UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2024**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from _________ to _________**

**Commission File Number: 001-32514**

# DIAMONDROCK HOSPITALITY COMPANY

**(Exact Name of Registrant as Specified in Its Charter)**

| | |
|---|---|
| **Maryland** | **20-1180098** |
| **(State of Incorporation)** | **(I.R.S. Employer Identification No.)** |

| | | |
|---|---|---|
| **2 Bethesda Metro Center, Suite 1400, Bethesda,** | **Maryland** | **20814** |
| **(Address of Principal Executive Offices)** | | **(Zip Code)** |

**(240) 744-1150**
**(Registrant's telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Securities Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common stock, $0.01 par value per share | DRH | New York Stock Exchange |
| 8.250% Series A Cumulative Redeemable Preferred Stock, $0.01 par value per share | DRH Pr A | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Large accelerated filer | ☑ | Accelerated filer | ☐ | Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | | | | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

The registrant had 207,592,210 shares of its $0.01 par value common stock outstanding as of November 8, 2024.

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PART I. FINANCIAL INFORMATION
Item I. Financial Statements

## DIAMONDROCK HOSPITALITY COMPANY

## CONSOLIDATED BALANCE SHEETS
**(In thousands, except share and per share amounts)**

| | September 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|---|---|---|
| **ASSETS** | | |
| Property and equipment, net | $ 2,727,299 | $ 2,755,195 |
| Right-of-use assets | 96,512 | 97,692 |
| Restricted cash | 44,493 | 45,576 |
| Due from hotel managers | 167,959 | 144,689 |
| Prepaid and other assets | 69,773 | 73,940 |
| Cash and cash equivalents | 75,287 | 121,595 |
| Total assets | **$ 3,181,323** | **$ 3,238,687** |
| **LIABILITIES AND EQUITY** | | |
| **Liabilities:** | | |
| Debt, net of unamortized debt issuance costs | 1,097,215 | 1,177,005 |
| Lease liabilities | 114,387 | 112,866 |
| Due to hotel managers | 126,011 | 116,522 |
| Deferred rent | 72,576 | 69,209 |
| Unfavorable contract liabilities, net | 58,622 | 59,866 |
| Accounts payable and accrued expenses | 39,944 | 39,563 |
| Distributions declared and unpaid | 6,664 | 6,324 |
| Deferred income related to key money, net | 8,026 | 8,349 |
| Total liabilities | 1,523,445 | 1,589,704 |
| **Equity:** | | |
| Preferred stock, $0.01 par value; 10,000,000 shares authorized: | | |
| 8.250% Series A Cumulative Redeemable Preferred Stock (liquidation preference $25.00 per share), 4,760,000 shares issued and outstanding at September 30, 2024 and December 31, 2023 | 48 | 48 |
| Common stock, $0.01 par value; 400,000,000 shares authorized; 207,276,487 and 209,627,197 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively | 2,073 | 2,096 |
| Additional paid-in capital | 2,269,938 | 2,291,297 |
| Accumulated other comprehensive loss | (5,997) | (2,036) |
| Distributions in excess of earnings | (616,934) | (649,330) |
| Total stockholders’ equity | 1,649,128 | 1,642,075 |
| Noncontrolling interests | 8,750 | 6,908 |
| Total equity | 1,657,878 | 1,648,983 |
| Total liabilities and equity | **$ 3,181,323** | **$ 3,238,687** |

The accompanying notes are an integral part of these consolidated financial statements.

**DIAMONDROCK HOSPITALITY COMPANY**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**
**(In thousands, except per share amounts)**
**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Revenues:** | | | | |
| Rooms | $ 192,471 | $ 186,334 | $ 559,465 | $ 544,325 |
| Food and beverage | 65,787 | 64,723 | 212,279 | 192,869 |
| Other | 26,871 | 25,463 | 79,088 | 74,126 |
| Total revenues | 285,129 | 276,520 | 850,832 | 811,320 |
| **Operating Expenses:** | | | | |
| Rooms | 47,919 | 45,773 | 139,472 | 131,092 |
| Food and beverage | 47,319 | 45,428 | 145,275 | 134,486 |
| Other departmental and support expenses | 67,357 | 65,952 | 199,774 | 193,365 |
| Management fees | 7,093 | 7,323 | 20,411 | 19,196 |
| Franchise fees | 10,117 | 8,913 | 29,710 | 26,393 |
| Other property-level expenses | 24,752 | 25,704 | 78,558 | 76,755 |
| Depreciation and amortization | 28,356 | 27,683 | 84,542 | 82,995 |
| Impairment losses | 1,596 | — | 1,596 | 941 |
| Corporate expenses | 7,660 | 7,526 | 45,083 | 23,677 |
| Business interruption insurance income | — | (537) | — | (647) |
| Total operating expenses, net | 242,169 | 233,765 | 744,421 | 688,253 |
| Interest expense | 16,986 | 15,973 | 49,434 | 48,712 |
| Interest (income) and other (income) expense, net | (1,001) | (772) | (3,265) | (1,717) |
| Total other expenses, net | 15,985 | 15,201 | 46,169 | 46,995 |
| **Income before income taxes** | 26,975 | 27,554 | 60,242 | 76,072 |
| Income tax expense | (418) | (224) | (696) | (420) |
| **Net income** | 26,557 | 27,330 | 59,546 | 75,652 |
| Less: Net income attributable to noncontrolling interests | (125) | (58) | (256) | (259) |
| **Net income attributable to the Company** | 26,432 | 27,272 | 59,290 | 75,393 |
| Distributions to preferred stockholders | (2,454) | (2,454) | (7,362) | (7,362) |
| **Net income attributable to common stockholders** | $ 23,978 | $ 24,818 | $ 51,928 | $ 68,031 |
| | | | | |
| **Earnings per share:** | | | | |
| Earnings per share available to common stockholders—basic | $ 0.11 | $ 0.12 | $ 0.25 | $ 0.32 |
| Earnings per share available to common stockholders—diluted | $ 0.11 | $ 0.12 | $ 0.25 | $ 0.32 |

The accompanying notes are an integral part of these consolidated financial statements.

**DIAMONDROCK HOSPITALITY COMPANY**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME - (CONTINUED)**
**(In thousands, except per share amounts)**
**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| **Comprehensive Income:** | | | | |
| Net income | $ 26,557 | $ 27,330 | $ 59,546 | $ 75,652 |
| Other comprehensive income: | | | | |
| Unrealized (loss) gain on interest rate derivative instruments | (4,237) | 150 | (4,631) | 3,533 |
| Unrealized gain (loss) on Rabbi Trust assets | 298 | (178) | 650 | 269 |
| Comprehensive income | 22,618 | 27,302 | 55,565 | 79,454 |
| Comprehensive income attributable to noncontrolling interests | (106) | (89) | (240) | (272) |
| Comprehensive income attributable to the Company | $ 22,512 | $ 27,213 | $ 55,325 | $ 79,182 |

The accompanying notes are an integral part of these consolidated financial statements.

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## DIAMONDROCK HOSPITALITY COMPANY

## CONSOLIDATED STATEMENTS OF EQUITY
## (In thousands, except share and per share amounts)
## (Unaudited)

| | Preferred Stock | | Common Stock | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Distributions in Excess of Earnings | Total Stockholders' Equity | Noncontrolling Interests | Total Equity |
| Balance at December 31, 2023 | 4,760,000 | $ 48 | 209,627,197 | $ 2,096 | $ 2,291,297 | $ (2,036) | $ (649,330) | $ 1,642,075 | $ 6,908 | $ 1,648,983 |
| Net income | — | — | — | — | — | — | 8,328 | 8,328 | 30 | 8,358 |
| Unrealized gain on interest rate derivative instruments | — | — | — | — | — | 957 | — | 957 | 3 | 960 |
| Unrealized gain on Rabbi Trust assets | — | — | — | — | — | 298 | — | 298 | 1 | 299 |
| Distributions on common stock/units ($0.03 per common share/unit) | — | — | — | — | — | — | (6,301) | (6,301) | (31) | (6,332) |
| Distributions on preferred stock ($0.5156 per preferred share) | — | — | — | — | — | — | (2,454) | (2,454) | — | (2,454) |
| Share-based compensation | — | — | 753,860 | 7 | 1,895 | — | — | 1,902 | 433 | 2,335 |
| Shares redeemed to satisfy withholdings on vested share based compensation | — | — | (316,624) | (3) | (2,904) | — | — | (2,907) | — | (2,907) |
| Common stock repurchased and retired | — | — | | — | — | — | — | — | — | — |
| Balance at March 31, 2024 | 4,760,000 | $ 48 | 210,064,433 | $ 2,100 | $ 2,290,288 | $ (781) | $ (649,757) | $ 1,641,898 | $ 7,344 | $ 1,649,242 |
| Net income | — | — | — | — | — | — | 24,530 | 24,530 | 101 | 24,631 |
| Unrealized loss on interest rate derivative instruments | — | — | — | — | — | (1,349) | — | (1,349) | (5) | (1,354) |
| Unrealized gain on Rabbi Trust assets | — | — | — | — | — | 53 | — | 53 | — | 53 |
| Distributions on common stock/units ($0.03 per common share/unit) | — | — | — | — | — | — | (6,238) | (6,238) | (34) | (6,272) |
| Distributions on preferred stock ($0.5156 per preferred share) | — | — | — | — | — | — | (2,454) | (2,454) | — | (2,454) |
| Share-based compensation | — | — | 503,457 | 5 | 6,250 | — | — | 6,255 | 1,272 | 7,527 |
| Shares redeemed to satisfy withholdings on vested share based compensation | — | — | (195,404) | (2) | (1,729) | — | — | (1,731) | — | (1,731) |
| Common stock repurchased and retired | — | — | (2,454,307) | (24) | (20,586) | — | — | (20,610) | — | (20,610) |
| Balance at June 30, 2024 | 4,760,000 | $ 48 | 207,918,179 | $ 2,079 | $ 2,274,223 | $ (2,077) | $ (633,919) | $ 1,640,354 | $ 8,678 | $ 1,649,032 |
| Net income | — | — | — | — | — | — | 26,432 | 26,432 | 125 | 26,557 |
| Unrealized loss on interest rate derivative instruments | — | — | — | — | — | (4,217) | — | (4,217) | (20) | (4,237) |
| Unrealized gain on Rabbi Trust assets | — | — | — | — | — | 297 | — | 297 | 1 | 298 |
| Distributions on common stock/units ($0.03 per common share/unit) | — | — | — | — | — | — | (6,993) | (6,993) | (34) | (7,027) |
| Distributions on preferred stock ($0.5156 per preferred share) | — | — | — | — | — | — | (2,454) | (2,454) | — | (2,454) |
| Share-based compensation | — | — | 28,474 | 1 | 1,082 | — | — | 1,083 | — | 1,083 |
| Shares redeemed to satisfy withholdings on vested share based compensation | — | — | (9,597) | — | 9 | — | — | 9 | — | 9 |
| Common stock repurchased and retired | — | — | (660,569) | (7) | (5,376) | — | — | (5,383) | — | (5,383) |
| Balance at September 30, 2024 | 4,760,000 | $ 48 | 207,276,487 | $ 2,073 | $ 2,269,938 | $ (5,997) | $ (616,934) | $ 1,649,128 | $ 8,750 | $ 1,657,878 |

