

✓ **Event Details**

Date: 2025-12-04

Company: Marriott Vacations Worldwide Corp.

Ticker: VAC-US

✓ **Company Participants**

Matthew E. Avril - Marriott Vacations Worldwide Corp., Interim President, Chief Executive Officer & Director

Jason P. Marino - Marriott Vacations Worldwide Corp., Chief Financial Officer & Executive Vice President

✓ **Other Participants**

Brandt Montour - Analyst

MANAGEMENT DISCUSSION SECTION

Brandt Montour

00:00:03 Great. Welcome, everybody. I am thrilled to be here with Marriott Vacations and a special guest, Matt Avril, the Interim CEO, it's his first time addressing Public Market Investors, as well as Jason Marino, the CFO on his left. Matt, thank you for being here.

Matthew E. Avril

00:00:24 You're welcome. Thanks for having us.

QUESTION AND ANSWER SECTION

Analyst: Brandt Montour

00:00:26 **Question – Brandt Montour:** Great. So this is the first time. So I'm going to give you a chance to say some things. Basically give us your initial impressions. I mean, you've been in this seat all of three weeks...

00:00:40 **Answer – Matthew E. Avril:** Yeah.

00:00:40 **Question – Brandt Montour:** ...something like that. So, where is the company presently? And how are you planning to approach the task at hand?

00:00:48 **Answer – Matthew E. Avril:** First of all, thank you for that invitation and opportunity to do just that. It's been suggested I spend just a minute on my background, but more importantly, why it matters. I have been in the industry through a variety of seats for, as I talked about it, 39 years. I did that initially from the outside looking in, doing buy-side due diligence when I worked for a firm now known as KPMG, and they bought this company in Orlando, Florida, called Vistana. And that was my introduction. Couple of years later actually joined them, operated from the finance seat,

ultimately into the COO operation seat involving all aspects of the business. That then ultimately transitioned to part of the Starwood portfolio. So, Starwood Hotels bought Vistana, became SVO. And while we were underneath that, we operated publicly, privately, transitioned from private to public through an IPO and went through all of that process.

00:01:47 As part of the Starwood portfolio, we had some significant growth. Again, had the Chief Operating Officer-type role as part of Starwood. And in about 2008, I was asked to take on the responsibility for the hotel operations globally. So, transitioned from the vacation-ownership role to global hospitality. Did that for another four, five years. Ultimately, did the first of what I call retirement. My wife questions that description. And then a couple of years later, Starwood actually asked me to come back and lead the spin-off of what was then SVO, so that was Starwood Vacation Ownership. And we started a either spin or sale process.

00:02:34 So, led that effort for 10 months in 2015, 2016, ultimately that resulted in the sale of what was primarily the Sheraton, Westin and St. Regis portfolio that was in the vacation ownership business, got sold to ILG. And so, I have a deep, intimate familiarity with the business across all of its operating metrics and all of its operations period. And a lot of history with particular parts of it. Sale to ILG took place, as my resumé indicates, I spent some time with Diamond Resorts, and I'm happy to go into that another day, in terms of, I ended up stepping aside from that for some very deep personal reasons, and in another setting, I'm happy to give somebody an answer to that. And then, had the opportunity to join the VAC Board, accepted that earlier this year and then the board asked me to step into the role I am three weeks ago.

00:03:36 And so, the background that I just covered, the why it matters is, how are you spending your first three weeks. And it is not getting up to speed on acronyms, it is not getting up to speed on what moves the needle, it is not getting up to speed on all of the interplay of the various businesses that we're in simultaneously. It's diving in and attacking each one of them, understanding why we believe what we believe about the business the day I came in, and both learning the history where it's appropriate and also challenging any pre-existing notions about what we ought to do next. And so, that has been my focus.

00:04:15 I come at things from a personal style, if you will, with sort of three goals every time I walk into the room, talked about the education part, but we have to establish on every environment a clarity of mission, prioritization of resources, whether that's time or capital and urgency, and yes/no decision making. Human beings do well with yes or no. We don't do so well with maybe, we don't do so well with maybe too long.

