and marketing fees. Marriott core strategy for the future is to enhance and augment the customer experience, strength and potentiate the digital Infrastructure

Figure 38 - Peers Selection

Ticket	Country	SARD	Market Cap	Hospitality focus
VAC	USA	11	7,484,677,462	✓
HGV	USA	25	3,412,157,273	✓
CHH	USA	28	6,202,478,703	✓
H	USA	37	8,570,417,032	✓
PLYA	SPAIN	37	1,203,977,081	✓
HLT	USA	38	35,377,896,322	✓

Source: Author's Analysis

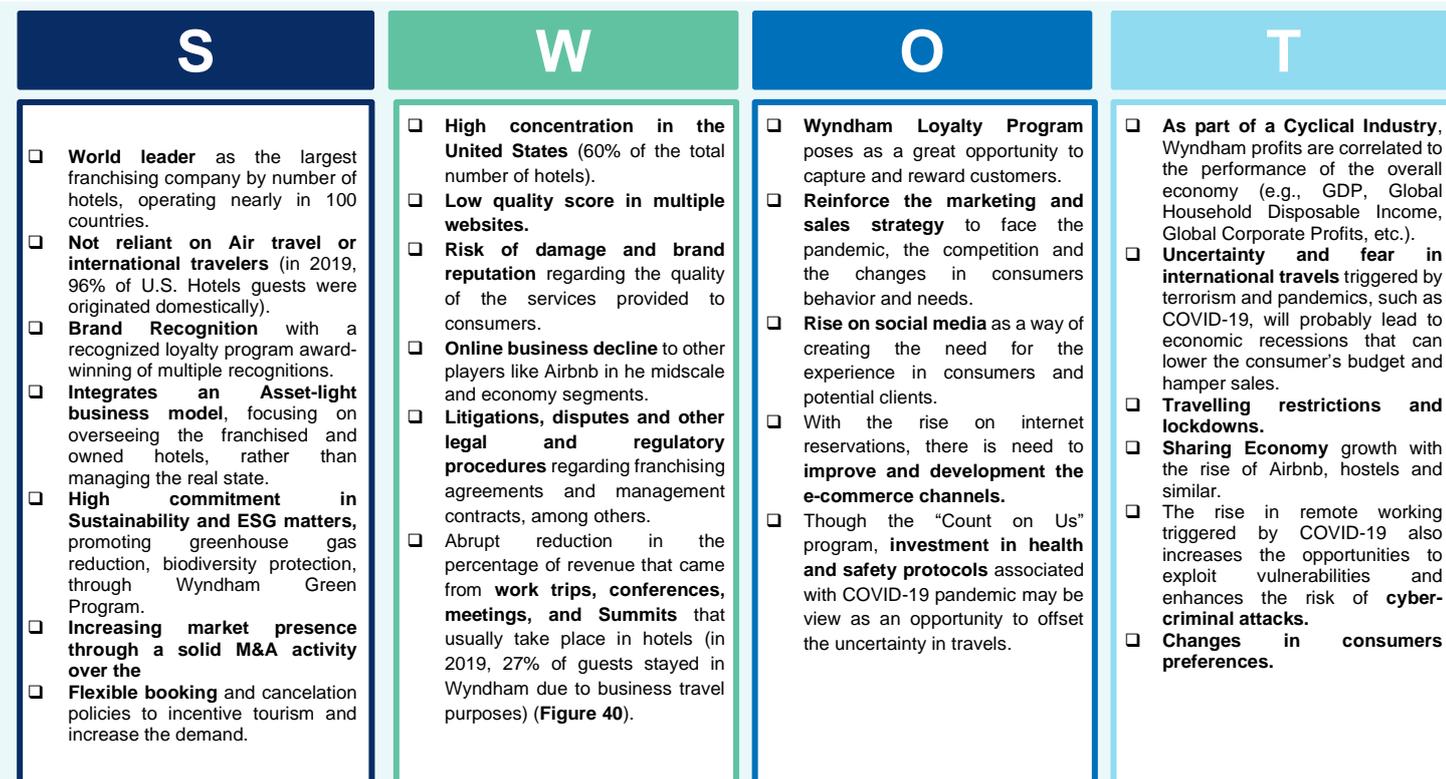
¹³ Source: (Knudsen ,Jens Overgaard, Simon Kold, et al, (2017), "Stick to the fundamentals and discover your peers.").

and innovate and grow the online tour packages booking. From a long-term perspective, Hilton aims to increase the inventory of properties to sell on behalf of third parties, enhance growth opportunities through strategic partnerships and acquisitions.

The strategies should now be adapted to COVID-19, having in mind **measures of flexibility and security** due to the volatility of **government policies** and growing concern on **safety and hygiene measures**.

SWOT Analysis

Figure 39 - Wyndham Hotels and Resorts SWOT Analysis



Source: Author's Analysis

Porter's Five Forces

- **Threats of new entrants | LOW (2)**

The **high initial investment needs** and fixed costs pose as one of the most significant barriers to entry into the industry. Furthering their investment restraints and being **location** a key feature for differentiation, new players remain at a disadvantage with popular destinations **having limited space available for construction**. As a result, COVID-19 reduced the industry's attractiveness, which combined with the other factors, translates into a low threat of newcomers.

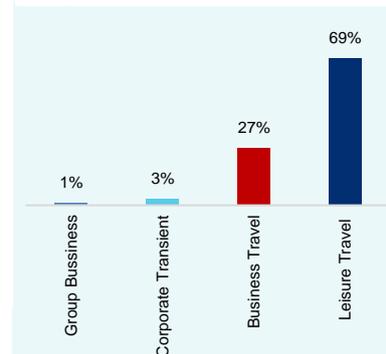
- **Bargaining power of suppliers | LOW (2)**

Only labor and experienced trained personnel could exercise some power but there is a great demand for them, resulting in low bargaining power and low levels of indirect levels of their competitiveness (Chen, 2013).

- **Bargaining power of buyers | Significant (4)**

The **increasing homogeneity** in the service offered added to **low switching costs** and the popularity of platforms that allow customers to

Figure 40 - Wyndham guests travel purposes (2019)



Source: July 2021 Investor Presentation

review their experience and provide feedback, which highly affects hotels' dependence on positive reviews), makes consumers very sensitive to price changes. The pandemic exacerbated this condition, with businesses trying to remain afloat. Therefore, hotels are usually price takers and buyers have high bargaining power.

- **Threat of substitute products or services | Moderate (3)**

The threat of substitutes varies throughout segments, being **higher in the lowest ones** mainly due to the hostels and Airbnb, which includes a young demographic that travels alone or in small groups. In the case of bigger groups and business travelers, hotels do not seem to face such a severe threat of substitute products.

- **Rivalry among existing competitors | Significant (4)**

Competition in the hotel industry is fierce due to the **low differentiation and switching costs**. Being a fragmented industry and having high capital costs, there is pressure to sell capacity through price reductions, enhancing the competition's intensity.

Figure 41 - Porter's 5 Forces



Source: Author Analysis

5. Investment Summary

We issue a **BUY** recommendation for **WH** with a **2022YE** price target of **\$93.89 per share**, using a Discounted Cash Flow Model and implying a **29.15% upside** potential from **August 31st, 2021**, closing price of **\$72.70 /share, High Risk**.

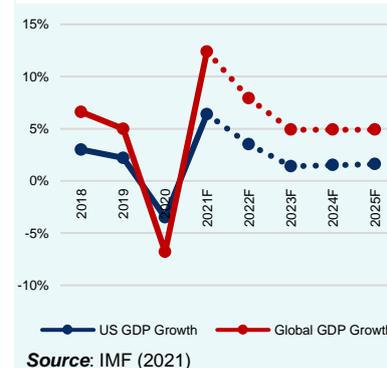
The **existing mispricing present** in Wyndham Hotels and Resorts share price is primarily explained by the **uncertainty in the industry due to COVID-19**. As a result of the current pandemic situation and the **industry cyclicality** and high dependence on macro-economic stability, **investors may behave more risk averse**¹⁴, favoring **less risky and stable industries**.

Key Drivers

The **expected economic recovery** is the most essential revenue key driver. The overall revenue prediction undertakes the assumption that the **RevPAR will return to 2019YE values in 2024F**, growing according to the GDP afterward. The expected economic expansion is linked to the **rise in GDP** and the Household Disposable Income, increasing the consumer spending on travel and leisure activities (**Figure 42**). This expected upward tendency, triggered by the end of lockdowns, travel restrictions, and increased vaccinated population, will lead to the growth of **Wyndham's demand and RevPAR**. The RevPAR combines how well the available rooms are managed (Occupancy Rate) with the average rate charged for renting a room per day (ADR). It is expected an average RevPAR growth of 4.12% per year, between 2021 and 2024. For the remaining forecasted period, due to the industry receipts being highly reliant on macroeconomic indicators, the RevPAR will grow according to the forecasted Real GDP growth made by the IMF of 1.61%.

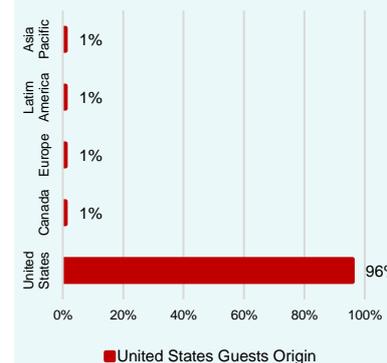
Regarding Wyndham **Financial Condition**, the company doesn't have **near debt maturity**, being the closest, a term loan that only dues in **2025F**. This will give the company some **leverage to recovery from COVID-19** and generate cash flow without having to repay debt in the short term.

Figure 42 - U.S. and Global GDP Growth



Source: IMF (2021)

Figure 43 - Wyndham U.S. guests' origin (2019YE)



Source: Author Analysis

¹⁴ Source: Huber, Christoph, Jürgen Huber, et al (2021) "Market shocks and professionals' investment behavior—evidence from the covid-19 crash." Journal of Banking & Finance 133 (2021): 106247.

Having a **worldwide presence**, **82% of total revenues** are from **U.S. Hotels (+1.4% CARG 2019YE-2020YE)** and according to the most recent investor presentation (2021HY), **96% of Wyndham U.S. guests are originated domestically (Figure 43)**. This also sets as a critical driver for Wyndham U.S. revenues since they are **not reliant on Air Travel** and possible travel restrictions, generating receipts mainly with U.S. travelers without having to rely on external factors.

Wyndham's **Asset Light Business Model** also poses has a key driver. This type of model enables the company to **reduce its capital expenditures needs** (less than \$M100 per year for the forecasted period) and **predict, with a high level of accuracy, the revenues from the fee business**. They are long-term franchising and management contracts with usually a **length of 10 to 20 years**, enabling the company to foresee and plan the use and allocation of the generated cash flows with the advance. The fee business revenue is expected to grow at a **CAGR of 11.88%** (2021F-2025F) (**Figure 44**).

Valuation Methods

A selection of valuation methods involving the **DCF** and **market-based models** were applied to achieve Wyndham Hotels and Resorts Price Target, reaching a price target, using the **WACC Method** model of **\$91.89**.

To complement the analysis, other Discount Cash Flow models were calculated, as well as the Dividend discount model and the Price and Enterprise Value Multiples (**Figure 45**). Using the **FCFE**, a price target of **\$93.14** was reached through the **Flow to Equity** method. The **APV** was calculated using the unlevered value of the firm and interest tax shield, achieving a PT of **\$94.41**.

Concerning the **Relative Valuation**, the Enterprise Multiples of **EV/EBITDA** and **EV/Sales** were applied, reach a PT of **\$92.17** and **\$93.63**, respectively. The Price multiples valuation also results in a **Price to Sales** of **\$96.04**.

Since Wyndham Hotels and Resorts split from Wyndham Destinations in 2018, the company **doesn't have a stable dividend policy** and does **not ensure future dividend payments**. In addition, with COVID-19 pandemic the company's beta is also unstable. Therefore, the **DDM model** was computed using the 3-stage model with the H-Model for the Terminal Value, but it wasn't considered for valuation purposes.

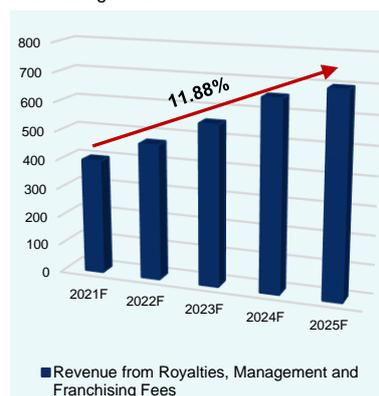
Investment Risks

When investing in Wyndham Hotels and Resorts, investors should be aware of the potential variety of risks that can influence the Price Target reached.

Wyndham **revenues** are based on the **hypothesis that the RevPAR will reach 2019YE values in 2024F**, growing according to the GPD afterwards. For the forecast period, the company's overall operating and financial stability and progress **are linked to the evolution of COVID-19** and the end of travel restrictions, lockdowns and occupancy limits.

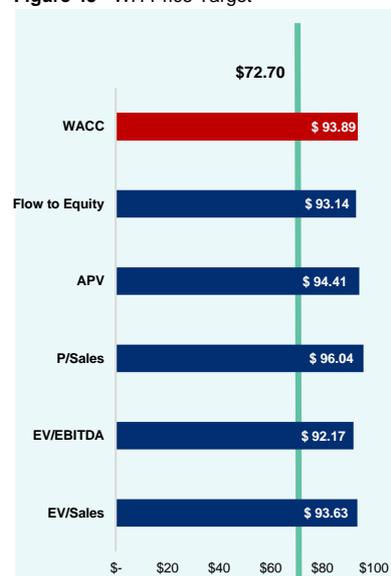
The Hotel Industry **high dependence on macroeconomic indicators**, as Gross Domestic Product and the Household Disposable Income, also poses as threat, alongside with the **increasingly high level of competitiveness in the industry**, presence in the **low differentiation** and **switching costs** factor.

Figure 44 - Royalties, Management and Franchising Fees



Source: Author Analysis

Figure 45 - WH Price Target



Source: Author's Analysis

Figure 46 - WH WACC Method

WACC Method - Price Target	
Enterprise Value	11,638
Net Debt	-2,860
Equity Value	8,779
Shares Outstanding	94
Price per Share	\$ 93.89
Close Price 31/08/2021	\$ 72.70
Upside Potential	29,15%

Source: Author Analysis

6. Valuation

To achieve an investment recommendation for Wyndham Hotels and Resorts, a forecasted period of **5 years** was considered, from **2021F** to **2025F**, with a Price Target estimated for 2022YE, against the closing price of **2021, 31st August**. Different valuation methods were applied based on the free cash flow models, dividend discount model and market-based valuation.

WACC Method

The **Free Cash Flow to the Firm** (FCFF) was computed for the Weighted Average Cost of Capital Method (**WACC**), followed by a **Two-Stage FCFF model** to reach the Enterprise Value (EV) (**Figure 46**). Following this approach, a Target Price for 2022YE of \$93.89 with an upside of 29.15% was reached (**Appendix 37**). The **WACC Model** was considered the most suitable method for Wyndham Hotels and Resorts due to the company's constant capital structure, with a relatively stable debt to equity ratio.

The DCF models are deeply influenced by the **total revenue growth**, which is expected to grow 12.45% CARG 2021F-2025F, as a result of the **upward trend in the GDP and RevPAR**. They are also influenced and the Weighted Average Cost of Capital (**Appendix 35**) and Terminal Value assumptions (**Appendix 36**).

Flow to Equity Method

Considering the **levered Cost of Equity** (K_e) and the absence of changes in the capital structure, the Flow to Equity method was applied using the **Free Cash Flow to the Equity** (FCFE) (**Figure 47**). To compute the FFCE, the Debt Ratio, alongside with the expected interest expenses, the CAPEX, Depreciation and Working Capital were considered (**Appendix 38**).

