
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) May 7, 2019

Marriott Vacations Worldwide Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35219
(Commission
File Number)

45-2598330
(IRS Employer
Identification No.)

6649 Westwood Blvd., Orlando, FL
(Address of principal executive offices)

32821
(Zip Code)

Registrant's telephone number, including area code (407) 206-6000

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 Par Value	VAC	New York Stock Exchange

Item 8.01 Other Events.

On September 1, 2018, Marriott Vacations Worldwide Corporation (“MVW”) completed its previously announced acquisition of ILG, LLC, formerly ILG, Inc. (“ILG”), pursuant to the Agreement and Plan of Merger, dated as of April 30, 2018 (the “Merger Agreement”), by and among MVW, ILG, Ignite Holdco, Inc., a Delaware corporation and wholly-owned direct subsidiary of ILG, Ignite Holdco Subsidiary, Inc., a Delaware corporation and wholly-owned subsidiary of Holdco, Volt Merger Sub, Inc., a Delaware corporation and wholly-owned direct subsidiary of MVW, and Volt Merger Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of MVW. As a result of the combination transactions the (the “Combination Transactions”), ILG became an indirect, wholly owned subsidiary of MVW.

To partially fund the Combination Transactions, Marriott Ownership Resorts, Inc., MVW’s wholly owned subsidiary (the “Issuer”), issued an aggregate principal amount of \$750 million of 6.500% notes due 2026 (the “2026 Notes”) on August 23, 2018. On September 1, 2018, ILG (the “Co-Issuer” and together with the Issuer, the “Issuers”) became a co-issuer of the 2026 Notes, and certain of ILG’s wholly owned domestic subsidiaries that guarantee MVW’s credit facility became guarantors of the 2026 Notes.

Also in connection with the Combination Transactions, on September 4, 2018, MVW settled an exchange offer (the “Exchange Offer”) by the Issuer with respect to the outstanding 5.625% Senior Notes due 2023 (the “Existing IAC Notes”) of Interval Acquisition Corp., a wholly owned subsidiary of ILG, pursuant to which the Issuer offered to exchange the Existing IAC Notes held by certain eligible holders for: (i) an aggregate principal amount of \$88,165,000 of 5.625% Senior Notes due 2023 (the “2023 Notes”) issued by the Issuers and (ii) cash. The holders of the 2023 Notes and the 2026 Notes have certain registration rights, pursuant to which we expect to offer to exchange in registered exchange offers (the “Registered Exchange Offers”) the existing 2023 Notes and 2026 Notes for new notes in a like principal amount, like interest rate and maturity and like denomination of the existing 2023 Notes and 2026 Notes that will not contain the transfer restrictions applicable to the existing 2023 Notes and 2026 Notes.

In connection with the Registered Exchange Offers for the 2023 Notes and the 2026 Notes, the registrant is filing this Current Report on Form 8-K in order to make available the unaudited pro forma financial information of MVW for the year ended December 31, 2018, which gives effect to the Combination Transactions on the basis described therein. The foregoing is filed herewith as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) The following exhibits are being filed herewith:

Exhibit Number	Description
<u>99.1</u>	Unaudited Pro Forma Combined Statement of Income

SIGNATURES

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

MARRIOTT VACATIONS WORLDWIDE CORPORATION

(Registrant)

Date: May 7, 2019

By: /s/ John E. Geller, Jr.

Name: John E. Geller, Jr.

Title: Executive Vice President and Chief Financial and Administrative Officer

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

On September 1, 2018 (the “Acquisition Date”), Marriott Vacations Worldwide Corporation (“MVW”) completed the previously announced acquisition of ILG, LLC, formerly known as ILG, Inc. (“ILG”), through a series of transactions, after which ILG became an indirect wholly-owned subsidiary (the “Combination Transactions”).

The following unaudited pro forma combined statement of income presents the combination of the historical statements of income of MVW and ILG, adjusted to give effect to the Combination Transactions. Presentation of a pro forma combined statement of income is not required for any period beginning after the Acquisition Date because the Combination Transactions are already reflected in the historical statement of income for any such period. Presentation of a pro forma combined balance sheet is not required because the Combination Transactions are already reflected in the historical MVW consolidated balance sheet after the Acquisition Date.

