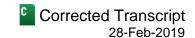


28-Feb-2019

Marriott Vacations Worldwide Corp. (VAC)

Q4 2018 Earnings Call



CORPORATE PARTICIPANTS

John E. Geller, Jr.

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

Stephen P. Weisz

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

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Jared Shojaian
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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to Marriott Vacations Worldwide, Fourth Quarter 2018 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to turn the conference over to your host, Mr. John Geller, Chief Financial Officer and Administrative Officer. Thank you, you may begin.

John E. Geller, Jr.

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

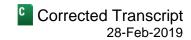
Thank you and welcome to the Marriott Vacations Worldwide fourth quarter 2018 earnings call. I'm joined today by Steve Weisz, President and Chief Executive Officer.

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, February 28, 2019, 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.

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Stephen P. Weisz

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

Thanks, John. Good morning, everyone, and thank you for joining our fourth quarter earnings call. Today, I'll walk you through the financial highlights for 2018. I'll also provide an update on the progress of our integration efforts of the ILG business, as well as the savings we are projecting for 2019 related to our various synergy initiatives. I'll then turn to the 2019 guidance before I hand the call over to John to provide further details on our 2018 financial results and 2019 outlook. We'll then begin taking your questions.

I'm extremely happy with how we were able to close out the year, especially given the significant ongoing work surrounding the integration of the businesses since the acquisition on September 1. For the full year, consolidated contract sales were \$1.07 billion including \$902 million of sales from Legacy-MVW.

On a combined basis, assuming the ILG acquisition occurred at the beginning of 2017, contract sales would have totaled \$1.4 billion, reflecting an 8% increase year-over-year.

Adjusted EBITDA for the full year totaled \$419 million, \$14 million above the high-end of our previous guidance as we benefited from strong revenue reportability and better performance across the business reflecting the strength of our diversified business model. On a more comparable combined basis, adjusted EBITDA would have totaled \$667 million, an increase of \$21 million or 3% driven by a \$26 million or 9% increase from Legacy-MVW.

Legacy-ILG's adjusted EBITDA in the prior year benefited from roughly \$20 million of favorable product cost true-up activity. Adjusting for this impact, total company adjusted EBITDA in 2018 would have increased \$41 million or nearly 7%.

Looking at just the fourth quarter, combined contract sales grew \$25 million or 8% including \$17 million or 8% growth for Legacy-MVW. In our Legacy-MVW business while the majority of our sales growth came from existing sales locations which were up 7% year-over-year, we continue to see significant ramp up in sales from our newer sales distributions which grew roughly 17% quarter-over-quarter. And combined adjusted EBITDA grew \$11 million or 7% in the quarter including \$16 million or 20% growth from Legacy-MVW.

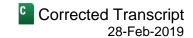
Legacy-ILG's adjusted EBITDA in the prior year benefited from roughly \$5 million of favorable product cost trueup activity. After adjusting for this impact, total company adjusted EBITDA for the quarter would have increased \$16 million or 10%.

We are very pleased with how we wrapped up 2018 notwithstanding the volatility in the stock market and concerns about the macroeconomic outlook late in the quarter. Our financial results reflecting the resiliency of our business and the strength of our overall system, as we were still able to generate strong contract sales growth in the quarter as well as full year adjusted EBITDA and adjusted free cash flow both of which were above the highend of our previous guidance.

Looking at just the Legacy-MVW North America Vacation Ownership business, tour flow grew over 9% in the quarter, including a 14% increase in first-time buyer tours. The higher first-time buyer tour flow was driven by contributions from our linkage, Encore and call transfer programs, as well as growth at our newer sales distributions.

I'm also pleased to report that our tour package pipeline grew 9% in the fourth quarter. In addition, activated tours with a scheduled arrival date in the current year grew more than 17% year-over-year. VPG for Legacy-MVW

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North America Vacation Ownership business was \$3,496, roughly in line with the fourth quarter of last year, despite the increase in first-time buyer tours which have a lower VPG. In addition, we generated a 180 basis point improvement in adjusted development margin as a result of a lower cost inventory being sold and to a lesser extent from more efficient marketing and sales spending.