Similar to the WACC method, an upside potential of **28.11%** for 2022YE was reached, resulting in a **PT of \$93.14**.

APV Method

The **Adjusted Present Value** (APV) was calculated, considering the **Pre-tax WACC** to reach the **unlevered intrinsic Enterprise Value** and the **Costs of Debt** (K_d) to the Interest tax Shield (**Appendix 39**).

Using this approach, a price target of **\$94.41** for 2022F was reached with an upside potential of **29.9%** (**Figure 48**).

Market Based Valuation

To complement the Discounted Cash Flow valuation, the Market-Based Valuation was performed based on the Price and Enterprise Value Multiples. This approach was based on the comparison between Wyndham Hotels & Resorts and the previously selected peers (**Appendix 15**).

For the **Enterprise Value Multiples**, the analysis of EV to EBITDA and EV to Sales was performed. In the **Enterprise Value to Sales**, Wyndham Hotels and Resorts EV/Sales is slightly below the Peer's average (**6.77x and 6.78x**). With this approach is possible to reach an EV by peer's estimates of **\$M11,661** and a Target Price of **\$93.63**. According to the **Enterprise Value to EBITDA**, the company appears to be at the same level as his Peers', **43.98x and 43.68x**, respectively, resulting in an EV

Figure 47 - WH Flow to Equity Method

Flow to Equity Method	
Equity Value	8,755
Shares Outstanding	94
Price per Share	\$ 93.14
Close Price 31/08/2021	\$ 72.70
Upside Potential	28.1%

Source: Author Analysis

Figure 48 - WH Adjusted Present Value Method

Adjusted Present Value Method	
Unlevered Intrinsic EV V_U	11,018
PV (Tax Shield)	90
PV Terminal Value (Tax Shield)	626
Intrinsic EV	11,734
Net Debt	- 2,860
Equity Value	8,874
Shares Outstanding	94
Price per Share	\$ 94.41
Close Price 31/08/2021	\$ 72.70
Upside Potential	29.9%

Source: Author Analysis

Figure 49 - WH Enterprise Value Multiples Valuation

EV/EBITDA	
WH - EBITDA	265
Peer's Average	43.37
EV by Peers' estimates	11,477
Net Debt	- 2,860
Equity	8,618
Shares Outstanding	94
Price per Share	\$ 92.17
Close Price 31/08/2021	\$ 72.70
Upside Potential	26.78%
EV/Sales	
WH - Sales	1,720
Peer's Average	6.78
EV by Peers' estimates	11,661
Net Debt	- 2,860
Equity	8,801
Shares Outstanding	94
Price per Share	\$ 93.63
Close Price 31/08/2021	\$ 72.70
Upside Potential	28.79%

Source: Author Analysis

of **\$M11.477** and a Price Target of **\$92.17** for 2022YE (**Figure 49**).

Regarding the **Price Multiples Valuation**, the **Price to Sales** was considered for valuation purposes, with the peer's average (**5.27x**) being close to the company's P/S of **5.10x**, resulting in a Price target of **\$96.04** with an upside of 32.10% for 2022YE (**Figure 50**). The **Price to Book** and **Price to Earnings** were also computed. However, they weren't considered reliable. The expected EPS for 2021YE and 2022YE is \$-0.11 and \$0.71, respectively, against the peer's average of \$34.65. Due to the impact of COVID-19 in the Hotel Industry and the increasing volatility, some ratios were considered unsuitable, reaching unreliable price targets.

Forecast Assumptions and Analysis

Revenues

Wyndham Hotels & Resorts revenues are the sums of the Hotel Franchising and Hotel Management incomes. For the forecasted period it is expected a total revenues growth of **12.45% CAGR 2021F-2025F** (**Appendix 26**).

The **Royalties and Franchising fees** that represent an average of 25% of total revenues in the forecasted period. They are computed as the **number of days** in the year multiplied by the **forecasted number of rooms available** in the United States and Internationally, times the **RevPAR** in both areas, times de **royalty rate charge for the use of Wyndham's brand, services, etc.** The Royalties and Franchising fees are expected to grow 11.94% CAGR during the forecasted period, consistent with the predicted rise in the economy and industry demand post COVID-19 (**Figure 51**).

The **Management and other fees** comprise Wyndham's Owned Hotels and the fees paid by hotels under **Management contracts** in exchange for management services. They are computed as the **forecasted number of rooms** times the **Hotel Management RevPAR** times the **Base Management fees**, multiplied by the **number of days per year**, and are expected to grow **11.12% CAGR** during the forecasted period (2021F-2025F). The revenue obtained through the Wyndham's Owned Hotels consists in the **1. Gross room rentals**, which are the number of rooms available times the RevPAR, multiplied by the number of days in a year and **2. food and beverage services, casino, spa, golf and shop** income, forecasted assuming a recovery period until 2024F and the forecasted GDP grow onwards.

The company provides **Marketing and reservation services** to both Hotel Management and Hotel Franchising segments. The revenue related to this service is based on the **gross hotel's revenue** times a **specific Marketing & Reservation fee**. It's expected a growth of **12.02%** for the forecast period (2021F-2025F), which is consistent with the overall revenue progress.

The **licenses and other fees** comprise, according to the 2020YE report, the royalties paid by Wyndham Destinations due to the development and noncompetition agreement and they are based on the volume of Wyndham Destinations' sales of vacation ownership interests and other vacation products and services. It is expected for the forecasted period, assuming the average rate of (2018YE- 2020YE) of the ratio between the license and other fees of Wyndham Hotels and Resorts and the Net Revenue of Wyndham Destinations, an average growth of 16% per year (Appendix 26).

According to the 2020YE report, "the Company also recognizes **reimbursable payroll costs** for operational employees and other reimbursable costs at certain of the Company's managed hotels as revenue. Although these costs are funded by

Figure 50 - WH Price Multiples Valuation

Price/Sales	
WH – Sales	1 720
Peer's Average	5.27
Equity by Peers' estimates	9 066
Shares Outstanding	94
Price per Share	\$ 96.04
Close Price 31/08/2021	\$ 72.70
Upside Potential	32.10%

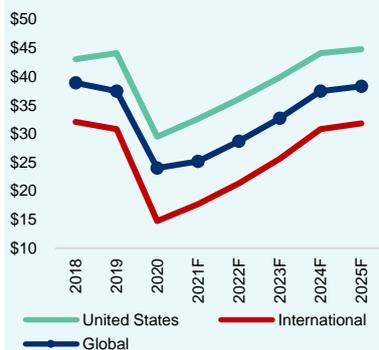
Source: Author Analysis

Figure 51 - Forecasted Revenues per segment (2021F-2025F) in mn



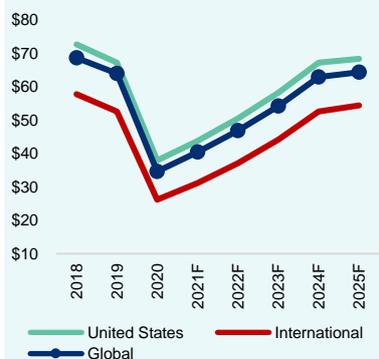
Source: Author Analysis

Figure 52 - Hotel Franchising forecasted RevPAR growth



Source: Author Analysis

Figure 53 - Hotel Management Forecasted RevPAR growth



Source: Author Analysis

hotel owners, accounting guidance requires the Company to report these fees on a gross basis as both revenues and expenses.” For the forecasted period, the reimbursement costs of revenues and expenses are expected to growth according to average weight of the historical years (2018YE-2020YE) of the total revenues excluding Reimbursement Costs.

In sum, it is expected that with the economic acceleration and recovery the rise on **RevPAR**, in both Hotel Franchising and Hotel Management segments, will lead to **pre COVID-19 values in 2024**¹⁵. Subsequently, from 2024 onwards, due to the industry receipts being highly reliant on macroeconomic indicators, the RevPAR will grow according to the forecasted Real GDP growth made by the IMF of 1.61%. (Figure 52 and 53).

CAPEX

For 2021YE, according to the annual report, the company expects to spent \$40M. For the remaining forecasted period, between 2022F and 2025F, it is expected that the **Capital Expenditures will be 2.96% of total revenues**, with a **CAGR**, similar to revenues, of **10.7%** for the same period.

Due to its **Asset-light Model**, Wyndham **reduces its capital needs to develop and operate hotels**. In the last years, Wyndham Hotels & Resorts focused on investments related to **technology**, as **customer data platforms**, guest technology and **business travel tools**, and in the business growth, throughout **management and franchising agreements**.

Despite COVID-19, Wyndham maintained a capital deployment of **\$33M** in 2020YE (-34% YoY) and projects to spend **\$40M** during **2021FY**¹⁶, + 21% compared to the previous year, forecasting a system size growth of + 7% of total rooms in 2021YE (Appendix 27).

Payout Policy

Despite COVID-19, and even with a negative EPS of **\$ -1.42** (- 187.65% YoY), Wyndham Hotels & Resorts paid a dividend per share of **\$0.56** in 2020YE (-51.72% YoY).

For the forecasted period, it was assumed that, **similar to the RevPAR recovery**, the **DPS will reach pre COVID-19 values** (2019YE) in **2024F**. Furthermore, from 2024F onwards, the DPS will grow according to the forecasted global GDP growth. Therefore, despite the uncertain times currently lived, it is expected that the Dividend per Share will grow **12.27%** between 2021F and 2025F (Figure 56).

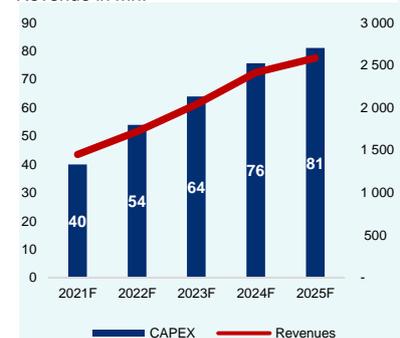
Cost of Capital

The WACC method was chosen to evaluate Wyndham Hotels and Resorts when using the Discounted Cash Flow Model (DCF), given the company’s stable structure (Figure 55). For the **Cost of Equity**, the **CAPM** methodology was applied, assuming a **Risk-Free Rate** of 1.35% for the forecasted period and terminal value corresponding to the U.S. 10 years Treasury Yield (Appendix 31). Considering the different methods to compute beta (Appendix 32), the **Blume Adjusted Beta**, calculated through a regression of Wyndham daily prices with the S&P500 was chosen, resulting in a beta of 1.16. The beta was then adjusted to the different debt and equity values of the forecasted years.

¹⁵ Source: Borko, S., Geerts, W., & Wang, H. (2020). The Travel Industry Turned Upside Down: Insights, Analysis and Actions for Travel Executives.

¹⁶ Source: Company forecast (Annual Report 2020)

Figure 54 – Forecasted CAPEX vs Total Revenue in mn.



Source: Author Analysis

Figure 55 - DPS and EPS growth



Source: Author Analysis

Figure 56 - WACC Assumptions

Cost of Capital - K_m	2021F	Terminal
RFR	1.35%	1.35%
Blume adjusted Beta - β_{adj}	1.16	1.15
Equity Risk Premium - ERP	5.39%	5.39%
Country Risk Premium - CRP	0.34%	0.34%
Cost of Equity - K_e	7.63%	7.58%
Pre-tax Cost of Debt	3.66%	3.66%
Tax Rate	21%	21%
After Tax Cost of Debt - K_D	3.06%	3.06%
Weight of Equity	69%	70%
Weight of Debt	31%	30%
WACC	6.14%	6.18%

Source: Author Analysis

Figure 57 - Liquidity Ratios



Source: Author Analysis

Due to its global presence, the **Country Risk Premium** and **Equity Risk Premium** were computed based on the 2020YE weighted sales. After considering the regions where Wyndham operates, namely United States, LATAM, CANADA, CHINA, ASIA PACIFIC, EMEA, a CRP of 0.34% was reached, alongside with an ERP of 5.39% (**Appendix 33**).

The **Cost of Debt** was calculated using the Credit Spread Method. A Cost of Debt of 3.66% was reached by adding to the Risk-Free Rate the Country Default Spread, assuming the 0.00% United States Rating spread and the Company Default Spread of 2.31% (**Appendix 34**).

Considering the market values of debt and equity and a stable market capital structure of 70% D/EV, an estimated WACC range from 6.14% to 6.18% was reached (**Appendix 35**).

Terminal Value Growth Rate

For the **Long-term growth rate (g)**, the Dividend Sustainable Growth Rate and Stable Growth Rate were computed, alongside with the evolution analysis of the macro-economic variables, as the regional and global GDP. The selected approach was the **Stable Growth Model**, resulting in a stable growth of the Free Cash Flows in 1.71% (**Appendix 30**). Despite the expected recovery of the economy, with the increase in the number of people vaccinated and the end of the lockdowns, the growth value is conservative compared to the revenue growth of 12.45% 2021F-2025F CAGR. This model reflects the **growth in the operating income** as the product of the return gained on equity and the reinvestment made in the firm, with the capital expenditures and the working capital.

The **normalized FCFF and FCFE** were computed through the trend line to reach the expected level of mid-cycle cash flow from operations adjusted for unusual items or temporary factors that can impact the cash flows (positively or negatively)¹⁷ (**Appendix 36**).

7. Financial Analysis

Liquidity

Wyndham Hotels and Resorts is expected to have **stable liquidity ratios** between 2021F and 2024F, with a cash ratio ranging from **1.33x** and **1.44x**. As well as the Cash Ratio, the Quick and Current Ratios will follow the same trend. The abrupt fall in 2025F is explained by the **mature of a term loan**, which results in a decrease of the three liquidity ratios, with an expected cash ratio of **0.36** (-75%YoY) (**Figure 57**).

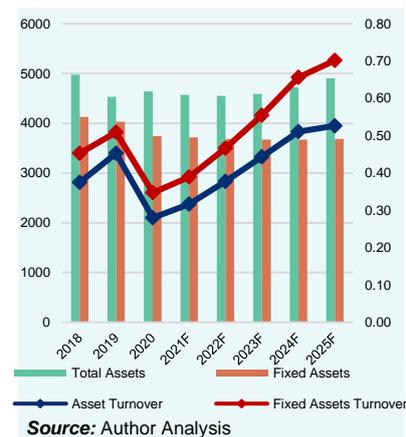
Efficiency

For the forecasted period, Wyndham Hotels and Resorts **Total Asset Turnover** is estimated to increase **+10.70pp.**, ranging between **0.38** (2021F) and **0.53** (2025F). It is also important to analyze the behavior of **Fixed Assets Turnover** since the fixed assets **represent an average of 81% of Total Assets** (2018-2025F), primarily due to Wyndham's Trademarks¹⁸ and Goodwill. It's expected that the ratio will rise at a CAGR of **8.51%** for the forecasted period (2021F-2025F). Thus, it is projected for the forecasted period an increase in the company's efficiency in managing its assets to generate revenues (**Figure 58**).

¹⁷ Source: Stowe, J. D., Robinson, T. R., Pinto, et al (2007). Equity asset valuation

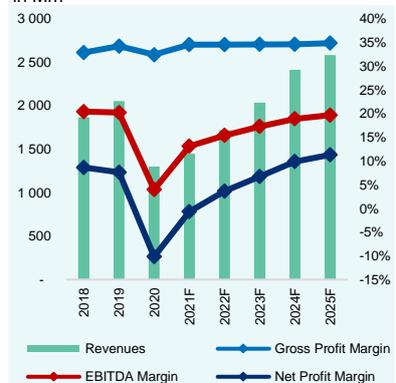
¹⁸ The trademarks are used through franchising and management contracts. They are highly important to Wyndham, especially to the company marketing and sales services, since they represent and communicate, to the clients and potential consumers, the brand reputation and past information and experiences.

