# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended December 31, 2020**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from______ to ______**

**Commission File No. 001-35219**

---

# Marriott Vacations Worldwide Corporation
**(Exact name of registrant as specified in its charter)**

---

| | |
|---|---|
| **Delaware** | **45-2598330** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **6649 Westwood Blvd. Orlando FL** | **32821** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's Telephone Number, Including Area Code (407) 206-6000**

**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 |

**Securities registered pursuant to Section 12(g) of the Act: NONE**

---

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | 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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of shares of common stock held by non-affiliates at June 30, 2020, was $3,305,237,101. There were 41,197,482 shares of common stock outstanding as of February 19, 2021.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement prepared for the 2021 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

## TABLE OF CONTENTS

Throughout this Annual Report on Form 10-K (this "Annual Report"), we refer to Marriott Vacations Worldwide Corporation, together with its consolidated subsidiaries, as "Marriott Vacations Worldwide," "MVW," "we," "us," or "the Company."

In order to make this Annual Report easier to read, we refer throughout to (i) our Consolidated Financial Statements as our "Financial Statements," (ii) our Consolidated Statements of Income as our "Income Statements," (iii) our Consolidated Balance Sheets as our "Balance Sheets" and (iv) our Consolidated Statements of Cash Flows as our "Cash Flows." References throughout to numbered "Footnotes" refer to the numbered Notes to our Financial Statements that we include in Part II, Item 8. "Financial Statements and Supplementary Data" of this Annual Report. When discussing our properties or markets, we refer to the United States, Mexico and the Caribbean as "North America."

Additionally, throughout this Annual Report, we refer to brands that we own, as well as those brands that we license as our brands. All brand names, trademarks, service marks and trade names cited in this report are the property of their respective owners, including those of other companies and organizations. Solely for convenience, trademarks, trade names and service marks referred to in this Annual Report may appear without the ® or ™ symbols, however such references are not intended to indicate in any way that MVW or the owner, as applicable, will not assert, to the fullest extent under applicable law, all rights to such trademarks, trade names and service marks.

Brand names, trademarks, service marks and trade names that we own or license from Marriott International, Inc. or its affiliates ("Marriott International") include Marriott Vacation Club®, Marriott Vacation Club Destinations™, Marriott Vacation Club Pulse℠, Marriott Grand Residence Club®, Grand Residences by Marriott®, The Ritz-Carlton Destination Club®, Westin®, Sheraton®, (and to a limited extent) St. Regis® and The Luxury Collection®. Marriott International's affiliates include Starwood Hotels and Resorts Worldwide, Inc. ("Starwood") and The Ritz-Carlton Hotel Company, L.L.C. ("The Ritz-Carlton Hotel Company"). We also refer to Marriott International's Marriott Bonvoy® customer loyalty program, which replaced the Marriott Rewards®, Starwood Preferred Guest® or SPG®, and The Ritz-Carlton Rewards® customer loyalty programs, as "Marriott Bonvoy." "Hyatt Vacation Ownership" business refers to our group of businesses using the Hyatt® brand in the vacation ownership business pursuant to an exclusive, global master license agreement with a subsidiary of Hyatt Hotels Corporation ("Hyatt"). We also refer to Hyatt's World of Hyatt® customer loyalty program as "World of Hyatt."

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a global pandemic ("COVID-19," "the COVID-19 pandemic," "the pandemic," or "the virus"). The changes arising from the effects of the COVID-19 pandemic on the global economic landscape, outlook and, in particular, the travel and hospitality industries, have been swift and unexpected. The COVID-19 pandemic has caused significant disruptions in international and U.S. economies and markets. We discuss the impacts of the COVID-19 pandemic and its potential future implications throughout this report; however, the COVID-19 pandemic is evolving and its potential impact on our business in the future remains uncertain.

On September 1, 2018 (the "Acquisition Date"), we completed the acquisition of ILG, LLC, formerly known as ILG, Inc. ("ILG"), through a series of transactions (the "ILG Acquisition"), after which ILG became our indirect wholly-owned subsidiary. The Financial Statements in this report for fiscal year 2018 include ILG's results of operations from the Acquisition Date through December 31, 2018 and reflect the financial position of our combined company at December 31, 2018. We refer to our business associated with brands that existed prior to the ILG Acquisition as "Legacy-MVW" and to ILG's business and brands that we acquired as "Legacy-ILG."