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| | Preferred Stock | | Common Stock | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Distributions in Excess of Earnings | Total Stockholders' Equity | Noncontrolling Interests | Total Equity |
| Balance at December 31, 2022 | 4,760,000 | $ 48 | 209,374,830 | $ 2,094 | $ 2,288,433 | — | $ (700,694) | $ 1,589,881 | $ 6,297 | $ 1,596,178 |
| Net income | — | — | — | — | — | — | 9,156 | 9,156 | 32 | 9,188 |
| Unrealized loss on interest rate derivative instruments | — | — | — | — | — | (84) | — | (84) | — | (84) |
| Unrealized gain on Rabbi Trust assets | — | — | — | — | — | 237 | — | 237 | — | 237 |
| Distributions on common stock/units ($0.03 per common share/unit) | — | — | — | — | — | — | (6,295) | (6,295) | (32) | (6,327) |
| Distributions on preferred stock ($0.5156 per preferred share) | — | — | — | — | — | — | (2,454) | (2,454) | — | (2,454) |
| Share-based compensation | — | — | 804,541 | — | 1,827 | — | — | 1,827 | 140 | 1,967 |
| Shares redeemed to satisfy withholdings on vested share based compensation | — | — | (333,779) | 6 | (3,029) | — | — | (3,023) | — | (3,023) |
| Common stock repurchased and retired | — | — | (56,400) | (2) | (407) | — | — | (409) | — | (409) |
| Balance at March 31, 2023 | 4,760,000 | $ 48 | 209,789,192 | $ 2,098 | $ 2,286,824 | $ 153 | $ (700,287) | $ 1,588,836 | $ 6,437 | $ 1,595,273 |
| Net income | — | — | — | — | — | — | 38,965 | 38,965 | 169 | 39,134 |
| Unrealized gain on interest rate derivative instruments | — | — | — | — | — | 3,467 | — | 3,467 | — | 3,467 |
| Unrealized gain on Rabbi Trust assets | — | — | — | — | — | 210 | — | 210 | — | 210 |
| Distributions on common stock/units ($0.03 per common share/unit) | — | — | — | — | — | — | (6,287) | (6,287) | (32) | (6,319) |
| Distributions on preferred stock ($0.5156 per preferred share) | — | — | — | — | — | — | (2,454) | (2,454) | — | (2,454) |
| Share-based compensation | — | — | 62,500 | — | 2,535 | — | — | 2,535 | 225 | 2,760 |
| Common stock repurchased and retired | — | — | (262,054) | (3) | (2,011) | — | — | (2,014) | — | (2,014) |
| Balance at June 30, 2023 | 4,760,000 | $ 48 | 209,589,638 | $ 2,095 | $ 2,287,348 | $ 3,830 | $ (670,063) | $ 1,623,258 | $ 6,799 | $ 1,630,057 |
| Net income | — | — | — | — | — | | 27,272 | 27,272 | 58 | 27,330 |
| Unrealized gain on interest rate derivative instruments | — | — | — | — | — | 150 | — | 150 | — | 150 |
| Unrealized loss on Rabbi Trust assets | — | — | — | — | — | (178) | — | (178) | — | (178) |
| Distributions on common stock/units ($0.03 per common share/unit) | — | — | — | — | — | — | (6,288) | (6,288) | (31) | (6,319) |
| Distributions on preferred stock ($0.5156 per preferred share) | — | — | — | — | — | — | (2,454) | (2,454) | — | (2,454) |
| Share-based compensation | — | — | — | — | 1,788 | — | — | 1,788 | 225 | 2,013 |
| Redemption of Operating Partnership units | — | — | 37,559 | 1 | 365 | — | — | 366 | (366) | — |
| Balance at September 30, 2023 | 4,760,000 | $ 48 | 209,627,197 | $ 2,096 | $ 2,289,501 | $ 3,802 | $ (651,533) | $ 1,643,914 | $ 6,685 | $ 1,650,599 |

The accompanying notes are an integral part of these consolidated financial statements.

**DIAMONDROCK HOSPITALITY COMPANY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 59,546 | $ 75,652 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 84,542 | 82,995 |
| Corporate asset depreciation as corporate expenses | 107 | 150 |
| Non-cash lease expense and other amortization | 4,604 | 4,620 |
| Non-cash interest rate swap fair value adjustment | — | 2,033 |
| Amortization of debt issuance costs | 1,505 | 1,540 |
| Impairment losses | 1,596 | 941 |
| Amortization of deferred income related to key money | (323) | (323) |
| Share-based compensation | 10,945 | 6,740 |
| Changes in assets and liabilities: | | |
| Prepaid expenses and other assets | (1,580) | (2,022) |
| Due to/from hotel managers | (13,780) | 7,377 |
| Accounts payable and accrued expenses | 1,453 | 4,983 |
| **Net cash provided by operating activities** | 148,615 | 184,686 |
| **Cash flows from investing activities:** | | |
| Capital expenditures | (58,407) | (67,449) |
| Acquisition of interest in land | — | (1,833) |
| Property acquisitions | | (31,894) |
| **Net cash used in investing activities** | (58,407) | (101,176) |
| **Cash flows from financing activities:** | | |
| Scheduled mortgage debt principal payments | (7,068) | (7,109) |
| Repayment of mortgage debt | (73,255) | — |
| Distributions on common stock and units | (19,292) | (25,531) |
| Distributions on preferred stock | (7,362) | (7,362) |
| Repurchase of common stock | (25,993) | (2,423) |
| Shares redeemed to satisfy tax withholdings on vested share-based compensation | (4,629) | (3,023) |
| **Net cash used in financing activities** | (137,599) | (45,448) |
| Net decrease in cash, cash equivalents, and restricted cash | (47,391) | 38,062 |
| Cash, cash equivalents, and restricted cash at beginning of period | 167,171 | 107,178 |
| Cash, cash equivalents, and restricted cash at end of period | $ 119,780 | $ 145,240 |

The accompanying notes are an integral part of these consolidated financial statements.

**DIAMONDROCK HOSPITALITY COMPANY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONTINUED)**
**(In thousands)**
**(Unaudited)**

**Supplemental Disclosure of Cash Flow Information:**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2024 | 2023 |
| Cash paid for interest | $ 48,646 | $ 44,706 |
| Cash paid for income taxes, net | $ 3,451 | $ 2,645 |
| **Non-cash investing and financing activities:** | | |
| Unpaid dividends and distributions declared | $ 6,664 | $ 6,380 |
| Accrued capital expenditures | $ 3,814 | $ 6,712 |

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets to the amount shown within the consolidated statements of cash flows:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents | $ 75,287 | $ 121,595 |
| Restricted cash | 44,493 | 45,576 |
| Total cash, cash equivalents and restricted cash | $ 119,780 | $ 167,171 |

The accompanying notes are an integral part of these consolidated financial statements.

**DIAMONDROCK HOSPITALITY COMPANY**

**Notes to the Consolidated Financial Statements**
**(Unaudited)**

## 1. Organization

DiamondRock Hospitality Company (the "Company" or "we") is a lodging-focused real estate company that owns a portfolio of premium hotels and resorts. As of September 30, 2024, we owned 36 hotels with 9,760 guest rooms. Our hotels are concentrated in major urban markets and in destination resort locations and more than 60% of our hotels are operated under a brand owned by one of the leading global lodging brand companies (Marriott International, Inc., Hilton Worldwide, or IHG Hotels & Resorts). We are an owner, as opposed to an operator, of the hotels in our portfolio. As an owner, we receive all of the operating profits or losses generated by our hotels after we pay fees to the hotel managers and hotel brands, which are based on the revenues and profitability of the hotels.

We are a real estate investment trust ("REIT") for U.S. federal income tax purposes. We conduct our business through a traditional umbrella partnership real estate investment trust, or UPREIT, in which our hotel properties are owned by our operating partnership, DiamondRock Hospitality Limited Partnership, or subsidiaries of our operating partnership. The Company is the sole general partner of our operating partnership and owned 99.5% of the limited partnership units ("common OP units") of our operating partnership as of September 30, 2024. The remaining 0.5% of the common OP units are held by third parties and executive officers of the Company. See Note 7 for additional disclosures related to common OP units.

## 2. Summary of Significant Accounting Policies

*Basis of Presentation*

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). We have condensed or omitted certain disclosures normally included in annual financial statements presented in accordance with U.S. GAAP; however, we believe the disclosures made are adequate to prevent the information presented from being misleading. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Interim results are not necessarily indicative of full-year performance, as a result of the impact of seasonal and other short-term variations and the acquisitions and or dispositions of hotel properties.

*Use of Estimates*

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Recently Issued Accounting Pronouncements*

In November 2023, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2023-07 ("ASU 2023-07"), *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* which requires, among other things, the following: (i) enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker and included in a segment's reported measure of profit or loss; (ii) disclosure of the amount and description of the composition of other segment items, as defined in ASU 2023-07, by reportable segment; and (iii) reporting the disclosures about each reportable segment's profit or loss and assets on an annual and interim basis. The provisions of ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024; with early adoption permitted. The adoption of ASU 2023-07 is not expected to be significant as the only impact will be additional disclosures for our consolidated financial statements.

## 3. Property and Equipment

Property and equipment consists of the following (in thousands):

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Land | $ 590,824 | $ 590,824 |
| Land improvements | 2,400 | 7,994 |
| Buildings and site improvements | 2,912,933 | 2,878,508 |
| Furniture, fixtures and equipment | 194,978 | 561,484 |
| Construction in progress | 20,959 | 21,175 |
| | 3,722,094 | 4,059,985 |
| Less: accumulated depreciation | (994,795) | (1,304,790) |
| | $ 2,727,299 | $ 2,755,195 |

As of September 30, 2024 and December 31, 2023, we had accrued capital expenditures of $3.8 million and $4.7 million, respectively. During the three and nine months ended September 30, 2024, we recorded an impairment loss of $1.6 million related to the write-off of construction in progress that was determined not to be recoverable.

**4. Debt**

The following table sets forth information regarding the Company's debt (dollars in thousands):

| | | | Principal Balance as of | |
|---|---|---|---|---|
| Loan | Interest Rate | Maturity Date | September 30, 2024 | December 31, 2023 |
| Courtyard New York Manhattan/Midtown East mortgage loan | 4.40% | August 2024 | $ — | $ 74,346 |
| Worthington Renaissance Fort Worth Hotel mortgage loan | 3.66% | May 2025 | 72,267 | 73,727 |
| Hotel Clio mortgage loan | 4.33% | July 2025 | 55,025 | 56,091 |
| Westin Boston Seaport District mortgage loan | 4.36% | November 2025 | 170,574 | 174,025 |
| Unsecured term loan | SOFR + 1.35% (1) | January 2028 | 500,000 | 500,000 |
| Unsecured term loan | SOFR + 1.35% (2) | January 2026 (3) | 300,000 | 300,000 |
| Senior unsecured credit facility | SOFR + 1.40% | September 2026 (4) | — | — |
| Total debt | | | 1,097,866 | 1,178,189 |
| Unamortized debt issuance costs (5) | | | (651) | (1,184) |
| Debt, net of unamortized debt issuance costs | | | $ 1,097,215 | $ 1,177,005 |
| Weighted-Average Interest Rate (6) | 5.60% | | | |

(1) Interest rate as of September 30, 2024 was 5.93%, which includes the effect of interest rate swaps.
(2) Interest rate as of September 30, 2024 was 6.31%.
(3) In September 2024, we exercised our option to extend the maturity by an additional year to January 2026.
(4) Maturity date may be extended for an additional year upon the payment of applicable fees and the satisfaction of certain customary conditions.
(5) Excludes debt issuance costs related to our senior unsecured credit facility, which are included within Prepaid and Other Assets on the accompanying consolidated balance sheet.
(6) Includes the effect of interest rate swaps. See Note 5 for additional disclosures on interest rate swaps.

***Mortgage Debt***

We have incurred limited recourse, property specific mortgage debt secured by certain of our hotels. In the event of default, the lender may only foreclose on the secured assets; however, in the event of fraud, misapplication of funds or other customary recourse provisions, the lender may seek payment from us. As of September 30, 2024, three of our 36 hotels were secured by mortgage debt. On August 6, 2024, we paid off $73.3 million outstanding on the Courtyard New York Manhattan/Midtown East mortgage loan using cash on hand. We intend to refinance the other mortgage loans that mature in 2025 as they approach their respective maturity dates. In the case that refinancing options are not attractive, we may repay such mortgage loans using our senior unsecured revolving credit facility.

Our mortgage debt contains certain property specific covenants and restrictions, including minimum debt service coverage ratios or debt yields that trigger "cash trap" provisions, as well as restrictions on incurring additional debt without lender consent. Such cash trap provisions are triggered when the hotel's operating results fall below a certain debt service coverage ratio or debt yield. When these provisions are triggered, all of the excess cash flow generated by the hotel is deposited directly into cash management accounts for the benefit of our lenders until a specified debt service coverage ratio or debt yield is reached and maintained for a certain period of time. Such provisions do not provide the lender the right to accelerate repayment of the underlying debt. We had no cash traps in effect as of September 30, 2024 and December 31, 2023.

