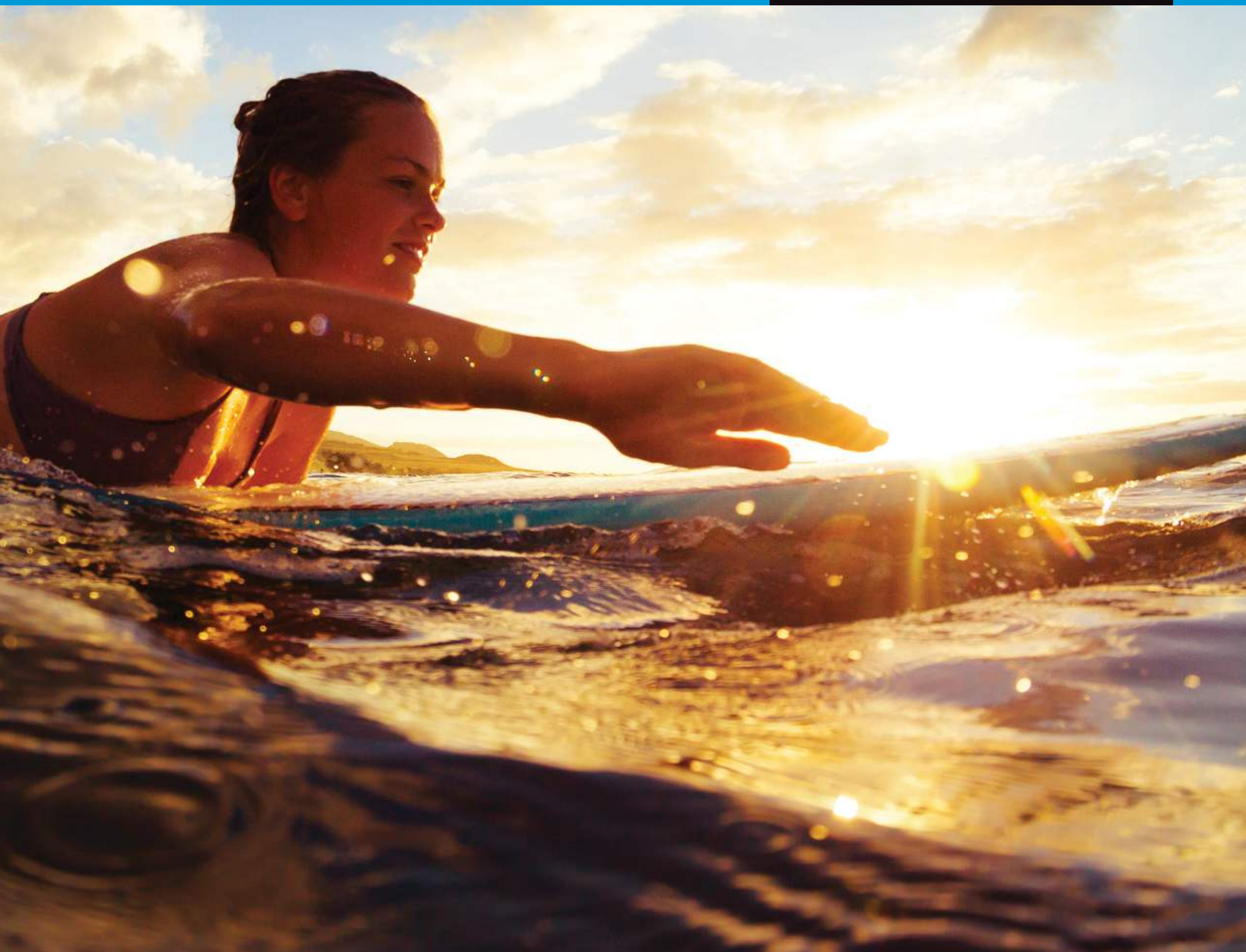
Financial Performance

2016

A SURVEY OF TIMESHARE & VACATION OWNERSHIP COMPANIES

EXECUTIVE SUMMARY



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& VACATION OWNERSHIP COMPANIES

EXECUTIVE SUMMARY

Sales activity

- **Net originated sales excluding fee-for-service increased 8.2 percent, while net originated sales including fee-for-service increased 10.4 percent.**

  In total, the 17 respondents that provided sales information reported $5.948 billion in net originated timeshare sales excluding fee-for-service in 2015. Total net originated sales including fee-for-service arrangements increased 10.4 percent from 2014 to 2015, increasing from $6.165 billion to $6.807 billion. For the *core company set* in aggregate, net originated sales excluding fee-for-service were 6.2 percent higher in 2015 than in 2014 and net originated sales including fee-for-service arrangements were 9.1 percent higher in 2015 than in 2014.
- **Points sales represented 70.0 percent of the $5.948 billion of net originated sales excluding fee-for-service.**