Figure 58 - Efficiency Ratios



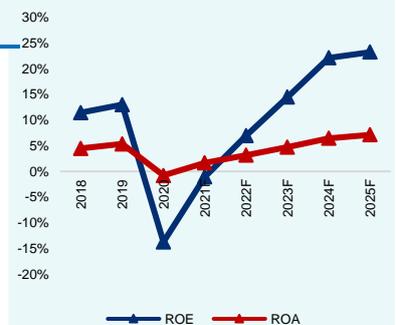
Source: Author Analysis

Figure 59 - Profitability Margins vs Revenues in Mm



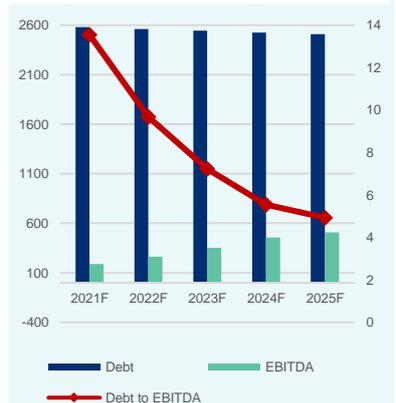
Source: Author Analysis

Figure 60 - Forecasted ROE vs ROA



Source: Author Analysis

Figure 61 - Debt vs EBITDA Forecast (in Millions) vs Debt to EBITDA (x)



Source: Author's Analysis

Profitability

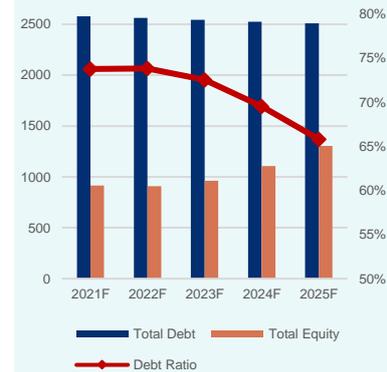
Regarding the Profitability ratios, and despite COVID-19, Wyndham Hotels and Resorts show an **upward trend for the forecasted period**. The company **Gross Profit** is expected to increase at a **9.67% CAGR** between 2021F and 2025F, with a **Gross Profit Margin of 34.87% in 2025F**. For the forecasted period, it is expected that **EBITDA growth outpaces the revenue growth**, having a CAGR of **21.73%** and **12.27%**, respectively (Figure 59).

The **Return on Equity** was computed using the **DuPont decomposition** and is expected to rise at a **9.56% CAGR** between 2018YE and 2025F. The **Return on Assets** also follows the same upward trend as ROE, with a CAGR 2018-2025F of **9.39%** (Figure 60). Similar to the other Return Ratios, **ROIC** and **ROCE** are also likely to show a **V-shape behavior**. With a spike in 2020YE triggered by COVID-19, and an upward trend afterward, ROIC and ROCE will rise with a CAGR of **+7.7p.p.** and **+12.43p.p.** 2018YE-2025F, respectively.

Solvency

Regarding solvency, Wyndham Hotels and Resorts Capital Structure is **expected to remain quite constant for the forecast period**, with the latest maturity at the end of **2025F**¹⁹. The **Debt to EBITDA** is expected to decrease from **13.5x** (2021F) to **4.9x** (-18.3% CAGR 2021F-2025F) (Figure 61). With the projected economic recovery, **EBITDA** is expected to grow at a CAGR of **21.7%** between the forecasted period, while Total Debt is projected to reach \$2.509M (-1% CAGR 2021F-2025F). Following the same trend, and considering the book values of equity and debt, the **Debt Ratio** is also expected to decrease **7.96%** between 2021F and 2025F (Figure 62).

Figure 62 - Debt vs Equity (in Millions) vs Debt Ratio



Source: Author's Analysis

8. Investment Risks

Economic Risk - Lack of Economic Growth (ER1)

The Hotel Industry demand is **highly dependent on macroeconomic indicators**. In cyclical industries, such as Food and Beverage, the consumer spending in travel and leisure is seriously affected by changes in the economic environment (Figure 64).

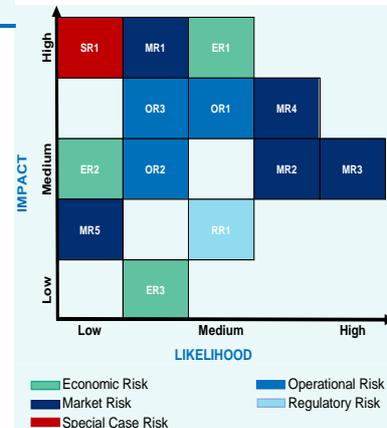
The drop in the **GDP** and **HDI**, triggered by COVID-19, poses as an **economic downturn** and caused **severe disruptions in the demand and earnings** in industries such as tourism and air travel. The current economic instability impacted Wyndham's **demand, revenues and financial condition**.

Economic Risk - Exchange Rate (ER2)

The Hotel Industry is one of the industries affected by the **foreign currencies changes**. With the **globalization** of the market, the fluctuation in the currencies exchange rates must be managed and hedge, namely with foreign currency forward contracts, in order to **reduce the risk**. Widely spread, Wyndham is **exposed particularly to the Canadian Dollar, the Chinese Yuan, the Euro, the British Pound, the Brazilian Real and the Argentine Peso**²⁰.

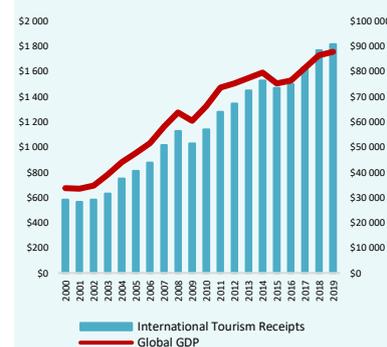
Economic Risk - Tax Laws (ER3)

Figure 63 - Risk Matrix



Source: Author's Analysis

Figure 64 - Global International Tourism Receipts vs Global GDP per year (in mn)



Source: Data WorldBank; IMF

²⁰ Source: Wyndham Hotels & Resorts (2020 Annual Report)

Despite having its headquarters in the United States, Wyndham Hotels & Resorts is subjected not only to **federal, state and local taxes in the U.S.** but also to taxes on **foreign operations and foreign income.** Moreover, with a worldwide presence, the company is exposed to the United States and **International jurisdiction,** jeopardizing its financial condition whenever a **new tax law arises or is misinterpreted.**

Market Risk - Uncertainty in Travel (MR1)

The **demand** in the hotel industry is **exposed to political conflicts, terrorism, natural disasters,** among others. The industry revenue is **highly dependent on the tourism flow** that each region can attract. At the slightest insecurity, the travel segment is always among the first industries to suffer. Most recently, the **COVID-19** pandemic triggered an **all-time global uncertainty in domestic and international travel.** With the fear of the virus, the lockdowns and quarantines the profits and investments in the area had an abrupt fall.

When **accessed individually,** the **likelihood of these scenarios is low,** but during the last decade, we have witnessed all the examples mentioned above and their impact, from a regional to a global level, in the industry.

Market Risk - Sharing Economy (MR2)

The **Sharing Economy** has gained attention in the hotel industry over the past few years due to its **low regulation and tax obligations compared to hotels.** It has proven to be a **growing market,** with an increasing number of nights spent and revenues YoY of companies like Airbnb (**Appendix 12**). It requires a minimum initial investment when compared to hotels, alongside with few taxes, posing as a risk to Hotels.

Market Risk - Change in Consumers Preferences (MR3)

The **constant technology development,** the **rise of social media** and the increasing **concerns regarding environmental causes** are changing how hotels reach potential clients and their preferences. The **new generations** have **different leisure interests** like **volunteer, sports, and culture, where the hotel's choice depends on how well the hotel can** address those matters. Being the **switching costs relatively low,** hotels need to adapt to new consumers and their needs.

Market Risk - Harsh Competition (MR4)

The Hotel Industry is a **highly competitive market** characterized by low switching costs, being the **price and quality of the service crucial in the market.** Despite the fact that differentiation is the key to obtaining a competitive advantage, through superior quality service, hotels use price reductions to increase the occupancy rate and differentiate among themselves.

Market Risk - New Entrants (MR5)

The likelihood of new competition for Wyndham is relatively low, with **high initial investments a strong barrier.** New entrants need to focus and invest in differentiating themselves from the already established competition to provide new services and experiences to consumers.

The **limited construction space available** also poses as a threat, being the most premium locations in the tourist areas, already taken by existing competitors.

Operational Risk - Data Privacy (OR1)

Operating on a global basis, Wyndham Hotels & Resorts is **constantly at risk for cybersecurity attacks**. Those attacks may lead to the breach of guest information, as credit and payment card numbers and other personal information, as well as employee information and other sensitive data that can **jeopardize the group's reputation and loyalty trust**.

The company relies on information technologies and systems **managed by a third party**, increasing the **risk of system failure, cyberterrorism, and computer hacking**. With the evolution of technologies, the likelihood of data leaks is higher, increasing the **risk of money costs and loss of status and ultimately demand**.

Operational Risk – Lack of Shortage (OR2)

Lack of skilled workers can be a barrier to specific investments and the overall company expansion. When there are no capable human resources to maintain the quality of the service, Hotels are obliged to invest in the development of personnel while postponing the project or to cancel it. **The demand for suitably qualified individuals is highly competitive** and the loss of a senior manager can impact and harm the company.

Operational Risk – Abrupt contract termination (OR3)

The average length of Wyndham's management and franchising contracts is between **10 and 20 years**, being the company able to predict the amount of revenues for the year with a high level of accuracy. However, despite the relatively low likelihood, **an unexpected license termination can impact and damage the firm**. According to the company annual report, in 2020FY, **a strategic partner decided to sell certain hotels unexpectedly, resulting in the termination of the underlying license and management fee contracts and in the reduction of Wyndham's number of rooms, marketing and royalty fee revenues**.

Regulatory Risk - New Regulations (RR1)

Regulations are very common in the Hotel Industry, related to building construction, marketing and advertisement, trade practices, employees and guests, environment, consumptions and operation licenses, management and franchising contracts, etc. With a global presence, Wyndham Hotels & Resorts is **exposed to several regulations** that may differ from country to country and are **in constant revision and change**.

Special Case Risk - Pandemic (SR1)

With COVID-19, the Economic activity **dropped to unprecedented levels** due to the **lockdowns** implemented throughout the world, **travel restrictions and quarantines**. The **likelihood of a pandemic was low**, but its impact is **massive**. As a result, Wyndham experienced a **decline in demand and occupancy rate**, translating into a drop in revenues, RevPAR, and **financial condition stability**.

Price Target Sensitivity Analysis

A Sensitivity analysis on the reached Price Target, through the WACC Method, was performed based on **changes in the long-run stable growth rate (g) and in the Weighted Average Cost of Capital (WACC)** (Figure 65).

Considering the **Risk Classification Matrix** (Figure 66), Strong Buy is recommended when the price is above \$105.82, Buy if the target price is between \$105.34 and \$87.62, Hold if the price is higher than \$80.55 and Reduce or Sell if it

Figure 65 - Sensitivity Analysis – Risk Matrix Classification

Risk Matrix Classification	
SELL	< 0%
REDUCE	0% ≤ and <10%
HOLD	10% ≤ and <20%
BUY	20% ≤ and < 45%
STRONG BUY	≥ 45%

Source: Author's Analysis

is below than \$78.75 and \$72.67 respectively. Similar to the Price Target of \$93.89, the average price reached using the sensitivity analysis is **\$ 95.12**.

According to the analysis, we can conclude that an **increase (decrease)** in the WACC (6.13%) by **10b.p** ceteris paribus, will result in a **decrease (increase)** in the estimated Price Target. Eventually, with the WACC set as 6,63%, the Price Target will decrease to \$ 72,67, resulting in an upside of 0% and a recommendation of sell instead of buy. Identically, if the selected long-term stable growth rate of 1.73% will **decrease (increase)** by **10%**, assuming that the other variables will remain equal, the price target will **decrease/ increase**, changing the recommendation to Hold if it reaches a Target Price lower than \$87.21.

Figure 66 - Sensitivity Analysis of Price Target to Long term growth rate (g) and WACC

WACC Vs Long-run stable growth rate												
Changes in the Stable Growth Rate	\$	Changes in WACC										
		5.63%	5.73%	5.83%	5.93%	6.03%	6.13%	6.23%	6.33%	6.43%	6.53%	6.63%
1.23%	93.89	96.09	93.30	90.61	88.04	85.57	83.20	80.93	78.75	76.65	74.63	72.67
1.33%		98.58	95.67	92.87	90.19	87.62	85.17	82.81	80.55	78.37	76.28	74.25
1.43%		101.19	98.15	95.23	92.44	89.77	87.22	84.77	82.42	80.16	78.00	75.90
1.53%		103.92	100.75	97.70	94.79	92.01	89.35	86.81	84.37	82.03	79.78	77.61
1.63%		106.79	103.47	100.29	97.25	94.36	91.59	88.94	86.40	83.97	81.64	79.39
1.73%		109.77	106.30	102.97	99.80	96.78	93.89	91.14	88.50	85.97	83.56	81.22
1.83%		112.95	109.31	105.82	102.50	99.35	96.33	93.46	90.71	88.09	85.57	83.14
1.93%		116.29	112.47	108.82	105.34	102.04	98.89	95.89	93.03	90.29	87.68	85.15
2.03%		119.83	115.81	111.97	108.33	104.87	101.58	98.44	95.45	92.60	89.88	87.25
2.13%		123.61	119.37	115.33	111.50	107.87	104.43	101.15	98.02	95.04	92.20	89.46
2.23%		127.56	123.10	118.84	114.82	111.00	107.39	103.95	100.69	97.57	94.61	91.75

Source: Author's Analysis

Monte Carlo Simulation

The Monte Carlo Simulation was computed to complement the sensitivity analysis (Figure 67). Using the **Cristal Ball software**, we reach an Average Price Target of **\$96.86**, with an **upside potential of 33.23%** compared to the close price of **\$72.70** on **August 31st, 2021**. The achieved PT is identical to the selected Price Target using the DCF models of **\$93.89** for 2022YE. The WACC rate, long-term growth rate (g), tax rate, and gross profit margin were used to perform the simulation.

Strengthening the recommendation set by the DCF Models, with this simulation, it's possible to conclude that there is a **66.08% probability of the BUY / STRONG BUY** recommendation is accurate, with **37.40% for Buy** and **28.68% for Strong Buy**, for Wyndham Hotels and Resorts 2022YE share price.