By referring to our corporate website, www.marriottvacationsworldwide.com, or any other website, we do not incorporate any such website or its contents in this Annual Report.

Unless otherwise specified, each reference to a particular year means the fiscal year ended on the date shown in the table below, rather than the corresponding calendar year. Beginning with 2017, we changed our financial reporting cycle to a calendar year-end and end-of-month quarterly reporting cycle. Prior to 2017, our fiscal year was a 52 or 53 week fiscal year that ended on the Friday nearest to December 31.

| Fiscal Year | Fiscal Year-End Date | Number of Days |
|---|---|---|
| 2020 | December 31, 2020 | 366 |
| 2019 | December 31, 2019 | 365 |
| 2018 | December 31, 2018 | 365 |
| 2017 | December 31, 2017 | 366 |
| 2016 | December 30, 2016 | 364 |

## SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

We make forward-looking statements throughout this Annual Report, including in, among others, the sections entitled “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” based on our management’s beliefs and assumptions and on information currently available to our management. Forward-looking statements include, among other things, the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition, and the ongoing effect of the COVID-19 pandemic and actions we or others may take in response to the COVID-19 pandemic. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “plan,” “intend,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “may,” “might,” “should,” “could” or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. We caution you that these statements are not guarantees and are subject to numerous risks and uncertainties, such as: the effects of the COVID-19 pandemic, including reduced demand for vacation ownership and exchange products and services, volatility in the international and national economy and credit markets, worker absenteeism, quarantines or other travel or health-related restrictions; the length and severity of the COVID-19 pandemic, including to the extent it is or may be impacted by vaccines; the pace of recovery following the COVID-19 pandemic; competitive conditions; the availability of capital to finance growth, and other matters referred to under the heading “Risk Factors” contained herein. We do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. You should not put undue reliance on any forward-looking statements in this Annual Report. We do not have any intention or obligation to update forward-looking statements after the date of this Annual Report, except as required by law.

The risk factors discussed in “Risk Factors” in this Annual Report could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we cannot predict at this time or that we currently do not expect will have a material adverse effect on our financial position, results of operations or cash flows. Any such risks could cause our results to differ materially from those we express in forward-looking statements.

# PART I

## Item 1. Business

### Overview

We are a leading global vacation company that offers vacation ownership, exchange, rental and resort and property management, along with related businesses, products and services. We are the exclusive worldwide developer, marketer, seller and manager of vacation ownership and related products under the Marriott Vacation Club, Grand Residences by Marriott, Sheraton, Westin, and Hyatt Residence Club brands, as well as under Marriott Vacation Club Pulse, an extension of the Marriott Vacation Club brand. We are also the exclusive worldwide developer, marketer and seller of vacation ownership and related products under The Ritz-Carlton Destination Club brand, and have the non-exclusive right to develop, market and sell whole ownership residential products under The Ritz-Carlton Residences brand. We have a license to use the St. Regis brand for specified fractional ownership products.

Our business operates in two reportable segments: Vacation Ownership and Exchange & Third-Party Management. We were incorporated in Delaware in June 2011 and have been an independent public company since our November 2011 spin-off from Marriott International (the “Marriott Spin-Off”).

| | 2020 | |
|---|---|---|
| ***($ in millions)*** | **Segment Revenue** | **% of Segment Revenue** |
| Vacation Ownership | $ 2,530 | 89% |
| Exchange & Third-Party Management | 309 | 11% |
| Total Segment Revenue | $ 2,839 | 100% |

**Impact of COVID-19 Pandemic**

Our results of operations from 2020 include impacts related to the COVID-19 pandemic, which have been significantly adverse for our business and our industry. We continue to closely monitor and actively manage the ongoing effects of the COVID-19 pandemic on our business and operations, and to adapt our operations.

*Vacation Ownership*

We experienced an adverse impact on occupancy in our Vacation Ownership business beginning in mid-March 2020, which quickly accelerated later that month and continued throughout the remainder of 2020. In response to quickly evolving travel restrictions and restrictions on business operations, we closed all of our sales centers in March 2020, and beginning on March 25, 2020, we closed our resorts for rental guests with stays at our branded North America vacation ownership resorts. Due to low occupancy rates and based on various governmental mandates and advisories, we completely closed several of our resorts and reduced operations and amenities at our resorts that remained open. The closure of our sales centers and low occupancy levels led to a material decrease in contract sales and rental revenues from our vacation ownership business beginning in the second quarter.

