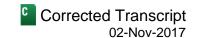


02-Nov-2017

# Marriott Vacations Worldwide Corp. (VAC)

Q3 2017 Earnings Call



### **CORPORATE PARTICIPANTS**

#### Jeff Hansen

Vice President-Investor Relations, Marriott Vacations Worldwide Corp.

#### Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

John E. Geller, Jr.

Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

### OTHER PARTICIPANTS

Brian H. Dobson *Analyst, Instinet LLC* 

**Patrick Scholes** 

Analyst, SunTrust Robinson Humphrey, Inc.

Christopher Agnew
Analyst, MKM Partners LLC

Tyler Batory

Analyst, Janney Montgomery Scott LLC

### MANAGEMENT DISCUSSION SECTION

**Operator**: Greetings, and welcome to Marriott Vacations Worldwide Third Quarter 2017 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to turn the conference over to your host, Mr. Jeff Hansen, Vice President of Investor Relations. Thank you. You may begin.

#### Jeff Hansen

Vice President-Investor Relations, Marriott Vacations Worldwide Corp.

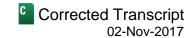
Thank you, Rob, and welcome to the Marriott Vacations Worldwide third quarter 2017 earnings conference call. I am joined today by Steve Weisz, President and CEO; and John Geller, Executive Vice President and CFO.

I do need to remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments.

Forward-looking statements in the press release that we issued this morning, along with our comments on this call, are effective only today, November 2, 2017, and will not be updated as actual events unfold. Throughout the call, we will make references to non-GAAP financial information. You can find a reconciliation of non-GAAP financial measures referred to in our remarks in the schedules attached to our press release as well as the Investor Relations page on our website at ir.mvwc.com.

I will now turn the call over to Steve Weisz, President and CEO of Marriott Vacations Worldwide.

Q3 2017 Earnings Call



### Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Thanks, Jeff. Good morning, everyone, and thank you for joining our third quarter earnings call. This morning, I'll briefly update you on the impact from the recent hurricanes, and then I'll discuss our solid 2017 third quarter results, along with my thoughts on our outlook for the remainder of the year. I'll then hand the call over to John to provide a more detailed review of our results.

First, our thoughts and prayers go out to those who have been affected by the hurricanes in North America and the Caribbean, as well as the fires in California, the earthquake in Mexico City and the tragedies in Las Vegas and New York City. Specifically, as these events relate to us and what has obviously been a very active hurricane season, two storms in particular, Hurricanes Irma and Maria, affected our operations most directly. We felt the impact of Hurricane Irma almost immediately on the island of Saint Thomas before the storm continued on its path, eventually affecting Florida and the East Coast.

Hurricane Irma was followed closely by Hurricane Maria, which impacted our resort in Saint Kitts and compounded an already serious situation on the island of Saint Thomas. The bright spot in the immediate aftermath of these terrible storms was that all of our associates, owners and guests remain safe and recovery efforts at our affected resorts began almost as soon as the storms had passed.

Hurricane Irma heavily impacted our resort on Marco Island. And due to the enormous size of the storm, it also impacted our resorts from Miami and the Fort Lauderdale area to Orlando and as far North as Hilton Head Island. The majority of our resorts and sales centers reopened within a couple of weeks after the storm, and I'm very pleased to say that all but one of our affected sales centers reopened by early October.

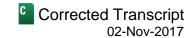
As for Saint Thomas, in the weeks since the storms, we have gained a much better picture of the challenges that lie ahead for the island. Widespread devastation has affected much of the infrastructure and businesses there. And while our properties sustained damage, the return of normal operations to the island itself, including repairs to the electrical grid, will be the primary factor in determining when we will reopen. We do expect our sales center there to remain closed for the remainder of the year.

From a financial perspective, we typically see roughly \$20 million to \$22 million of annual contract sales there, and we expect the impact on contract sales to extend well into next year. We should be able to provide a better estimate of when we will reopen and potential impact in next year's contract sales on our next call.

Shifting to our business results. Company contract sales grew 17% year-over-year or almost \$29 million to over \$198 million. This contributed to a \$23 million improvement in adjusted EBITDA to \$74 million, an almost 50% increase from the third quarter of 2016. As I have mentioned throughout the year, with our change this year to a 12-month reporting calendar, each of the first three quarters included roughly one additional week of operating results. So, our year-over-year growth will not be comparable as reported. Adjusting for the estimated impact of the additional week and the impact of the hurricanes, contract sales would have increased nearly 13%.