Figure 67 - Monte Carlo Simulation



Appendices

Appendix 1: Global Hotel Industry Key Features 2020YE

Hotel	Number of Branded Hotels	Number of Hotel Rooms	Revenue Per Available Room (RevPAR)
Wyndham Hotels & Resorts Inc	8,941	795,900	24.51
Marriott International Inc/MD	7,642	1,423,044	46.28
Choice Hotels International In	7,147	597,977	32.70
Hilton Worldwide Holdings Inc	6,478	1,019,287	46.00
InterContinental Hotels Group	5,964	886,036	37.41
Accor SA	5,139	753,344	27.40
Hyatt Hotels Corp	1,109	254,056	41.00
Whitbread PLC	847	83,598	-
Extended Stay America Inc	646	62,667	43.75
NH Hotel Group SA	361	55,371	23.41
Melia Hotels International SA	317	82,576	39.16
Playa Hotels & Resorts NV	21	7,720	76.61
Marcus Corp/The	18	5,132	52.12
Vail Resorts Inc	-	-	90.37
Marriott Vacations Worldwide C	-	-	-
Travel + Leisure Co	-	-	-

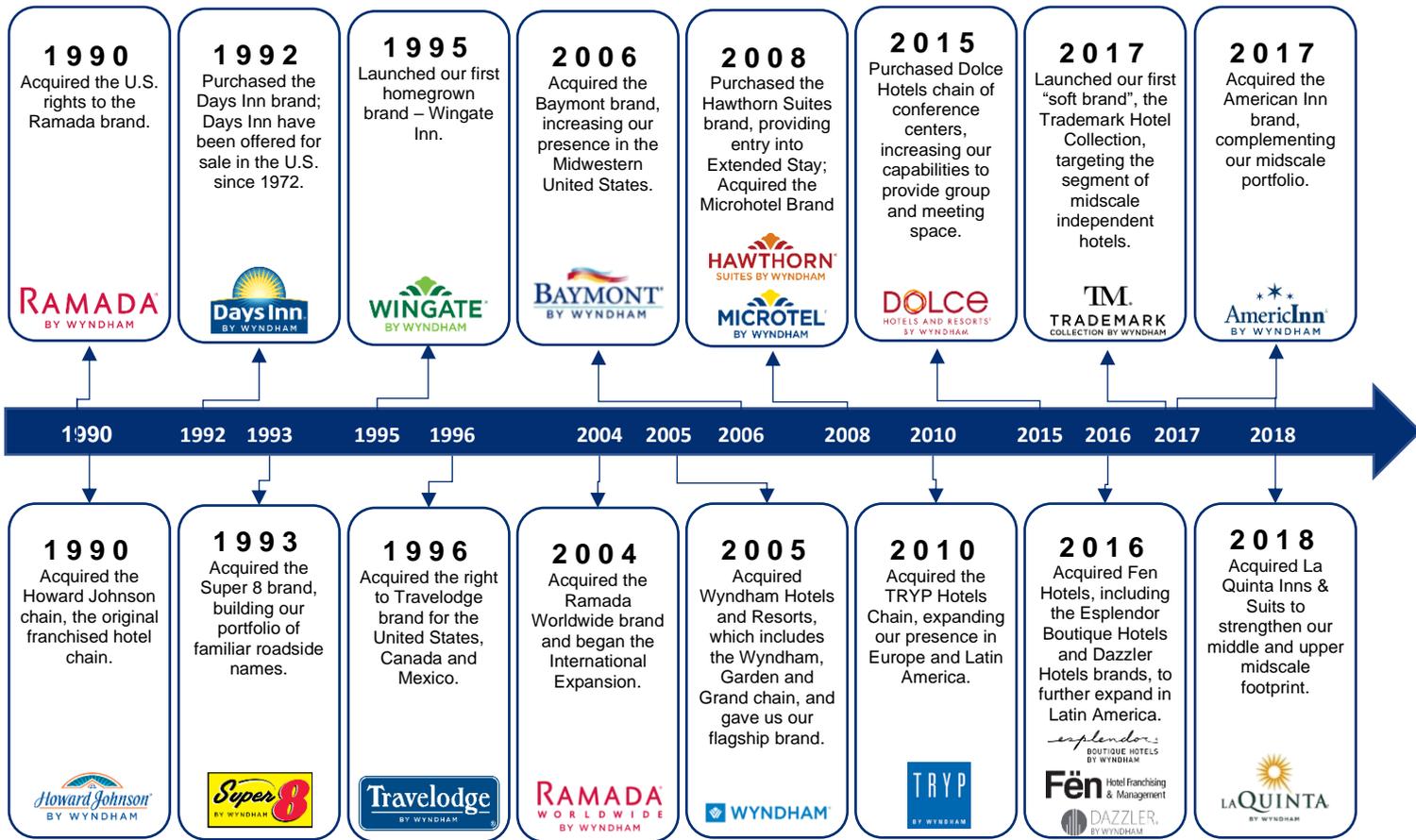
Source: Bloomberg

Appendix 2: Wyndham Hotels & Resorts Chain Scale



Source: Wyndham FY20 Annual Report

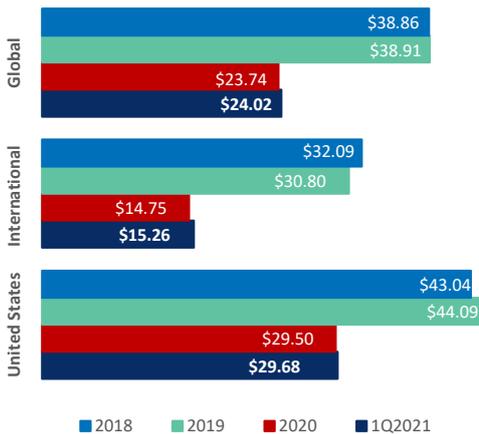
Appendix 3: Wyndham Hotels and Resort History



Source: Wyndham FY20 Annual Report

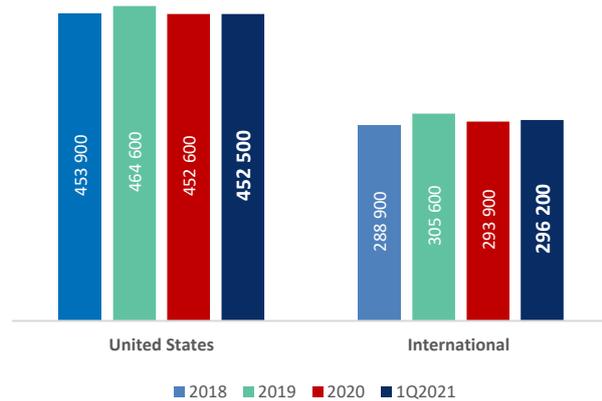
Appendix 4: Hotel Franchising RevPAR and Rooms

Hotel Franchising Segment – RevPAR



Source: Company data

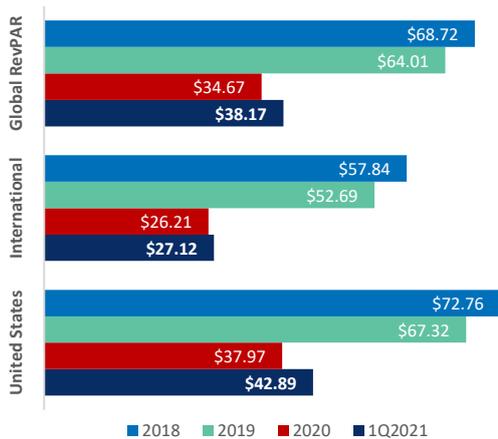
Hotel Franchising Segment – Number of Rooms



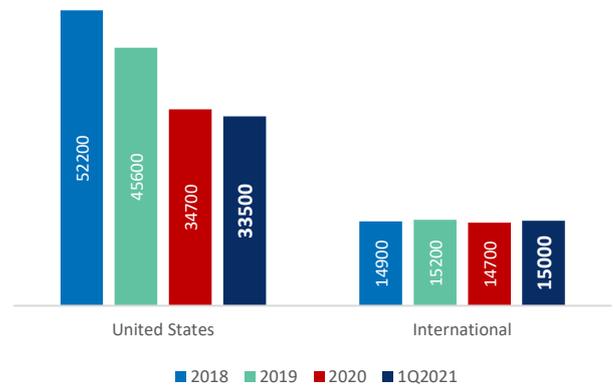
Source: Company data

Appendix 5: Hotel Management RevPAR and Rooms

Hotel Management Segment – RevPAR



Hotel Management Segment – Number of Rooms



Source: Company data

Appendix 6: Profitability Drivers

RevPAR (Revenue per Available Room)

$$\text{RevPAR} = \text{ADR} \times \text{Occupancy Rate}$$

ADR (Average Daily Rate)

$$\text{ADR} = \frac{\text{Room Revenue}}{\text{Rooms Sold}}$$

Occupancy Rate

$$\text{Occupancy Rate} = \frac{\text{Rooms Sold}}{\text{Total Rooms}}$$

Appendix 7: ESG 2025 Performance Targets

Target Areas	Performance Target
Environmental	• 15% absolute emissions reduction in Greenhouse Gas Emissions;
	• 15% reduction in water consumption per square foot;
	• 100% renewable energy at owned properties, corporate headquarters, and North American offices;
	• 100% elimination of single-use plastics using viable alternatives;
	• 100% of managed properties are Wyndham Green Certified ²¹ ;
	• 100% sourcing of cage-free eggs ²² .
Social	• 100% gender pay equity globally;
	• 100% of corporate and hotel team members receiving unconscious bias training.
	• 100% of corporate and hotel team members receiving human rights training.
Community Impact	• 100% Wish Day participation. ²³

Source: 2021 Wyndham Hotels & Resorts ESG Report

²¹ Internal certificated program designed to address best practices in operational efficiency, water and energy conservation while remaining competitive in the market.

²² Using 100% of the eggs in all the franchised, managed and owned hotels cage free through substitute products.

²³ Establish by the Make-a-Wish foundation, the Wish Day is celebrated across the globe by making dreams come true for sick children. Source: Worldwish.org

Appendix 8: Board of Directors Responsibilities, Requirements and management risks

Committee	Responsibilities	Requirements	Oversight of Risk Management
Audit Committee	<p>Appoints the independent registered public accounting firm to perform an integrated audit of the consolidated financial statements and internal control over financial reporting</p> <p>Pre-approves all services performed by the independent registered public accounting firm;</p> <p>Reviews the scope, planning, staffing and budgets of the audit activities of the independent registered public accounting firm and the internal auditors.</p> <p>Maintains procedures for the receipt, retention, and resolution of complaints regarding accounting, internal controls and auditing matters.</p> <p>Reviews services provided by the independent registered public accounting firm and other disclosed relationships as they bear on the independence of the independent registered public accounting firm and provides oversight on hiring policies with respect to employees or former employees of the independent auditor;</p>	<p>All members of the Audit Committee are independent Directors under the Board's Director Independence Criteria and applicable regulatory and listing standards. Each member of the Audit Committee needs to be financially literate, knowledgeable and qualified to review financial statements following the applicable listing standards</p>	<p>Provides oversight in the risk assessment and management programs, including financial accounting and reporting, internal audit services, information technology, cybersecurity and compliance matters.</p>
Compensation Committee	<p>Provides oversight on the executive compensation program consistent with corporate objectives and stockholder interests;</p> <p>Reviews and approves Chief Executive Officer ("CEO") and other senior management compensation;</p> <p>Approves grants of long-term incentive awards and all the senior executives' annual incentive compensation under the compensation plans;</p> <p>Reviews and considers the independence of advisers to the Committee</p>	<p>All members of the Compensation Committee are independent Directors under the Board's Director Independence Criteria and applicable regulatory and listing standards.</p>	<p>Provides oversight on the assessment and management of risks related to the executive compensation</p>
Corporate Governance Committee	<p>Recommends to the Board nominees for election to the Board;</p> <p>Reviews principles, policies and procedures affecting Directors and the Board's operation and effectiveness;</p> <p>Provides oversight on the evaluation of the Board and its effectiveness and of the Social Responsibility program;</p> <p>Reviews and makes recommendations to the Board on Director compensation.</p>	<p>All members of the Compensation Committee are independent Directors under the Board's Director Independence Criteria and applicable regulatory and listing standards.</p>	<p>Provides oversight on the management of risks associated with the under the Board's Director independence of the board and potential conflicts of interest</p>
Executive Committee	<p>Exercise all of the authority of the Board when the Board is not in session, except that the Executive Committee does not have the authority to take any action which legally or under our internal governance policies may be taken only by the full Board.</p>		

Source: 2021 Wyndham Hotels & Resorts Proxy Statement

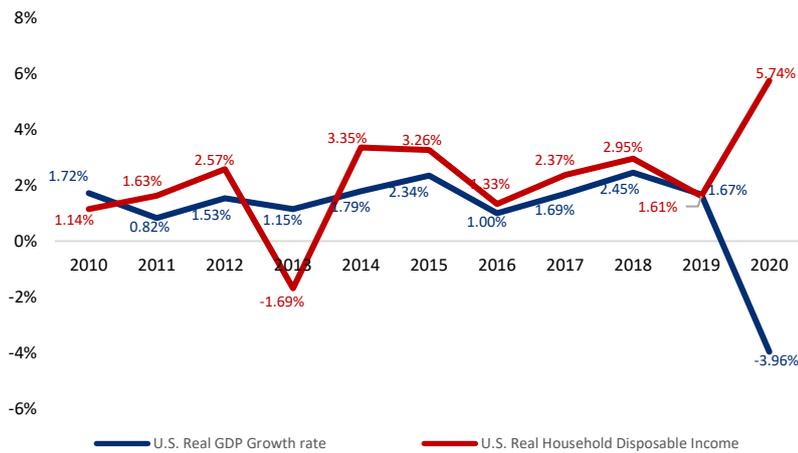
Appendix 9: 2020 Selected Compensation Peer Group

2020 Compensation Peer Group
Boyd Gaming Corp.
Brinker International, Inc.
Caesars Entertainment, Inc.
Choice Hotels International, Inc.
Dunkin' Brands Group, Inc.
Extended Stay America, Inc.
Hilton Worldwide Holdings Inc.
Hyatt Hotels Corporation
Marriott International
Penn National Gaming, Inc.
Ryman Hospitality Properties, Inc.
TripAdvisor, Inc.
Wynn Resorts, Limited
YUM! Brands, Inc.

Source: 2021 Wyndham Hotels & Resorts Proxy Statement

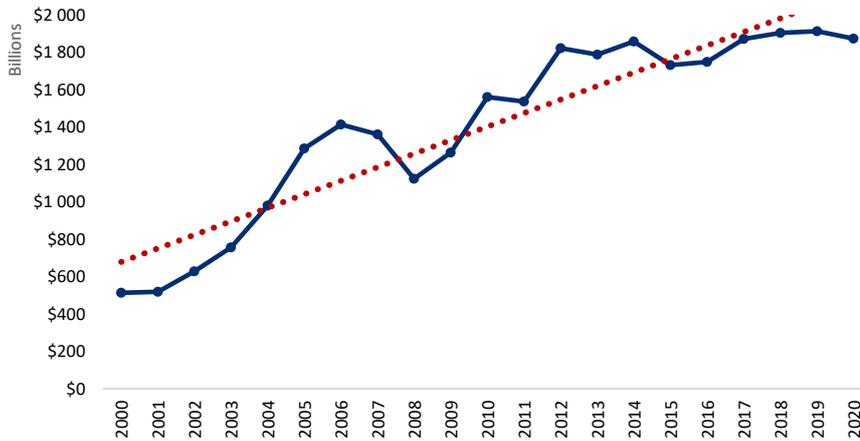
Appendix 10: Household Disposable Income

United States GDP vs HDI growth rate



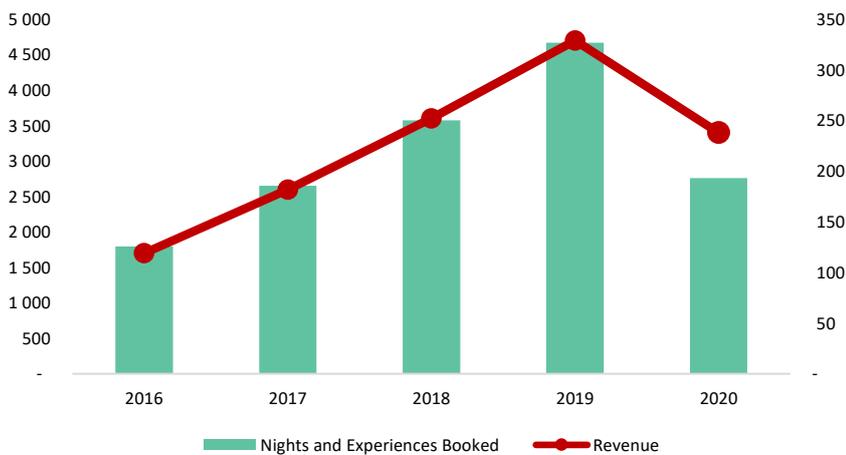
Source: OECD Stat

Appendix 11: United States Corporate Profits



Source: Federal Reserve Economic Data

Appendix 12: N^o of nights and experiences booked²⁴ vs Revenues (in mn)