Now, let me provide you with an update on our continuing integration efforts. As I mentioned on our previous earnings call, we are targeting total annual run rate savings in excess of \$100 million within the next three years. I continue to view the combination of our world-class brands and Vacation Ownership, together with our extraordinary exchange and management businesses as a once-in-a-lifetime opportunity and we are looking at the integration as just that, a chance to make a transformational change to the way we do business.

As it relates to savings to date, I'm pleased to say that as of the end of 2018, we have achieved run rate savings of over \$30 million, roughly \$5 million higher than the projection provided during our last quarterly earnings call. And for 2019, we are targeting to achieve over \$50 million of run rate savings by the end of the year, equating to roughly \$35 million to \$40 million of in-the-year savings. The teams have worked diligently over the last several months and have identified initiatives that are projected to achieve \$100 million of annual savings within the next three years. We aren't planning to stop there. The teams are working to identify additional opportunities above and beyond to hopefully exceed our target.

Let me take a few minutes to highlight some of the key initiatives that we expect will drive the more significant savings, in addition to our meaningful top line growth over the next few years. From a customer-facing perspective, our initial focus is in the marketing and sales where we are aligning Vistana's programs and processes with the Marriott Vacation Club programs. Remember, when I refer to Vistana, I'm talking about both the Westin and Sheraton brands. Starting with our sales associates, we have centralized recruiting across all brands and we will be working to centralize training throughout 2019.

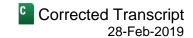
As we have found with our Legacy-MVW sales associates, a consistent onboarding experience and education process ensures our associates are better prepared for consistent messaging during the sales process, providing them a greater likelihood of success. We believe that this will help reduce the higher than normal turnover experienced last year with Vistana sales associates.

With a better prepared and stable sales force and all of the Marriott licensed Vacation Ownership brands under one umbrella, we have many opportunities to grow the Vistana business, similar to how we've grown the Legacy-MVW business over the last several years. We're working to grow Vistana VPG over time to the levels achieved by Marriot Vacation Club by focusing on best practices and more efficient and profitable marketing channels like our Encore program.

In addition, we've made very good progress with aligning our pricing and sales incentive programs across the system, which again helps with messaging and the overall customer experience. We are also focused on leveraging best practices from both businesses to grow tour flow and build the tour package pipeline by expanding our call transfer program utilization with Marriott International, expanding our marketing linkage opportunity across the Marriott branded lodging properties and expanding Encore package production, especially at the Vistana sales locations.

From the back of the house perspective, in the short-term, we're focused on consolidating human resource technology platforms, combining financial applications and reporting, and integrating technology and related processes across the entire business. As you might imagine, given the size of the new organization and the complexity of harmonizing the various systems, these changes require a meaningful amount of time and

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investment to be successful. While many of these initiatives will be substantially complete by year-end, most of the savings won't begin to materialize until early 2020.

Before I turn to 2019, I want to highlight that in late December, we completed the disposition of our majority interest in VRI Europe for \$63 million. After closing, we had a better opportunity to understand the various businesses within ILG and determined that while the VRI Europe business was expected to provide roughly \$10 million of adjusted EBITDA in 2019, we didn't view it as a strategic growth opportunity for our company. When our partner approached us with a buyout offer, we saw this as a great opportunity to recycle capital while maintaining our strategic focus. In connection with the transaction, we also entered into a long-term extension of our former joint venture partner's global affiliation agreement with Interval International.

Now, let's turn to 2019. Before I get to our guidance, let me highlight a couple of Vacation Ownership properties coming on line in 2019. Starting with our Westin brand, we reopened our beautiful property on St. John in the U.S. Virgin Islands in early January. As you may recall, this property was closed for all of 2018 after it suffered significant damage during the 2017 hurricane season. We're very excited to have this wonderful resort and sales center back up and running for our guests and look forward to what it can deliver this year from a contract sales perspective.

In our Marriott Vacation Club brand, we're looking forward to opening our San Francisco property late in the second quarter. Located in the heart of the Fisherman's Wharf district, we believe this property will be a wonderful addition to our Marriott Vacation Club Pulse portfolio and expect this location to be a significant contributor toward our future contract sales growth.