  Of the $5.948 billion of net originated sales reported by 17 companies in 2015, $4.166 billion (70.0 percent) was classified as points sales, while $1.782 billion (30.0 percent) was classified as interval sales.
- **The amount of U.S. net originated sales that were sold on behalf of others under fee-for-service arrangements increased 29.6 percent from $667.9 million in 2014 to $865.6 million in 2015.**
- **Quarterly net originated sales compared to the previous year were greater in total for all four quarters for the *core company set*.**
- **Net originated sales at U.S. locations averaged $39.0 million per resort in active sales.**
- **Unsold weeks held in inventory increased from 1.70 years in 2014 to 1.73 years in 2015, on a weighted average basis, for the *core company set*.**
- **Capital expenditures related to timeshare inventory increased by 65.3 percent from 2014 to 2015.**

  Total capital expenditures related to timeshare inventory increased from $693 million in 2014 to $1,146 million in 2015. All three categories of capital expenditures related to timeshare inventory (New Inventory, Existing Inventory and Completed Inventory) increased.
- **The average yield per week increased 9.3 percent in 2015, with a weighted average yield of $31,476.** The *core company set* reported an average increase in the weighted average yield of a timeshare week of 10.2 percent from 2014 to 2015, increasing from $29,213 to $32,178.
- **Sales tours, average transaction value and volume per guest increased and net close rate remained consistent from 2014 to 2015.**

  In 2015, respondents reported hosting 2.44 million sales tours, compared to 2.34 million sales tours in the previous year. Respondents achieved a weighted average net closing rate of 15.2 percent, which was consistent with the 15.2 percent reported for 2014. During the year, weighted average volume per guest increased from $2,705 in 2014 to $2,835 in 2015, and weighted average transaction value increased from $18,356 to $19,225, respectively.
- **A greater share of net originated sales, by dollar value, was attributable to existing owner sales than in 2014.**

  Existing owner sales accounted for 56.1 percent of sales volume at U.S. locations in 2015, compared to 52.7 percent in 2014. Respondents reported that the average transaction value for existing owner sales increased from $25,746 in 2014 to $27,329 in 2015, while the weighted average transaction value for new owner sales increased from $16,850 in 2014 to $17,079 in 2015.
- **Rescissions, as a portion of gross sales, decreased 0.8 percentage points in 2015.**

  Respondents reported a lesser reduction of gross sales for rescissions, which averaged 15.2 percent in 2014 compared to 14.4 percent in 2015. There was a decrease in rescission rates for upgrade sales and for non-upgrade sales for the *core company set* from 2014 to 2015.

SALES TOURS METRICS BY COMPANY CATEGORY, 2015, U.S.

		Company size			Average yield per week		
	All respondents	$250 million or more	$25 million to $249 million	Less than $25 million	$25,000 or more	$15,000 to $24,999	Less than $15,000
Number of tours	2,441,501	2,136,569	290,212	14,720	1,493,318	561,117	387,066
Number of sales transactions	363,511	322,428	39,136	1,947	198,944	93,392	71,175
Net close rate	15.2%	15.2%	14.1%	12.6%	13.8%	17.5%	18.3%
Net originated sales excluding telesales (mill)	$6,492	$5,948	$525	$19	$4,323	$1,272	$897
Volume per guest ("VPG")	$2,835	$2,899	$2,170	$1,355	$3,040	$2,467	$2,372
Average transaction value	$19,225	$19,557	$15,763	$11,032	$21,866	$14,618	$13,027

Source: Deloitte & Touche LLP based on 17 company survey responses.

Key ratios

- **Estimated uncollectible sales, as a portion of net originated sales, averaged 13.0 percent in 2015.**
- **Product costs, as a portion of net originated sales, averaged 13.6 percent in 2015.**
- **Costs related to sales and marketing decreased from 2014 to 2015.** Total sales and marketing costs, as a portion of net originated sales, averaged 41.5 percent in 2015. Total sales and marketing costs reported by the *core company set* decreased from 41.0 percent in 2014 to 40.8 percent in 2015.
- **General and administrative costs, as a portion of net originated sales, averaged 7.6 percent in 2015.** General and administrative costs reported by the *core company set* decreased from 6.9 percent in 2014 to 6.7 percent in 2015.
- **Home owner association (HOA) subsidies and maintenance fees for unsold units net of rental revenues, as a portion of net originated sales, averaged 2.2 percent in 2015.**
- **Operating profit margin on timeshare sales operations increased from 19.7 percent in 2014 to 22.1 percent in 2015.** This margin represents only timeshare sales operations, and excludes profit generated by the consumer financing and resort management components. Approximately 6.0 percent of respondents reported negative pre-tax margins, which may reflect short term timing impacts, the impact of slowing sales pace, or other factors that do not represent the long-term stabilized profit margin of the business.
- **Respondents reported that 55.1 percent of timeshare sales, by dollar value, in 2015 were to buyers who already owned at least one timeshare interest at the company.**

Hypothecation of receivables

- **The average interest rate and advance rate decreased when compared to 2014.**

  Six respondents provided information on hypothecations of receivables that occurred during 2015, totaling $368.3 million. The average interest rate decreased from 5.0 percent in 2014 to 4.4 percent in 2015. The average advance rate decreased from 81.3 percent in 2014 to 63.9 percent in 2015.