00:04:46 And so, that's been how I've been spending my time. And sort of two things that go with that is everything's on the table. And if somebody else doesn't put it on the table, I will. And everything, and this is not unique to me or unique to – when you have an opportunity like we have right now, which is you air-dropped somebody in who didn't perhaps author particular decisions, you expect them to come at it with fresh eyes and a willingness to entertain that path or alternate paths. And that's what we're after right now.

00:05:23 **Question – Brandt Montour:** Okay. That's a great overview, Matt. I appreciate that. So, maybe we go one layer deeper and that maybe it's too early to talk about this, but how would you bucket Marriott Vacations' key opportunities for improvement in either low-hanging fruit category or heavier-lift category.

00:05:43

Answer – Matthew E. Avril: I would say a couple of things first. And there's sort of always two sides of every coin. So, the challenge you would say, and listen, I recognize sort of why I'm here. And our opportunity internally focus on executing our business to its maximum potential. And while that sounds boring, simply go execute better is the low-hanging fruit. And we are after, whether it's everything from our tour flow, I can go through a variety of stats about everything we do as a company, and it is a great platform. And I would be remiss if I didn't highlight that at the outset.

00:06:26 As I mentioned, my time in the business has allowed me to see how valued this product is, to see travel trends emerge over time, to see consumers shift emphasis at times from stuff to experiences, travel fits in the middle of that. Our product speaks to that, in terms of the physical product and the flexibility of use, it is a very intense customer-by-customer business. It's one of the unique parts of our business.

00:06:56 When we talk about 450,000 tours, by way of example, we could tell you the name of probably half of those folks today. And there's not too many industries that are like that, that truly have person-by-person marketing opportunities. We know the folks coming into our properties. How we maximize each of those at-bats, if you will, both getting them to the sales executive table and then from that point forward, whether it's in the product we offer, I've long used the phrase, you earn the right to ask for the business. We earn the right to ask for somebody's time while they're on vacation at one of their properties through service, offers, et cetera. We earn the right to ask for their business in perpetuity. We earn for the right every year when we ask for their COA payments. So, that constant ethos on service and execution is what we're after every day.

00:07:50 **Question – Brandt Montour:** Okay. Okay, that's great. Your quote in the news release caught my attention.

00:07:56 **Answer – Matthew E. Avril:** Yeah.

00:07:56 **Question – Brandt Montour:** And you said you'd work closely with the board to create immediate shareholder value, I think those are the words you used, the immediate being the key word. What are, I mean, go execute better, that's immediate. What are some of the, I don't know, what are the some of the other immediate changes that can be made versus what could take longer? And is it fair to assume that a strategic review is not off the table?

00:08:19 **Answer – Matthew E. Avril:** I think I may have referenced, if I didn't say it, and I'll say it very clearly right now, and this is just me speaking for me. The board has its own voice and has its own responsibilities. But I can tell you from my perspective, everything's on the table every day, whether it's the initiatives of the company underlying or anything else that goes with that. And I'll just speak directly to, I think what was sort of the, I interpret as the implicit part of that question, our stock's for sale every day, every share. Our job as a management team is to deliver results that have the people in this room or listening or making decisions about that, that the best path for their realization is value, is for us to go execute. And that's where our focus is, hands down, we'll get it done. You asked also about some of the heavier-lift stuff. I'll hold off on that. I have certainly thoughts about those things. But 21 days in...

00:09:17 **Question – Brandt Montour:** Yeah.

00:09:17 **Answer – Matthew E. Avril:** ...I'm not going to share a point of view that's hard baked at this point. I will tell you everything that we have done that's significant where we have in our

crosshairs.

00:09:27 **Question – Brandt Montour:** Okay. Okay. So let me ask you about something that you don't want to talk about.

00:09:32 **Answer – Matthew E. Avril:** I'll do my best on anything you ask.

00:09:33 **Question – Brandt Montour:** Okay. Fair enough. So, one of the topics that came up on the last call was about sales retention and some recent losses in terms of key talent. When you're coming in, you're looking at everything, maybe with fresh eyes, how would you describe the current state of the sales division? This is a sold product, not a sought product. The quality of your sales execution is mission-critical for the company.

00:09:55 **Answer – Matthew E. Avril:** Yeah.

00:09:56 **Question – Brandt Montour:** Do you think you have a – do you think is this code red? What level of issue do you have with sales down?