Now to guidance. For the year, we are targeting contract sales between \$1.53 billion and \$1.6 billion reflecting a year-over-year increase on a combined basis of 7% to 12%. While this growth reflects continued improvement in VPG, mainly from many of the initiatives I previously mentioned, we are also targeting significant growth in tour volumes as we expand profitable programs across the brands.

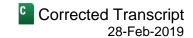
Perhaps what we are most looking forward to is our ability to tap into the digital marketing environment. By the end of the third quarter, we expect to launch our digital marketing program with Marriott International. Similar to our current call transfer program, this marketing channel will allow users of marriott.com to receive attractive offers and promotions linked to our products, driving higher tour flow at our Marriott Westin and Sheraton branded locations. In addition to the value we see in the digital arena with the Marriott linked programs, we also see similar opportunities in other social media and digital advertising platforms.

I'm very excited about with the many opportunities our newly expanded business provides. We expect 2019 to be a year of significant change for MVW as we continue to integrate and enhance the overall business, but we also expect it to be a year of significant growth. Given the timing of the changes I outlined, we expect it to be a year where our growth accelerates as we move through the year and as we continue to harmonize business processes. John will speak more to that cadence in a few moments.

Moving to adjusted EBITDA. We are projecting to generate \$745 million to \$785 million or almost 15% growth at the midpoint of our guidance over 2018, with contributions coming from both of our sites.

With that, let me hand the call over to John to walk through further details on our fourth quarter results, as well as our guidance for 2019. John?

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John E. Geller, Jr.

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

Thank you, Steve. I, too, am very pleased with our strong performance in the fourth quarter, as well as the progress we've continued to make on the integration of the businesses. As a reminder, with the ILG acquisition, we've realigned our structure to manage the business through two operating segments, Vacation Ownership and Exchange & Third-Party Management. To better highlight how these businesses performed in 2018, since we did not own the ILG businesses for the majority of the year, we have included additional supplemental financial results in our earnings release which we refer to as Legacy-MVW. These results exclude ILG's 2018 performance subsequent to the acquisition.

In addition, to provide a more meaningful year-over-year comparison of financial results, we have also provided combined financial information as if the acquisition of ILG had occurred at the beginning of 2017. On a combined basis, adjusted EBITDA was a \$180 million in the fourth quarter of 2019 and \$11 million or 7% increase in contract sales totaled \$358 million, a \$25 million or 8% increase from the prior year.

Looking first at Legacy-MVW, adjusted EBITDA increased \$16 million or 20% to \$99 million reflecting improvements in all lines of business. In our development business, contract sales grew \$17 million or 8% to \$224 million in the quarter. Development margin in the fourth quarter was \$67 million or is up \$13 million or 24% to the prior year. Adjusted development margin percentage was 22.4% compared to 20.6% in the prior year. The improvement in the margin percentage reflected the benefit of a favorable mix of inventory being sold and to a lesser extent more efficient marketing and sales spend as we continue to leverage fixed cost.

In our financing business, financing revenue, net of expenses and consumer financing interest expense totaled \$24 million, \$1 million above the prior year. Results include a \$5 million increase in interest income from our growing notes receivable balance, partially offsetting this increase was \$2 million of additional cost from our financing incentive programs and \$2 million of higher consumer financing interest expense from a combination of slightly higher cost of funds and our growing securitized debt balance.

Our notes receivable portfolio continues to perform very well. The average FICO score of buyers who financed with us in the quarter was 741, while delinquency rates remain near historic lows and financing propensity remained strong at 61%.

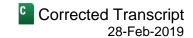
In the rental business, rental revenues, net of expenses were \$11 million, a \$5 million increase from the prior year. These Legacy-MVW results were driven by a 1% increase in transient keys rented, a 2% increase in transient rate and \$2 million of higher plus point revenues, partially offset by higher variable rental expenses.

In our resort management and other services business, revenues increased \$6 million or 9% and margin increased \$4 million or 10% to \$38 million in the quarter. These adjusted results were driven by higher fees for managing our portfolio of resorts and higher club activity.