***Senior Unsecured Credit Facility and Unsecured Term Loans***

We are party to a Sixth Amended and Restated Credit Agreement (the "Credit Agreement") that provides us with a $400 million senior unsecured revolving credit facility and two term loan facilities in the aggregate amount of $800 million. The revolving credit facility matures on September 27, 2026, which we may extend for an additional year upon the payment of applicable fees and satisfaction of certain standard conditions. The term loan facilities consist of a $500 million term loan that matures on January 3, 2028 and a $300 million term loan that matures January 3, 2026. In September 2024, we exercised our option to extend the maturity of the $300 million term loan from January 3, 2025 to January 3, 2026. We have the right to increase the aggregate amount of the facilities to $1.4 billion upon the satisfaction of certain standard conditions.

Interest is paid on the periodic advances on the revolving credit facility and amounts outstanding on the term loans at varying rates, based upon the adjusted Secured Overnight Financing Rate ("SOFR"), as defined in the Credit Agreement, plus an applicable margin. The applicable margin is based upon our leverage ratio, as follows:

| Leverage Ratio | Applicable Margin for Revolving Loans | Applicable Margin for Term Loans |
|---|---|---|
| Less than 30% | 1.40% | 1.35% |
| Greater than or equal to 30% but less than 35% | 1.45% | 1.40% |
| Greater than or equal to 35% but less than 40% | 1.50% | 1.45% |
| Greater than or equal to 40% but less than 45% | 1.60% | 1.55% |
| Greater than or equal to 45% but less than 50% | 1.80% | 1.75% |
| Greater than or equal to 50% but less than 55% | 1.95% | 1.85% |
| Greater than or equal to 55% | 2.25% | 2.20% |

The Credit Agreement contains various financial covenants. A summary of the most significant covenants is as follows:

| | Covenant | Actual at September 30, 2024 |
|---|---|---|
| Maximum leverage ratio (1) | 60% | 27.7% |
| Minimum fixed charge coverage ratio (2) | 1.50x | 2.90x |
| Secured recourse indebtedness | Less than 45% of Total Asset Value | 9.0% |
| Maximum unencumbered leverage ratio | 60% | 28.6% |
| Minimum unencumbered implied debt service coverage ratio | 1.20x | 2.64x |

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(1) Leverage ratio is net indebtedness, as defined in the Credit Agreement, divided by total asset value, defined in the Credit Agreement as the value of our owned hotels based on hotel net operating income divided by a defined capitalization rate.

(2) Fixed charge coverage ratio is Adjusted EBITDA, generally defined in the Credit Agreement as EBITDA less FF&E reserves, for the most recent trailing 12 month period, to fixed charges, which is defined in the Credit Agreement as interest expense, all regularly scheduled principal payments and payments on capitalized lease obligations, for the same 12 month period.

The components of the Company's interest expense consisted of the following (in thousands):

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| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Unsecured term loan interest | $ 12,665 | $ 11,019 | $ 35,419 | $ 31,867 |
| Mortgage debt interest | 3,527 | 4,130 | 11,572 | 12,331 |
| Credit facility interest and unused fees | 315 | 311 | 938 | 941 |
| Amortization of debt issuance costs and debt premium | 479 | 513 | 1,505 | 1,540 |
| Interest rate swap mark-to-market | — | — | — | 2,033 |
| | $ 16,986 | $ 15,973 | $ 49,434 | $ 48,712 |

**5. Derivatives**

The Company had the following derivatives that were designated as cash flow hedges of interest rate risk (dollars in thousands):

| | | | | | | | Fair Value of Assets (Liabilities) | |
|---|---|---|---|---|---|---|---|---|
| Hedged Debt | Type | Fixed Rate | Index | Effective Date | Maturity Date | Notional Amount | September 30, 2024 | December 31, 2023 |
| $300M Senior unsecured term loans | Swap (1) | 1.63 % | SOFR | November 28, 2022 | July 25, 2024 | $ 87,500 | $ — | $ 1,660 |
| $300M Senior unsecured term loans | Swap (1) | 1.63 % | SOFR | November 28, 2022 | July 25, 2024 | $ 87,500 | — | 1,658 |
| $500M Senior unsecured term loans | Swap | 3.36 % | SOFR | March 1, 2023 | January 1, 2028 | $ 75,000 | (231) | 554 |
| $500M Senior unsecured term loans | Swap | 3.50 % | SOFR | March 1, 2023 | January 1, 2027 | $ 75,000 | (217) | 449 |
| $500M Senior unsecured term loans | Swap | 3.27 % | SOFR | October 1, 2024 | January 1, 2028 | $ 37,500 | (13) | — |
| $500M Senior unsecured term loans | Swap | 3.27 % | SOFR | October 1, 2024 | January 1, 2028 | $ 37,500 | (13) | — |
| $500M Senior unsecured term loans | Swap | 3.07 % | SOFR | January 2, 2025 | January 1, 2027 | $ 25,000 | 60 | — |
| $500M Senior unsecured term loans | Swap | 3.25 % | SOFR | January 2, 2025 | January 1, 2026 | $ 75,000 | 104 | — |
| | | | | | | | $ (310) | $ 4,321 |

(1) Swap was designated as cash flow hedge as of April 1, 2023.

Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During 2024, such derivatives were used to hedge the variable cash flows associated with variable-rate debt.

The table below details the location in the consolidated financial statements of the gains and losses recognized related to derivative financial instruments (in thousands):

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| *Effect of derivative instruments* | *Location in Statements of Operations and Comprehensive Income* | 2024 | 2023 | 2024 | 2023 |
| Loss (gain) recognized in other comprehensive income | Unrealized loss (gain) on interest rate derivative instruments | $ 4,237 | $ 150 | $ 4,631 | $ 3,533 |
| Interest (income) for derivatives that were designated as cash flow hedges | Interest expense | $ (1,155) | $ (2,694) | $ (5,863) | $ (5,235) |
| Interest (income) expense for derivatives that were not designated as cash flow hedges | Interest expense | $ — | $ — | $ — | $ 469 |

During the next twelve months, the Company estimates that $1.2 million will be reclassified from other comprehensive income as a decrease to interest expense.

**6. Fair Value Measurements**

The fair value of certain financial assets and liabilities and other financial instruments are as follows (in thousands):

| | September 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Carrying Amount (1) | Fair Value | Carrying Amount (1) | Fair Value |
| Debt | $ 1,097,215 | $ 1,095,730 | $ 1,177,005 | $ 1,167,638 |

(1) The carrying amount of debt is net of unamortized debt issuance costs.

The fair value of our debt is a Level 2 measurement under the fair value hierarchy. We estimate the fair value of our debt by discounting the future cash flows of each instrument at estimated market rates.

The fair value of our interest rate swaps is a Level 2 measurement under the fair value hierarchy. We estimate the fair value of the interest rate swaps based on the interest rate yield curve and implied market volatility as inputs and adjusted for the counterparty's credit risk. We concluded the inputs for the credit risk valuation adjustment are Level 3 inputs; however these inputs are not significant to the fair value measurement in its entirety.

The fair values of our other financial instruments not included in the table above are estimated to be equal to their carrying amount.

**7. Equity**

***Common Shares***

We are authorized by our charter to issue up to 400 million shares of common stock, $0.01 par value per share. Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Holders of our common stock are entitled to receive dividends out of assets legally available for the payment of dividends when authorized by our board of directors.

In August 2024, our board of directors approved an “at-the-market” equity offering program (the “Current ATM Program”), pursuant to which we may issue and sell shares of our common stock from time to time, having an aggregate offering price of up to $200.0 million. Prior to the establishment of the Current ATM Program, we had a $200.0 million ATM program (the “Prior ATM Program”), which is no longer active. No shares were sold under either the Prior ATM Program or the Current ATM Program during the three and nine months ended September 30, 2024.

In May 2024, our board of directors authorized the repurchase of up to $200.0 million of our common stock under a new share repurchase program, which replaced our prior share repurchase program that was authorized in September 2022. The timing and actual number of shares repurchased will depend on a variety of factors, including price and general business and market conditions. The new share repurchase program does not obligate us to acquire any particular amount of shares, and may be suspended or discontinued at any time at our discretion. The new share repurchase program will expire on May 1, 2026. As of September 30, 2024, we have repurchased 3,114,876 shares of common stock at an average price of $8.33 per share for a total purchase price of $26.0 million under this program. As of November 8, 2024, we have $174.0 million of authorized capacity remaining under the new share repurchase program. All share repurchases during the year were made under the new share repurchase program.

***Preferred Shares***

We are authorized by our charter to issue up to 10 million shares of preferred stock, $0.01 par value per share. Our board of directors is required to set for each class or series of preferred stock the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, and terms or conditions of redemption.

As of September 30, 2024 and December 31, 2023, there were 4,760,000 shares of 8.250% Series A Cumulative Redeemable Preferred Stock (“Series A Preferred Stock”) issued and outstanding with a liquidation preference each of $25.00 per share. On or after August 31, 2025, the Series A Preferred Stock will be redeemable at the Company's option, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus accrued and unpaid dividends up to, but not including, the redemption date.

***Operating Partnership Units***

In connection with our acquisition of Cavallo Point in December 2018, we issued 796,684 common OP units to third parties, otherwise unaffiliated with the Company, then valued at $11.76 per unit. Each common OP unit is redeemable at the option of the holder. Holders of common OP units have certain redemption rights, which enable them to cause our operating partnership to redeem their units in exchange for cash per unit equal to the market price of our common stock, at the time of redemption, or, at our option, for shares of our common stock on a one-for-one basis, subject to adjustment upon the occurrence of stock splits, mergers, consolidations or similar pro-rata share transactions.

Long-Term Incentive Partnership units ("LTIP units"), which are also referred to as profits interest units, may be issued to eligible participants under the 2024 Equity Incentive Plan for the performance of services to or for the benefit of our operating partnership. LTIP units are a class of partnership unit in our operating partnership and will receive, whether vested or not, the same per-unit distributions as the outstanding common OP units, which equal per-share dividends on shares of our common stock. Initially, LTIP units have a capital account balance of zero, do not receive an allocation of operating income (loss), and do not have full parity with common OP units with respect to liquidating distributions. If such parity is reached, vested LTIP units are converted into an equal number of common OP units, and thereafter will possess all of the rights and interests of common OP units, including the right to exchange the common OP units for cash per unit equal to the market price of our common stock, at the time of redemption, or, at our option, for shares of our common stock on a one-for-one basis, subject to adjustment upon the occurrence of stock splits, mergers, consolidations or similar pro-rata share transactions. See Note 8 for additional disclosures related to LTIP units.

There were 994,653 and 723,166 common OP units held by unaffiliated third parties and executive officers of the Company as of September 30, 2024 and December 31, 2023, respectively. There were 140,127 and 314,137 unvested LTIP units outstanding as of September 30, 2024 and December 31, 2023, respectively.

***Dividends and Distributions***

For each of the nine months ended September 30, 2024 and 2023, we paid an aggregate cash dividend of $0.09 per share or unit to holders of our common stock, common OP units, and LTIP units.

For each of the nine months ended September 30, 2024 and 2023, we paid an aggregate cash dividend of $1.5469 per share to holders of our Series A Preferred Stock.

**8. Equity Incentive Plans**

On February 27, 2024, our board of directors adopted the 2024 Equity Incentive Plan (the "2024 Plan"). The 2024 Plan was approved by our stockholders on May 1, 2024. The 2024 Plan replaces the 2016 Equity Incentive Plan (as amended, the "2016 Plan") and share grants will no longer be made under the 2016 Plan; however, shares underlying awards already granted under the 2016 Plan will still be issued under the 2016 Plan if the awards vest. Under the 2024 Plan, we are authorized to issue up to 7,900,000 shares of our common stock, of which we have issued or committed to issue 1,076,916 shares as of September 30, 2024. Shares underlying awards that are granted under the 2024 Plan that are forfeited, cancelled, reacquired prior to vesting, satisfied without the issuance of stock or otherwise terminated (other than be exercise), including shares tendered or held back upon settlement of an award, other than a stock option or stock appreciation right, to cover the tax withholding will be added back to the shares available for issuance under the 2024 Plan.