00:10:03 **Answer – Matthew E. Avril:** You know, I – and I appreciate you using that reference because it helps me sort of fork the issue a little bit. It's not code red. Okay. Let me – and I'll say this at the end I'm sure again, two things can be true simultaneously, which is to say, are there things we can do to improve our sales success? Absolutely. I mean, the last thing I did before I headed to the plane yesterday with our friends at Orlando International was to spend an hour, our sales leader had his team in from around the country, that was just happy coincidence that, that was scheduled and I kicked off my day spending an hour and a half with them. And so, we have a lot of great folks in our sales and marketing environment, but that doesn't mean we can't get better. So, to say it's broken or code red, I think is a bridge too far. To say that we have opportunity is totally appropriate.

00:11:04 **Question – Brandt Montour:** Okay. So move on to another topic that came up on the call, what we'll call commercial rental...

00:11:10 **Answer – Matthew E. Avril:** Yeah.

00:11:10 **Question – Brandt Montour:** ...which is customers potentially soaking up inventory, then reselling them for commercial profit, which is something that has popped up in the industry for, I think, a long time ago. And your peers have had that, but they've sort of squashed it. And so now it seems to be coming up for you guys. How meaningful is it, and sort of how easy to fix it is?

00:11:32 **Answer – Matthew E. Avril:** Couple of things you alluded to, and long time ago I would also say that it, from my view, got rekindled a bit when Disney issued their release late in the second quarter, happened to actually be at the same time I had my first board meeting, joining the board back in May. And I think that sort of naturally brought people's attention to it. They're out there saying, we're enforcing these particular rules, we're going to be more aggressive about that. I think that led to an actual sort of introspection on that topic. It is relevant. It's relevant in a couple of ways. It's relevant to the 700,000 owners as a whole what we're doing to manage the system for everybody's benefit. And it is a permitted use to rent your product. That is, it is not a permitted use to abuse that. Where is that one becomes the other, there's judgment in that. We have the responsibility to run the system for everybody's benefit. I would expect that we'll reinforce some

rules that we have in place today. And to the extent we add others, that's – we are looking at that now, the core, second part of your question was how big of an issue is it. I think in my first period of time, the noise punches slightly above its weight. We have plenty to do internally that can improve our business. That is a piece, that is not the dominant piece in my view.

00:13:00 **Question – Brandt Montour:** Okay. One of the interesting things about timeshare is the, the sort of levers that you have in a slower macro to maybe shift focus to repeat sales. Repeat sales are easier sales, you can lean on that. And then when things get better on the macro, maybe you kind of can go back the other way, because the new owners are so much harder to sell, but they sell better in better macro times if that sort of preamble made sense.

00:13:25 **Answer – Matthew E. Avril:** No, it did.

00:13:27 **Question – Brandt Montour:** One of the things that seemed to slow things down for VAC this year was a lack of repeat tours, a lack of repeat sales. You saw peers shift gears quicker back to repeat sales this year that helped them. Is there something structurally impeding your ability to do that? Maybe you have a different model than others. And is that something that seems top of mind for you to sort of maybe rectify near-term?

00:13:58 **Answer – Matthew E. Avril:** I'll answer it in reverse order, which is, is it top of mind? Absolutely. Understanding all the ways in which our product is used, because the owner sales dynamic is both how do we do – how do we perform with the owner when they show up in our gallery with a sales executive and how many of those at-bats, if you will, do we create. And so, we've created a tremendous variety of uses of our product, both within our system. It's one of the great things about our product in terms of being able to lean into the Marriott system overall, to have experiences outside of our system, the Marriott system, you can go on a cruise. All of that flexibility can sometimes translate into where an owner might be going as opposed to returning into our resorts. So we have to look at everything that we're doing to drive use inside our system in a way that our owner responds to and appreciates and values. And then we have to maximize our opportunities in terms of having them visit our sales galleries and then performing with the sales executives. So, every part of that ecosystem is under review right now.

00:15:08 **Question – Brandt Montour:** Okay. I want to talk about Abound. And Abound is an umbrella product that you rolled out, I think a couple of years ago now. And it had a slow start that was well publicized. One of your peers has an umbrella product rolled out a little after yours. It's doing quite well. It's driving sales growth. Your initial take on the Abound product, is it something that has been fixed and now it's kind of good to go and that's not an issue or is the Abound something that actually should be more of a tailwind and something you can leverage when you see what's been going on with it so far?