Legacy-MVW G&A costs were \$30 million in the quarter, \$5 million higher than the prior year, reflecting normal inflationary cost increases as well as higher litigation-related expenses. Royalty fees totaled \$17 million, an increase of \$1 million from the fourth quarter of 2017, mainly driven by the higher contract sales year-over-year.

Turning to Legacy-ILG, on a more comparable basis, adjusted EBITDA in the quarter decreased \$5 million year-over-year. Adjusted EBITDA for the Legacy-ILG Vacation Ownership business was \$4 million lower in the fourth quarter. Contract sales were up \$8 million or 6% and the business also generated higher financing and rental

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margins as well as lower G&A spend. However, these increases were offset by \$10 million of higher product costs, of which \$5 million related to the mix of inventory being sold in the quarter and the other \$5 million related to the favorable product cost true-up activity that benefited the prior year.

For the Legacy-ILG, Exchange & Third-Party Management business, adjusted EBITDA was down slightly to the prior year reflecting as expected, lower membership and transaction revenues, resulting primarily from the non-renewal of certain agreements, offset by lower G&A cost, primarily from synergy initiatives.

Moving to the total company balance sheet, at the end of the quarter, cash and cash equivalents totaled \$231 million. We also had approximately \$119 million of gross Vacation Ownership notes receivable eligible for securitization, including \$51 million related to Legacy-MVW. Further, we had roughly \$596 million in available capacity under our \$600-million revolving credit facility.

Our total net debt outstanding at the end of the year was roughly \$3.8 billion, consisting primarily of \$2.1 billion of corporate debt, most of which resulted from the ILG acquisition and \$1.7 billion associated with our non-recourse securitized notes receivable.

During the quarter, we paid down roughly \$122 million of senior unsecured notes assumed as part of the ILG acquisition. From a leverage perspective, assuming the companies were combined for all of 2018 and including \$100 million of synergy savings, our pro forma net debt to adjusted EBITDA ratio at the end of the year would be 2.7 times, slightly higher than our longer term target of 2 to 2.5 times. In 2018, we generated adjusted free cash flow of \$265 million, \$10 million above the high-end of our previous guidance range as we continue to effectively optimize development spending.

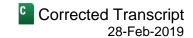
Turning to our return of capital, in the fourth quarter, we repurchased 1.2 million shares for \$94 million at an average price per share of \$76.51 and we also paid quarterly dividends of \$19 million. Subsequent to the end of the fourth quarter and through February 26, we repurchased over 931,000 shares of common stock for nearly \$78 million at an average price per share of \$83.28.

Let me take a moment to update you on the status of our business interruption insurance claims related to Hurricane Irma and Maria from 2017. For Legacy-MVW, we received \$38 million, including \$6 million subsequent to the end of 2018 to settle the Legacy-MVW claim. As it relates to the Legacy-ILG business interruption claim, we continue to work with our insurance carriers to finalize that claim. We received a \$25 million advance towards the claim which was accounted for as a reduction to our purchase price of ILG since the claim existed at the time of the purchase. We expect to settle the claim during the second quarter.

As we've done in the past, our adjusted EBITDA and adjusted free cash flow results and guidance do not reflect any insurance proceeds from settling these claims. We will continue to update you as these efforts progress.

Now, let's turn to 2019. As Steve mentioned, we are targeting contract sales of \$1.53 billion to \$1.6 billion, reflecting growth of 7% to 12% on a combined basis. We expect strong contract sales growth in our Legacy-MVW business throughout the year, coming from a combination of higher tours at both our existing and newer sales distributions as well as from VPG growth. However, this growth will be offset by slower growth in the Vistana timeshare business during the first half of the year as we continue to integrate the Vistana business into our Vacation Ownership business.

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In addition, Vistana's contract sales in the prior year benefited from certain financing programs and tour qualification incentive programs that we have since discontinued. All of these changes will allow us to set the foundation for stronger growth throughout the second half of the year.

For the Exchange & Third-Party Management segment, active members are projected to decline slightly in 2019, reflecting the full-year impact of the non-renewal of certain agreements. Average revenue per member for the exchange company is projected to increase at slightly higher than inflationary levels as a result of programs being implemented or enhanced that expand membership benefits.