*Restricted Stock Awards*

Restricted stock awards issued to our officers and employees generally vest over a three to five year period from the date of grant based on continued employment. We measure compensation expense for the restricted stock awards based upon the fair market value of our common stock at the date of grant. Compensation expense is recognized on a straight-line basis over the vesting period and is included in corporate expenses in the accompanying consolidated statements of operations and comprehensive income. A summary of our restricted stock awards from January 1, 2024 to September 30, 2024 is as follows:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested balance at January 1, 2024 | 1,200,693 | $ 9.33 |
| Granted | 361,920 | 8.66 |
| Vested | (941,018) | 9.35 |
| Unvested balance at September 30, 2024 | 621,595 | $ 8.90 |

The total unvested restricted stock awards as of September 30, 2024 are expected to vest as follows: 253,430 shares during 2025, 244,845 shares during 2026, 114,087 shares during 2027, 7,970 shares during 2028, and 1,261 shares during 2029. As of September 30, 2024, the unrecognized compensation cost related to restricted stock awards was $4.0 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 26 months. We recorded $0.6 million and $1.0 million of compensation expense related to restricted stock awards for the three months ended September 30, 2024 and 2023, respectively. We recorded $4.5 million and $3.1 million of compensation expense related to restricted stock awards for the nine months ended September 30, 2024 and 2023, respectively, which included $2.0 million of accelerated compensation expense for the nine months ended September 30, 2024, related to restricted stock awards for the departures of our former Chief Executive Officer and Chief Investment Officer. The accelerated compensation expense is recorded as severance costs in corporate expenses within the consolidated statements of operations and comprehensive income.

*Performance Stock Units*

Performance stock units ("PSUs") are restricted stock units that vest three or five years from the date of grant. Each executive officer is granted a target number of PSUs (the "PSU Target Award"). The actual number of shares of common stock issued to each executive officer is based on the Company's achievement of certain performance targets. Under this framework, 50% of the PSUs are based on relative total stockholder return and 50% on hotel market share improvement. The achievement of certain levels of total stockholder return relative to the total stockholder return of a peer group of publicly-traded lodging REITs is measured over a three-year performance period. There is no payout of shares of our common stock if our total stockholder return falls below the 30th percentile of the total stockholder returns of the peer group. The maximum number of shares of common stock issued to an executive officer is equal to 150% of the PSU Target Award and is earned if our total stockholder return is equal to or greater than the 75th percentile of the total stockholder returns of the peer group. There are limitations on the number of PSUs earned if the Company's total stockholder return is negative for the performance period. The improvement in market share for each of our hotels is generally measured over a three-year performance period based on a report prepared for each hotel by STR Global, a well-recognized benchmarking service for the hospitality industry. There is no payout of shares of our common stock if the percentage of our hotels with market share improvements is less than 30%. The maximum number of shares of common stock issued to an executive officer is equal to 150% of the PSU Target Award and is earned if the percentage of our hotels with market share improvements is greater than or equal to 75%.

We measure compensation expense for the PSUs based upon the fair market value of the award at the grant date. Compensation expense is recognized on a straight-line basis over the vesting period and is included in corporate expenses in the accompanying consolidated statements of operations and comprehensive income. The grant date fair value of the portion of the PSUs based on our relative total stockholder return is determined using a Monte Carlo simulation performed by a third-party valuation firm. The grant date fair value of the portion of the PSUs based on hotel market share improvement is the closing price of our common stock on the grant date. The determination of the grant-date fair values of outstanding awards based on our relative stockholder return included the following assumptions:

| Award Grant Date | Volatility | Risk-Free Rate | Total Stockholder Return PSUs | Hotel Market Share PSUs |
|---|---|---|---|---|
| March 2, 2021 | 68.8% | 0.26% | $9.28 | $9.40 |
| February 22, 2022 | 71.4% | 1.74% | $9.84 | $9.56 |
| August 9, 2022 | 73.3% | 3.20% | $9.65 | $9.32 |
| February 23, 2023 | 74.5% | 4.40% | $9.22 | $8.94 |
| May 7, 2024 | 36.5% | 4.64% | $8.03 | $8.72 |

A summary of our PSUs from January 1, 2024 to September 30, 2024 is as follows:

| | Number of Target Units | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested balance at January 1, 2024 | 1,032,296 | $ 9.34 |
| Granted | 364,799 | 8.36 |
| Additional units from dividends | 9,615 | 8.95 |
| Vested [(1)] | (301,861) | 9.32 |
| Unvested balance at September 30, 2024 | 1,104,849 | $ 9.02 |

(1) The number of shares of common stock earned for the PSUs vested in 2024 was equal to 95.6% of the PSU Target Award.

The total unvested PSUs as of September 30, 2024 are expected to vest as follows: 331,417 units during 2025, 371,260 units during 2026, and 402,172 units during 2027. The number of shares earned upon vesting is subject to the attainment of the performance goals described above. As of September 30, 2024, the unrecognized compensation cost related to the PSUs was $3.2 million and is expected to be recognized on a straight-line basis over a weighted average period of 27 months. We recorded $0.4 million and $0.8 million of compensation expense related to the PSUs for the three months ended September 30, 2024 and 2023, respectively. We recorded $3.8 million and $2.3 million of compensation expense related to the PSUs for the nine months ended September 30, 2024 and 2023, respectively, which included $1.8 million of accelerated compensation expense for the nine months ended September 30, 2024, related to PSUs for the departures of our former Chief Executive Officer and Chief Investment Officer. The accelerated compensation expense is recorded as severance costs in corporate expenses within the consolidated statements of operations and comprehensive income. These awards will vest at 100% of the PSU Target Award based on their original vesting schedule.

*LTIP Units*

LTIP units are designed to offer executives a long-term incentive comparable to restricted stock, while potentially allowing them a more favorable income tax treatment. Each year, executives have the option to elect to receive their annual grant of share-based compensation as either LTIP units or restricted stock awards. Each LTIP unit awarded is deemed equivalent to an award of one share of common stock reserved under the 2016 Plan or 2024 Plan, as applicable. At the time of award, LTIP units do not have full economic parity with common OP units, but can achieve such parity over time upon the occurrence of specified events in accordance with partnership tax rules.

A summary of our LTIP units from January 1, 2024 to September 30, 2024 is as follows:

| | Number of Units | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested balance at January 1, 2024 | 314,137 | $ 9.01 |
| Granted | 97,477 | 8.72 |
| Vested [(1)] | (271,487) | 8.94 |
| Unvested balance at September 30, 2024 | 140,127 | $ 8.9 |

(1) As of September 30, 2024, all vested LTIP units have achieved economic parity with common OP units and have been converted to common OP units.

The total unvested LTIP units as of September 30, 2024 are expected to vest as follows: 46,709 during each of 2025, 2026, and 2027. As of September 30, 2024, the unrecognized compensation cost related to LTIP unit awards was $1.1 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 31 months. We recorded $0.1 million and $0.2 million of compensation expense related to LTIP unit awards for the three months ended September 30, 2024 and 2023, respectively. We recorded $1.9 million and $0.6 million of compensation expense related to LTIP unit awards for the nine months ended September 30, 2024 and 2023, respectively, which included $1.2 million of accelerated compensation expense for the nine months ended September 30, 2024, related to LTIPs for the departures of our former Chief Executive Officer and Chief Investment Officer. The accelerated compensation expense is recorded as severance costs in corporate expenses within the consolidated statements of operations and comprehensive income.

*Nonemployee director awards*

The Company issues each nonemployee director either (i) fully vested, unrestricted shares of common stock or (ii) Deferred Stock Units (as defined in the 2024 Plan) granting a number of immediately vested but deferred stock units (together, the "nonemployee director awards"). We measure compensation expense for the nonemployee director awards based upon the fair market value of our common stock at the date of grant. Compensation expense is recognized in the period the nonemployee director awards are granted and is included in corporate expenses in the accompanying consolidated statements of operations and comprehensive income.

There were no nonemployee director awards granted during the three months ended September 30, 2024 and 2023, and thus no compensation expense was recognized during these periods. During the nine months ended September 30, 2024, we granted a total of 88,305 nonemployee director awards at a grant date fair value of $8.72. We recorded $0.8 million and $0.7 million of compensation expense related to nonemployee director awards for the nine months ended September 30, 2024 and 2023, respectively.

**9. Earnings Per Share**

The following is a reconciliation of the calculation of basic and diluted earnings per share ("EPS") (in thousands, except share and per share data):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| **Numerator:** | | | | |
| Net income attributable to common stockholders | $ 23,978 | $ 24,818 | $ 51,928 | $ 68,031 |
| **Denominator:** | | | | |
| Weighted-average number of common shares outstanding—basic | 209,339,807 | 211,490,571 | 210,729,779 | 211,525,596 |
| Effect of dilutive securities: | | | | |
| Unvested restricted common stock | 135,553 | 359,711 | 125,819 | 278,217 |
| Shares related to unvested PSUs | 732,721 | 354,707 | 744,516 | 325,899 |
| Weighted-average number of common shares outstanding—diluted | 210,208,081 | 212,204,989 | 211,600,114 | 212,129,712 |
| **Earnings per share:** | | | | |
| Earnings per share available to common stockholders—basic | $ 0.11 | $ 0.12 | $ 0.25 | $ 0.32 |
| Earnings per share available to common stockholders—diluted | $ 0.11 | $ 0.12 | $ 0.25 | $ 0.32 |

The common OP units held by the noncontrolling interest holders have been excluded from the denominator of the basic and diluted EPS calculation as there would be no effect on the amounts since the common OP units' share of income or loss would also be added or subtracted to derive net income available to common stockholders.

**10. Commitments and Contingencies**

***Litigation***

We are subject to various claims, lawsuits and legal proceedings, including routine litigation arising in the ordinary course of business regarding the operation of our hotels and other Company matters. While it is not possible to ascertain the ultimate outcome of such matters, management believes that the aggregate amount of such liabilities, if any, in excess of amounts covered by insurance will not have a material adverse impact on our financial condition or results of operations and comprehensive income. The outcome of claims, lawsuits and legal proceedings brought against the Company, however, is subject to significant uncertainties.

### *Commitments*

In October 2024, we executed an extension of the ground lease underlying the Courtyard New York Manhattan/Fifth Avenue to add a second renewal option for an additional 36 years. Our ability to exercise the second renewal option is contingent on the Company spending no less than $7.0 million on capital improvements by the end of 2026 (the "Capital Improvement Plan"). Assuming that we meet the Capital Improvement Plan and exercise all renewal options, the ground lease would expire in October 2121.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with these safe harbor provisions. These forward-looking statements are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions, whether in the negative or affirmative. Forward-looking statements are based on management's current expectations and assumptions and are not guarantees of future performance. Factors that may cause actual results to differ materially from current expectations include, but are not limited to, the risks discussed herein and the risk factors discussed from time to time in our periodic filings with the Securities and Exchange Commission, including in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023 as updated by our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Accordingly, there is no assurance that the Company's expectations will be realized. Except as otherwise required by the federal securities laws, the Company disclaims any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this report to reflect events, circumstances or changes in expectations after the date of this report.*

*Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:*

- *negative developments in the economy, including, but not limited to elevated inflation and interest rates, job loss or growth trends, an increase in unemployment or a decrease in corporate earnings and investment;*
- *increased competition in the lodging industry and from alternative lodging channels or third party internet intermediaries in the markets in which we own properties;*
- *failure to effectively execute our long-term business strategy and successfully identify and complete acquisitions and dispositions;*
- *risks and uncertainties affecting hotel management, operations and renovations (including, without limitation, elevated inflation, construction delays, increased construction costs, disruption in hotel operations and the risks associated with our management and franchise agreements and our reliance on third-party managers);*
- *risks associated with the availability and terms of financing and the use of debt to fund acquisitions and renovations or refinance existing indebtedness, including the impact of higher interest rates on the cost and/or availability of financing;*
- *risks associated with our level of indebtedness and our ability to satisfy our obligations under our debt agreements;*
- *risks associated with the lodging industry overall, including, without limitation, decreases in the frequency of travel and increases in operating costs;*
- *risks and uncertainties associated with our obligations under our management agreements;*
- *risks associated with natural disasters and other unforeseen catastrophic events;*
- *the adverse impact of any future pandemic, epidemic or outbreak of any highly infectious disease on the U.S., regional and global economies, travel, the hospitality industry, and on our financial condition and results of operations and our hotels;*
- *costs of compliance with government regulations, including, without limitation, the Americans with Disabilities Act;*
- *potential liability for uninsured losses and environmental contamination;*
- *risks associated with security breaches through cyber-attacks or otherwise, as well as other significant disruptions of our and our hotel managers' information technologies and systems, which support our operations and those of our hotel managers;*
- *risks associated with our potential failure to maintain our qualification as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code");*
- *possible adverse changes in tax and environmental laws; and*
- *risks associated with our dependence on key personnel whose continued service is not guaranteed.*

**Overview**

DiamondRock Hospitality Company is a lodging-focused Maryland corporation operating as a REIT for U.S. federal income tax purposes. As of September 30, 2024, we owned a portfolio of 36 premium hotels and resorts that contain 9,760 guest rooms located in 25 different markets in the United States. The markets that we target are those that we believe align with our strategic objectives, which include investing in assets in destination markets with constrained supply trends, those that provide geographic diversity relative to our existing portfolio, and those markets that are considered to have high growth potential.