00:15:41 **Answer – Matthew E. Avril:** I'm going to pause for one second because my colleague Jason, I think has a slightly better perspective on two years ago, but I'm happy to sort of bring it more current.

00:15:52 **Answer – Jason P. Marino:** Yeah. And Brandt, I think as we have talked about in the past, we rolled out the Abound product, which simply stated is really the ability for folks that own the Westin or Sheraton product on the vacation ownership side to seamlessly integrate with the legacy Marriott Vacation Club product and really the internal exchange network that surrounded that. And as we talked about in I guess probably the second quarter or third quarter of 2023, we did have a couple of hiccups as we rolled that out with some of the sales force education. Anytime you sell a product

that's new, sometimes it does have issues as you roll it out. But as we've talked about over the last couple of years, that's well behind us. The product is pretty well understood now. Owners have come – experienced different properties throughout the system. Westin owners have stayed on the Marriott side. Marriott owners have stayed on the Sheraton and the Westin side themselves, and we realize is the products are very compatible and very equally. They might be less stratified than, let's say, in the lodging world than some folks might expect. And so, as we've talked about, we do believe those are largely behind us.

00:17:05 The second part of your question really is that should that be a bigger tailwind. And we do believe there's continued opportunity as the system matures and as people continue to use that and continue to experience the breadth of that flexibility in the product, in the nature. We have 120 resorts worldwide that people can go to, and they're in some of the best locations that you can think of. And so, it really is a great product. But we do look for ways to expand it and make it better and really highlight the benefits of that product each and every day when we're in front of our guests and owners.

00:17:38 **Answer – Matthew E. Avril:** And I would add one other thought to it. When you sort of roll it forward two years, and like everybody else in the industry, whether everybody's got some form of additional sales to an owner, upgrade of an owner, move your holdings that you have today into some other part of the system, I think that translates into one of the areas we get asked obviously about is inventory and the amount of capital that we have in the inventory and strategy going forward. As we sit today, I think we can do a better job of taking the inventory we have, whether we've built it, whether we've brought it in through some of those upgrading programs that was a byproduct of Abound, because Abound was of use, but it also leads to a sales process. And so, one of the areas, if you want to call it low-hanging fruit, I just call it execution, is how we think about the sale of all of our products that we have and how that's all rolling into our balance sheet today . So one group of our business may talk about our inventory looks like this. I look at it and say, our inventory is this and our sales process needs to reflect all of this, not a particular sub-segment.

00:18:46 **Question – Brandt Montour:** Okay. I think that sort of is going to answer the next question preemptively. But one of the other things that came up on the call is sort of other people in the industry having new brands...

00:19:02 **Answer – Matthew E. Avril:** Yes.

00:19:02 **Question – Brandt Montour:** ...they're calling it shiny new toys, driving, maybe increased awareness of what they're doing and you guys don't. But there's no doubt you guys have the best brands (00:32:42) in the industry, do you need something else? I don't want to use the word tire (00:32:47), is there something that needs to get your owners sort of re-interested in adding a membership?

00:19:27 **Answer – Matthew E. Avril:** I'll just speak (00:32:57) for a moment. That could certainly happen, and when I say it could certainly happen, I can't predict the future. My focus is with the assets that we have under our roof today, because – and I appreciate the compliment, we certainly feel like we've got the best brands to work with every morning. And clearly, our owners, 700,000-plus owners that have voted to-date, feel that way. And every day somebody gets older somewhere in the world, they have their first child, they travel in a new way, multi-generational travel, all of those things, our product appeals, our brands are terrific, we've got a great partnership with Marriott and we should be leveraging all of those things.