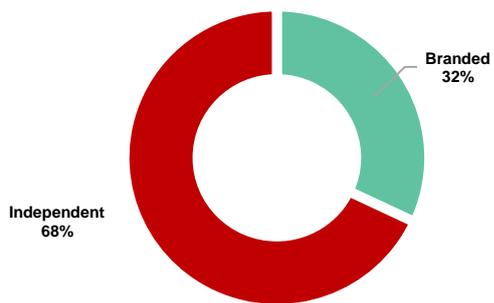


Source: Airbnb 2020 Annual Report

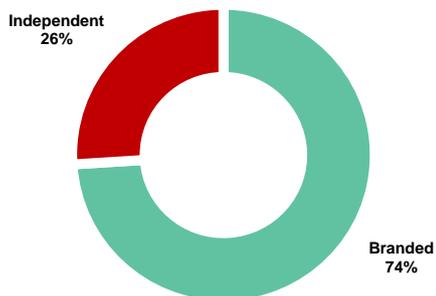
²⁴ Total number of nights booked for stays and the total number of seats booked for experiences, net of cancellations and alterations (Airbnb 2020 Annual Report)

Appendix 13: Hotels Ownership (2019YE)

Hotels Ownership in Europe



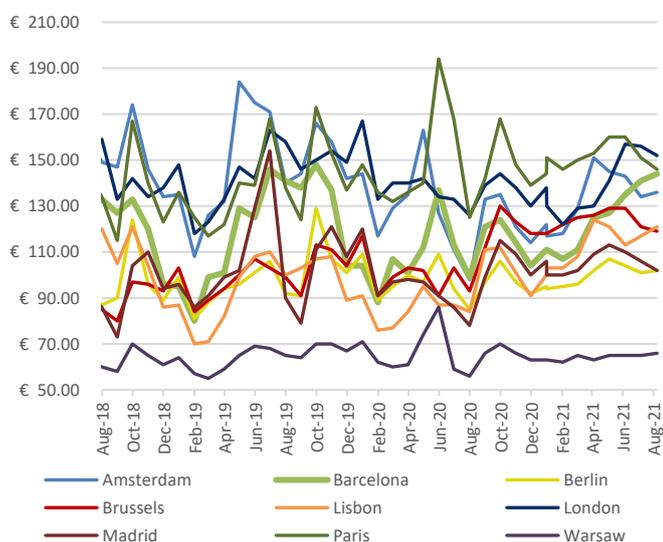
Hotels Ownership in North America



Source: Accor Annual Report (2019)

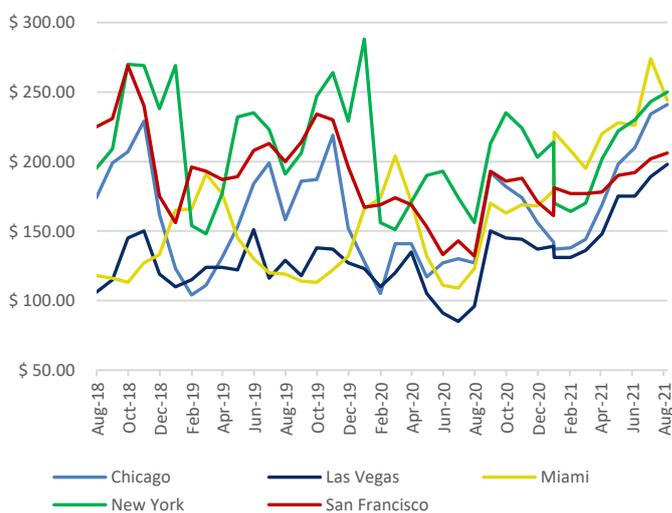
Appendix 14: Average Hotel Prices

Average Hotel Prices per Night in Europe



Source: Trivago Statistics

Average Hotel Prices per Night in the U.S.



Appendix 15: Peers Selection

Hotel Group with a hospitality focus. Exclude casino entertainment and Equity Real Estate Investment Trusts

Rank	Name	SARD	TICKET	Country	Market Cap	Rank	ROE	Rank	Debt to Equity	Rank	EBIT Margin	Rank	Current Ratio	Rank	
1	WYNDHAM HOTELS & RESORTS INC	0	WH	USA	6,850,476,927	9	-12.14%	17	271.55	11	-3.54%	12	2.58	6	
3	MARRIOTT VACATIONS WORLD	11	VAC	USA	7,484,677,462	8	-9.70%	14	166.20	13	1.14%	9	2.86	4	✓
6	HILTON GRAND VACATIONS INC	25	HGV	USA	3,412,157,273	14	-42.58%	28	532.62	6	-4.03%	13	3.89	3	✓
2	CHOICE HOTELS INTL INC	28	CHH	USA	6,202,478,703	10	-9.70%	13	1,017.24	4	17.67%	2	1.69	12	✓
5	HYATT HOTELS CORP - CL A	37	H	USA	8,570,417,032	6	19.60%	2	113.67	19	-33.35%	22	2.6	5	✓
7	PLAYA HOTELS & RESORTS NV	37	PLYA	SPAIN	1,203,977,081	21	-38.09%	26	221.08	12	-49.63%	26	1.93	7	✓
9	HILTON WORLDWIDE HOLDINGS IN	38	HLT	USA	35,377,896,322	2	-22.71%	22	- 7.81	31	-2.74%	11	1.73	11	✓

Appendix 16: Income Statement (WH)

Income Statement in Millions of \$	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Net revenues								
Royalties and franchise fees	441	480	328	367	434	513	605	644
Marketing, reservation and loyalty	491	562	370	393	467	552	653	694
Management and other fees	124	125	64	77	93	114	139	142
License and other fees	111	131	84	99	116	136	159	187
Cost reimbursements	586	623	350	413	491	581	688	737
Other	115	132	104	101	120	142	168	180
Net revenues	1,868	2,053	1,300	1,449	1,720	2,037	2,413	2,584
Expenses								
Marketing, reservation and loyalty	486	563	419	410	486	575	680	722
Operating	182	164	109	125	149	176	209	223
General and administrative	119	130	116	104	124	147	174	186
Cost reimbursements	586	623	350	413	491	581	688	737
Depreciation and amortization	99	109	98	95	84	78	74	72
Impairments, net	0	45	206	206	206	206	206	206
Restructuring	0	8	34	0	0	0	0	0
Transaction-related, net	36	40	12	0	0	0	0	0
Separation-related	77	22	2	0	0	0	0	0
Contract termination	0	42	0	0	0	0	0	0
Total expenses	1,585	1,746	1,346	1,354	1,539	1,764	2,031	2,147
Operating (loss)/income	283	307	-46	96	180	274	382	437
Interest expense, net	60	100	112	108	101	100	80	67
(Loss)/income before income taxes	223	207	-158	-12	79	174	302	370
(Benefit from)/provision for income taxes	61	50	-26	-2	13	29	50	61
Net (loss)/income	162	157	-132	-10	66	145	252	309

Appendix 17: Common Size Income Statement (WH)

Income Statement (% of Net Revenues)	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Net revenues								
Royalties and franchise fees	24%	23%	25%	25%	25%	25%	25%	25%
Marketing, reservation and loyalty	26%	27%	28%	27%	27%	27%	27%	27%
Management and other fees	7%	6%	5%	5%	5%	6%	6%	6%
License and other fees	6%	6%	6%	7%	7%	7%	7%	7%
Cost reimbursements	31%	30%	27%	29%	29%	29%	29%	29%
Other	6%	6%	8%	7%	7%	7%	7%	7%
Net revenues	100%							
Expenses								
Marketing, reservation and loyalty	26%	27%	32%	28%	28%	28%	28%	28%
Operating	10%	8%	8%	9%	9%	9%	9%	9%
General and administrative	6%	6%	9%	7%	7%	7%	7%	7%
Cost reimbursements	31%	30%	27%	29%	29%	29%	29%	29%
Depreciation and amortization	5%	5%	8%	7%	5%	4%	3%	3%
Impairments, net	0%	2%	16%	14%	12%	10%	9%	8%
Restructuring	0%	0%	3%	0%	0%	0%	0%	0%
Transaction-related, net	2%	2%	1%	0%	0%	0%	0%	0%
Separation-related	4%	1%	0%	0%	0%	0%	0%	0%
Contract termination	0%	2%	0%	0%	0%	0%	0%	0%
Total expenses	85%	85%	104%	93%	90%	87%	84%	83%
Operating (loss)/income	15%	15%	-4%	7%	10%	13%	16%	17%
Interest expense, net	3%	5%	9%	7%	6%	5%	3%	3%
(Loss)/income before income taxes	12%	10%	-12%	-1%	5%	9%	13%	14%
(Benefit from)/provision for income taxes	3%	2%	-2%	0%	1%	1%	2%	2%
Net (loss)/income	9%	8%	-10%	-1%	4%	7%	10%	12%

Appendix 18: Statement of Financial Position (WH)

Statement of Financial Position in Millions	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Assets								
Current assets:								
Cash and cash equivalents	366	94	493	499	461	463	529	673
Trade receivables, net	293	304	295	257	305	361	428	458
Prepaid expenses	40	48	45	45	45	45	45	45
Other current assets	152	53	67	67	67	67	67	67
Total current assets	851	499	900	868	878	936	1,069	1,243
Property and equipment, net	326	307	278	236	209	191	181	176
Goodwill	1,547	1,539	1,525	1,525	1,525	1,525	1,525	1,525
Trademarks, net	1,397	1,395	1,203	1,203	1,203	1,203	1,203	1,203
Franchise agreements and other intangibles, net	590	551	512	499	496	500	511	526
Other non-current assets	265	242	226	226	226	226	226	226
Total assets	4,976	4,533	4,644	4,584	4,564	4,608	4,743	4,926
Liabilities and stockholders' equity								
Current liabilities:								
Current portion of long-term debt	21	21	21	21	21	22	22	1 486
Current portion of debt to former Parent	-	-	-	-	-	-	-	-
Accounts payable	61	30	28	32	39	46	54	58
Deferred revenues	109	132	71	71	71	71	71	71
Accrued expenses and other current liabilities	502	279	226	226	226	226	226	226
Total current liabilities	693	462	346	350	357	365	373	1 841
Long-term debt	2,120	2,101	2,576	2,558	2,541	2,522	2,505	1,023
Debt due to former Parent	-	-	-	-	-	-	-	-
Deferred income taxes	399	387	359	359	359	359	359	359
Deferred revenues	164	151	158	158	158	158	158	158
Other non-current liabilities	182	220	242	242	242	242	242	242
Total liabilities	3,558	3,321	3,681	3,668	3,656	3,646	3,637	3,623
Stockholders' equity:								
Preferred stock, \$0.01 par value, authorized 6.0 shares, non-issued and outstanding	-	-	-	-	-	-	-	-
Common stock, \$0.01 par value, authorized 600.0 shares, 100.8 and 100.6 issued and outstanding at December 31, 2020 and 2019	1	1	1	1	1	1	1	1
Treasury stock, at cost - 7.7 and 6.8 shares at December 31, 2020, 2019 and 2018	- 119	- 363	- 408	- 408	- 408	- 408	- 408	- 408
Additional paid-in capital	1,475	1,488	1,504	1,504	1,504	1,504	1,504	1,504
Retained earnings/(accumulated deficit)	69	113	82	- 128	- 137	- 83	61	258
Accumulated other comprehensive loss	- 8	- 27	- 52	- 52	- 52	- 52	- 52	- 52
Total stockholders' equity	1,418	1,212	963	917	908	962	1,106	1,303
Total liabilities and stockholders' equity	4,976	4,533	4,644	4,584	4,564	4,608	4,743	4,926

Appendix 19: Common Size Statement of Financial Position (WH)

in Millions of \$	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Assets								
Current assets:								
Cash and cash equivalents	7%	2%	11%	11%	10%	10%	11%	14%
Trade receivables, net	6%	7%	6%	6%	7%	8%	9%	9%
Prepaid expenses	1%	1%	1%	1%	1%	1%	1%	1%
Other current assets	3%	1%	1%	1%	1%	1%	1%	1%
Total current assets	17%	11%	19%	19%	19%	20%	23%	25%
Property and equipment, net	7%	7%	6%	5%	5%	4%	4%	4%
Goodwill	31%	34%	33%	33%	33%	33%	32%	31%
Trademarks, net	28%	31%	26%	26%	26%	26%	25%	24%
Franchise agreements and other intangibles, net	12%	12%	11%	11%	11%	11%	11%	11%
Other non-current assets	5%	5%	5%	5%	5%	5%	5%	5%
Total assets	100%							
Liabilities and stockholders' equity								
Current liabilities:								
Current portion of long-term debt	1%	1%	1%	1%	1%	1%	1%	41%
Current portion of debt to former Parent	0%	0%	0%	0%	0%	0%	0%	0%
Accounts payable	2%	1%	1%	1%	1%	1%	1%	2%
Deferred revenues	3%	4%	2%	2%	2%	2%	2%	2%
Accrued expenses and other current liabilities	14%	8%	6%	6%	6%	6%	6%	6%
Total current liabilities	19%	14%	9%	10%	10%	10%	10%	51%
Long-term debt	60%	63%	70%	70%	69%	69%	69%	28%
Debt due to former Parent	0%	0%	0%	0%	0%	0%	0%	0%
Deferred income taxes	11%	12%	10%	10%	10%	10%	10%	10%
Deferred revenues	5%	5%	4%	4%	4%	4%	4%	4%
Other non-current liabilities	5%	7%	7%	7%	7%	7%	7%	7%
Total liabilities	100%							
Stockholders' equity:								
Preferred stock, \$0.01 par value, authorized 6.0 shares, none issued and outstanding	0%	0%	0%	0%	0%	0%	0%	0%
Common stock, \$0.01 par value, authorized 600.0 shares, 100.8 and 100.6 issued and outstanding at December 31, 2020 and 2019	0%	0%	0%	0%	0%	0%	0%	0%
Treasury stock, at cost - 7.7 and 6.8 shares at December 31, 2020, 2019 and 2018	-8%	-30%	-42%	-45%	-45%	-42%	-37%	-31%
Additional paid-in capital	104%	123%	156%	164%	166%	156%	136%	115%
Retained earnings/(accumulated deficit)	5%	9%	-9%	-14%	-15%	-9%	6%	20%
Accumulated other comprehensive loss	-1%	-2%	-5%	-6%	-6%	-5%	-5%	-4%
Total stockholders' equity	100%							
Total liabilities and stockholders' equity	100%							

Appendix 20: Managerial Balance Sheet (WH)

Managerial Balance Sheet in Millions of \$	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Invested Capital								
Fixed Assets	4,125	4,034	3,744	3,716	3,686	3,671	3,673	3,683
Net Working Capital	- 187	- 36	82	39	81	131	189	216
Cash and cash equivalents	366	94	493	499	461	463	529	673
Total Invested Capital	4,304	4,092	4,319	4,255	4,228	4,265	4,392	4,571
Equity	1,418	1,212	963	917	908	962	1,106	1,303
Debt	2,141	2,122	2,597	2,579	2,562	2,544	2,527	2,509
Other Non-current Liabilities	745	758	759	759	759	759	759	759
Total Capital Employed	4,304	4,092	4,319	4,255	4,228	4,265	4,392	4,571

Appendix 21: Cash Flow Statement (WH)