This unaudited pro forma combined statement of income gives effect to the Combination Transactions. Specifically, MVW presents the pro forma combined statement of income for the fiscal year ended December 31, 2018 as if the Combination Transactions had occurred on January 1, 2018, the beginning of the earliest period presented. The historical financial results of ILG are presented separately prior to the Acquisition Date and are included in the results of MVW beginning on the Acquisition Date and thereafter.

The unaudited pro forma combined statement of income was prepared using purchase accounting with MVW considered the acquirer of ILG. Under purchase accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values, with any excess purchase price allocated to goodwill. The preliminary purchase price allocation was based on a preliminary estimate of the fair values of the tangible and intangible assets and liabilities of ILG for purposes of inclusion on the opening balance sheet and have been included in the MVW consolidated balance sheet after the Acquisition Date. During the measurement period, MVW expects to complete the purchase price allocation after considering the fair value of ILG’s assets and liabilities at the level of detail necessary to finalize the required purchase price allocation. Accordingly, the purchase price allocations are preliminary and subject to further adjustments as additional information becomes available and as additional analyses are performed. The final purchase price allocation may be different than that reflected in the preliminary purchase price allocation presented herein, and this difference may be material.

In order to make this unaudited pro forma combined statement of income easier to read, MVW refers to the unaudited pro forma combined statement of income, associated adjustments and related information as the “pro forma statement of income” throughout this document. All such statements and information are unaudited and combined, except where such information by its presentation or context applies only to MVW or ILG.

The pro forma statement of income does not reflect the realization of any expected cost savings or other synergies from the acquisition of ILG as a result of integration activities and other cost savings initiatives. MVW currently estimates that synergies and planned integration activities will result in annual combined cost savings of at least \$100 million, which are not reflected in the pro forma statement of income, except to the extent realized prior to December 31, 2018. Although MVW believes such cost savings and other synergies will be realized, there can be no assurance that these cost savings or any other synergies will be achieved in full or at all. In addition, the pro forma statement of income does not reflect the planned integration and other charges associated with these cost savings, which are expected to be expensed in MVW’s statement of income.

The unaudited pro forma adjustments are based upon currently available information, estimates and assumptions that MVW’s management believes are reasonable as of the date hereof. The pro forma adjustments and related assumptions are described in the accompanying notes presented on the following pages, which should be read together with the pro forma statement of income.

The pro forma statement of income is for informational purposes only and is not intended to represent or to be indicative of the actual results of operations that the combined MVW and ILG business would have reported had the Combination Transactions been completed as of the date set forth in the pro forma statement of income and should not be taken as being indicative of future combined results of operations. The actual results may differ significantly from those reflected in the pro forma statement of income for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma statement of income and actual amounts. As a result, the pro forma statement of income does not purport to be indicative of what the results of operations would have been had the Combination Transactions been completed on the applicable date of the unaudited pro forma statement of income. It also may not be useful in predicting the future results of operations of the Combined Company.

The pro forma statement of income is based on, and should be read together with, the separate historical consolidated financial statements and accompanying notes of MVW as of and for the year ended December 31, 2018 in its Annual Report on Form 10-K filed with the SEC on March 1, 2019.

Rounding

Calculated values were determined using whole numbers.

MARRIOTT VACATIONS WORLDWIDE CORPORATION
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2018
(In millions, except per share amounts)