This contract sales growth was driven by our North America segment which, adjusting for the calendar shift, grew 8% compared to the third quarter of 2016, including an over 3% improvement in VPG to \$3,482 and a nearly 7% improvement in tour flow. Underlying this performance was continued momentum in our marketing platforms. The call transfer and Encore programs, our primary growth drivers, continued their success in generating tour flow not only within our existing owner base, but also by driving an estimated 13% growth in first-time buyer tours.

Q3 2017 Earnings Call



I am pleased with this growth, especially as we were able to improve our closing efficiency 20 basis points year-over-year. Our tour growth was muted by the impact of the hurricanes, which affected contract sales by an estimated \$12 million in the quarter. Adjusting for the impact to our tour flow caused by the hurricanes, we estimate North America contract sales would have grown roughly 15% over the third quarter of last year. Almost half of this growth came from our same-store sales locations, driven primarily by new marketing programs. The momentum in these programs is on track to continue this growth with roughly 5% more activated tours on the books for the remainder of 2017, then at the end of the third quarter last year.

We have high expectations for the future growth in our same-store tour generation going forward, as we continue to gain traction with additional linkage opportunities, as well as marketing opportunities outside of the Marriott branded umbrella.

Staying in our North America segment. Adjusting for the impacts of the calendar shift and hurricanes, new destinations drove roughly 8 percentage points or just over half of our contract sales growth in the quarter. In South Beach, our sales center reopened about one week after the storm and began ramping up into the fourth quarter, as the Miami area worked to get back to being a world-class vacation destination. Our Marco Island location closed for several weeks due to Hurricane Irma. If you'll recall, our property on Marco was being expanded through a capital efficient structure, where in a third party has been completing two additional towers. We had expected to open the last tower in the fourth quarter of this year while delaying the acquisition of these units until a future date.

Due to hurricane – due to the damage caused by the hurricane force winds and rain; however, the opening of the last tower has now been delayed into the early part of next year. This delay will impact tour flow at our Marco Island sales center until we are able to open the remaining 112 units in this tower. Overall, I'm very pleased with the performance of our new sales centers and look forward to the continued growth that they will provide as they continue to ramp up into next year.

In our Asia-Pacific segment, adjusting for the estimated impact of the financial reported calendar change this year, contract sales were down nearly 1% from the third quarter of 2016. Our new location in Surfers Paradise Australia continues to ramp up with contract sales growing almost \$2 million, more than doubling the contract sales performance from the third quarter of last year. This growth was offset by our existing locations, which faced some headwinds from a difficult year-over-year comparison.

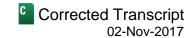
As part of our longer-term growth strategy, we have become expanding – we have begun expanding our marketing channels, most notably in the Indonesia and Japan, with a primary focus on first-time buyers. This expansion is fundamental to driving future incremental tour flow in the region.

To that end, I'm very pleased to announce that we have recently completed the acquisition of our first property in Bali and expect to begin operations at this beautiful location in the coming months.

Now, let me take just a moment to provide my thoughts on how our solid third quarter performance, coupled with the effects from the hurricanes, have impacted our expectations for our full year results. Prior to the arrival of the hurricanes, we were trending very well toward our full-year guidance range of 12% to 16% growth in contract sales and \$282 million to \$292 million of adjusted EBITDA.

However, as we mentioned in our press release in late September, the hurricanes will negatively impact our contract sales growth by approximately \$20 million or roughly 3 percentage points. In addition, we estimate that adjusted EBITDA will be negatively impacted by roughly \$7 million. In line of these impacts, we are adjusting our

Q3 2017 Earnings Call



contract sales guidance for the full year growth to 10% to 13% and full year adjusted EBITDA guidance to a range of \$278 million to \$283 million.

As we look at the remainder of 2017, with the increased numbers of tour packages already on the books compared to last year and new sites performing well, we are very pleased with how we are performing and are confident that our growth strategy will continue to drive improve results as we head into next year.

With that, I'll turn the call over to John to provide a more detailed look at our third quarter results. John?