Cash Flow Statement in Millions of \$	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Operating activities								
Net (loss)/income	162	157	- 132	98	167	245	332	376
Adjustments to reconcile net (loss)/income to net cash provided by/(used in) operating activities:								
Depreciation and amortization	99	109	98	95	84	78	74	72
Provision for doubtful accounts	8	16	37	-	-	-	-	-
Impairments, net	-	45	209	-	-	-	-	-
Gain on sale	- 23	-	-	-	-	-	-	-
Deferred income taxes	-	- 14	- 23	-	-	-	-	-
Stock-based compensation	25	20	21	-	-	-	-	-
Net change in assets and liabilities:								
Trade receivables	- 63	- 27	- 38	- 38	48	56	67	30
Prepaid expenses	1	8	3	-	-	-	-	-
Other current assets	- 22	7	1	-	-	-	-	-
Accounts payable, accrued expenses and other current liabilities	85	- 28	- 46	4	6	7	8	4
Payment of tax liability assumed in La Quinta acquisition	- 35	- 195	-	-	-	-	-	-
Deferred revenues	- 3	33	- 54	-	-	-	-	-
Payments of development advance notes	- 27	- 19	- 17	-	-	-	-	-
Proceeds from development advance notes	14	2	1	-	- 14	-	-	-
Other, net	10	2	7	-	-	-	-	-
Net cash provided by operating activities	231	100	67	235	210	274	348	421
Investing activities								
Property and equipment additions	- 73	- 50	- 33	- 40	- 54	- 64	- 76	- 81
Acquisition of business, net of cash acquired	- 1,703	-	-	-	-	-	-	-
Proceeds from sale of assets, net	27	-	-	-	-	-	-	-
Loan advances	- 7	- 2	- 1	-	-	-	-	-
Loan repayments	20	-	3	-	-	-	-	-
Insurance proceeds	14	-	-	-	-	-	-	-
Other, net	- 6	- 1	-	-	-	-	-	-
Net cash used in investing activities	- 1,728	- 53	- 31	- 40	- 54	- 64	- 76	- 81
Financing activities								
Net transfer to former Parent	- 38	-	-	-	-	-	-	-
Proceeds from borrowings from former Parent	13	-	-	-	-	-	-	-
Proceeds from borrowings	2,100	-	1,244	-	-	-	-	-
Principal payments on long-term debt	- 4	- 16	- 760	- 121	- 114	- 113	- 92	- 79
Finance lease payments	- 3	- 5	- 5	- 5	- 5	- 5	- 5	- 5
Debt issuance costs	- 28	-	- 10	-	-	-	-	-
Capital contribution from former Parent	106	68	-	-	-	-	-	-
Dividend to former Parent	- 109	-	-	-	-	-	-	-
Dividends to shareholders	- 77	- 112	- 53	- 63	- 75	- 90	- 108	- 112
Repurchases of common stock	- 117	- 242	- 50	-	-	-	-	-
Net share settlement of incentive equity awards	- 34	- 5	- 4	-	-	-	-	-
Other, net	- 1	- 8	1	-	-	-	-	-
Net cash provided by/(used in) financing activities	1,808	- 320	363	- 189	- 194	- 208	- 206	- 196
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	- 4	1	-	-	-	-	-	-
Net increase/(decrease) in cash, cash equivalents and restricted cash	307	- 272	399	6	- 38	2	66	144
Cash, cash equivalents and restricted cash, beginning of period	59	366	94	493	499	461	463	529
Cash, cash equivalents and restricted cash, end of period	366	94	493	499	461	463	529	673

Appendix 22: Common Size Cash Flow Statement (WH)

Common Size Cash Flow Statement in Millions of \$	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Operating activities								
Net (loss)/income	70%	157%	-197%	42%	80%	89%	96%	89%
Adjustments to reconcile net (loss)/income to net cash provided by/(used in) operating activities:								
Depreciation and amortization	43%	109%	146%	40%	40%	29%	21%	17%
Provision for doubtful accounts	3%	16%	55%	0%	0%	0%	0%	0%
Impairments, net	0%	45%	312%	0%	0%	0%	0%	0%
Gain on sale	-10%	0%	0%	0%	0%	0%	0%	0%
Deferred income taxes	0%	-14%	-34%	0%	0%	0%	0%	0%
Stock-based compensation	11%	20%	31%	0%	0%	0%	0%	0%
Net change in assets and liabilities:								
Trade receivables	-27%	-27%	-57%	16%	-23%	-21%	-19%	-7%
Prepaid expenses	0%	-8%	4%	0%	0%	0%	0%	0%
Other current assets	-10%	7%	1%	0%	0%	0%	0%	0%
Accounts payable, accrued expenses and other current liabilities	37%	-28%	-69%	2%	3%	3%	2%	1%
Payment of tax liability assumed in La Quinta acquisition	-15%	-195%	0%	0%	0%	0%	0%	0%
Deferred revenues	-1%	33%	-81%	0%	0%	0%	0%	0%
Payments of development advance notes	-12%	-19%	-25%	0%	0%	0%	0%	0%
Proceeds from development advance notes	6%	2%	1%	0%	0%	0%	0%	0%
Other, net	4%	2%	10%	0%	0%	0%	0%	0%
Net cash provided by operating activities	100%	100%	100%	100%	100%	100%	100%	100%
Investing activities								
Property and equipment additions	-32%	-50%	-49%	-17%	-26%	-23%	-22%	-19%
Acquisition of business, net of cash acquired	-737%	0%	0%	0%	0%	0%	0%	0%
Proceeds from sale of assets, net	12%	0%	0%	0%	0%	0%	0%	0%
Loan advances	-3%	-2%	-1%	0%	0%	0%	0%	0%
Loan repayments	9%	0%	4%	0%	0%	0%	0%	0%
Insurance proceeds	6%	0%	0%	0%	0%	0%	0%	0%
Other, net	-3%	-1%	0%	0%	0%	0%	0%	0%
Net cash used in investing activities	-748%	-53%	-46%	-17%	-26%	-23%	-22%	-19%
Financing activities								
Net transfer to former Parent	-16%	0%	0%	0%	0%	0%	0%	0%
Proceeds from borrowings from former Parent	6%	0%	0%	0%	0%	0%	0%	0%
Proceeds from borrowings	909%	0%	1857%	0%	0%	0%	0%	0%
Principal payments on long-term debt	-2%	-16%	-1134%	-51%	-54%	-41%	-27%	-19%
Finance lease payments	-1%	-5%	-7%	-2%	-2%	-2%	-1%	-1%
Debt issuance costs	-12%	0%	-15%	0%	0%	0%	0%	0%
Capital contribution from former Parent	46%	68%	0%	0%	0%	0%	0%	0%
Dividend to former Parent	-47%	0%	0%	0%	0%	0%	0%	0%
Dividends to shareholders	-33%	-112%	-79%	-27%	-36%	-33%	-31%	-27%
Repurchases of common stock	-51%	-242%	-75%	0%	0%	0%	0%	0%
Net share settlement of incentive equity awards	-15%	-5%	-6%	0%	0%	0%	0%	0%
Other, net	0%	-8%	1%	-46%	-48%	-36%	-23%	-16%
Net cash provided by/(used in) financing activities	783%	-320%	542%	-80%	-93%	-76%	-59%	-47%
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	-2%	1%	0%	0%	0%	0%	0%	0%
Net increase/(decrease) in cash, cash equivalents and restricted cash	133%	-272%	596%	3%	-18%	1%	19%	34%
Cash, cash equivalents and restricted cash, beginning of period	26%	366%	140%	210%	238%	168%	133%	126%
Cash, cash equivalents and restricted cash, end of period	158%	94%	736%	212%	220%	169%	152%	160%

Appendix 23: Key Financial Ratios

	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Liquidity Ratios								
Current Ratio (x)	1.23	1.08	2.60	2.48	2.46	2.57	2.87	0.68
Quick Ratio (x)	0.95	0.86	2.28	2.16	2.15	2.26	2.57	0.61
Cash Ratio (x)	0.53	0.20	1.42	1.42	1.29	1.27	1.42	0.37
Efficiency Ratios								
Total Assets Turnover (x)	0.4	0.5	0.3	0.3	0.4	0.4	0.5	0.5
Fixed Assets Turnover	0.5	0.5	0.3	0.4	0.5	0.6	0.7	0.7
Accounts Receivables Turnover (x)	6.4	6.8	4.4	5.6	5.6	5.6	5.6	5.6
Collection Period (days)	57.3	54.0	82.8	64.7	64.7	64.7	64.7	64.7
Payables Turnover (x)	20.6	45.0	31.4	29.2	29.2	29.2	29.2	29.2
Payables Period (days)	17.8	8.1	11.6	12.5	12.5	12.5	12.5	12.5
Cash Conversion Cycle (days)	39.50	45.94	71.19	52.21	52.21	52.21	52.21	52.21
Capital Turnover	1.32	1.69	1.35	1.58	1.89	2.12	2.18	1.98
Working Capital Turnover	-	9.99	-	36.75	21.14	15.61	12.78	11.99
Profitability Ratios								
Gross Profit Margin (%)	32.9%	34.2%	32.5%	34.6%	34.6%	34.6%	34.6%	34.9%
Operating Profit Margin (%)	15.1%	15.0%	-3.5%	6.6%	10.5%	13.4%	15.8%	16.9%
EBITDA Margin (%)	20.4%	20.3%	4.0%	13.1%	15.4%	17.3%	18.9%	19.7%
Net Profit Margin (%)	8.7%	7.6%	-10.2%	-0.7%	3.9%	7.1%	10.5%	12.0%
ROA (%)	4.5%	5.4%	-0.8%	1.6%	3.1%	4.7%	6.4%	7.0%
ROCE (%)	3.8%	3.8%	-3.1%	-0.2%	1.6%	3.4%	5.7%	6.8%
ROE (%)	11.4%	13.0%	-13.7%	-1.1%	7.3%	15.1%	22.8%	23.7%
ROE (%) - Dupont Decomposition	11.4%	13.0%	-13.7%	-1.1%	7.3%	15.1%	22.8%	23.7%
Net Income / Revenue	8.7%	7.6%	-10.2%	-0.7%	3.9%	7.1%	10.5%	12.0%
Revenue / Avg Assets	37.5%	45.3%	28.0%	31.6%	37.7%	44.2%	50.9%	52.5%
Avg Assets / Avg Equity	350.9%	374.0%	482.2%	500.1%	502.8%	478.8%	428.8%	378.0%
ROIC	6.6%	7.5%	-1.1%	2.2%	4.3%	6.4%	8.7%	9.6%
Basic EPS (x)	1.65	1.67	-1.41	-0.11	0.71	1.55	2.70	3.31
Diluted EPS (x)	1.65	1.67	-1.41	-0.11	0.71	1.55	2.70	3.31
Solvency Ratios								
Long- and short-term Debt Ratio (%)	60.2%	63.6%	72.9%	73.8%	73.8%	72.6%	69.6%	65.8%
Long-term Debt Ratio (%)	59.6%	63.0%	72.4%	73.2%	73.2%	71.9%	68.9%	26.8%
Debt to Equity Book Ratio (x)	1.5	1.8	2.7	2.8	2.8	2.6	2.3	1.9
Debt to Equity Market Ratio	0.38	0.38	0.46	0.46	0.45	0.45	0.45	0.45
Equity Multiplier (x)	3.5	3.7	4.8	5.0	5.0	4.8	4.3	3.8
Debt to EBITDA	5.6	5.1	49.9	13.5	9.7	7.2	5.5	4.9
Interest Coverage Ratio (x)	4.7	3.1	-	0.9	2.3	3.3	4.8	6.5
Value Creation and Cash Flow Ratios								
Economic Value Added (EVA)				77	146	220	307	352
NOPAT	77	233	-	80	151	228	319	365
Debt Coverage	11%	5%	3%	9%	8%	11%	14%	17%
Cash to Income	0.82	0.33	-	2.46	1.16	1.00	0.91	0.96

Appendix 24: Income Statement Assumptions

Income Statement Assumptions	Unit	2021F	2022F	2023F	2024F	2025F	Assumption
Royalties and franchise fees		367	434	513	605	644	See "Revenues Appendix"
Marketing, reservation and loyalty		393	467	552	653	694	See "Revenues Appendix"
Management and other fees		77	93	114	139	142	See "Revenues Appendix"
License and other fees		99	116	136	159	187	See "Revenues Appendix"
Cost reimbursements		413	491	581	688	737	See "Revenues Appendix"
Other		101	120	142	168	180	See "Revenues Appendix"
Marketing, reservation and loyalty	USD	410	486	575	680	722	According to the company report, Wyndham generates Marketing, reservation and loyalty revenues through franchise and management contracts, which over time offset marketing, reservation and loyalty costs. Therefore, the historical average rate was assumed as % of Marketing, reservation and loyalty Revenue of the historical period (2018YE-2020YE).
% of Marketing, reservation and loyalty Revenue	%	104.13%	104.13%	104.13%	104.13%	104.13%	For the forecasted period (2021YE-2025YE), the Operating Expenses were computed assuming the historical average rate (2018YE-2020YE) as a % of revenues.
Operating	USD	125	149	176	209	223	For the forecasted period (2021YE-2025YE), the General and Administrative Expenses were computed assuming the historical average rate (2018YE-2020YE) as a % of revenues.
% of Revenue	%	8.64%	8.64%	8.64%	8.64%	8.64%	According to the company report, Wyndham recognizes Reimbursement Cost as a revenue for operational employees and other reimbursable costs. However, those revenues are also offset over time by property operating costs incurred by the company.
General and administrative	USD	104	124	147	174	186	See "Depreciations and Amortizations Assumptions"
% of Revenue	%	7.21%	7.21%	7.21%	7.21%	7.21%	Equal to 2020YE Nominal amount
Cost reimbursements	USD	413	491	581	688	737	Assumed to be 0 for the forecasted years (2021YE-2025YE)
% of Cost Reimbursements	%	100%	100%	100%	100%	100%	Assumed to be 0 for the forecasted years (2021YE-2025YE)
Depreciation and amortization	YoY Change	95	84	78	74	72	According to the 2020YE Report, the costs related to the separation of Wyndham Worldwide are completed. Assumed to be 0 for the forecasted years (2021YE-2025YE)
Impairments, net	%	0.00%	0.00%	0.00%	0.00%	0.00%	Assumed to be 0 for the forecasted years (2021YE-2025YE)
Restructuring	%	0.00%	0.00%	0.00%	0.00%	0.00%	Assumed to be 0 for the forecasted years (2021YE-2025YE)
Transaction-related, net	%	0.00%	0.00%	0.00%	0.00%	0.00%	Assumed to be 0 for the forecasted years (2021YE-2025YE)
Separation-related	%	0.00%	0.00%	0.00%	0.00%	0.00%	Assumed to be 0 for the forecasted years (2021YE-2025YE)
Contract termination	%	0.00%	0.00%	0.00%	0.00%	0.00%	Assumed to be 0 for the forecasted years (2021YE-2025YE)
Interest expense, net	YoY Change	-3.57%	-6.48%	-0.99%	-20.00%	-16.25%	Wyndham Hotels and Resorts stated in the 2020 Annual Report the predicted Annual Interest Expenses
(Benefit from)/provision for income taxes	%	21.00%	21.00%	21.00%	21.00%	21.00%	Assumed the Federal statutory rate for the forecasted period (2021F-2025F)