As we look ahead to 2019, our strategy for these businesses includes diversifying beyond their traditional Vacation Ownership business, increasing average revenue per member and identifying and expanding benefits to exchange members and of course, focusing on adding new resorts and properties to the network.

For adjusted EBITDA, we are projecting \$745 million to \$785 million in 2019, or almost 15% growth at the midpoint of our guidance over 2018 combined results. While this growth may appear outsized based upon our contract sales growth, let me try to put this into perspective. We estimate that roughly half of the growth, call it, 7 to 8 percentage points will come from improved performance of our core business. Roughly 4 percentage points will occur as we continue to recover from the impact of the 2017 and 2018 hurricanes, primarily from the ramp-up of our Westin St. John property, and 4 to 5 points will come from incremental synergy savings. Partially offsetting this growth, however, will be the loss of 1 to 2 percentage points from the disposition of VRI Europe in late 2018.

From a quarterly perspective, with adjusted EBITDA being impacted by the timing of contract sales growth, as well as the accumulation of incremental synergy savings throughout the year, we also expect a ramp-up in adjusted EBITDA growth as we progress through 2019. We expect adjusted net income in 2019 to be between \$337 million and \$365 million and when assuming no further share repurchase activity, adjusted fully diluted earnings per share to be between \$7.23 and \$7.83.

Lastly, with these projected financial results, we are targeting adjusted free cash flow between \$400 million and \$475 million for 2019 highlighting the benefits of our capital efficient development model, which allows us to add new distributions and provide strong contract sales growth all while delivering significant adjusted free cash flow. As we have done in the past, we will continue to identify ways to enhance cash flow generation in 2019 while ensuring our spending continues to support future sales growth.

I should note that this guidance does not include the business interruption proceeds we expect to receive in 2019 from settling the Legacy-ILG claim, as well as roughly \$60 million to \$80 million related to cost to achieve our synergies from the ILG acquisition. With our pro forma leverage just outside our longer-term target rate of 2 times to 2.5 times debt to adjusted EBITDA, our capital allocation strategy remains the same.

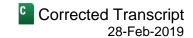
We will look to use free cash flow to invest in growing the business both organically or through strategic acquisitions. And in the absence of extremely compelling acquisitions, our best use of excess cash flow remains returning capital to shareholders through dividends and share repurchases. We finished the year strong and we are very excited about what lies ahead. I look forward to providing updates on our progress towards achieving our company goals for 2019. 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. At this time, we'll be conducting the question-and-answer session. [Operator Instructions] Our first question comes from Brian Dobson with Nomura. Please proceed with your question. Brian H. Dobson Analyst, Nomura/Instinet Hi. Good morning. Stephen P. Weisz President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp. Good morning, Brian. Brian H. Dobson Analyst, Nomura/Instinet Good morning. So, I have two questions this morning. The first on free cash flow, would it be possible for you to run through some of the puts and takes for cash flow available to be returned to shareholders this year as well as any integration expenses that you might expect? John E. Geller, Jr. Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp. Sure. So, yeah, you have obviously our free cash flow, the guidance we provided, Brian, \$400 million to \$475 million, we don't include kind of one-time item. So, I guess a couple of puts and takes there. One, because of the BI settlements late year and the sale of VRIE late in the year, we came into the year with probably or roughly \$100 million give or take of excess cash. And then, you obviously have the \$400 million to \$475 million of - so, pick a midpoint there that you would add into that. And then, backing off, you got the one-time integration cost and a little bit of litigation settlement, so call that probably in the \$80 million to \$90 million range as a deduct. The other potential upsides really are, one, we expect to get the remaining VRIE proceeds here in the first quarter and that could be roughly called, \$35 million. That wouldn't be in our guidance. And then, while I'm not going to give you a number, we do see potential significant upside still from settling the legacy business interruption claim for the ILG business. We're still working through that with the insurers. So, you kind of take the puts and takes and then assuming our same dividend rate of roughly \$80 million a year, I think the number maybe that you're looking for is probably in the \$350 million to \$450 million of additional cash that we could potentially return back to shareholders. Brian H. Dobson Analyst. Nomura/Instinet That's great. Thank you. And then, as a follow-up question, could you talk a little bit about what the tech marketing will look like? Will that take the form of in-app advertising or will there be something a little bit more subtle to that? Stephen P. Weisz President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

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There's going to be a couple of things to look for. So, let me start first with the kind of digital version of the call transfer program. Imagine this that you're on marriott.com, you're either making a reservation or you're modifying a reservation or whatever. We will push and offer to you electronically that you can either choose to engage with or not.