In late-May, as many government restrictions were beginning to be relaxed, owner occupancy at our resorts began to grow and we began reopening resorts to rental guests; over 95 percent of our vacation ownership resorts had reopened to owners and rental guests by December 31, 2020. We reopened certain sales centers in June and opened additional sales centers in July and throughout the rest of the year. As of December 31, 2020, over 80 percent of our sales centers had re-opened. Extended or further closures of our sales centers may be required if demand declines again or if we are again impacted by government regulations requiring resort closures or restricting travel.

*Exchange & Third-Party Management*

In our Exchange & Third-Party Management business, the closures of certain affiliated resorts and managed properties had a significant adverse impact on our business beginning at the end of the first quarter of 2020. A large number of resorts closed or ceased taking reservations, leading to a decrease in management and exchange revenues. As of December 31, 2020, over 90 percent of those affiliated resorts and managed properties had reopened or resumed taking reservations. Our Aqua-Aston business was materially adversely affected by travel restrictions, as most of its managed properties are located in Hawaii. Further resort and property closures may be required if demand declines again or if we are again impacted by government regulations requiring resort closures or restricting travel. Starting at the end of the first quarter of 2020, the COVID-19 pandemic depressed, and continues to depress, the demand for vacation rentals due to “stay-at-home” recommendations or requirements, quarantines, and the reluctance of consumers to travel.

*Liquidity*

In late-March 2020, we drew down the remaining capacity of our $600 million Revolving Corporate Credit Facility (as defined in Footnote 17 “Debt” to our Financial Statements). We issued $500 million of senior secured debt in May 2020, which we used to repay amounts outstanding on our Revolving Corporate Credit Facility. As of December 31, 2020, we had $524 million in cash and cash equivalents on hand, and $597 million of availability under our Revolving Corporate Credit Facility. Subsequent to the end of 2020, we issued $575 million of convertible senior notes in order to help finance our recently announced acquisition of Welk Resorts.

*Other Measures*

In addition to accessing the capital markets, we also bolstered our liquidity through cost reduction. These efforts included reducing capital expenditures; suspending hiring and salary increases; reducing executive and other associate salaries; implementing furloughs and reduced work weeks for most of our associates; and modifying vendor and supplier payment terms where possible. Certain of these cost reduction efforts are still in place and we continue to implement these and other cost saving measures as the situation evolves.

As a result of the COVID-19 pandemic, in September 2020 a workforce reduction plan was approved. Approximately 3,000 associates were impacted beginning in November 2020. During 2020 we incurred $25 million in restructuring and related charges, primarily related to employee severance and benefit costs, excluding a portion that is included in cost reimbursements, and expect to incur an additional $5 million to $10 million in 2021.

Additionally, we implemented temporary adjustments to our cancellation policies for near-term travel for customers who were unable or unwilling to travel due to the COVID-19 pandemic during the first quarter of 2020 and continued these adjustments throughout the remainder of 2020.

*Health and Safety Measures*

In response to the pandemic, we implemented a comprehensive, enhanced cleaning protocol entitled “Next Level of Clean” beginning in 2020 across our seven vacation ownership brands throughout the U.S., Caribbean, Europe, and Asia. The protocol utilizes enhanced cleaning materials and technologies, including electrostatic sprayers, micro-misting sanitation machines, and hospitality grade supplies. Our enhanced cleaning protocols reflect elevated cleanliness standards, cleaning frequency, and hospitality norms across our vacation ownership brands. Our new enhanced cleaning program was a result of collaboration with leaders in cleaning, hygiene, air purification and infection prevention services. These protocols also extend to our sales galleries for our vacation ownership brands, where, in addition to implementation of the new cleanliness standards and protocols, new practices have been implemented to provide presentations in a manner to allow for social distancing.

Additionally, we established safe work environment protocols for all associates across all brands and businesses. For associates, the guidelines establish protocols that implement a work environment that takes into account the health and well-being of our associates and regulations, laws, and recommendations from government authorities and health officials. Associates across all brands and businesses go through daily temperature screens and are given personal protective equipment, including facemasks, which are required to be worn in common areas and when social distancing is not possible.