Appendix 25: Statement of Financial Position Assumptions

BALANCE SHEET	Unit	2021F	2022F	2023F	2024F	2025F	Assumption
Current Assets							
Trade receivables, net	\$M	257	305	361	428	458	Assuming the 2018YE-2020YE historical average of Accounts Receivables Days, the Trade and Other Receivables for the forecasted period (2021F-2025F) are: Trade and other Receivables $t = (\text{Revenues } t \div (\text{Avg. Accounts Payable}/365))$
Prepaid expenses	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	For the forecasted period (2021F-2025F), it was assumed that the prepaid expenses were equal to the nominal value of 2020YE
Other current assets	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Non-Current Assets							
Property and equipment, net	\$M	236	209	191	181	176	See "CAPEX and D&A" Appendix"
Goodwill	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	For the forecasted period (2021F-2025F), it was assumed that the Goodwill was equal to the nominal value of 2020YE
Trademarks, net	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	For the forecasted period (2021F-2025F), it was assumed that the Trademarks were equal to the nominal value of 2020YE
Franchise agreements and other intangibles, net	\$M	499	496	500	511	526	See "CAPEX and D&A" Appendix"
Other non-current assets	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Current Liabilities							
Current portion of long-term debt	\$M	21	21	22	22	1 486	See "Debt Appendix"
Current portion of debt to former Parent	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Accounts payable	\$M	32	39	46	54	58	Based on the historical average Accounts Payable Days 2018YE-2020YE. The Trade and Other Payables for the forecasted period are equal: Royalties and Franchising fees $t = \text{Cost attributed to sales } t \times (\text{Avg. Accounts Payable Days}/365)$
Deferred revenues	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Accrued expenses and other current liabilities	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Non-Current Liabilities							
Long-term debt	\$M	2,558	2,541	2,522	2,505	1,023	See "Debt Appendix"
Debt due to former Parent	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Deferred income taxes	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Deferred revenues	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Other non-current liabilities	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Stockholders' equity:							
Preferred stock, \$0.01 par value, authorized 6.0 shares, none issued and outstanding	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Common stock, \$0.01 par value, authorized 600.0 shares, 100.8 and 100.6 issued and outstanding at December 31, 2020 and 2019	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Treasury stock, at cost - 7.7 and 6.8 shares at December 31, 2020, 2019 and 2018	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Additional paid-in capital	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Retained earnings/(accumulated deficit)	\$M	- 128	- 137	- 83	61	258	Retaining Earnings $t = \text{Retaining Earnings } t-1 + \text{Net Income } t - \text{Dividends } t$.
Dividends	\$M	63	75	90	108	112	According to July 2021 Investors Presentation, the return excess capital to shareholders is in line with the earnings recovery. For the forecasted period, it was assumed that the company, similar to RevPAR, will reach 2019YE values in 2024F. From 2024F onwards, the dividend growth is based on the forecasted GDP growth.
Accumulated other comprehensive loss	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value
Former Parent Investment	Change YoY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to 2020YE Nominal Value

Appendix 26: Revenue Assumptions

Revenues in Millions of \$	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	Table	Assumptions
Royalties and franchise fees	441	480	328	367	434	513	605	644	1	
Marketing, reservation and loyalty	491	562	370	393	467	552	653	694	4	
Management and other fees	124	125	64	77	93	114	139	142	2+3	It is the sum of Owned hotels Revenues and Management fees
License and other fees	111	131	84	99	116	136	159	187		According to the 2020FY Report, "Under the license, development and noncompetition agreement, Wyndham Destinations pays us significant royalties and other fees based on the volume of Wyndham Destinations' sales of vacation ownership interests and other vacation products and services." For the forecasted period (2021F-2025F), it was assumed that this revenue would grow according to the average growth rate (2018YE-2020YE) of the ratio between the license and other fees of Wyndham Hotels and Resorts and the Net Revenue of Wyndham Destinations.
Cost Reimbursements	586	623	350	413	491	581	688	737		Is the Average weight of the historical years (2018YE-2020YE) of the total revenues excluding Reimbursement Costs
Other	115	132	104	101	120	142	168	180		Assumed the Historical period (2018YE-2020YE) average weight other revenues on the Royalties and franchise fees plus Marketing, reservation and loyalty, Management and other fees, and License and other fees.
Net revenues	1,868	2,053	1,300	1,449	1,720	2,037	2,413	2,584		

TABLE 1 - Royalties and franchise fees				2 018	2 019	2 020	2021F	2022F	2023F	2024F	2025F	Assumptions
United States												
Nº of Rooms	453,900	464,600	452,600	485,640	510,893	536,438	562,187	588,610	For the forecasted period (2021F-2025F), the number of rooms will grow according to the World predicted GDP Growth for the period (IMF GDP Growth Forecast).			
RevPAR	43.04	44.09	29.50	32.62	36.06	39.88	44.09	44.80	According to Borko, S., Geerts, W., & Wang, H. (2020). The Travel Industry Turned Upside Down: Insights, Analysis and Actions for Travel Executives. Skift Research, the RevPAR will reach pre COVID-19 values in 2024F. From 2024F onward, it was assumed the forecasted United States GDP growth.			
Gross Revenue (in Millions of \$)	7,130	7,476	4,873	5,781	6,725	7,807	9,047	9,623				
Royalty Rate	4.53%	4.51%	4.53%	4.52%	4.52%	4.52%	4.52%	4.52%	The Royalty Rate is the average of the historical years (2018YE-2020YE)			
Total United States HotelFranchising	323	337	220	282	328	381	441	470				
International												
Nº of Rooms	288,900	305,600	293,900	311,534	325,241	336,625	348,070	359,557	For the forecasted period (2021F-2025F), the number of rooms will grow according to the World predicted GDP Growth for the period (IMF GDP Growth Forecast).			
RevPAR	32.09	30.80	14.75	17.73	21.31	25.62	30.80	31.82	According to Borko, S., Geerts, W., & Wang, H. (2020). The Travel Industry Turned Upside Down: Insights, Analysis and Actions for Travel Executives. Skift Research, the RevPAR will reach pre COVID-19 values in 2024F. From 2024F onward, it was assumed the forecasted United States GDP growth			
Gross Revenue (in Millions of \$)	3,383	3,435	1,582	2,016	2,530	3,148	3,913	4,175				
Royalty Rate	3.78%	3.80%	4.00%	3.86%	3.86%	3.86%	3.86%	3.86%	The Royalty Rate is the average of the historical years (18-20)			
Total International Hotel Franchising	133	135	65	84	105	131	163	174				
Total Royalties and franchise fees	456	472	288	367	434	513	605	644				

TABLE 2 - Owned Hotels				2 018	2 019	2 020	2021F	2022F	2023F	2024F	2025F	Assumptions
Wyndham Grand Rio Mar Beach Resort and Spa - Puerto Rico												
Nº of Rooms	412	412	412	412	412	412	412	412	Based on the Hotels Website			
RevPAR	72.51	65.54	35.06	41.00	47.94	56.05	65.54	66.59	According to Borko, S., Geerts, W., & Wang, H. (2020). The Travel Industry Turned Upside Down: Insights, Analysis and Actions for Travel Executives. Skift Research, the RevPAR will reach pre COVID-19 values in 2024F. From 2024F onward, it was assumed the forecasted United States GDP growth.			
Gross Revenue	11	10	5	6	7	8	10	10				
Wyndham Grand Orlando Bonnet Creek - Orlando												
Nº of Rooms	412	412	412	412	412	412	412	412	Based on the Hotels Website			
RevPAR	72.51	65.54	35.06	41.00	47.94	56.05	65.54	66.59	According to Borko, S., Geerts, W., & Wang, H. (2020). The Travel Industry Turned Upside Down: Insights, Analysis and Actions for Travel Executives. Skift Research, the RevPAR will reach pre COVID-19 values in 2024F. From 2024F onward, it was assumed the forecasted United States GDP growth.			
Gross Revenue	11	10	5	6	7	8	10	10				
(i) Total Owned Hotel Gross Room Rental Revenue	22	20	11	12	14	17	20	20				
(ii) Food and beverage services and (iii) On-site spa, casino, golf and shop Revenues	53	69	26	34	43	54	69	70	Similar to RevPAR, it was assumed that the company would return to 2019YE values in 2024F and then it would rise based on the historical average growth			
Total Owned Hotels Revenue	75	89	37	46	57	71	89	90				

TABLE 3 - Management and other fees				2 018	2 019	2 020	2021F	2022F	2023F	2024F	2025F	Assumptions
United States												
Nº of Rooms	52,200	45,600	34,700	35,915	36,417	36,964	37,555	38,156	For the forecasted period (2021F-2025F), the number of rooms will grow according to the World predicted GDP Growth for the period (IMF GDP Growth Forecast.)			
RevPAR	72.76	67.32	37.97	43.81	50.56	58.34	67.32	68.40	According to Borko, S., Geerts, W., & Wang, H. (2020). The Travel Industry Turned Upside Down: Insights, Analysis and Actions for Travel Executives. Skift Research, the RevPAR will reach pre COVID-19 values in 2024F. From 2024F onward, it was assumed the forecasted United States GDP growth.			
Gross Revenue (in Millions of \$)	1 386	1 120	480	574	672	787	922	952				
Base Management Fee	2.88%	2.55%	4.34%	4.34%	4.34%	4.34%	4.34%	4.34%	According to the company 2020FY Report, the base management fee "is based on a percentage of the hotel's total revenue." Therefore, for the forecast period, it was assumed the average rate between the Management fees and gross revenue of 2018YE to 2020YE.			
Total United States (in Millions of \$)	40	29	21	25	29	34	40	41				
International												
Nº of Rooms	14,900	15,200	14,700	15,215	15,428	15,659	15,909	16,164	For the forecasted period (2021F-2025F), the number of rooms will grow according to the World predicted GDP Growth for the period (IMF GDP Growth Forecast.)			
RevPAR	57.84	52.69	26.21	31.21	37.16	44.25	52.69	54.43	According to Borko, S., Geerts, W., & Wang, H. (2020). The Travel Industry Turned Upside Down: Insights, Analysis and Actions for Travel Executives. Skift Research, the RevPAR will reach pre COVID-19 values in 2024F. From 2024F onward, it was assumed the forecasted United States GDP growth.			
Gross Revenue (in Millions of \$)	315	292	141	173	209	253	306	321				
Base Management Fee	2.88%	2.55%	4.34%	3.26%	3.26%	3.26%	3.26%	3.26%	According to the company 2020FY Report, the base management fee "is based on a percentage of the hotel's total revenue". Therefore, for the forecast period, it was assumed the average rate between the Management fees and gross revenue of 2018YE to 2020YE.			
Total International (in Millions of \$)	9	7	6	6	7	8	10	10				
Total Management and other fees	49	36	27	31	36	42	50	52				

TABLE 4 - Marketing, reservation and loyalty	2 018	2 019	2 020	2021F	2022F	2023F	2024F	2025F	Assumptions
Gross Revenue (in Millions of \$)	12,215	12,325	7,077	8,545	10,136	11,995	14,188	15,073	Is the average weight of Marketing, Reservation and loyalty in the total gross room revenue of the historical period (2018-2020). It is consistent with the 3% to 5% predicted by the company in the 2020FY Annual Report
Marketing & Reservation Rate	4.02%	4.56%	5.23%	4.60%	4.60%	4.60%	4.60%	4.60%	
Total Royalties and franchise fees	491	562	370	393	466	552	653	693	

Appendix 27: Capital Expenditures (CAPEX) and Depreciations

CAPEX and Depreciations	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	
CAPEX									
CAPEX PP&E		29	20	13	16	22	26	30	32
CAPEX Intangible Assets		44	30	20	24	32	38	45	49
Total CAPEX		73	50	33	40	54	64	76	81
Depreciations and Amortizations									
Dep PP&E		68	71	61	58	49	43	40	38
Amortizations - Intangible Assets		31	38	37	37	35	35	34	34
Total Depreciations		99	109	98	95	84	78	74	72

PP&E	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Initial PP&E				278	236	209	191	181
CAPEX (+)				16	22	26	30	32
Depreciations (-)				58	49	43	40	38
Ending PP&E				236	209	191	181	176

Intangible Assets	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Initial Intangible Assets				512	499	496	500	511
CAPEX (+)				24	32	38	45	49
Amortizations (-)				37	35	35	34	34
Ending Intangible Assets				499	496	500	511	526

	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	Assumption
CAPEX									
Total CAPEX	73	50	33	40	54	64	76	81	The company forecasted the CAPEX for 2021YE in the 2020 Annual Report. According to the Investor Presentation, Wyndham aims to keep growing and invest in Franchise and Management contracts, technology improvements, acquisitions, among others. Therefore, for the forecasted period (2021YE-2025YE), it was assumed the Average Rate of Total CAPEX as % Total Revenues.
% of Revenue	3.91%	2.44%	2.54%	2.96%	2.96%	2.96%	2.96%	2.96%	
CAPEX PP&E	29	20	13	16	22	26	30	32	According to the report, the capital expenditures are primarily related to information technology (Intangible Assets). There is no information disclosed regarding the values or weight of these components. However, it was assumed that 60% of the capital expenditures are related to Intangible Assets and the remain 40% with Property, Plant and Equipment.
% of Total CAPEX	40%	40%	40%	40%	40%	40%	40%	40%	
CAPEX Intangible Assets	44	30	20	24	32	38	45	49	
% of Total CAPEX	60%	60%	60%	60%	60%	60%	60%	60%	
Depreciations and Amortizations									
Total Depreciations and Amortizations	99	109	98	95	84	78	74	72	
Amortizations - Intangible Assets	31	38	37	37	35	35	34	34	Company estimated amortization - 2020 Annual Report
Depreciations - PP&E	68	71	61	58	49	43	40	38	For the forecasted period (2021YE-2025YE), it was assumed the historical period (2018-2020) average weight of the PP&E Depreciation in the Beginning PP&E
Dep. PP&E as % of Beginning PP&E		22%	20%	21%	21%	21%	21%	21%	

Appendix 28: Debt

Debt	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	Maturity	Assumption
\$750 million revolving credit facility	-	-	-	-	-	-	-	-	May 2023	
Term loan	1,582	1,568	1,554	1,540	1,526	1,513	1,499	1,486	May 2025	Assumed the average growth rate of the historical period (2018YE-2020YE) for the forecasted period
5,375% Senior unsecured notes	494	494	496	497	498	499	500	501	April 2026	Assumed the average growth rate of the historical period (2018YE-2020YE) for the forecasted period
4,375% Senior unsecured notes	-	-	492	492	492	492	492	492	Aug 2028	Assumed to 2020 value for the forecasted period (2021F-2025F)
Finance leases	65	60	55	50	45	40	35	30	Aug 2029	Assumed the average growth rate of the historical period (2018YE-2020YE) for the forecasted period
Total Long-Term Debt	2,141	2,122	2,597	2,579	2,562	2,544	2,527	2,509		
Current Portion of Long-Term Debt	21	21	21	21	21	22	22	1,486		The Short term Debt for the forecasted period (2021F to 2025F) was forecasted by the company in the 2020 Annual Report.
Long Term Debt	2,120	2,101	2,576	2,558	2,541	2,522	2,505	1,023		
LT + ST Debt	2,141	2,122	2,597	2,579	2,562	2,544	2,527	2,509		

Appendix 29: Net Working Capital

Net Working Capital (in Millions of \$)	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Current Assets	485	405	407	369	417	473	540	570
Trade Receivables	293	304	295	257	305	361	428	458
Prepaid Expenses	40	48	45	45	45	45	45	45
Other Current Assets	152	53	67	67	67	67	67	67
Current Liabilities	672	441	325	329	336	343	351	355
Accounts Payables	61	30	28	32	39	46	54	58
Deferred Revenue	109	132	71	71	71	71	71	71
Accrued Expenses	502	279	226	226	226	226	226	226
NWC	(187)	(36)	82	39	81	131	189	216
DNWC		151	118	(43)	42	49	58	27

Appendix 30: Long-term Growth Rate

GDP Growth Rate (in %)	2021F	2022F	2023F	2024F	2025F	Avg
United States	6.4%	3.5%	1.4%	1.5%	1.6%	2.9%
Asia and Pacific	7.3%	5.2%	5.0%	4.8%	4.7%	5.4%
Europe	4.3%	4.0%	2.2%	1.9%	1.7%	2.8%
World	6.0%	4.4%	3.5%	3.4%	3.3%	4.1%

Stable Growth Rate: Reinvestment Rate × ROE	2021F	2022F	2023F	2024F	2025F	Avg
CAPEX	40	54	64	76	81	
D&A	95	84	78	74	72	
Δ NWC	-43	42	49	58	27	
EBIT	96	180	274	382	437	
Reinvestment rate	-129.17%	8.21%	16.05%	19.94%	10.47%	
ROE	-1.86%	3.78%	9.45%	14.30%	14.94%	
g	2.40%	0.31%	1.52%	2.85%	1.56%	1.73%