### John E. Geller, Jr.

Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

Thank you, Steve, and good morning, everyone. I, too, am very pleased with our strong third quarter results. Adjusted EBITDA totaled \$74 million, \$23 million or 46% higher than the third quarter of 2016. As a reminder, we do not exclude the timing impact of revenue reportability when calculating adjusted EBITDA. As such, it's important to remember that last year's third quarter adjusted EBITDA was unfavorably impacted by roughly \$12 million of revenue reportability, much of which was recognized in the fourth quarter of 2016.

Contract sales after adjusting for the estimated impact of the financial reporting calendar change were up 6% to \$198 million. And as Steve mentioned, excluding the adverse impact of the hurricanes in the quarter, we estimate that contract sales would have grown nearly 13%. As it relates to the hurricanes, we estimate that lower contract sales as well as lost revenues in other parts of the business negatively impacted our adjusted EBITDA by over \$3 million in the quarter.

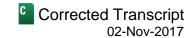
Despite the estimated \$3 million of lost adjusted EBITDA from the Hurricanes, our development, resort management and financing businesses all contributed to our year-over-year improvement and adjusted EBITDA.

Development margin grew \$22 million or 126%. Our financing margin increased \$4 million or 21%, and our resort management business grew \$2 million or 6%. For the third quarter, company adjusted development margin increased \$9 million or 29% to \$38 million from the third quarter of 2016. And our adjusted development margin percentage totaled 21.3% in the quarter, 160 basis points higher than the third quarter of 2016. In addition, we estimate that the hurricanes negatively impacted adjusted development margin by 0.5 point in the third quarter. While our full year 2017 goal for development margin was 21% or better, given the impact of the hurricanes, we do expect our margin to be below that level for 2017.

In our North America segment, adjusted development margin increased \$10 million or 35% to \$40 million in the third quarter, and our adjusted development margin percentage was 24.4% or 240 basis points higher than the third quarter of 2016. The \$10 million increase in adjusted development margin in North America was driven primarily by \$8 million from higher contract sales volumes, \$5 million of lower product costs and \$1 million of lower sales reserve activity, partially offset by \$3 million of higher marketing and sales cost, of which \$1 million is related to the ramp-up of our newest sales distributions. For the quarter, we estimate that the hurricanes unfavorably impacted adjusted development margin in North America by nearly \$4 million.

In our financing business, revenues increased \$6 million or 19% to \$35 million in the third quarter of 2017. These results reflect a \$7 million increase in interest income from a combination of our growing notes receivable balance, as well as the impact of the additional eight days associated with the change in our reporting calendar, partially offset by additional costs from our financing incentive programs.

Q3 2017 Earnings Call



Our notes receivable portfolio continues to perform very well, as we have seen our financing propensity increased 240 basis points to 66% in the third quarter. Average FICO scores of buyers who financed with us in the quarter were 738, and delinquency rates remain near historic lows. Financing revenues, net of related expenses, were up 21% to \$23 million from the third quarter of last year.

In our rental business, rental revenues increased \$7 million to \$81 million. Rental revenues, net of expenses, were \$10 million, down \$3 million from the prior year. These results reflect a 13% increase in transient keys rented, which includes the benefit of an additional eight days associated with the change in our reporting calendar. This increase was partially offset by the impact of the hurricanes, which we estimate negatively impacted rental revenues by roughly \$2 million in the quarter. The increase in revenue was offset by higher rental inventory costs, including higher utilization of banking and borrowing and explore options as owners continue to take advantage of the flexible usage options of our points program.

Results also reflect a nearly 11% increase in preview room nights over the third quarter of 2016. Remember, the rental rate from preview usage is less than that from transient rentals. So, as we utilize more of our rental availability for preview room nights to support our increasing tours, we expect this activity will remain a headwind to rental margins, as we continue to grow our marketing packages. And our resort management and other services business results improved \$2 million or 6% to \$32 million in the quarter. These results reflected higher fees for managing our portfolio of resorts, higher exchange company activity and the impact of the additional eight days from the reporting calendar change. These increases were partially offset by lower ancillary margin resulting from the impact of the hurricanes as well as the timing of certain technology-related costs.