**Acquisition of ILG**

On September 1, 2018, we completed the acquisition of ILG. The businesses acquired that are currently operated by the Company as part of its Vacation Ownership business include Hyatt Vacation Ownership (“HVO”) and Vistana Signature Experiences (“Vistana”), which includes vacation ownership products branded as Sheraton or Westin. The businesses acquired that are currently operated by the Company as part of its Exchange & Third-Party Management business include Aqua-Aston Hospitality, Interval International, Trading Places International, and Vacation Resorts International.

**The Vacation Ownership Industry**

The vacation ownership industry (also known as the timeshare industry) enables customers to share ownership and use of fully-furnished vacation accommodations. Typically, a purchaser acquires an interest (known as a “vacation ownership interest” or a “VOI”) that is either a real estate ownership interest (known as a “timeshare estate”) or a contractual right-to-use interest (known as a “timeshare license”) in a single resort or a collection of resort properties. In the United States, most vacation ownership products are sold as timeshare estates, which can be structured in a variety of ways, including a deeded real estate interest in a specified accommodation unit, an undivided interest in a building or an entire resort, or a beneficial interest in a trust that owns one or more resort properties. By purchasing a vacation ownership interest, owners make a commitment to vacation. For many purchasers, vacation ownership provides an attractive alternative to traditional lodging accommodations (such as hotels, resorts and condominium rentals). In addition to avoiding the volatility in room rates to which traditional lodging customers are subject, vacation ownership purchasers also enjoy accommodations that are, on average, more than twice the size of traditional hotel rooms and typically have more features, such as kitchens and separate living areas. Purchasers who might otherwise buy a second home find vacation ownership a preferable alternative because it is more affordable and reduces maintenance and upkeep concerns.

Typically, developers sell vacation ownership interests for a fixed purchase price that is paid in full at closing or financed with a loan. Many vacation ownership companies provide financing or facilitate access to third-party bank financing for customers. Vacation ownership resorts are often operated by a nonprofit property owners’ association of which owners of vacation ownership interests are members. Most property owners’ associations are governed by a board of directors that includes owners and which may include representatives of the developer. Some vacation ownership resorts are held through a trust structure in which a trustee holds title and manages the property. The board of the property owners’ association, or trustee, as applicable, typically delegates much of the responsibility for managing the resort to a management company, which is often affiliated with the developer.

After the initial purchase, most vacation ownership programs require the owner of the vacation ownership interest to pay an annual maintenance fee. This fee represents the owner’s allocable share of the costs and expenses of operating and maintaining the vacation ownership property and providing program services. This fee typically covers expenses such as housekeeping, landscaping, taxes, insurance and resort labor, a property management fee payable to the management company for providing management services, and an assessment to fund a capital asset reserve account used to renovate, refurbish and replace furnishings, common areas and other assets (such as parking lots or roofs) as needed over time. Owners typically reserve their usage of vacation accommodations in advance through a reservation system (often provided by the management company or an affiliated entity), unless a vacation ownership interest specifies fixed usage dates and a particular unit every year.

The vacation ownership industry has grown through expansion of established vacation ownership developers as well as entrance into the market of well-known lodging and entertainment brands, including Marriott, Sheraton, Hilton, Hyatt, Westin and Disney. The industry's growth can also be attributed to increased market acceptance of vacation ownership products, stronger consumer protection laws and the evolution of vacation ownership interests from a fixed- or floating-week product, which provides the right to use the same property every year, to membership in multi-resort vacation networks, which offer a more flexible vacation experience. These vacation networks often issue their members an annual allotment of points that can be redeemed for stays at affiliated vacation ownership resorts or for alternative vacation experiences available through the program.

To enhance the flexibility and appeal of their products, many vacation ownership developers affiliate their projects with vacation ownership exchange service providers so that owners may exchange their rights to use the developer's resorts in which they have purchased an interest for accommodation at other resorts in the exchange service provider's broader network of properties. The two leading exchange service providers are Interval International, our subsidiary, and RCI, LLC, a subsidiary of Travel + Leisure Co. (formerly known as Wyndham Destinations, Inc.) ("RCI"). Interval International's network includes nearly 3,200 resorts, and RCI's network includes over 6,000 affiliated resorts, as identified on RCI's website.