- 00:20:05 To the extent there is the opportunity to do something, of course, we're going to look at it. But I'm not looking at the answer outside the building right now. I'm looking at the answers inside the building. I admire what some of our colleagues have done and terrific for them.
- 00:20:21 **Question – Brandt Montour:** Okay. Maybe shifting gears to 2026, obviously, you're not going to give guidance right now. Obviously, you're probably in the middle of a budget process right now. But what are some of the sort of puts and takes that you guys have on your mind as we sort of turn the calendar year?
- 00:20:38 **Answer – Matthew E. Avril:** I'll pause and let my colleague Jason here (00:34:15)
- 00:20:42 **Answer – Jason P. Marino:** Yeah, Brandt, I think largely what we talked about on the Q3 call and I think as Matt's come in and really focused on, okay, how do we do better, how do we improve where we're at? We talked about a couple of headwinds really on the rental side due to some higher inventory and some higher unsold maintenance fees, how do we do better in terms of monetizing that? Are there other alternatives, ideas that we can come up with? But that was one of the headwinds that we called out there. And then we talked a little bit about product cost was going to be a headwind. And we've talked about product cost increasing over the last couple of years with investors. And the question is, is there something that we can look at to do there. I mean, those are the two biggest things that we're focused on. As you said, we're going through the budget. I would say Matt's been around for three weeks now and kind of working through that holistic process.
- 00:21:35 So we'll have more color in February. But as Matt said, everything's on the table and we're taking a fresh look at everything in terms of how we run the business, how we drive marketing and sales activities, how we drive inventory, how we think about inventory. We have added a couple of new flags over the last couple of years. Khao Lak in Asia, Waikiki, getting those sales centers ramped up should drive new sales there and new engagement with the ownership base. We've talked in the past about Waikiki was always a really important destination for us that was missing from our Hawaii portfolio. We've got a tremendous presence in Hawaii with every island covered and the other timeshare companies can't say that. But we were missing Waikiki. So we think that's going to be a good tailwind as we continue to ramp up that presence. And so, as we think about new offerings and things like that, I think we also have to remember that we've got a pretty broad portfolio with great destinations and that's really important.
- 00:22:25 **Answer – Matthew E. Avril:** I'll say one other thing to that. And this maybe is a little bit of a window into the soul. So I've said in several settings, I wish I could have livestreamed the last 3.5 weeks. And then every day since the day I started to this day has been a working day, as it should be. If you step into a role like this, that's what comes with the territory. And so, any time internally we talk about headwinds or anything like that, my simple view is leadership gets paid to solve headwinds. Everybody's a hero in tailwind time. And I have enjoyed and endured both in my career, and so our focus is great. That exists. What are we going to do about it? And to, I'm sure, an annoying level at this stage, re-challenging any assertion that we have, that we believe for the moment, might be without a solution, because there are solutions out there.
- 00:23:24 **Question – Brandt Montour:** Got it. That's great. You mentioned tailwinds in Hawaii, Maui I think we're two years on from that tragedy. Is Maui in a better position to grow in 2026 than maybe it was in 2025? I mean, hopefully that's the case, but it's still obviously. What base are we in of Maui's recovery?