G&A costs were up nearly \$5 million in the quarter, of which roughly \$2 million resulted from the additional eight days from the reporting calendar change. The remainder of the increase was driven by normal inflationary cost increases and higher variable compensation-related expenses. Royalty fees were up \$1 million from the third quarter of 2016. This was driven primarily by higher contract sales volumes, as well as the additional eight days from the reporting calendar change.

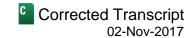
Moving to our balance sheet. At the end of the quarter, cash and cash equivalents totaled \$440 million. We also had approximately \$48 million of gross vacation ownership notes receivable eligible for securitization and roughly \$245 million in available capacity under our \$250 million revolving credit facility.

Our total debt outstanding at the end of the quarter was roughly \$1.2 billion, consisting primarily of \$895 million associated with our securitized notes receivable. In addition, we issued \$230 million of convertible notes during the third quarter. While we do not have an immediate need for the proceeds, we felt that it was an opportune time for us to put some leverage on the company as we continue to optimize our capital structure. We did evaluate several different debt instruments and believe that the one we chose provides the most flexibility for us in terms of covenants and use of proceeds and enables us to take advantage of the strength of our stock price in a very low current rate of interest.

The cost spread arrangement we entered into at the same time resulted in an effective cash interest rate of roughly 1.7% and effectively increased the conversion price to \$176.68 per share. Our strategy regarding the use of capital has not changed. We will first and foremost look for opportunities to grow our business. In addition to those opportunities, we will look to return excess capital to our shareholders through share repurchases and dividends.

As it relates to our return of capital in the quarter, we repurchased 696,000 shares of our outstanding common stock for \$79 million, including \$40 million purchased with proceeds we received from the convertible debt

Q3 2017 Earnings Call



offering. For the first three quarters of 2017, we returned \$112 million to our shareholders through both our share repurchase and dividend programs.

Now, let me take a moment to update you on the status of our hurricane-related insurance claims. As it relates to Hurricane Matthew, which impacted us in the fourth quarter of 2016, we received nearly \$9 million of net business interruption insurance proceeds in the third quarter. Given that these proceeds relate to last year, we have excluded them from our adjusted EBITDA results for the third quarter.

For Hurricanes Irma and Maria, Steve walked you through the high level impacts of these powerful storms, which we estimate will negatively impact full year contract sales by roughly \$20 million and full year adjusted EBITDA by approximately \$7 million. We continue to work with our insurance providers and expect to submit a claim in 2018 covering our business interruption losses, as well as property damage experienced by both us and our owners associations.

Now, let me turn to our outlook for 2017. As Steve mentioned, prior to the hurricanes in the third quarter, we expected to generate overall financial results for 2017 that would have been in line with our prior guidance. However, taking into account the estimated \$20 million negative impact from the hurricanes on full year contract sales, we now expect contract sales to grow 10% to 13% for the year. Shifting to adjusted EBITDA, taking into account the estimated \$7 million negative impact from the hurricanes, we expect 2017 adjusted EBITDA of between \$278 million and \$283 million.

For the fourth quarter, we expect adjusted EBITDA of between \$64 million and \$69 million. Keep in mind that our fourth quarter compares unfavorably to the prior-year quarter, given the change in our reporting calendar. Since our first three quarters this year benefited from an additional 22 days of operating results, the offset comes in the fourth quarter where our 2017 fourth quarter will have 20 days less of operating results as compared to 2016.

In addition, our outlook contemplates roughly half of the hurricane impact occurring in the fourth quarter. While we don't typically provide quarterly guidance, given the impact of the reporting calendar change as well as the continued impact of the hurricanes, let me take a few moments to provide additional color of what our fourth quarter might look like. Given our projected contract sales growth, development margin could be between \$36 million and \$40 million in the fourth quarter. Resort management should continue to perform well with margin between \$34 million and \$36 million. Our financing business – excuse me, for our financing business, our margin could be between \$20 million and \$22 million in the fourth quarter. While slightly lower than the third quarter results, it does include a full quarter of interest expense associated with our 2017 securitization.

And for our rental business, our margin could be between \$3 million and \$5 million, as we continue to utilize preview room nights to fulfill marketing package activations and experience higher rental inventory costs. I recognize there are a lot of moving parts to our business. However, putting it all together, I'm excited about our projected full year results, which should generate strong year-over-year improvement despite the adverse impact of the hurricanes.