According to the American Resort Development Association ("ARDA"), a trade association representing the vacation ownership and resort development industries, as of December 31, 2019, the U.S. vacation ownership community was comprised of over 1,500 resorts, representing more than 200,000 units. According to ARDA, sales in the U.S. market were approximately $10.5 billion in 2019. We believe there is considerable potential for further growth in the industry both in the U.S. and globally.

**License Agreements and Intellectual Property**

In connection with the Marriott Spin-Off, we entered into a License, Services, and Development Agreement (the "Marriott License Agreement") with Marriott International and a License, Services, and Development Agreement (the "Ritz-Carlton License Agreement") with The Ritz-Carlton Hotel Company, a subsidiary of Marriott International. Under these long-term license agreements that expire in 2090, we are granted the exclusive right, for the terms of the license agreements, to use certain Marriott and Ritz-Carlton marks and intellectual property in our vacation ownership business, the exclusive right to use the Grand Residences by Marriott marks and intellectual property in our residential real estate business, and the non-exclusive right to use certain Ritz-Carlton marks and intellectual property in our residential real estate business.

In connection with our acquisition of ILG, we became the exclusive licensee for the Sheraton and Westin brands in vacation ownership. Our license agreements for these brands grant us the exclusive right, for the terms of the license agreements, to use certain Sheraton and Westin marks and intellectual property in our vacation ownership business, and the right to use the St. Regis brand for specified fractional ownership products. In addition, we assumed a license agreement with Hyatt that grants us the exclusive global use of the Hyatt brand in connection with the Hyatt Vacation Ownership business. Our license agreement with Hyatt was amended and restated effective January 2020.

We operate in a highly competitive industry and our brand names, trademarks, service marks, trade names and logos are very important to the marketing and sales of our products and services. We believe that our licensed brand names and other intellectual property represent high standards of quality, caring, service and value to our customers and the traveling public. We register and protect our intellectual property where we deem appropriate and otherwise seek to protect against its unauthorized use.

*Licensor Customer Loyalty Programs*

Under our affiliation agreements with Marriott International and its affiliates, our owners who are Marriott Bonvoy members generally have the ability to redeem their vacation ownership usage rights to access participating Marriott-, Sheraton-, and Westin-branded properties or other products and services offered through the program.

Through our relationship with Hyatt, our owners who are members of the World of Hyatt customer loyalty program generally have the ability to redeem their vacation ownership usage rights to access participating Hyatt-branded properties or other products and services offered through the program.

## Business Strategy

Our strategic goal is to further strengthen our leadership position in the vacation ownership industry. To achieve this goal, we are pursuing the following initiatives:

*Drive profitable revenue growth*

We intend to continue to generate growth in vacation ownership sales by leveraging our globally recognized brand names and targeting high-quality inventory that allows us to add desirable new destinations to our systems with new on-site sales locations. We expect to continue to generate growth through our integrated platform that provides exclusive access to the world-class loyalty programs of Marriott International and Hyatt. We will also continue to focus on our over 650,000 owner families around the world. We are concentrating on growing our tour flow cost effectively as we seek to grow first-time buyer tours through our strategy that emphasizes new sales locations and new marketing channels, including digital and social media marketing. As the vacation ownership business continues to grow sales and we add new resorts, our vacation ownership revenue streams from consumer financing, management fees, rentals and ancillary services are expected to grow.

We also plan to grow our recurring revenues which tend to be less capital intensive than sales of vacation ownership. Our recurring revenues include management of resorts and owners' associations, financing revenues, and membership, club and other revenues in both our Vacation Ownership and Exchange & Third-Party Management segments. These revenues generally are more predictable due to the relatively fixed nature of resort operating expenses and, in the case of management and exchange revenues, contractual agreements that typically span many years and are often automatically renewable. Financing revenues are relatively stable as the majority of these revenues generated in any given year come from prior year note originations.

*Maximize cash flow and optimize our capital structure, including by selectively pursuing capital efficient vacation ownership deal structures*

Through the use of our points-based products, we are able to more closely match inventory investment with sales pace, thereby generating strong cash flows over time. Limiting the amount of completed inventory on hand and pursuing capital efficient vacation ownership inventory arrangements enable us to reduce the maintenance fees that we pay on unsold inventory and improve returns on invested capital and liquidity. In addition, we reacquire previously sold vacation ownership interests at lower costs than would be required to develop new inventory which increases margins on our sales of vacation ownership interests.