- 00:23:46 **Answer – Jason P. Marino:** Yeah. It's really kind of hard to sort of say. It's definitely been an uneven recovery. It did have kind of a good start to the recovery. And then it seems like it sort of peaked and maybe gone a little bit the other way. I think for people that have traditionally been Maui-type customers, I think there's still a hesitancy to return. And now, some of the lodging companies have talked about increases in ADR and things like that, driving some sort of a recovery. But when you look at where Maui sits from an ADR perspective, we're still down significantly from where we were pre-fires. And it has been an uneven market and there's been some heavily discounted promotions, especially on the lodging side trying to drive that customer.
- 00:24:26 So the customer that has returned is maybe a little weaker than normal. You still continue to have social issues in Maui, that pace of recovery probably not too different from what we're seeing out in the Pacific Palisades and LA. Rebuilding homes is a slow process, but through all the environmental reviews and things like that. And so, a lot of the folks have had to move to other parts of the island to maintain their work environment and things like that.
- 00:24:53 So, Maui will come back. But it's really hard to sit here today and predict when West Maui specifically is going to come back. And so, it's a little hard to give color, but it will come back at some point.
- 00:25:07 **Answer – Matthew E. Avril:** I'll add one thought, and it's not about the specifics of it. I spent a lot of time in Hawaii in my past with ironically the development of KOR (00:38:49) when it was part of Western, when it was part of Starwood. And I recognized that the world has changed and the tragedy took place, but I still have a bias. And bias is not a bad word. It just means that's where you start on a given topic. And my bias is very favorable towards Hawaii. So whatever those issues are, whether it's transportation of our staff, whether it's how we're staffing from a sales executive standpoint, in my first three weeks, it was really important to me to get in the field some. So we took advantage of Orlando and spent time at our Marriott and Sheraton properties there. We have a board meeting next week. Immediately in the next following week, I'll be in the desert southwest and Las Vegas with our teams there.
- 00:25:58 Right after the New Year, we will be out in the West Coast in California and then on to Hawaii. And I'm not saying that my presence is going to flip any switch, but I do, if you believe in the scientific phenomenon of the observer effect, which you put something, you observe it, it changes for no apparent reason. And that's what it's known as in the scientific community. I think it's true in business. Things that have a light shined on them tend to respond, tend to get whatever creative thinking it gets. And Maui and Orlando are big opportunities. They're big markets. So, whatever the challenges are, that just defines the task, doesn't limit the outcome.
- 00:26:37 **Question – Brandt Montour:** Okay. That's great. Let's talk about consumer lending. Delinquencies have been trending down in your filings. I think the concern from the investor community is that VAC is under-reserved or it has been a concern in the past, because there was a true up. And when your peers weren't doing that and your two peers just regularly reserve more than you, even though you had a much – well, a much better higher-quality credit customer, you do have that, but you have the lowest reserve. So, how can investors get comfort with your reserve levels after the last couple of years?
- 00:27:14 **Answer – Jason P. Marino:** Yeah. So, this is obviously something that we focus on tremendously. And as you've talked about, our trends continue to be more positive. We are 90 basis points year-over-year lower as of Q3, we were lower as of Q2. We feel like we're appropriately reserved. When you look at our reserve on the balance sheet, we've got a \$3 billion loan book. So it's a big portion of our balance sheet and it's obviously a big estimate. Our reserves are about 200 basis points

higher than they were two years ago. So we've made significant adjustments based on how our performance in the receivable portfolio has trended over time. As you think about it, the cut, we had two pretty significant increases in maintenance fees, which is a big component of the value proposition or the cost of ownership of timeshare and vacation ownership. So, over a two-year period, we had 25% increase in that cost for our owners. And we think that really had a large part to do with some of the issues we were seeing in the loan portfolio.

00:28:15 Over the last two years, so this year that we're currently in as well as next year and the bills have already gone out, that was a combined 3% increase in those maintenance fees. So we think a lot of this is behind us. We feel very confident with where we are. And that's how we get comfort that we got the right trends coming down from a performance perspective in terms of delinquencies. We've done the right things operationally on the – trying to keep our maintenance fees as low as possible. They're not going negative in terms of growth rates, but we feel like that's behind us. And we feel good given what we're seeing in the performance. It's something we're always looking at.

00:28:56 **Question – Brandt Montour:** Okay. No extra comment from you.

00:28:57 **Answer – Matthew E. Avril:** I'll make one thing. That's why you asked me to come here. And it's more macro and a degree historical. Jason obviously can speak much better to the specific relative numbers or absolute numbers. But one thing I will say is this industry overall has proven its resilience on the portfolio through all kinds of events, whether it was post-9/11 and people weren't traveling at all, whether it's 2008-2009 crisis and how that filtered through the economy generally. It is, everybody has various ways in which they prioritize their discretionary spending. Somebody may join a golf course, somebody else may like collecting older wine or whatever it may be. Our owners, our travelers prioritize travel. They prioritize the nature of our product within it. And when they get stressed economically, so if you say there are sort of two things to look at in the performance of our portfolio, what is it about you specifically and what is going on overall that may stress the portfolio.

00:29:58 I think economically we are – and while it may be uncertain for some, generally positive territory, and I think the trends that we're broadly seeing are favorable. And Jason talked about a couple of things that were specific to us, and we believe we've addressed that. But the consumer has a great affinity for this product. And I've witnessed it time and time again, fight like hell to keep this vacation in their family. And now it's our job to make sure that, that is the continuing priority. So we're confident in our ability to do that.

00:30:31 **Question – Brandt Montour:** That was my last question. Your consumer feels better they have more exposure to markets, they have more exposure to real estate. You would say that your customer is pretty insulated from the current macro.