As an owner, rather than an operator, of lodging properties, we receive all of the operating profits or losses generated by our hotels after the payment of fees due to hotel managers and hotel brands, which are calculated based on the revenues and profitability of each hotel.

Our strategy is to apply aggressive asset management, prudent financial strategy, and disciplined capital allocation to high quality lodging properties in urban and resort markets in the U.S. with superior growth prospects and high barriers-to-entry. Our goal is to deliver long-term stockholder returns that exceed those generated by our peers through a combination of dividends and enduring capital appreciation.

Our primary business is to acquire, own, renovate and asset manage premium hotel properties in the United States. Our portfolio is concentrated in major urban markets and destination resort locations. All of our hotels are managed by a third party—either an independent operator or a brand operator, such as Marriott.

We critically evaluate each of our hotels to ensure that we own a portfolio of hotels that conforms to our vision, supports our mission and corresponds with our strategy. On a regular basis, we analyze our portfolio to identify opportunities to invest capital in certain projects or market non-core assets for sale in order to increase our portfolio quality. We are committed to a conservative capital structure with prudent leverage. We regularly assess the availability and affordability of capital in order to maximize stockholder value and minimize enterprise risk. In addition, we are committed to following sound corporate governance practices and to being open and transparent in our communications with our stockholders.

**Our Revenues and Expenses**

Our revenue is primarily derived from hotel operations, including but not limited to rooms revenue, food and beverage revenue and other revenue, which consists of parking, spa, resort fees, other guest services, and tenant leases.

Our operating costs and expenses consist of the costs to provide hotel services, including rooms expense, food and beverage expense, other departmental and support expenses, management and franchise fees, and other property-level expenses. Rooms expense includes housekeeping and front office wages and payroll taxes, room supplies, laundry services and other costs. Food and beverage expense includes the cost of food, beverages and associated labor costs. Other departmental and support expenses include labor and other costs associated with the other operating department revenue, as well as labor and other costs associated with administrative departments, sales and marketing, information technology systems, repairs and maintenance and utility costs. Our hotels that are subject to franchise agreements are charged a royalty fee, plus additional fees for marketing, central reservation systems and other franchisor costs, in order for the hotel properties to operate under the respective brands. Franchise fees are based on a percentage of room revenue, and for certain hotels, additional franchise fees are charged for food and beverage revenue. We enter into management agreements with independent third-party management companies to operate our hotels. The management companies typically earn base and incentive management fees based on the levels of revenues and profitability of each individual hotel. Other property-level expenses include property taxes, insurance, ground lease expense, and other fixed costs.

**Key Indicators of Financial Condition and Operating Performance**

We use a variety of operating and other information to evaluate the financial condition and operating performance of our business. These key indicators include financial information that is prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), as well as other financial information that is not prepared in accordance with U.S. GAAP. In addition, we use other information that may not be financial in nature, including statistical information and comparative data. We use this information to measure the performance of individual hotels, groups of hotels and/or our business as a whole. We periodically compare historical information to our internal budgets as well as industry-wide information. These key indicators include:

- Occupancy percentage;
- Average Daily Rate ("ADR");
- Rooms Revenue per Available Room ("RevPAR");
- Earnings Before Interest, Income Taxes, Depreciation and Amortization ("EBITDA"), Earnings Before Interest, Income Taxes, Depreciation and Amortization for real estate ("EBITDA*re*"*)*, Adjusted EBITDA, and Hotel Adjusted EBITDA; and

- Funds From Operations ("FFO") and Adjusted FFO.

Occupancy, ADR and RevPAR are commonly used measures within the hotel industry to evaluate operating performance. RevPAR, which is calculated as the product of ADR and occupancy percentage, is an important statistic for monitoring operating performance at the individual hotel level and across our business as a whole. We evaluate individual hotel RevPAR performance on an absolute basis with comparisons to budget and prior periods, as well as on a company-wide and regional basis. ADR and RevPAR include only room revenue. Room revenue comprised approximately 66% of our total revenues for the nine months ended September 30, 2024 and is dictated by demand, as measured by occupancy percentage, pricing, as measured by ADR, and our available supply of hotel rooms.

Our ADR, occupancy percentage and RevPAR performance may be impacted by macroeconomic factors such as U.S. economic conditions generally, inflation, interest rates, regional and local employment growth, personal income and corporate earnings, office vacancy rates and business relocation decisions, airport and other business and leisure travel, increased use of lodging alternatives, new hotel construction and the pricing strategies of our competitors. In addition, our ADR, occupancy percentage and RevPAR performance is dependent on the continued success of our hotels' global brands.

We also use EBITDA, EBITDA*re*, Adjusted EBITDA, Hotel Adjusted EBTIDA, FFO and Adjusted FFO as measures of the financial performance of our business. See "Non-GAAP Financial Measures" for further discussion on these financial measures.

**Our Hotels**

The following tables set forth certain operating information for the nine months ended September 30, 2024 for each of our hotels owned during the period.

| Property | Location | Number of Rooms | Occupancy (%) | ADR ($) | RevPAR ($) | % Change from 2023 RevPAR |
|---|---|---|---|---|---|---|
| Chicago Marriott Downtown Magnificent Mile | Chicago, Illinois | 1,200 | 62.5 % | $ 252.74 | $ 158.06 | 5.8 % |
| Westin Boston Seaport District | Boston, Massachusetts | 793 | 86.4 % | 263.76 | 228.01 | 9.7 % |
| Salt Lake City Marriott Downtown at City Creek | Salt Lake City, Utah | 510 | 68.5 % | 192.95 | 132.09 | 9.4 % |
| Worthington Renaissance Fort Worth Hotel | Fort Worth, Texas | 504 | 71.2 % | 207.28 | 147.54 | 2.0 % |
| Westin San Diego Bayview | San Diego, California | 436 | 73.3 % | 231.87 | 170.02 | (0.9)% |
| Westin Fort Lauderdale Beach Resort | Fort Lauderdale, Florida | 433 | 79.3 % | 257.19 | 203.94 | 1.2 % |
| Westin Washington, D.C. City Center | Washington, D.C. | 410 | 72.6 % | 241.24 | 175.11 | 6.5 % |
| The Dagny Boston | Boston, Massachusetts | 403 | 85.9 % | 274.31 | 235.63 | 7.4 % |
| The Hythe Vail | Vail, Colorado | 344 | 64.5 % | 418.51 | 269.93 | 1.6 % |
| Courtyard New York Manhattan/Midtown East | New York, New York | 321 | 92.6 % | 324.06 | 299.98 | 5.5 % |
| Atlanta Marriott Alpharetta | Atlanta, Georgia | 318 | 64.8 % | 157.67 | 102.15 | (3.5)% |
| The Gwen Hotel | Chicago, Illinois | 311 | 75.5 % | 295.55 | 223.12 | 0.1 % |
| Hilton Garden Inn New York/Times Square Central | New York, New York | 282 | 89.8 % | 249.13 | 223.67 | (0.9)% |
| Embassy Suites by Hilton Bethesda | Bethesda, Maryland | 272 | 71.8 % | 175.22 | 125.78 | 7.0 % |
| Henderson Beach Resort | Destin, Florida | 269 | 58.9 % | 427.29 | 251.66 | (11.0)% |
| Hotel Champlain Burlington | Burlington, Vermont | 258 | 74.3 % | 238.69 | 177.25 | (7.8)% |
| Hotel Palomar Phoenix | Phoenix, Arizona | 242 | 76.0 % | 224.89 | 170.98 | 1.3 % |
| Bourbon Orleans Hotel | New Orleans, Louisiana | 220 | 68.7 % | 240.93 | 165.54 | (9.1)% |
| Hotel Clio | Denver, Colorado | 199 | 77.7 % | 311.61 | 242.10 | 6.2 % |
| Courtyard New York Manhattan/Fifth Avenue | New York, New York | 189 | 89.9 % | 279.65 | 251.53 | (2.2)% |
| Margaritaville Beach House Key West | Key West, Florida | 186 | 84.1 % | 402.31 | 338.15 | (0.6)% |
| The Lodge at Sonoma Resort | Sonoma, California | 182 | 66.3 % | 410.10 | 271.77 | (4.9)% |
| Courtyard Denver Downtown | Denver, Colorado | 177 | 79.3 % | 207.97 | 164.84 | (4.6)% |
| The Lindy Renaissance Charleston Hotel | Charleston, South Carolina | 167 | 88.1 % | 342.25 | 301.38 | (4.0)% |
| Kimpton Shorebreak Resort Huntington Beach Resort | Huntington Beach, California | 157 | 83.8 % | 328.41 | 275.26 | 0.1 % |
| Cavallo Point, The Lodge at the Golden Gate | Sausalito, California | 142 | 59.9 % | 578.72 | 346.52 | 5.2 % |
| Chico Hot Springs Resort & Day Spa [(1)] | Pray, Montana | 117 | 74.0 % | 205.30 | 152.00 | 14.5 % |
| Havana Cabana Key West | Key West, Florida | 106 | 78.8 % | 305.80 | 241.10 | (6.3)% |
| Tranquility Bay Beachfront Resort | Marathon, Florida | 103 | 76.0 % | 623.30 | 473.45 | (6.7)% |
| Hotel Emblem San Francisco | San Francisco, California | 96 | 62.6 % | 206.22 | 129.00 | (21.6)% |
| Kimpton Shorebreak Fort Lauderdale Beach Resort | Fort Lauderdale, Florida | 96 | 74.5 % | 201.68 | 150.23 | 4.5 % |
| L'Auberge de Sedona | Sedona, Arizona | 88 | 66.0 % | 845.89 | 558.05 | 2.5 % |
| The Landing Lake Tahoe Resort & Spa | South Lake Tahoe, California | 82 | 64.2 % | 436.36 | 279.94 | 11.8 % |
| Orchards Inn Sedona | Sedona, Arizona | 70 | 56.5 % | 282.06 | 159.41 | (5.0)% |
| Lake Austin Spa Resort | Austin, Texas | 40 | 59.2 % | 1,020.45 | 604.45 | (3.6)% |
| Henderson Park Inn | Destin, Florida | 37 | 70.5 % | 592.59 | 417.70 | (5.3)% |
| TOTAL/WEIGHTED AVERAGE | | 9,760 | 74.1 % | $ 282.56 | $ 209.31 | 1.6 % |

(1) The percentage change from 2023 RevPAR reflects the comparable period in 2023 to our 2024 ownership period for our 2023 acquisition.

## Results of Operations

At September 30, 2024 and 2023, we owned 36 hotels. All properties owned during these periods have been included in our results of operations during the respective periods since their date of acquisition. Based on when a property was acquired, operating results for certain properties are not comparable for the three and nine months ended September 30, 2024 and 2023. The property detailed in the table below is hereinafter referred to as the "non-comparable property" and all other properties are referred to as "comparable properties":

| Property | Location | Acquisition Date |
|---|---|---|
| Chico Hot Springs Resort & Day Spa | Pray, Montana | August 1, 2023 |

*Comparison of the Three Months Ended September 30, 2024 to the Three Months Ended September 30, 2023*

*Revenue*. Revenue consists primarily of the room, food and beverage and other operating revenues from our hotels, as follows (dollars in thousands):

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2024 | 2023 | $ | % |
| Rooms | $ 192,471 | $ 186,334 | $ 6,137 | 3.3 % |
| Food and beverage | 65,787 | 64,723 | 1,064 | 1.6 % |
| Other | 26,871 | 25,463 | 1,408 | 5.5 % |
| Total revenues | $ 285,129 | $ 276,520 | $ 8,609 | 3.1 % |

Our total revenues increased $8.6 million from the three months ended September 30, 2023 to the three months ended September 30, 2024.