Dividend sustainable growth rate: PRAT Model ($g = b \times ROE$)	2021F	2022F	2023F	2024F	2025F	Avg
Net Income	-10	66	145	252	309	
Dividends	63	75	90	108	112	
Sales	1,449	1,720	2,037	2,413	2,584	
Total Assets	4,584	4,564	4,608	4,743	4,926	
Equity	917	908	962	1,106	1,303	
(NI-Div)/NI	702.05%	-13.62%	37.65%	57.00%	63.75%	
ROE	-1.14%	7.31%	15.07%	22.81%	23.72%	
NI/S	-0.72%	3.86%	7.12%	10.46%	11.96%	
S/A	31.61%	37.68%	44.21%	50.87%	52.46%	
A/E	500.07%	502.77%	478.84%	428.77%	378.00%	
g	-7.99%	-0.99%	5.67%	13.00%	15.12%	4.96%

Appendix 31: Risk Free Rate Estimation

Risk Free Rate (RFR)	2021F	Source
U.S. 10 years Treasury Yield	1.35%	Bloomberg - 13 August 2021
U.S. 30 years Treasury Yield	1.98%	Bloomberg - 13 August 2021
RFR - United States	1.80%	Fernandez - Paper from 8 June 2021
RFR - Bloomberg - WH US	1.34%	Bloomberg - Wyndham Hotels & Resorts RFR

Appendix 32: Beta Estimation

Financial Agencies	2021F	Source
Bloomberg	1.68	Bloomberg - 24 April 2021
Yahoo Finance	1.79	Yahoo Finance - Beta (5Y Monthly) 13 August 2021

Pure-play method	2021F	Source
Unlevered Beta Hotel/Gaming (Damodaran's approach corrects for cash) $\beta_{U \text{ cash adj}}$	1.19	Damodaran 2021 (Last Updated in January 2021)
Company Market Capitalization (2020YE)	5,538	
Total Debt	2,579	
Effective Tax Rate	21%	
Levered beta - β_L	1.63	

Regression	2021F	Source
Raw beta - β_{raw}	1.80	Weakly data for 3,5 years (40 observations) Wyndham daily price and S&P500
Blume adjusted Beta - β_{adj}	1.54	
Raw beta - β_{raw}	1.25	Daily Data for 2 years (August 2019-August 2021) - Wyndham Daily Price vs S&P500
Blume adjusted Beta - β_{adj}	1.16	

Appendix 33: Equity Risk Premium (ERP) and Country Risk Premium (CRP)

Analysts and Financial Agencies	2021F	Source
Market Risk Premium (MRP)	5.50%	USA MRP - Fernandez - Paper from 8 June 2021
Equity Risk Premium (ERP)	4.72%	USA ERP - Damodaran 2021 (Last Updated in January 2021)
Moody's Rating	Aaa	Damodaran 2021 (Last Updated in January 2021)
Rating-based Default Spread	0.00%	Damodaran 2021 (Last Updated in January 2021)
Equity Risk Premium (ERP)	12.87%	Bloomberg - Wyndham Hotels & Resorts

ERP Weighted by 2021 Sales	2021F	Source
Weighted Average Equity Risk Premium		
United States - 88% of Total Sales	4.72%	USA ERP - Damodaran 2021 (Last Updated in January 2021)
International - 12% of Total Sales	7.53%	The weighted average of the equity risk premiums of each segment where the company operates (LATAM, CANADA, CHINA, ASIA PACIFIC, EMEAA) Damodaran 2021 (Last Updated in January 2021)
	5.06%	
Weighted Average CRP	0.34%	
Weighted Average ERP	5.39%	

Historical Adjusted Default Spread from Damodaran	2021F	Source
Weight by 2020 Sales		
United States	0.00%	USA CRP - Damodaran 2021 (Last Updated in January 2021)
International - 12% of Total Sales	2.81%	The weighted average of the Country Risk Premiums of each segment where the company operates (LATAM, CANADA, CHINA, ASIA PACIFIC, EMEAA) Damodaran 2021 (Last Updated in January 2021)
Weighted Average CRP	0.34%	

Appendix 34: Cost of Debt (K_D) estimation

Credit Agencies Ratings		Source
Moody's Probability of Default Rating	Ba1	Moody's Investors Releases (May 2021)
S&P	BB+	Bloomberg (August 2021)

Interest Rate		Source
Interest Expense	112	2020YE Interest Expense
Debt	2,597	2020YE Total Debt
Cost Debt - K_D	4.31%	

Credit Spread		Source
Risk Free Rate - RFR	1.35%	U.S. 10 years Treasury Yield
Default Spread Country	0.00%	U.S. Rating Default Spread Damodaran (2021)
Interest Coverage Ratio	2.29	
Bond Synthetic Rating	Ba1/BB+	Damodaran Inputs for synthetic rating estimation as a Non-financial Service Firm (2021)
Company Default Spread	2.31%	Damodaran Inputs for synthetic rating estimation as a Non-financial Service Firm (2021)
Cost Debt - K_D	3.66%	

Appendix 35: CAPM (K_E) and WACC (K_M) estimation

To compute the WACC Rate, the following assumptions were considered: the RFR is the U.S. 10 years Treasury Yield; the Equity Risk Premium (ERP) is based on the ERP Weighted by 2021 Sales; for the beta, a regression analysis was performed based on daily data for 2 years (August 2019-August 2021) of Wyndham Daily Price vs S&P500; the beta was also adjusted to each year level of debt; the Market Value of Equity and Debt was also considered alongside with a Marginal Tax Rate of 21%.

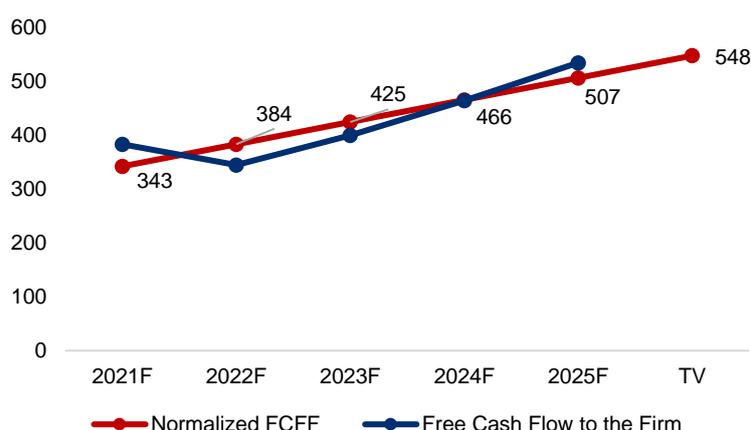
WACC	2021F	2022F	2023F	2024F	2025F	Terminal Period
Market Value of Equity - E	5,634	5,634	5,634	5,634	5,634	5,634
Market value of Debt - D	2,579	2,562	2,544	2,527	2,509	2,509
Capital Employed - V	8,213	8,196	8,178	8,161	8,143	8,143
D/V	31%	31%	31%	31%	31%	31%
E/V	69%	69%	69%	69%	69%	69%
K_e	7.63%	7.62%	7.61%	7.60%	7.58%	7.58%
RFR	1.35%	1.35%	1.35%	1.35%	1.35%	1.35%
ERP	5.39%	5.39%	5.39%	5.39%	5.39%	5.39%
β	1.164	1.162	1.160	1.158	1.156	
K_d	3.66%	3.66%	3.66%	3.66%	3.66%	3.66%
Marginal tax rate - t	21%	21%	21%	21%	21%	21%
Pre-tax WACC - K_m	6.383%	6.381%	6.379%	6.377%	6.375%	6.367%
WACC - K_m	6.141%	6.140%	6.140%	6.139%	6.138%	6.129%

Appendix 36: Normalized FCFF and FCFE

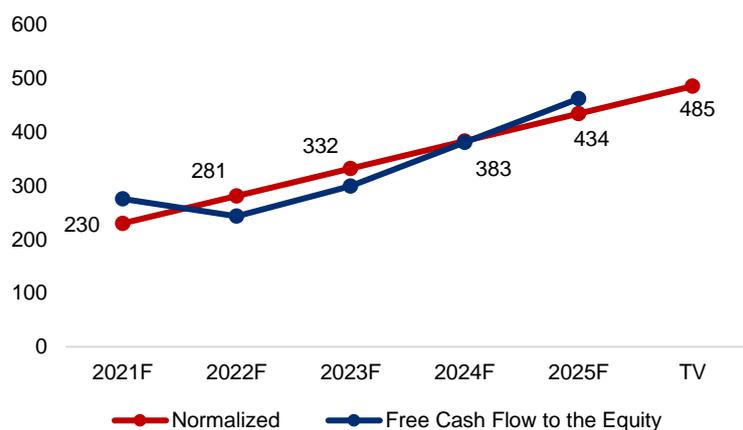
Normalize the Terminal FCFF	2021F	2022F	2023F	2024F	2025F	TV
Normalized FCFF	343	384	425	466	507	548
Free Cash Flow to the Firm	383	345	400	465	535	

Normalize the Terminal FCFE	2021F	2022F	2023F	2024F	2025F	TV
Normalized	347	387	426	466	506	545
Free Cash Flow to the Equity	373	358	415	467	517	

FCFF vs Normalized FCFF



FCFE vs Normalized FCFE



Appendix 37: Weighted Average Cost of Capital (WACC) Method

Free Cash Flow to the Firm	2020	2021F	2022F	2023F	2024F	2025F	TV
		0	1	2	3	4	
Incremental Earnings							
Revenues		1,449	1,720	2,037	2,413	2,584	
Operating Expenses		1,053	1,249	1,479	1,751	1,869	
EBITDA		396	471	558	662	715	
Depreciations, Amortizations and Impairments		301	290	284	280	278	
EBIT		96	180	274	382	437	
Income Tax Rate		21%	21%	21%	21%	21%	
Unlevered Net Income		75	143	216	302	345	
Depreciations, Amortizations and Impairments (+)		301	290	284	280	278	
CAPEX (-)		40	54	64	76	81	
DNWC (-)		- 43	42	49	58	27	
Free Cash Flow to the Firm		379	337	387	448	515	548
PV FCFF		379	317	344	374	406	12,455

WACC Method	VL	1,821
	Terminal Value	12,455
	PV Terminal Value	9,818
	Enterprise Value	11,638
	Net Debt	- 2,860
	Equity Value	8,779
	Shares Outstanding	94
	Price per Share	\$ 93.9
	Upside Potential	29.15%

Appendix 38: Flow to Equity Method

Free Cash Flow to the Equity	2020	2021F	2022F	2023F	2024F	2025F	TV
		0	1	2	3	4	
FCFF		379	337	387	448	515	524
Net Interest Expense		108	101	100	80	67	68
Tax Rate		21%	21%	21%	21%	21%	21%
After Tax net Interest Expense		85	80	79	63	53	54
Target D/E+D		31%	31%	31%	31%	31%	31%
CAPEX		40	54	64	76	81	83
Depreciation		301	290	284	280	278	283
NWC		- 43	42	49	58	27	27
Free Cash Flow to the Equity		369	356	413	466	516	545
PV FCFE		369	331	357	374	385	9,312
Equity	1,815						

Flow to Equity	Terminal Value	9,312
	PV Terminal Value	6,939
	Equity Value	8,755
	Shares Outstanding	94
	Price per Share	\$ 93.1
	Upside Potential	28.11%

Appendix 39: Adjusted Present Value (APV) Method

Adjusted Present Value	2020	2021F	2022F	2023F	2024F	2025F	TV
		0	1	2	3	4	
Free Cash Flow to the Firm		379	337	387	448	515	548
FCFF Margin							
PV FCFF (with pre-tax WACC)		379	317	342	372	402	11,815
V _L	1,812						
PV Terminal Value	9,206						
Unlevered Intrinsic EV - V_U	11,018						
Interest Expenses		108	101	100	80	67	
Tax rate		21%	21%	21%	21%	21%	
Interest Tax Shield		23	21	21	17	14	14
		23	20	20	15	12	741

APV Method	PV (Tax Shield)	90
	PV Terminal Value (Tax Shield)	626
	Intrinsic EV	11,734
	Net Debt	-2,860
	Equity Value	8,874
	Shares Outstanding	94
	Price per Share	\$ 94.4
	Upside Potential	29.9%

Appendix 40: Dividend Discount Model (DDM) Method

The **DDM model** was computed using the 3-stage model with the H-Model for the Terminal Value but was not considered for valuation purposes. Since Wyndham Hotels and Resorts split from Wyndham Destinations in 2018, the company doesn't have a stable dividend policy and does not ensure future dividend payments. In addition, with COVID-19 pandemic the company the company's beta is also unstable.

The long-term stable growth rate (g) set as 1.73% was considered for the **Long-term Growth Rate (G_L)** and the expected World GDP for 2022YE for the Short-term growth rate (G_S).

Payout Model	2020	2021F	2022F	2023F	2024F	2025F
		0	1	2	3	4
EPS		\$ -0.11	\$ 0.71	\$ 1.55	\$ 2.70	\$ 3.31
DPS		\$ 0.67	\$ 0.81	\$ 0.97	\$ 1.16	\$ 1.20
PV DPS		\$ 0.67	\$ 0.75	\$ 0.83	\$ 0.93	\$ 0.96

Dividend Discount Model	Dividend 2025F	\$ 1.20
	H (5 Years)	2.5
	Long-Term Growth Rate g_L	1.73%
	Short Term Growth Rate g _s	6.00%
	Terminal Value	\$ 21.63
	PV DPS	\$ 4.15
	PV Terminal Value	\$ 20.31
	Price per Share	\$ 24.46

Appendix 41: Market-Based Valuation

Peer Group	TICKET	Market Cap	Price Multiples			Enterprise Value Multiples	
			P/E	P/S	P/B	EV/EBITDA	EV/SALES
MARRIOTT VACATIONS WORLD	VAC	7,484,677,462	17.33	3.41	2.37	37.50	5.48
HILTON GRAND VACATIONS INC	HGV	3,412,157,273	18.40	6.93	6.47	57.83	8.28
CHOICE HOTELS INTL INC	CHH	6,202,478,703	37.34	7.66	15.50	26.13	8.75
HYATT HOTELS CORP - CL A	H	8,570,417,032	38.66	3.64	2.81	47.70	4.49
PLAYA HOTELS & RESORTS NV	PLYA	1,203,977,081	64.00	2.88	2.11	31.00	4.56
HILTON WORLDWIDE HOLDINGS IN	HLT	35 377 896,322	32.18	7.11	-	60.09	9.12
Average			34.65	5.27	6.33	43.37	6.78
Median			34.76	5.29	2.81	42.60	6.88

Enterprise Value Multiples	
EV/EBITDA	2022F
WH - EBITDA	265
Peer's Average	43.37
EV by Peers' estimates	11,477
Net Debt	- 2,860
Equity	8,618
Shares Outstanding	94
Price per Share	\$ 92.17
EV/Sales	2022F
WH - Sales	1,720
Peer's Average	6.78
EV by Peers' estimates	11,661
Net Debt	- 2,860
Equity	8 801
Shares Outstanding	94
Price per Share	\$ 93.63

Price Multiples	
P/E	2022F
WH - Earnings	0.71
Peer's Average	35
Price per Share	\$ 24.58
P/S	2022F
WH - Sales	1 720
Peer's Average	5.27
Equity by Peers' estimates	9 066
Shares Outstanding	94
Price per Share	\$ 96.04
P/B	2022F
WH - Equity	908
Peer's Average	6.33
Equity by Peers' estimates	5 749
Shares Outstanding	94
Price per Share	\$ 60.91

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Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	$0\% \leq$	$>0\% \ \& \ \leq 10\%$	$>10\% \ \& \ \leq 20\%$	$>20\% \ \& \ \leq 45\%$	$>45\%$
Medium Risk	$-5\% \leq$	$>-5\% \ \& \ \leq 5\%$	$>5\% \ \& \ \leq 15\%$	$>15\% \ \& \ \leq 30\%$	$>30\%$
Low Risk	$-10\% \leq$	$>-10\% \ \& \ \leq 0\%$	$>0\% \ \& \ \leq 10\%$	$>10\% \ \& \ \leq 20\%$	$>20\%$