00:30:43 **Answer – Matthew E. Avril:** Listen, I don't insulate it as a broad term. We are confident in both the opportunities that we have with our base and that \$3 billion portfolio. Jason talked about the specific nominal trends that we're seeing. We have to work hard at every day to reinforce that proposition in our service levels at our resorts, taking care of the pipeline of people coming, and at every touch point.

00:31:09 **Question – Brandt Montour:** Okay. Any questions in the room? Great. VAC's valuation is, I guess, (00:44:53) the cheapest I think I've seen it...

- 00:31:21 **Answer – Matthew E. Avril:** Okay.
- 00:31:21 **Question – Brandt Montour:** ...in a long, long time. Obviously, we all kind of – that's why you're here, we know that there's issues. But let's just quickly go over the balance sheet, the leverage, the overall capital position versus your inventory needs, and then how much firepower VAC has for potential buybacks here?
- 00:31:43 **Answer – Jason P. Marino:** Yeah. So when you look at our balance sheet, we're about four times levered, which is where we've been running for the last couple of quarters. We had ultimately gotten a little bit higher than that, which is higher than we'd like to be. But on the flip side, as you mentioned, we've got pretty cheap stock out there in our view. You actually saw eight members of our Board of Directors purchase stock after kind of the Q3 call, including Matt himself who sort of led the charge. And we think it's a really attractive play given what you've mentioned there in terms of the valuation.
- 00:32:15 I will highlight, we just did a securitization in the midst of all the noise, CEO transition, credit downgrade from S&P that happened at the same time, we priced our last securitization at 4.62% for our consumer paper. So there's great belief and trust in terms of the quality of our paper in the market as well.
- 00:32:37 Share buybacks come into capital allocation, like Matt had talked about earlier. And as we think about that leverage level, we still want to get that leverage level a little bit lower. We're going to be opportunistic as we talked about. We even put that in the Press Release, given I'll call it these extreme valuations that we're seeing here. But we do have to sort of balance all of those. And it comes down to what Matt has talked about, which is maximizing our cash flow so that we can deploy it very accretively, whether that's through share buybacks or other opportunities that we see.
- 00:33:09 **Question – Brandt Montour:** Okay. Matt, would you like to share any closing thoughts...
- 00:33:11 **Answer – Matthew E. Avril:** Sure.
- 00:33:12 **Question – Brandt Montour:** ...in the last couple of minutes here.
- 00:33:13 Yes, and thank you. I will reiterate slightly what Jason said. You've rightfully pointed out that we used the term immediate and impact in our Press Release. We also said the board and the company believes the stock is undervalued. And if you believe that and you ought to vote with your feet. So, I wrote a check before I got one. And I did that, because I believed in the premise of the investor proposition, both industry-wise and our stock specifically, and I was pleased to see a lot of my fellow directors make that same decision, and a number of members of management, some below the reporting level, et cetera.
- 00:33:53 So, that is just an early indication of faith. But in the end, you have to go earn that in terms of how you perform. I said at the top of my comments that sort of two things can be true, which is that an opportunity can be significant, which is what I believe ours is, and you have work in front of you that you need to get done to realize that opportunity. And so, both of those, I believe, are very much true and particularly the opportunity rooted in when we wake up on January 1, we'll have some challenges, but that's what we get paid to deal with. But we're also going to have a

significant opportunity from a investment thesis, the management fees that are embedded in the business model, the financing arbitrage that's already in the book from the \$3 billion and what our debt structure looks like. Those things are there when we wake up January 1.

00:34:47 Our job is to go round out the rest of that pie and make sure that our operation gives us the opportunity. So, my first definition of growth is growth in profitability and cash flow. And then the disposition of that cash flow ought to have a rigorous discipline to it as to where it goes next. We've got shareholders that may favor dividend, may favor buyback. Management may have ideas that what it may want to do with that. But our first job is to grow that disposable cash flow, to have that happy challenge of what to do with it. So, that's where our focus is on as a team, deliver to our owners and customers what they signed up for and to deliver the results that our investors rightfully expect of us.

00:35:32 Well, I agree with your wife, this doesn't look like retirement.

00:35:36 Well, thank you for the thought.

00:35:38 Matt, Jason, thanks for being here. Appreciate it.

00:35:39 Thank you.

00:35:40 Thank you.

00:35:40 Thanks for having us, Brandt.

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