Rooms revenues increased by $6.1 million from the three months ended September 30, 2023 to the three months ended September 30, 2024, $0.6 million of which was due to the acquisition of the non-comparable property. The remaining increase of $5.5 million was the result of improved occupancy at our resort hotels and increased ADR at our urban hotels.

The following are key hotel operating statistics for the three months ended September 30, 2024 and 2023. The 2023 operating statistics reflect the period in 2023 comparable to our ownership period in 2024 for the non-comparable property.

| | Three Months Ended September 30, | | |
|---|---|---|---|
| | 2024 | 2023 | % Change |
| Occupancy % | 76.0 % | 76.4 % | (0.4)% |
| ADR | $ 282.02 | $ 273.28 | 3.2 % |
| RevPAR | $ 214.44 | $ 208.66 | 2.8 % |

Food and beverage revenues increased $1.1 million from the three months ended September 30, 2023 to the three months ended September 30, 2024, $0.7 million of which was due to the acquisition of the non-comparable property. The remaining increase was primarily due to slight increases in banquet and outlet revenues.

Other revenues, which primarily represent spa, parking, resort fees and attrition and cancellation fees, increased by $1.4 million from the three months ended September 30, 2023 to the three months ended September 30, 2024, $0.3 million of which was due to the acquisition of the non-comparable property. The remaining increase of $1.1 million was primarily due to increases in resort fees and attrition and cancellation fees.

*Hotel operating expenses.* The operating expenses consisted of the following (dollars in thousands):

| | Three Months Ended September, | | Change | |
|---|---|---|---|---|
| | 2024 | 2023 | $ | % |
| Rooms | $ 47,919 | $ 45,773 | $ 2,146 | 4.7 % |
| Food and beverage | 47,319 | 45,428 | 1,891 | 4.2 % |
| Other departmental and support expenses | 67,357 | 65,952 | 1,405 | 2.1 % |
| Management fees | 7,093 | 7,323 | (230) | (3.1)% |
| Franchise fees | 10,117 | 8,913 | 1,204 | 13.5 % |
| Other property-level expenses | 24,752 | 25,704 | (952) | (3.7)% |
| Total hotel operating expenses | $ 204,557 | $ 199,093 | $ 5,464 | 2.7 % |

Our hotel operating expenses increased $5.5 million from the three months ended September 30, 2023 to the three months ended September 30, 2024, $1.2 million of which was due to the acquisition of the non-comparable property. The remaining increase in hotel operating expenses was primarily due to increased labor costs.

*Depreciation and amortization.* Depreciation and amortization on our hotel buildings is generally recorded over a 40 year period subsequent to acquisition. Depreciable lives of hotel furniture, fixtures and equipment are estimated as the time period between the acquisition date and the date that the hotel furniture, fixtures and equipment will be replaced. Our depreciation and amortization expense remained flat from the three months ended September 30, 2023 to the three months ended September 30, 2024.

*Impairment losses.* During the three months ended September 30, 2024, we recorded an impairment loss of $1.6 million related to the write-off of construction in progress that was determined not to be recoverable. No impairment loss was recorded during the three months ended September 30, 2023.

*Corporate expenses.* Corporate expenses principally consist of employee-related costs, including payroll, bonus, restricted stock and benefits. Corporate expenses also include corporate operating costs, professional fees and directors' fees. Our corporate expenses increased $0.1 million from the three months ended September 30, 2023 primarily due to costs related to the implementation of a new enterprise resource planning system in the second quarter of 2024.

*Business interruption insurance income.* During the three months ended September 30, 2023, we recognized $0.5 million of business interruption insurance income related to an electrical fire at the Hilton Garden Inn New York/Times Square Central that caused the hotel to be closed for seven days. No business interruption insurance income was recorded during the three months ended September 30, 2024.

*Interest expense.* Our interest expense increased $1.0 million from the three months ended September 30, 2023 to the three months ended September 30, 2024 and was comprised of the following (dollars in thousands):

| | **Three Months Ended September 30,** | | **Change** | |
|---|---|---|---|---|
| | **2024** | **2023** | **$** | **%** |
| Term loan interest | 12,665 | 11,019 | 1,646 | 14.9 % |
| Mortgage debt interest | $ 3,527 | $ 4,130 | $ (603) | (14.6)% |
| Credit facility interest and unused fees | 315 | 311 | 4 | 1.3 % |
| Amortization of debt issuance costs and debt premium | 479 | 513 | (34) | (6.6)% |
| Interest rate swap mark-to-market | — | — | — | — % |
| | $ 16,986 | $ 15,973 | $ 1,013 | 6.3 % |

The increase in interest expense is primarily related to the rising interest rates on our variable rate debt as well as the maturity of some of our interest rate swaps during the year.

*Comparison of the Nine Months Ended September 30, 2024 to the Nine Months Ended September 30, 2023*

*Revenue*. Revenue consists primarily of the room, food and beverage and other operating revenues from our hotels, as follows (dollars in thousands):

| | **Nine Months Ended September 30,** | | **Change** | |
|---|---|---|---|---|
| | **2024** | **2023** | **$** | **%** |
| Rooms | $ 559,465 | $ 544,325 | $ 15,140 | 2.8 % |
| Food and beverage | 212,279 | 192,869 | 19,410 | 10.1 % |
| Other | 79,088 | 74,126 | 4,962 | 6.7 % |
| Total revenues | $ 850,832 | $ 811,320 | $ 39,512 | 4.9 % |

Our total revenues increased $39.5 million from the nine months ended September 30, 2023 to the nine months ended September 30, 2024.

Rooms revenues increased by $15.1 million from the nine months ended September 30, 2023 to the nine months ended September 30, 2024, $3.5 million of which was due to the acquisition of the non-comparable property. The remaining increase of $11.6 million was the result of improved occupancy at our hotels and increased ADR at our urban hotels.

The following are key hotel operating statistics for the nine months ended September 30, 2024 and 2023. The 2023 operating statistics reflect the period in 2023 comparable to our ownership period in 2024 for the non-comparable property.

| | Nine Months Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2024 | | 2023 | | % Change |
| Occupancy % | | 74.1 % | | 73.3 % | 0.8 % |
| ADR | $ | 282.56 | $ | 280.98 | 0.6 % |
| RevPAR | $ | 209.31 | $ | 206.07 | 1.6 % |

Food and beverage revenues increased $19.4 million from the nine months ended September 30, 2023 to the nine months ended September 30, 2024, $3.7 million of which was due to the acquisition of the non-comparable property. The remaining increase was primarily due to increases in both banquet revenues and audio visual revenues, driven by an increase in group business during the first half of the year.

Other revenues, which primarily represent spa, parking, resort fees and attrition and cancellation fees, increased by $5.0 million from the nine months ended September 30, 2023 to the nine months ended September 30, 2024, $1.4 million of which was due to the acquisition of the non-comparable property. The remaining increase of $3.6 million was primarily due to increases in resort fees and parking.

*Hotel operating expenses.* The operating expenses consisted of the following (dollars in thousands):

| | Nine Months Ended September, | | | | Change | | |
|---|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | $ | | % |
| Rooms | $ | 139,472 | $ | 131,092 | $ | 8,380 | 6.4 % |
| Food and beverage | | 145,275 | | 134,486 | | 10,789 | 8.0 % |
| Other departmental and support expenses | | 199,774 | | 193,365 | | 6,409 | 3.3 % |
| Management fees | | 20,411 | | 19,196 | | 1,215 | 6.3 % |
| Franchise fees | | 29,710 | | 26,393 | | 3,317 | 12.6 % |
| Other property-level expenses | | 78,558 | | 76,755 | | 1,803 | 2.3 % |
| Total hotel operating expenses | $ | 613,200 | $ | 581,287 | $ | 31,913 | 5.5 % |

Our hotel operating expenses increased $31.9 million from the nine months ended September 30, 2023 to the nine months ended September 30, 2024, $7.6 million of which was due to the acquisition of the non-comparable property. The remaining increase in hotel operating expenses was primarily due to higher occupancy levels and increased labor costs. Other property-level expenses increased due to higher property tax assessments and insurance premiums.

*Depreciation and amortization.* Depreciation and amortization on our hotel buildings is generally recorded over a 40 year period subsequent to acquisition. Depreciable lives of hotel furniture, fixtures and equipment are estimated as the time period between the acquisition date and the date that the hotel furniture, fixtures and equipment will be replaced. Our depreciation and amortization expense increased $1.5 million, or 1.9%, from the nine months ended September 30, 2023 primarily due to the acquisition of the non-comparable property.

*Impairment losses.* During the nine months ended September 30, 2024 and 2023, we recorded impairment losses of $1.6 million and $0.9 million, respectively, related to the write-off of construction in progress that was determined not to be recoverable.

*Corporate expenses.* Corporate expenses principally consist of employee-related costs, including payroll, bonus, restricted stock and benefits. Corporate expenses also include corporate operating costs, professional fees and directors' fees. Our corporate expenses increased $21.4 million from the nine months ended September 30, 2023 primarily due to $20.4 million of severance expense recognized due to the leadership changes announced in April 2024 and severance payments to the former Chief Executive Officer and Chief Investment Officer pursuant to their respective severance agreements.

*Business interruption insurance income.* During the nine months ended September 30, 2023, we recognized $0.5 million of business interruption insurance income related to an electrical fire at the Hilton Garden Inn New York/Times Square Central that caused the hotel to be closed for seven days and $0.1 million related to an insurance claim at the Worthington Renaissance Fort Worth Hotel. No business interruption insurance income was recorded during the nine months ended September 30, 2024.

*Interest expense.* Our interest expense increased $0.7 million from the nine months ended September 30, 2023 to the nine months ended September 30, 2024 and was comprised of the following (dollars in thousands):

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2024 | 2023 | $ | % |
| Term loan interest | 35,419 | 31,867 | 3,552 | 11.1 % |
| Mortgage debt interest | $ 11,572 | $ 12,331 | $ (759) | (6.2)% |
| Credit facility interest and unused fees | 938 | 941 | (3) | (0.3)% |
| Amortization of debt issuance costs and debt premium | 1,505 | 1,540 | (35) | (2.3)% |
| Interest rate swap mark-to-market | — | 2,033 | (2,033) | (100.0)% |
| | $ 49,434 | $ 48,712 | $ 722 | 1.5 % |

The increase in interest expense is primarily the result of elevated interest rates on our variable rate debt.

**Liquidity and Capital Resources**

Our short-term liquidity requirements consist primarily of funds necessary to pay our scheduled debt service, near term debt maturities, operating expenses, ground lease payments, capital expenditures directly associated with our hotels, any share repurchases, distributions to our common and preferred stockholders, and the cost of acquiring additional hotels. On August 6, 2024, we paid off $73.3 million outstanding on the Courtyard New York Manhattan/Midtown East mortgage loan using cash on hand.

Our mortgage debt agreements contain “cash trap” provisions that are triggered when the hotel’s operating results fall below a certain debt service coverage ratio. When these provisions are triggered, all of the excess cash flow generated by the hotel is deposited directly into cash management accounts for the benefit of our lenders until a specified debt service coverage ratio is reached and maintained for a certain period of time. Such provisions do not allow the lender the right to accelerate repayment of the underlying debt. We had no cash traps in effect as of September 30, 2024.