	Historical		Pro Forma Adjustments	Pro Forma Combined
	MVW	ILG (a)		
REVENUES				
Sale of vacation ownership products	\$ 990	\$ 332	\$	\$ 1,322
Management and exchange	499	473	(15) (b)	952
			(5) (c)	
Rental	371	224		595
Financing	183	63	2 (d)	248
Cost reimbursements	925	172		1,097
TOTAL REVENUES	2,968	1,264	(18)	4,214
EXPENSES				
Cost of vacation ownership products	260	93	8 (e)	361
Marketing and sales	527	208	(8) (b)	731
			4 (f)	
Management and exchange	259	215	(7) (b)	466
			(1) (f)	
Rental	281	133		414
Financing	65	21		86
General and administrative	198	165		363
Depreciation and amortization	62	55	(5) (g)	138
			26 (h)	
Litigation settlement	46	—		46
Royalty fee	78	30		108
Cost reimbursements	925	172		1,097
TOTAL EXPENSES	2,701	1,092	17	3,810
Gains and other income, net	21	27		48
Interest expense	(54)	(19)	(56) (i)	(129)
ILG acquisition-related costs	(127)	(39)	166 (j)	—
Other	(4)	(10)		(14)
INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS	103	131	75	309
Provision for income taxes	(51)	(37)	(11) (k)	(99)
NET INCOME	52	94	64	210
Net loss (income) attributable to noncontrolling interests	3	(2)		1
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 55	\$ 92	\$ 64	\$ 211
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic	\$ 1.64		(l)	\$ 4.50
Diluted	\$ 1.61		(l)	\$ 4.39
Weighted average shares outstanding - basic	33.3		(l)	47.0
Weighted average shares outstanding - diluted	34.0		(l)	48.1

See Note 3 to Unaudited Pro Forma Combined Statement of Income

**NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
GIVING EFFECT TO THE COMBINATION TRANSACTIONS**

Note 1. Consideration Transferred

On the Acquisition Date, shareholders of ILG received 0.165 shares of MVW common stock and \$14.75 in cash for each share of ILG common stock. The following table presents the fair value of each class of consideration transferred at the Acquisition Date.

(\$ in millions, except per share amounts)

Equivalent shares of Marriott Vacations Worldwide common stock issued in exchange for ILG outstanding shares		20.5
Marriott Vacations Worldwide common stock price as of Acquisition Date	\$	119.00
Fair value of Marriott Vacations Worldwide common stock issued in exchange for ILG outstanding shares		2,441
Cash consideration to ILG shareholders, net of cash acquired of \$154 million		1,680
Fair value of ILG equity-based awards attributed to pre-combination service		64
Total consideration transferred, net of cash acquired		4,185
Noncontrolling interests		29
	\$	4,214

Note 2. Preliminary Fair Values of Assets Acquired and Liabilities Assumed

The following table presents our preliminary estimates of fair values of the assets that we acquired and the liabilities that we assumed as of year-end 2018.

(\$ in millions)

Vacation ownership notes receivable	\$	753
Inventory		474
Property and equipment		374
Intangible assets		1,166
Other assets		620
Deferred revenue		(217)
Deferred taxes		(179)
Debt		(392)
Securitized debt from VIEs		(702)
Other liabilities		(511)
Net assets acquired		1,386
Goodwill ⁽¹⁾		2,828
	\$	4,214

⁽¹⁾ Goodwill is calculated as total consideration transferred, net of cash acquired, less identified net assets acquired and it primarily represents the value that we expect to obtain from synergies and growth opportunities from our combined operations.

Note 3. Pro Forma Adjustments

- (a) The historical financial results of ILG are presented separately prior to the Acquisition Date and are included in the results of MVW beginning on the Acquisition Date and thereafter. Certain presentation changes have been made to the historical presentation of ILG financial information in order to conform to the actual combined MVW presentation in effect following the Combination Transactions. These presentation changes were identified through a review of the historical presentation of ILG financial information, with the effects reflected in the historical ILG figures accordingly.
- (b) To reflect the elimination of intercompany revenue and expenses between MVW and ILG.
- (c) To record decreases in amortized deferred revenue related to the adjustments to fair value of ILG’s deferred revenue based on the purchase price allocation. MVW provisionally estimated the value of ILG’s deferred revenue based on a review of existing deferred revenue balances against ILG’s legal performance obligations.
- (d) To reflect an adjustment to financing revenue to convert interest income recognition from acquired vacation ownership notes receivable to approximate the level-yield method pursuant to Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 310-30, *Receivables-Loans and Debt Securities Acquired with Deteriorated Credit Quality*. The level-yield method requires MVW to recognize as interest income the excess of the cash flows expected to be collected on the acquired vacation ownership notes receivable portfolio over the fair value of the portfolio.
- (e) To reflect the impact to cost of sales attributable to the purchase price adjustment remeasuring vacation ownership inventory to fair value, which has a recurring impact post-close of the Combination Transactions.
- (f) In its adoption of ASC 606, *Revenue from Contracts with Customers*, MVW elected to apply the practical expedient permitted under the standard to expense costs rather than capitalize costs to obtain a contract as incurred and ILG elected to capitalize these costs. As MVW has an accounting policy to expense these costs as incurred, this pro forma adjustment reflects the elimination of the amortization associated with these capitalized costs during the respective periods and recognizes an estimate of costs during the respective periods that would have been expensed in order to conform ILG’s accounting policy to that of MVW.
- (g) To reflect a preliminary pro forma adjustment to recognize changes to straight-line depreciation expense resulting from the fair value adjustments to acquired property and equipment. The pro forma adjustments for depreciation expense are based on the preliminary purchase price allocation which is subject to further adjustments as additional information becomes available and as additional analyses are performed.
- (h) To reflect a preliminary pro forma adjustment to recognize incremental straight-line amortization expense resulting from the allocation of purchase consideration to definite-lived intangible assets subject to amortization. The pro forma adjustments for amortization expense are as follows:

<i>(\$ in millions)</i>	<u>Estimated Fair Value</u>	<u>Eight Months Ended August 31, 2018</u>	<u>Estimated Useful Life (in years)</u>
Member relationships	\$ 695	\$ 27	15 to 20
Management contracts	389	12	15 to 25
		39	
Previously recorded amortization expense of intangibles		(13)	
		<u>\$ 26</u>	

- (i) During the third quarter of 2018, in connection with the Combination Transactions, MVW issued \$750 million aggregate principal amount of 6.500% senior unsecured notes due 2026 and entered into a new credit facility. The new credit facility includes a \$900 million term loan facility (“Term Loan”) which matures on August 31, 2025 and a Revolving Corporate Credit Facility with a borrowing capacity of \$600 million that terminates on August 31, 2023. The Term Loan bears interest at a floating rate plus an applicable margin that varies from 1.25% to 2.25%, and borrowings under the Revolving Corporate Credit Facility generally bear interest at a floating rate plus an applicable margin that varies from 0.50% to 2.75%.

Pro forma interest expense includes the impact of the new senior unsecured notes and new credit facility, including the impact of changes to amortization of debt issuance costs, discounts and purchase accounting adjustments. The pro forma interest expense associated with newly issued debt is based on a weighted average interest rate of 5.4%.

<i>(\$ in millions)</i>	Eight Months Ended August 31, 2018
Interest expense on new debt	\$ 61
Amortization of debt issuance costs	3
Less: historical interest expense on ILG credit facility	(6)
Less: historical amortization of debt issuance costs	(3)
Amortization of change in fair value of acquired debt	1
	<u>\$ 56</u>

- (j) To reflect the elimination of non-recurring transaction-related expenses incurred by MVW or ILG directly associated with the Combination Transactions.
- (k) To reflect the pro forma tax effect of the adjustments herein at an estimated statutory blended rate of 25.2% for the year ended December 31, 2018. We have also adjusted the 2018 income tax expense for the permanent impact of nondeductible transaction costs that are removed as a pro forma adjustment.
- (l) The following table shows our calculation of pro forma combined basic and diluted earnings per share for the fiscal year ended December 31, 2018:

<i>(\$ in millions, except per share amounts)</i>	Year Ended December 31, 2018
Pro forma net income attributable to common shareholders	\$ 211
Basic weighted average MVW shares outstanding	33.3
ILG shares converted to MVW shares ⁽¹⁾	13.7
Pro forma basic weighted average shares outstanding	47.0
Dilutive effect of securities:	
Employee stock options and SARs	0.4
Restricted stock units	0.3
MVW equity-based awards	0.7
ILG equity-based awards converted to MVW equity awards ⁽²⁾	0.4
Pro forma diluted weighted average shares outstanding	48.1
Pro forma basic earnings per share	\$ 4.50
Pro forma diluted earnings per share	\$ 4.39

(1) Represents the number of shares of MVW common stock issued to ILG shareholders based on the number of shares of ILG common stock outstanding on the Acquisition Date and after giving effect to the exchange ratio as determined in the merger agreement. The number of shares for the fiscal year ended December 31, 2018 has been adjusted on a pro rata basis to align with the period prior to the Acquisition Date.

(2) Awards consist of the right to receive shares and an award of cash.