Finally, we continue to focus on maximizing cash flow. As such, we are raising our expectations for adjusted free cash flow to \$205 million to \$225 million, reflecting the benefit of the deferral of capital and other spending and, to a lesser extent, lower cash income taxes. Please note that this range includes approximately \$10 million of unidentified inventory spend. Depending on the timing of executing new deals, this spending may also be deferred into 2018. Our results through the first three quarters have been impressive with contract sales growth of 13% on a comparable reporting calendar basis and adjusted EBITDA of \$214 million. Our newest sales distributions are open and growing, and our marketing programs are continuing to ramp up very nicely.

VPG has remained solid throughout the year, and tour activations are well ahead of the same point in 2016, all of which does gives us confidence that 2017 will be a tremendous year. As always, we appreciate your interest in Marriott Vacations Worldwide.

And with that, we will open up the call for Q&A. Rob?

### QUESTION AND ANSWER SECTION

**Operator**: Thank you, John. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question comes from Brian Dobson with Nomura. Please proceed with your question.

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Stephen P. Weisz President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.	A
Good morning, Brian.	
Brian H. Dobson  Analyst, Instinet LLC	C
Hi. Good morning.	
John E. Geller, Jr.  Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.	Д
Good morning.	
Brian H. Dobson Analyst. Instinet LLC	C

Hi. Do you think that you can delve into in a little bit more detail, the moving parts in tour flow and VPG and what allowed you to increase VPG while increasing tour flow so dramatically?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Well, a part of that is I think I referenced in my remarks, a 20 basis point improvement in closing rate. When you get that, that obviously has an impact on VPG. The other thing is, as we continue to adapt to more tour flow from first-time buyers – or first-time buyer tours, I should say. We have become more adept at being able to close on them as well. So, I personally think that – I mean when you step back and say well how is that VPG calculation look like, it's really a function of the average sale price and the closing rate. So you get a little bit of inflation as your cost of, per point goes up and as the closing rate goes up and that's what really drives the VPG.

Brian H. Dobson

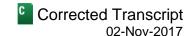
Analyst, Instinet LLC

Cross So, the majority of it is really fine tuning that called approach for the new type of consumer?

Great. So, the majority of it is really fine tuning that sales approach for the new type of consumer?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Q3 2017 Earnings Call



Yes, yes, that was correct.

Brian H. Dobson
Analyst, Instinet LLC

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And then, as you're looking out over the next two years, where – what key regions would you like – to see the company expand into?

### Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

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Well. We've said all along that you know we have a footprint in Europe, which we have said that, for the foreseeable future, we don't see a lot of growth in that area. We still have some residual inventory to sell they are not much, and obviously we'll always be in our kind of a resale environment over there. Our two primary focuses are North America, which I would – I would tie into that Latin America as well and then the Asia-Pacific as that is the primary areas where we're going to focus on our growth.

Brian H. Dobson

Analyst, Instinet LLC

Great. Thank you very much.

Stephen P. Weisz



President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Thank you.

**Operator**: Our next question is from Patrick Scholes with SunTrust Robinson Humphrey. Please proceed with your question.

Stephen P. Weisz



President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Hi, Patrick.

#### Patrick Scholes

Analyst, SunTrust Robinson Humphrey, Inc.

Hey. Good morning. A couple of questions here. First, can you remind us where you stand now on your long-term targets first time buyers versus upgraded sales? How is that progressing?

Stephen P. Weisz



President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

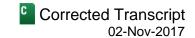
Well, as you'll recall, we kind of – post the Great Recession, we were at roughly 60- 40 reloads versus first time buyers. I think, we've got that down maybe a point-and-a-half almost two points in terms of our tour flow. But you know as we said all along you know, we have – while there's no magic in the number roughly a 50-50 goal, we want to continue to move in that direction because we believe for the long-term health of the business adding more first time buyers is good for us.

John E. Geller, Jr.



Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

Q3 2017 Earnings Call



Yeah, the only thing I'd add to that is, yes, so this year, Patrick, I mean we've got double digit growth in contract sales for first-time buyers. So, those programs are kicking in. In terms of the mix that's actually we're selling that much to existing owners too. So, the mix has moved a little bit seize point, but we're not going to apologize for selling more to our owners, who love our product but our real goal is to continue to drive that first-time buyer growth.