So, that's that one. We have already begun and we will continue to work with a number of the social media companies where we do some – put some offers out there on an advertising basis. And then, that potentially then generates a lead sheet which we then follow-up on and try to book a package. So, those are two different versions. There's some other stuff we're experimenting with, but I think that gives you the general sense of what we're doing.

Brian H. Dobson
Analyst, Nomura/Instinet
Great. Thank you. I look forward to seeing you all at our timeshare day in Orlando on Monday.

Brian H. Dobson
Analyst, Nomura/Instinet
We look forward to that as well. Thank you.

John E. Geller, Jr.
Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.

Great. Thanks, Brian.

Operator: Our next question is from Cameron McKnight with Credit Suisse. Please proceed with your question.

John E. Geller, Jr.
Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.

Good morning, Cameron.

Cameron McKnight

Analyst, Credit Suisse Securities (USA) LLC

Good morning. Good morning. Thanks very much. A question for you, Steve. First, you mentioned volatility in the stock market and the economy. I noticed that VPG was off a little bit year-over-year in the quarter. Can you talk about close rates through the quarter-end? Did you see any impact on close rates as we progress through the volatile days of December?

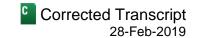
Stephen P. Weisz

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

Yeah. I can tell you for the quarter, our close rate was actually up 10 basis points. However, the mix of the close rate was a little bit different. So, our first-time buyer closing rate was down about 50 basis points. Our owner closing rate was up about 50 to 60 basis points. So, that's where you get the net of a tenth or 10 basis points.

If you think about it, my view of the world is that starting and call it mid-to-late November, there obviously were some negative vibes out in the marketplace. The market got little bit of a skittish in terms of the equity markets. The R word started coming out of people's mouths on a more frequent basis. And so, I think no mystery here, our

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typical customer probably has a little more exposure to the equity market than maybe some other of our brethren in the industry and our folks are very attuned to what's going on.

So, not unlike when Brexit was announced or when the China trade sanctions were put in place, our sales executives have a tendency to get questions from our customers during that period of time. And where you might think it would manifest itself at most would be a first-time buyer who hasn't really had that much track experience with us in terms of great vacations, et cetera. So that's where we saw a dip down a little bit.

Cameron McKnight

Analyst, Credit Suisse Securities (USA) LLC

Great. Thanks. That makes perfect sense. And then, a question for John in terms of the bridge to free cash flow. Do you expect that inventory spending will be a source or use of cash as far as the cash flow statement is concerned relative to the cost of sales?

John E. Geller, Jr.

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

Yeah. For the guidance we've given, I would say it's a fairly broad range. I would say kind of as a midpoint of the guidance. There is maybe a little bit of benefit in those numbers, but it's not a material amount, Cameron. Clearly, as we've done in the past, we'll focus on spending the right amount to drive the top-line, but not spending more than we have to. And so, that's always our goal. So there's always opportunity every year, usually to outperform. Meaning spend less and manage our cash flow and that's what we've been able to do over the last couple of years. And clearly, with the ILG acquisition, in certain buckets there, we do have some excess inventory. But we're focused on growth and adding new sales centers and resorts in the right locations. And similar to what we've done with Legacy-MVW over the years, we expect to add resorts both in the Westin Sheraton and Hyatt and do that on a more capital-efficient basis, so that gives you a kind of where we're at on the guidance, but also just a little additional color there.

Cameron	McKnight
Cameron	McKnight

Analyst, Credit Suisse Securities (USA) LLC

Okay. Perfect. Thanks very much.

John E. Geller, Jr.