Portfolio sales and securitizations

- **For respondents that reported securitizations in both 2014 and 2015, the average transaction size of securitizations decreased, while average advance rates and interest rates increased.**

  For those respondents that reported securitizations in both 2014 and 2015, the average transaction size of reported securitizations decreased 16.1 percent from $291.3 million to $244.5 million; the average interest rate increased 0.1 percentage points from 3.0 percent to 3.1 percent; and the average advance rate increased 3.9 percentage points from 90.4 percent to 94.3 percent. The eight separate securitization transactions reported by survey respondents in 2015 represented a total value of $1.956 billion, measured as the gross value of the sales contracts securitized.

KEY RATIOS AS A % OF NET ORIGINATED SALES VALUE, 2015, U.S.

	All respondents	Interval companies	Points companies	Public companies	Private companies
Estimated uncollectible sales	13.0%	18.2%	10.8%	9.8%	20.3%
Cost of sales, (product cost)	13.6%	14.9%	13.1%	13.8%	13.1%
Sales commissions	15.4%	13.0%	16.4%	15.0%	16.4%
Other sales and marketing costs	26.1%	27.8%	25.5%	25.8%	26.8%
Sub-total: Sales commissions and other sales and marketing costs	**41.5%**	**40.8%**	**41.9%**	**40.8%**	**43.2%**
General and administrative costs related to timeshare sales operations	7.6%	7.0%	7.8%	7.8%	7.2%
HOA subsidies and/or maintenance fees	2.2%	0.5%	2.9%	2.9%	0.4%
Pre-tax margin of timeshare sales	22.1%	18.6%	23.5%	24.9%	15.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Deloitte & Touche LLP based on 17 company survey responses.

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Consumer financing and receivables portfolio performance

- **Of the $5.441 billion of net originated timeshare sales in which respondents provided financing information, $3.166 billion was financed by respondents.**
- **Average down payments on non-upgrade sales, average interest rates, and average term increased in 2015, while average down payments on upgrade sales decreased for the *core company set*.**

  For the *core company set*, the interest rate on new consumer loans exclusive of servicing fees in 2015 was 13.5 percent, up from the 12.9 percent reported in 2014, on a weighted average basis, while the interest rate on new consumer loans inclusive of servicing fees in 2015 was 13.9 percent, up from the 13.1 percent reported in 2014, on a weighted average basis. As a percentage of contract prices, average down payments on non-upgrade sales in the *core company set* increased from 18.3 percent in 2014 to 18.7 percent in 2015 while average down payments on upgrade sales in the *core company set* decreased from 50.2 percent in 2014 to 46.1 percent in 2015. The average term on new consumer loans in the *core company set* increased from 118.2 in 2014 to 119.3 in 2015, on a weighted average basis.
- **Current receivables decreased from 2014 to 2015, while those more than 120 days delinquent increased by 0.3 percentage points.**

  The share of current receivables (current or fewer than 31 days delinquent) was 91.4 percent in 2015, while the share of receivables more than 60 days delinquent was 6.5 percent
- **Gross defaults, as a portion of the gross outstanding portfolio balance at year-end, averaged 6.6 percent in 2015, which is an increase of 0.1 percentage points from 2014.**
- **The weighted average allowance for uncollectible accounts, as a portion of gross outstanding portfolio balance at year-end, was 15.7 percent in 2015.** This was an increase of 0.1 percentage points as compared to 2014.
- **The weighted average interest rate, both exclusive of and inclusive of servicing fees, on loans held in portfolios increased from 2014 to 2015, and the average remaining term increased by 3.4 months.**

  The weighted average interest rate on timeshare consumer loans held in portfolios at year-end was 13.6 percent in 2015 exclusive of servicing fees and 14.3 percent in 2015 inclusive of servicing fees. The weighted average term to maturity for loans held was 101.7 months.
- **The weighted average general and administrative costs of financing operations, as a portion of outstanding portfolio balance, was 1.7 percent in 2015.**

FICO scores

- **The use of FICO scoring as an underwriting component remained consistent in 2015 at 76.5 percent.**
- **The weighted average FICO score on loans held in receivables portfolios at year-end, as reported by respondents, increased 2 points from 705 in 2014 to 707 in 2015.**
- **The weighted average FICO scores on new financings decreased from 724 in 2014 to 721 in 2015.**
- **The weighted average static pool default rate decreased 0.3 percentage points to 16.8 percent in 2015, as reported by fourteen respondents.**
- **The static pool default rate by FICO score (the static pool default percentages by FICO score range at the time the loan was made to purchasers) decreased across several bands from 2014 to 2015.**

PERFORMANCE OF CONSUMER RECEIVABLES PORTFOLIOS AT YEAR-END, 2014 AND 2015, ALL GEOGRAPHIES

	2014	2015
Current	92.1%	91.4%
31 to 60 days	2.0%	2.1%
61 to 90 days	1.1%	1.2%
91 to 120 days	0.8%	1.0%
More than 120 days	4.0%	4.3%
	100.0%	100.0%

Source: Deloitte & Touche LLP based on 17 company survey responses.

MEMBER $25 | NON-MEMBER $50