Patrick Scholes

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Good color there. Have – moving on to my next question, have you seen any impact on your expectations for your loan loss provision due to the hurricanes. And what I mean by that specifically is the ability to pay a time share loan for people, who may be based in a hurricane impacted that market?

John E. Geller, Jr.

Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

Yeah. We've seen really no impact. I think we've got a handful of calls from folks that have a mortgage with us that are in those hurricane disaster areas and when those – when that happens, we work with those owners and give them the relief or whatever they need to keep going. So but, like I said, it's been a handful of folks, Patrick.

Patrick Scholes

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Maybe the this next question related – a little too granular. Those folks you just described is that going to be more of your lower credit score type of customer or maybe I'm just getting to too specific, here...

Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Yeah. When you talk about a handful of people, I have no ...

Patrick Scholes

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Fair enough. Just a couple of more questions here. In a previous call, you had mentioned for the right acquisition, key word Right, that you would still be comfortable, you would be comfortable with up to three times leverage. Is that still your view?

John E. Geller, Jr.

Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

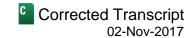
Yeah. I mean, look, it's facts and circumstances, right, for whatever that right acquisition would be. The key for us is what I've talked about as long term we feel for our company somewhere in the 2 times to 2.5 times normalized leverage running the business is probably about the right leverage as we think about it today.

Now, for an – for the right acquisition, when I go above 3 times, when I go higher with a plan to pay that down, sure. I mean, like I said, it's going to be facts and circumstances. I wouldn't look at it as a sustained leverage if we went above it but a way to bring that leverage back down over time.

Patrick Scholes

Analyst, SunTrust Robinson Humphrey, Inc.

Q3 2017 Earnings Call



Okay. Thank you. And then, last question. Your – on your buyback program in the quarter, is this a pragmatic – excuse me, a discretionary or pragmatic buyback program?

Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

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Well, when you say programmatic, I mean, what we've done – I think if you look at over the last couple of years, we've been fairly programmatic in buying our shares back. We – when the stock price goes down, we probably are more opportunistic in buying more so we do pay attention on what's going on in the market. But we continue to look at our stock as a good value, and we'll continue to buy back with excess capital over time.

**Patrick Scholes** 

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Thank you. That's all for me.

Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

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Thank you.

**Operator**: Our next question is from Chris Agnew with MKM Partners. Please proceed with your question.

Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

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Hi. Chris.

Christopher Agnew Analyst, MKM Partners LLC



Thank you very much. Good morning. Hi. First question. If I think about your year-to-date – your comparable contract sales growth, am I right in thinking it's about 13% and therefore that implies in the fourth quarter a range of, I think, flat to around 12% or, let's say, low-double digit in the fourth quarter? I'm just curious. What gets you to the high end of that range versus the low end and what have you been seeing so far in the fourth quarter? Thanks.

John E. Geller, Jr.

Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

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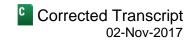
Well, I think the first thing is, as these new sales centers have continued to ramp up, you'll start to see that. Now, with that said, obviously, we have kind of some built-in comparable headwind given the fact that they were new and coming online in the fourth quarter of last year. But I think your arithmetic works pretty well, and I think the goal is to continue I mean, if we can drive double-digit growth in contract sales on a quarter-over-quarter basis we're pretty happy about that.

Christopher Agnew Analyst, MKM Partners LLC



Got it. Thank you. And then, when you talked about some of your high growth expectations, you mentioned additional linkage arrangements. Can you just give us an update on how the linkage arrangements you've already set up are progressing and what sort of additional arrangements you're thinking up? Thank you.

Q3 2017 Earnings Call



#### Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

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Sure. Just as a reminder to everybody on the call, we have had linkage arrangements with Marriott hotels throughout our existence as an organization and as Marriott has expanded its portfolio by organic growth or by acquisitions of additional properties including the Starwood acquisition last year. We've taken advantage of that expansion by signing some agreements with several Westin and Sheraton hotels, and we're very pleased with how that is progressing. And we're currently in negotiations on more locations within the legacy Starwood brands to continue to grow our linkage platform.