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

Thank you.

Stephen P. Weisz

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

Thank you.

Operator: Our next question is from Jared Shojaian with Wolfe Research. Please proceed with your question.

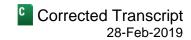
Stephen P. Weisz

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

Hi, Jared.



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Jared Shojaian

Analyst, Wolfe Research LLC

Hey. Good morning, everyone. Hey. Good morning. So, just sticking with the fourth quarter here, you beat the implied fourth quarter EBITDA expectation by around \$20 million. Can you just talked about, I guess, what came in better for you relative to what you were thinking? I know the reportability was better, but I think sprinkled throughout the P&L, I guess, what really drove that? And I guess, did you take more of a conservative approach given that the ILG combination is still early days and have you sort of assumed that same mindset as you think about your 2019 guidance? Thank you.

John E. Geller, Jr.

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

Yeah. Hey, Jared, it's John. Yeah, you're right. I think the real outperformance versus the guidance we gave in the third quarter was some of the reportability on the Legacy-MVW side. So, as you're aware, we now report revenues based on closings. So, closings outperformed in the quarter based – versus our expectations. We did better getting contracts closed and getting the cash in prior to the end of the year. So, that was probably maybe \$7 million to \$8 million versus our expectations.

I mean – and, as I went through, it was really the Legacy-MVW business that that seemed to outperform a little bit on our expectations. I think the Vistana and the legacy Exchange & Third-Party Management businesses, pretty much performed in line. The Legacy-MVW, as I went through, rentals were a little bit better. The management business did a little bit better and then the other place we outperformed a little bit was probably a couple million dollars in synergy capture in the fourth quarter versus our expectations.

In terms of the outlook, we're trying to put out what we think is the most likely to occur. This year probably, obviously a lot more moving parts with the integration of the Vacation Ownership business on the Marriott and the Vistana side. So, we feel good about the guidance we've put out and we'll update you obviously with performance as we move through the year.

Jared Shojaian

Analyst, Wolfe Research LLC

Great. Thank you. And then, as we think about VRI Europe, are there any other segments that we could see additional opportunity, monetization? I know obviously there was a lot of speculation when you first closed the deal about the Interval exchange network. Would just love to hear any updated thoughts on what else you could – you really pursue from a monetization standpoint.

Stephen P. Weisz

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

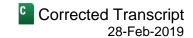
Well, I think it's an excellent question. I mean, clearly we've not only tried to learn more about each of these businesses whether it would be Interval or whether it be Aqua-Aston or VRI or TPI, and all of those businesses are businesses that very attractive to us. They are very attractive cash flow profiles. And I think it really helps fill out our portfolio very nicely. As in all cases, we'll obviously try to understand what's the highest and best use of our capital and everything else. If we see something out there that might be a better use of capital than what we could get from owning one of those businesses, we'd consider it. But I can be honest with you and tell you that, it's not on our radar screen either now or in the immediate future.

Marriott Vacations Worldwide Corp. (VAC) Corrected Transcript Q4 2018 Earnings Call 28-Feb-2019 Jared Shojaian Analyst, Wolfe Research LLC All right. Thank you very much. Stephen P. Weisz President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp. Thank you. John E. Geller, Jr. Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp. Thank you. Operator: [Operator Instructions] Our next question comes from Patrick Scholes with SunTrust Robinson. Please proceed with your question. Patrick Scholes Analyst, SunTrust Robinson Humphrey, Inc. Hi, good morning. Stephen P. Weisz President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp. Hi, Pat. Patrick Scholes Analyst, SunTrust Robinson Humphrey, Inc. Good morning. John E. Geller, Jr. Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp. Good morning. Patrick Scholes Analyst, SunTrust Robinson Humphrey, Inc. A couple of questions here. You had noted to begin the online marketing with Marriott, I believe it was in the third quarter. How should we think about the lag time between you starting that and actually seeing sales coming from that? How long does that – you think that will take to really ramp up? Stephen P. Weisz

Yeah. Obviously it's new for us on the digital side, but I would expect it to perform reasonably similar to the call transfer program that we'd put in place several years ago, which means that you'll get the ability to book a package, but by the time the package actually comes through the house in terms of people taking a tour, et cetera, it could be as much as six months to almost 18 months later when they actually do it. Obviously, we'll update you more as we get more experience there, but – so, as we think about this coming online call it, the end

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

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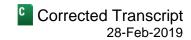


of the third quarter, I would not expect any meaningful benefit in terms of that package production resulting in contract sales until at least 2020.