Our long-term liquidity requirements consist primarily of funds necessary to pay for the costs of acquiring additional hotels, renovations and other capital expenditures that need to be made periodically to our hotels, scheduled debt payments, debt maturities, certain redemptions of limited operating partnership units (“common OP units”), ground lease payments, share repurchases, redemption of our preferred shares, and making distributions to our common and preferred stockholders. We expect to meet our long-term liquidity requirements through various sources of capital, including cash provided by operations, borrowings, issuances of additional equity, including common OP units, and/or debt securities and proceeds from property dispositions. Our ability to incur additional debt is dependent upon a number of factors, including the state of the credit markets, our degree of leverage, the value of our unencumbered assets and borrowing restrictions imposed by existing lenders. Our ability to raise capital through the issuance of additional equity and/or debt securities is also dependent on a number of factors including the current state of the capital markets, investor sentiment and our intended use of proceeds. We may need to raise additional capital if we identify acquisition opportunities that meet our investment objectives and require liquidity in excess of existing cash balances. Our ability to raise funds through the issuance of equity securities depends on, among other things, general market conditions for hotel companies and REITs and market perceptions about us.

***Our Financing Strategy***

Since our formation in 2004, we have been committed to a conservative capital structure with prudent leverage. Our outstanding debt consists of fixed interest rate mortgage debt, unsecured term loans and periodic borrowings on our senior unsecured credit facility. We have a preference to maintain a significant portion of our portfolio as unencumbered in order to provide balance sheet flexibility. We expect that our strategy will enable us to maintain a balance sheet with an appropriate amount of debt throughout all phases of the lodging cycle. We believe that it is prudent to reduce the inherent risk of highly cyclical lodging fundamentals through a low leverage capital structure.

We prefer a relatively simple but efficient capital structure. We generally structure our hotel acquisitions to be straightforward and to fit within our capital structure; however, we will consider a more complex transaction, such as the issuance of common OP units in connection with the acquisition of Cavallo Point, The Lodge at the Golden Gate, if we believe that the projected returns to our stockholders will significantly exceed the returns that would otherwise be available.

We believe that we maintain a reasonable amount of debt. As of September 30, 2024, we had $1.1 billion of debt outstanding with a weighted average interest rate of 5.60% and a weighted average maturity date of approximately 1.9 years. We have two mortgage loans that mature in the next 12 months. We intend to refinance the other mortgage loans that mature in 2025 as they approach their respective maturity dates. In the case that refinancing options are not attractive, we may repay such mortgage loans using our senior unsecured revolving credit facility. As of September 30, 2024, 33 of our 36 hotels are unencumbered by mortgage debt. We remain committed to our core strategy of prudent leverage.

Information about our financing activities is available in Note 4 to the accompanying consolidated financial statements.

***ATM Program***

In August 2024, our board of directors approved an "at-the-market" equity offering program (the "Current ATM Program"), pursuant to which we may issue and sell shares of our common stock from time to time, having an aggregate offering price of up to $200.0 million. Prior to the implementation of the Current ATM Program, we had a $200.0 million ATM program (the "Prior ATM Program"), which is no longer active. No shares were sold under either the Prior ATM Program or the Current ATM Program during the three and nine months ended September 30, 2024.

***Share Repurchase Program***

In May 2024, our board of directors authorized the repurchase of up to $200.0 million of our common stock under a new share repurchase program, which replaced our prior share repurchase program that was authorized in September 2022. The timing and actual number of shares repurchased will depend on a variety of factors, including price and general business and market conditions. The new share repurchase program does not obligate us to acquire any particular amount of shares, and may be suspended or discontinued at any time at our discretion. The new share repurchase program will expire on May 1, 2026. As of September 30, 2024, we had repurchased 3,114,876 shares of common stock at an average price of $8.33 per share for a total purchase price of $26.0 million under this program. As of November 8, 2024, we have $174.0 million of authorized capacity remaining under the new share repurchase program. All share repurchases during the year were made under the new share repurchase program.

***Short-Term Borrowings***

Other than borrowings under our senior unsecured credit facility, discussed below, we do not utilize short-term borrowings to meet liquidity requirements.

***Senior Unsecured Credit Facility and Unsecured Term Loans***

We are party to a Sixth Amended and Restated Credit Agreement that provides us with a $400 million senior unsecured revolving credit facility and two term loan facilities in the aggregate amount of $800 million. The revolving credit facility matures on September 27, 2026, which we may extend for an additional year upon the payment of applicable fees and satisfaction of certain standard conditions. The term loan facilities consist of a $500 million term loan that matures on January 3, 2028 and a $300 million term loan that matures on January 3, 2026. In September 2024, we exercised our option to extend the maturity from January 3, 2025 to January 3, 2026. We have the right to increase the aggregate amount of the facilities to $1.4 billion upon the satisfaction of certain standard conditions.

Additional information about the credit facilities, including a summary of significant covenants, can be found in Note 4 to the accompanying consolidated financial statements.

**Sources and Uses of Cash**

We expect that our principal sources of cash will include one or more of the following: net cash flow from hotel operations, sales of our equity and debt securities, debt financings and proceeds from any hotel dispositions. Our principal uses of cash are acquisitions of hotel properties, debt service and maturities, share repurchases and redemptions, capital expenditures, operating costs, ground lease payments, corporate expenses, and distributions to holders of common stock, common OP units and preferred stock. As of September 30, 2024, we had $75.3 million of unrestricted cash, $44.5 million of restricted cash and no outstanding borrowings on our senior unsecured credit facility.

Our net cash provided by operations was $148.6 million for the nine months ended September 30, 2024. Our cash from operations generally consists of the net cash flow from hotel operations, offset by cash paid for corporate expenses, interest payments, and other working capital changes. The decrease of $36.1 million in cash provided by operations from the nine months ended September 30, 2023 was primarily driven by timing differences related to collections from our hotel managers and severance payments related to our previously announced leadership changes.

Our net cash used in investing activities was $58.4 million for the nine months ended September 30, 2024, which consisted of capital expenditures at our hotels.

Our net cash used in financing activities was $137.6 million for the nine months ended September 30, 2024, which consisted of $19.3 million of distributions paid to holders of common stock and common OP units, $7.4 million of distributions paid to holders of preferred stock, $7.1 million of scheduled mortgage debt principal payments, $73.3 million of repayments of mortgage debt, $4.6 million paid to repurchase shares upon the vesting of restricted stock for the payment of tax withholding obligations, and $26.0 million of shares repurchased under our share repurchase program.

We currently anticipate our significant source of cash for the remainder of the year ending December 31, 2024 will be the net cash flow from hotel operations and potential dispositions. We expect our estimated uses of cash for the remainder of the year ending December 31, 2024 will be potential acquisitions, scheduled debt service payments and maturity payments, capital expenditures, distributions to preferred and common stockholders, share repurchases and corporate expenses.

**Dividend Policy**

We intend to distribute to our stockholders dividends at least equal to our REIT taxable income to avoid paying corporate income tax and excise tax on our earnings (other than the earnings of our taxable REIT subsidiaries, which are all subject to tax at regular corporate rates) and to qualify for the tax benefits afforded to REITs under the Code. In order to qualify as a REIT under the Code, we generally must make distributions to our stockholders each year in an amount equal to at least:

- 90% of our REIT taxable income determined without regard to the dividends paid deduction and excluding net capital gains, plus
- 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Code, minus
- any excess non-cash income.

The timing and frequency of distributions will be authorized by our board of directors and declared by us based upon a variety of factors, including our financial performance, restrictions under applicable law and our current and future loan agreements, our debt service requirements, our capital expenditure requirements, the requirements for qualification as a REIT under the Code and other factors that our board of directors may deem relevant from time to time.

For each of the nine months ended September 30, 2024 and 2023, we paid an aggregate cash dividend of $0.09 per share or unit to holders of our common stock, common OP units, and LTIP units.

For each of the nine months ended September 30, 2024 and 2023, we paid an aggregate cash dividend of $1.5469 per share to holders of our Series A Preferred Stock.

**Capital Expenditures**

The management and franchise agreements for each of our hotels provide for the establishment of separate property improvement reserves to cover, among other things, the cost of replacing and repairing furniture, fixtures and equipment at our hotels and other routine capital expenditures. Contributions to the property improvement fund are calculated as a percentage of hotel revenues. In addition, we may be required to pay for the cost of certain additional improvements that are not permitted to be funded from the property improvement fund under the applicable management or franchise agreement. As of September 30, 2024, we have set aside $41.7 million for capital projects in property improvement reserves, which are included in restricted cash on our consolidated balance sheet.

In 2024, we expect to spend approximately $85 million on capital improvements at our hotels, of which we have invested approximately $58.4 million during the nine months ended September 30, 2024. Significant projects in 2024 include the following:

- ***Hotel Champlain Burlington:*** We completed the rebranding and repositioning of the Hilton Burlington Lake Champlain to Hotel Champlain Burlington, a Curio Collection by Hilton in July 2024.
- ***Westin San Diego Bayview:*** We completed a comprehensive renovation of the hotel's guestrooms during the second quarter of 2024.

- ***Bourbon Orleans Hotel:*** We completed a comprehensive renovation of the hotel's guestrooms during the third quarter of 2024.
- ***Orchards Inn Sedona:*** We commenced the repositioning of Orchards Inn as the Cliffs at L'Auberge on November 1, 2024. The repositioning will integrate the hotel with the adjacent L'Auberge de Sedona and include construction of a new pool connecting the two properties, renovation of the guestrooms and creation of a new arrival experience and new outdoor event space. We expect to complete the project in 2025.

**Non-GAAP Financial Measures**

We use the following non-GAAP financial measures that we believe are useful to investors as key measures of our operating performance: EBITDA, EBITDA*re*, Adjusted EBITDA, Hotel Adjusted EBITDA, FFO and Adjusted FFO. These measures should not be considered in isolation or as a substitute for measures of performance in accordance with U.S. GAAP. EBITDA, EBITDA*re*, Adjusted EBITDA, Hotel Adjusted EBITDA, FFO and Adjusted FFO, as calculated by us, may not be comparable to other companies that do not define such terms exactly as the Company.

***Use and Limitations of Non-GAAP Financial Measures***

Our management and Board of Directors use EBITDA, EBITDA*re*, Adjusted EBITDA, Hotel Adjusted EBITDA, FFO and Adjusted FFO to evaluate the performance of our hotels and to facilitate comparisons between us and other lodging REITs, hotel owners who are not REITs and other capital intensive companies. The use of these non-GAAP financial measures has certain limitations. These non-GAAP financial measures as presented by us, may not be comparable to non-GAAP financial measures as calculated by other real estate companies. These measures do not reflect certain expenses or expenditures that we incurred and will incur, such as depreciation, interest and capital expenditures. We compensate for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our reconciliations to the most comparable U.S. GAAP financial measures, and our consolidated statements of operations and comprehensive income and consolidated statements of cash flows, include interest expense, capital expenditures, and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures.

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with U.S. GAAP. They should not be considered as alternatives to operating profit, cash flow from operations, or any other operating performance measure prescribed by U.S. GAAP. These non-GAAP financial measures reflect additional ways of viewing our operations that we believe, when viewed with our U.S. GAAP results and the reconciliations to the corresponding U.S. GAAP financial measures, provide a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. We strongly encourage investors to review our financial information in its entirety and not to rely on a single financial measure.

***EBITDA and EBITDA*****re**

EBITDA represents net income (calculated in accordance with U.S. GAAP) excluding: (1) interest expense; (2) provision for income taxes, including income taxes applicable to sale of assets; and (3) depreciation and amortization. The Company computes EBITDA*re* in accordance with the National Association of Real Estate Investment Trusts ("Nareit") guidelines, as defined in its September 2017 white paper "Earnings Before Interest, Taxes, Depreciation and Amortization for Real Estate." EBITDA*re* represents net income (calculated in accordance with U.S. GAAP) adjusted for: (1) interest expense; (2) provision for income taxes, including income taxes applicable to sale of assets; (3) depreciation and amortization; (4) gains or losses on the disposition of depreciated property including gains or losses on change of control; (5) impairment write-downs of depreciated property and of investments in unconsolidated affiliates caused by a decrease in value of depreciated property in the affiliate; and (6) adjustments to reflect the entity's share of EBITDA*re* of unconsolidated affiliates.

We believe EBITDA and EBITDA*re* are useful to an investor in evaluating our operating performance because they help investors evaluate and compare the results of our operations from period to period by removing the impact of our capital structure (primarily interest expense) and our asset base (primarily depreciation and amortization, and in the case of EBITDA*re*, impairment and gains or losses on dispositions of depreciated property) from our operating results. In addition, covenants included in our debt agreements use EBITDA as a measure of financial compliance. We also use EBITDA and EBITDA*re* as measures in determining the value of hotel acquisitions and dispositions.