#### Christopher Agnew

Analyst, MKM Partners LLC

Thank you. And then, final question. Can you give an update – what your pipeline – or maybe I'll ask another question. When and where do you start thinking about additional sales centers and expanding the portfolio? Thank you.

### Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.



Yeah. We have – as we've stated, our goal all along is wherever possible is to think about new resort destinations including a new sales distributions and locations where we have no presence today. We – as I mentioned, we just closed on the transaction in Bali and will be opening that new sales center in conjunction with that in the next couple of months. And we continue to look at other opportunities in Asia-Pacific. Got several things that are kind of active, nothing that I'm ready prepared to talk to in specifics at this point in time. And then, of course, we always continue to look in North America. There are still several kind of world class vacation destinations where we don't have a presence today here in North America, and we're very active in that arena as well.

### Christopher Agnew

Analyst, MKM Partners LLC



Great. Thanks very much.

#### Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.



Thank you.

**Operator**: Our next question is from Tyler Batory with Janney Capital Markets. Please proceed with your question.

#### Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Good morning, Tyler.

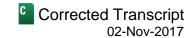
#### Tyler Batory

Analyst, Janney Montgomery Scott LLC



Good morning. Thanks for taking my questions. So I wanted to ask a little bit more on 2018, when you called out the potential negative impacts here from St. Thomas, and then Marco Island. But do you have an expectation that

Q3 2017 Earnings Call



you're going to see maybe a potential lift, potentially from people that canceled here in the third quarter or fourth quarter from the hurricane maybe rebooking those trips in 2018.

Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

I think there is clearly I believe there's some opportunity there. It might evidence itself more on the rental side than in the vacation ownership side. But if we do our job right if there's more rental activity then we'll try to entice some people to take some tours and make some sales to them. Just for clarity

Marco Island, the tower that we're talking about in Marco the 112 units. There is currently 102 units that are open and operational in Marco Island. So when that additional tower comes on which will be, we anticipate sometime in the first quarter. Then we'll obviously double the size of the resort. With that said, we've had a sales presence on Marco Island now for several years. So essentially what we get is we get some more tour possibilities from inhouse and people that are exchanging there and rentals. So I think that will have some modest impact to us next year, although not dramatic.

St. Thomas is a little different situation. Our sales center on St. Thomas was in the Frenchman's Reef Marriott Hotel. That hotel, according to the hotel owner DiamondRock, they've announced that, that hotel will be closed throughout 2018. Our goal will be to try to figure out how we can establish some sort of a sales presence on St. Thomas to generate some sales from that location. But as I mentioned in my remarks, that location – the previous sales center was generating \$20 million to \$22 million worth of sales. My expectation will be that, it'll be something less than that if we get a small sales presence there, although it's too soon to tell and we'll give you a lot more color on the next call.

Tyler Batory

Analyst, Janney Montgomery Scott LLC

Okay, great. That's very helpful. And then another follow-up here on the new sale centers, can you discuss the VPG at those locations, how they compare to your existing sales centers and how the VPG there is trending versus your expectations?

Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

It's generally pretty close and you got to remember you had mix. So you take a new sales center in New York City which by definition given the profile of the customer and everything else we see there has a tendency to run it a relatively higher VPG. You contrast that to say, San Diego, which may be just a little bit lower but on balance, the VPGs between our new sales centers and our existing sales centers. There's no meaningful difference between them.

Tyler Batory

Analyst, Janney Montgomery Scott LLC

Okay. Great. That's all from me. Thank you.

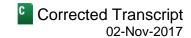
Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

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Thank you.

Q3 2017 Earnings Call



**Operator:** Ladies and gentlemen, we have reached the end of the question-and-answer session. At this time, I'd like to turn the call back to Stephen Weisz for closing comments.

### Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Thank you, Rob. I'm very pleased with our third quarter results. We are performing very well. We were performing very well prior to the hurricanes and during and after their arrival, our associates proved themselves to be resilient as they face the challenges brought by the storm. This in these moments, that you see people – who people truly are. And I cannot could not be more proud of what our teams have overcome.

I'm confident in our ability to deliver on our current growth strategy and look forward to speaking you – with you again on our next call. And finally, to everyone on the call and your families, enjoy your next vacation.

**Operator:** This conclude today's conference. And you may disconnect your lines at this time and we thank you for your participation.

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