Patrick Scholes Analyst, SunTrust Robinson Humphrey, Inc. Okay. Thank you. My next question relates to your Interval exchange revenue per members, and I apologize, if I didn't see this in the release. It certainly looked like the membership levels were flat, but what was - how did the revenue per member perform? Certainly as you're aware, I think RCI had some challenges with it in the fourth quarter. Did you see similar? Stephen P. Weisz President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp. For the... John E. Geller, Jr. Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp. Yeah. Stephen P. Weisz President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp. For the quarter, it was down about 4%. John E. Geller, Jr. Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp. 2%, about 2% on the... Stephen P. Weisz President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp. For the full year. John E. Geller, Jr. Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp. Oh, for the full year, yeah. Stephen P. Weisz President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp. Full year. In the quarter, it was down 4%. John E. Geller, Jr. Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp. Got it. Patrick Scholes Analyst, SunTrust Robinson Humphrey, Inc.

Okay. What was driving it down 4%? Was there resistance to any price increases?

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Stephen P. Weisz

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

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No, as you may be aware, there were several different large accounts that moved away from Interval, one of which was Welk Resorts, which moved away in the end of 2017. Obviously because of that, there are different forms of revenue that come from an account like that. You get not only the corporate membership revenue, but also the transaction revenue that comes with it.

Wyndham also had purchased Shell resorts a number of years ago. That contract with Interval was up and it transitioned over to RCI in the fourth quarter. That was largely – there's nothing that we see that's a structural impediment to the revenue growth and I think, as you may recall in our remarks, we said that we expect that revenue growth per member will actually be a little bit higher than typical inflation.

The only other thing I would point out and this is something that I would expect that you'll hear elsewhere. There is softness in Mexico and as a result, the number of people that want to go there, because of some of the crime problems, et cetera that are down there that is affecting the Exchange business, but it's also affecting the Vacation Ownership business to a lesser degree.

Patrick Scholes

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Thank you. And then, two more questions here, certainly, you laid out potential uses for free cash flow balance sheet this year. After having made this large acquisition last year, how realistic do you think it is that you couldn't be making another sizable acquisition from that free cash flow this year? And this will be certainly something that helps us think about modeling share repurchases and the like going forward.

Stephen P. Weisz

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



Sure. I think it's a very legitimate question. I mean, if a great thing came along, we'd have to study it pretty hard and understand. I mean, I'll be the first to admit to you that the integration work that we're doing and have been about for the last six months is not insignificant in terms of trying to tie the two businesses together from a MVW and ILG standpoint. That have to be kind of woven into our thinking about taking in on another big acquisition. But if it was a great opportunity and meaningfully accretive to our shareholders, we'd certainly have to give it serious consideration.

Patrick Scholes

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Thank you. And just one last quick question, any thoughts on timing or holding an Investor Day this year? Timing of that Investor Day?

John E. Geller, Jr.

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

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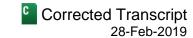
Yeah. Our goal is still to do one here, call it, by the end of the third quarter. So, more to come on that, but it's definitely the goal to get something on everyone's calendar here shortly.

Patrick Scholes

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. Thank you. That's it.

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John E. Geller, Jr.

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

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Thank you.

Stephen P. Weisz

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

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Thank you.

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

Stephen P. Weisz

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

Thanks, Rob. I'm very excited about how the business wrapped up 2018. But I'm even more excited about the opportunities that lie ahead of us in 2019 and beyond. I'm confident that the transformational changes that we've identified and plan to execute should result in robust performance for our shareholders for many years to come. Thank you for your time and finally to everyone on the call and your families, enjoy your next vacation.

Operator: This concludes today's conference. You may disconnect your lines at this time and we thank you for your participation and interest in Marriott Vacations Worldwide.

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