***FFO***

The Company computes FFO in accordance with standards established by Nareit, which defines FFO as net income (calculated in accordance with U.S. GAAP) excluding gains or losses from sales of properties and impairment losses, plus real estate related depreciation and amortization. The Company believes that the presentation of FFO provides useful information to investors regarding its operating performance because it is a measure of the Company's operations without regard to specified non-cash items, such as real estate related depreciation and amortization and gains or losses on the sale of assets. The Company also uses FFO as one measure in assessing its operating results.

***Adjustments to EBITDAre and FFO***

We adjust EBITDA*re* and FFO when evaluating our performance because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance and that the presentation of Adjusted EBITDA and Adjusted FFO when combined with U.S. GAAP net income, EBITDA*re* and FFO, is beneficial to an investor's complete understanding of our consolidated and property-level operating performance. We adjust EBITDA*re* and FFO for the following items:

- *Non-Cash Lease Expense and Other Amortization*: We exclude the non-cash expense incurred from the straight-line recognition of expense from our ground leases and other contractual obligations and the non-cash amortization of our favorable and unfavorable contracts, originally recorded in conjunction with certain hotel acquisitions. We exclude these non-cash items because they do not reflect the actual cash amounts due to the respective lessors in the current period and they are of lesser significance in evaluating our actual performance for that period.

- *Cumulative Effect of a Change in Accounting Principle*: The Financial Accounting Standards Board promulgates new accounting standards that require or permit the consolidated statement of operations and comprehensive income to reflect the cumulative effect of a change in accounting principle. We exclude the effect of these adjustments, which include the accounting impact from prior periods, because they do not reflect the Company's actual underlying performance for the current period.

- *Gains or Losses from Early Extinguishment of Debt*: We exclude the effect of gains or losses recorded on the early extinguishment of debt because these gains or losses result from transaction activity related to the Company's capital structure that we believe are not indicative of the ongoing operating performance of the Company or our hotels.

- *Hotel Acquisition Costs*: We exclude hotel acquisition costs expensed during the period because we believe these transaction costs are not reflective of the ongoing performance of the Company or our hotels.

- *Severance Costs*: We exclude corporate severance costs, or reversals thereof, incurred with the termination of corporate-level employees and severance costs incurred at our hotels related to lease terminations or structured severance programs because we believe these costs do not reflect the ongoing performance of the Company or our hotels.

- *Hotel Manager Transition Items*: We exclude the transition items associated with a change in hotel manager because we believe these items do not reflect the ongoing performance of the Company or our hotels.

- *Hotel Pre-Opening Costs:* We exclude the pre-opening costs associated with the redevelopment or rebranding of a hotel because we believe these items do not reflect the ongoing performance of the Company or our hotels.

- *Other Items*: From time to time we incur costs or realize gains that we consider outside the ordinary course of business and that we do not believe reflect the ongoing performance of the Company or our hotels. Such items may include, but are not limited to the following: lease preparation costs incurred to prepare vacant space for marketing; management or franchise contract termination fees; gains or losses from legal settlements; costs incurred related to natural disasters; and gains on property insurance claim settlements, other than income related to business interruption insurance.

In addition, to derive Adjusted FFO we exclude any unrealized fair value adjustments to interest rate swaps. We exclude these non-cash amounts because they do not reflect the underlying performance of the Company.

***Hotel Adjusted EBITDA***

We believe that Hotel Adjusted EBITDA provides our investors a useful financial measure to evaluate our hotel operating performance, excluding the impact of our capital structure (primarily interest), our asset base (primarily depreciation and amortization), and our corporate-level expenses. With respect to Hotel Adjusted EBITDA, we believe that excluding the effect of corporate-level expenses provides a more complete understanding of the operating results over which individual hotels and third-party management companies have direct control. We believe property-level results provide investors with supplemental information on the ongoing operational performance of our hotels and effectiveness of the third-party management companies operating our business on a property-level basis. Hotel Adjusted EBITDA margins are calculated as Hotel Adjusted EBITDA divided by total hotel revenues.

The following table is a reconciliation of our U.S. GAAP net income to EBITDA, EBITDA*re,* Adjusted EBITDA and Hotel Adjusted EBITDA (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Net income** | $ 26,557 | 27,330 | $ 59,546 | $ 75,652 |
| Interest expense | 16,986 | 15,973 | 49,434 | 48,712 |
| Income tax expense | 418 | 224 | 696 | 420 |
| Real estate related depreciation and amortization | 28,356 | 27,683 | 84,542 | 82,995 |
| **EBITDA** | 72,317 | 71,210 | 194,218 | 207,779 |
| Impairment losses | 1,596 | — | 1,596 | 941 |
| **EBITDA*re*** | 73,913 | 71,210 | 195,814 | 208,720 |
| Non-cash lease expense and other amortization | 1,531 | 1,533 | 4,604 | 4,620 |
| Severance costs | — | — | 20,362 | — |
| Hotel pre-opening costs | 156 | 496 | 925 | 1,038 |
| **Adjusted EBITDA** | 75,600 | 73,239 | 221,705 | 214,378 |
| Corporate expenses | 7,660 | 7,526 | 24,721 | 23,677 |
| Interest (income) and other (income) expense, net | (1,001) | (772) | (3,265) | (1,717) |
| **Hotel Adjusted EBITDA** | $ 82,259 | $ 79,993 | $ 243,161 | $ 236,338 |

The following table is a reconciliation of our U.S. GAAP net income to FFO and Adjusted FFO (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Net income** | $ 26,557 | $ 27,330 | 59,546 | $ 75,652 |
| Real estate related depreciation and amortization | 28,356 | 27,683 | 84,542 | 82,995 |
| Impairment losses | 1,596 | — | 1,596 | 941 |
| **FFO** | 56,509 | 55,013 | 145,684 | 159,588 |
| Distributions to preferred stockholders | (2,454) | (2,454) | (7,362) | (7,362) |
| **FFO available to common stock and unit holders** | 54,055 | 52,559 | 138,322 | 152,226 |
| Non-cash lease expense and other amortization | 1,531 | 1,533 | 4,604 | 4,620 |
| Hotel pre-opening costs | 156 | 496 | 925 | 1,038 |
| Severance costs | — | — | 20,362 | — |
| Fair value adjustments to interest rate swaps | — | — | — | 2,033 |
| **Adjusted FFO available to common stock and unit holders** | $ 55,742 | $ 54,588 $— | $ 164,213 | $ 159,917 |

**Critical Accounting Estimates and Policies**

Our unaudited consolidated financial statements include the accounts of DiamondRock Hospitality Company and all consolidated subsidiaries. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. We evaluate our estimates and judgments, including those related to the impairment of long-lived assets, on an ongoing basis. We base our estimates on experience and on various assumptions that are believed to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no significant changes to our critical accounting policies since the year ended December 31, 2023.

**Inflation**

Operators of hotels, in general, possess the ability to adjust room rates daily to reflect the effects of inflation. Generally, our management companies may adjust room rates daily, excluding previous contractually committed reservations. However, competitive pressures or other factors may limit the ability of our management companies to raise room rates. Inflation may also affect our expenses and cost of capital improvements, including, without limitation, by increasing the costs of labor, employee-related benefits, food, commodities and other materials, taxes, property and casualty insurance and utilities.

Inflation increased recently to levels not seen in years. The United States Federal Reserve has raised interest rates in response to concerns about inflation. During the first half of 2024, inflation continued to persist at levels above the Federal Reserve's target level. In the third quarter of 2024, inflation levels started to trend under 3%, closer to the Federal Reserve's target level. As a result, the Federal Reserve cut its benchmark rate by half a percentage point in September. The Federal Reserve continues to indicate that it will remain data dependent in determining whether to hold its benchmark rate at current levels or continue to slowly ease interest rates during the fourth quarter of 2024 into 2025. Any increases in interest rates, especially if coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty, and increasing the cost of new indebtedness and servicing our outstanding variable rate debt.

**Seasonality**

The periods during which our hotels experience higher revenues vary from property to property, depending principally upon location and the customer base served. Accordingly, we expect some seasonality in our business. Volatility in our financial performance from the seasonality of the lodging industry could adversely affect our financial condition and results of operations.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business strategies, the primary market risk to which we are currently exposed, and to which we expect to be exposed in the future, is interest rate risk. The face amount of our outstanding debt as of September 30, 2024 was $1.1 billion, of which $0.8 billion had a variable interest rate. Our primary sensitivity in 2024 is to changes in one-month Secured Overnight Financing Rate ("SOFR"), as the interest rates on our variable-rate indebtedness were based on this benchmark rate. We use interest rate swaps in order to maintain what we believe to be an appropriate level of exposure to interest rate variability. As of September 30, 2024, we held interest rate swaps related to $150 million of our variable-rate indebtedness, which effectively fixes the interest rate on a portion of our variable-rate debt for varying periods, up to or prior to maturity. If market interest rates on our unhedged variable rate debt fluctuate by 100 basis points, interest expense would increase or decrease, depending on rate movement, future earnings and cash flows, by $6.5 million annually.

**Item 4. Controls and Procedures**

The Company's management has evaluated, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act, and has concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to give reasonable assurances that information we disclose in reports filed with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There was no change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act during the Company's most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are subject to various claims, lawsuits and legal proceedings, including routine litigation arising in the ordinary course of business regarding the operation of our hotels and other company matters. While it is not possible to ascertain the ultimate outcome of such matters, management believes that the aggregate amount of such liabilities, if any, in excess of amounts covered by insurance will not have a material adverse impact on our financial condition or results of operations. The outcome of claims, lawsuits and legal proceedings brought against the Company, however, is subject to significant uncertainties.

### Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) [1] |
|---|---|---|---|---|
| July 1 - July 31, 2024 | — | $ — | 351,369 | $ 176,543 |
| August 1 - August 31, 2024 | — | $ — | 309,200 | $ 174,038 |
| September 1 - September 30, 2024 | 9,597 [2] | $ 8.65 | — | $ 174,038 |

(1) On May 1, 2024, our board of directors approved a $200.0 million share repurchase program. The share repurchase program expires on May 1, 2026. The share repurchase program does not obligate the Company to acquire any particular amount of shares, and the share repurchase program may be suspended or discontinued at any time at the Company’s discretion.

(2) Reflects shares surrendered to the Company by employees for payment of tax withholding obligations in connection with the vesting of restricted stock. These shares are not part of the Company's share repurchase program.

### Item 3. Defaults Upon Senior Securities

Not applicable.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

During the three months ended September 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

**Item 6. Exhibits**

(a) *Exhibits*

The following exhibits are filed, or furnished as indicated, as part of this Form 10-Q:

| Exhibit | |
|---|---|
| 31.1* | Certification of Chief Executive Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act |
| 31.2* | Certification of Chief Financial Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act |
| 32.1** | Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*) |

* Filed herewith
** Furnished herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DiamondRock Hospitality Company

November 8, 2024

/s/ Briony R. Quinn

Briony R. Quinn
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Stephen M. Spierto

Stephen M. Spierto
Chief Accounting Officer and Corporate Controller
(Principal Accounting Officer)

**Exhibit 31.1**

**Certification of Chief Executive Officer**
**Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, Jeffrey J. Donnelly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DiamondRock Hospitality Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

/s/ Jeffrey J. Donnelly
Jeffrey J. Donnelly
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**Certification of Chief Financial Officer**
**Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, Briony R. Quinn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DiamondRock Hospitality Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

/s/ Briony R. Quinn
Briony R. Quinn
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**Certification**
**Pursuant to 18 U.S.C. Section 1350**

The undersigned officers, who are the Chief Executive Officer and Chief Financial Officer of DiamondRock Hospitality Company (the "Company"), each hereby certifies to the best of his or her knowledge, that the Company's Quarterly Report on Form 10-Q (the "Report") to which this certification is attached, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | |
|---|---|
| /s/ Jeffrey J. Donnelly | /s/ Briony R. Quinn |
| Jeffrey J. Donnelly | Briony R. Quinn |
| Chief Executive Officer | Executive Vice President and Chief Financial Officer |
| November 8, 2024 | November 8, 2024 |