We expect to maintain an attractive leverage profile. We intend to meet our ongoing liquidity needs through cash on hand, operating cash flow, our $600 million revolving credit facility (the "Revolving Corporate Credit Facility"), our $350 million non-recourse warehouse credit facility (the "Warehouse Credit Facility"), and continued access to the asset-backed securities ("ABS") term financing market. We believe this will enable us to maintain a level of liquidity that provides financial flexibility, giving us the ability to pursue strategic growth opportunities, withstand potential future economic downturns, optimize our cost of capital, and pursue strategies for returning excess capital to shareholders.

*Enhance digital capabilities*

A key area of focus for us is the expansion of digital tools to drive more efficient digital marketing and enhance user experience for our owners and members of our exchange and other membership programs. We intend to build efficiencies in our cost of delivery of marketing and to enhance the experience of our owners by seeking new data driven approaches and enhancing digital tools.

*Focus on the satisfaction of our owners, members, and guests as well as the engagement of our associates*

We provide high-quality vacation experiences to our owners, members, and guests around the world and we believe that maintaining a high level of engagement across all of our customer groups is key to our success. We intend to maintain and improve their satisfaction with our products and services, which drives incremental sales as customers choose to spend more time at our resorts. Because our owners, members, and guests are our most cost-effective vacation ownership sales channels, we intend to continue to leverage our strong customer satisfaction to drive higher margin sales volumes. We intend to provide innovative offerings in new destinations to meet the needs of current and future customers and intend to develop new offerings to attract the next generation of travelers looking for a greater variety of experiences with the high quality standards expected from brands they trust.

Engaging our associates in the success of our business continues to be one of our long-term core strategies. We understand the connection between the engagement of our associates and the satisfaction and engagement of our owners, members, and guests. At the heart of our culture is the belief that if we take care of our associates, they will take care of our owners, members, and guests and the owners, members, and guests will return again and again.

*Transform our business in connection with the integration of the ILG Acquisition*

As we continue to further integrate the ILG businesses, we are simultaneously working to develop new growth channels and streamline our business processes through technology. We are focused on integrating functions, leveraging strengths across our businesses, and pursuing transformational opportunities that can further differentiate us from our competitors. We intend to advance our company analytics to encourage greater points utilization and usage of our exchange and travel products, provide enhanced resort experiences, and create more relevant and high value targeted leads for tour offers and vacation options. This is a multi-year process that is designed to achieve cost savings synergies and increase revenue opportunities.

*Selectively pursue compelling new business opportunities*

We are positioned to explore new business opportunities, such as the continued enhancement of our exchange programs, new management affiliations, and acquisitions of existing vacation ownership and related businesses. We intend to selectively pursue these types of opportunities, focusing on those opportunities that drive recurring revenue and profit streams. Prior to entering into any new business opportunity, we will evaluate its strategic fit and assess whether it is complementary to our current business, has strong expected financial returns and complements our existing competencies.

**Competitive Strengths**

*A leading global vacation ownership company*

We are one of the world's largest vacation ownership companies, based on number of owners, members, number of resorts and revenues. We believe our scale and global reach, coupled with our renowned brands and development, marketing, sales, exchange and management expertise, help us achieve operational efficiencies and support future growth opportunities. Our size allows us to provide owners, members, and guests with the flexibility of a wide variety of experiences within our high-quality resort portfolio, coupled with the ease and certainty of working with a single trusted provider. We also believe our size helps us obtain better financing terms from lenders, achieve operational cost savings from our increased scale, and attract talented management and associates. Our Interval International network includes members and resorts from our Marriott, Westin, Sheraton and Hyatt clubs that can attract developers and homeowners associations to affiliate with the network and provide an opportunity for their owners to exchange into our branded resorts, as well as other member resorts that are a part of the quality international network.

The breadth and depth of our operations enables us to offer a variety of products and to continue to adapt those products to the ever changing needs and preferences of our existing and future customers. For example, in addition to traditional resort experiences, our Marriott Vacation Club Pulse brand extension features unique properties that embrace the spirit and culture of their urban locations, creating an authentic sense of place while delivering easy access to local interests, attractions and transportation.

*Premier global brands with access to expansive customer bases*

We believe that our exclusive licenses with Marriott International and Hyatt for premier global brands in the vacation ownership business provide us with a meaningful competitive advantage. Through seven brands that we license from Marriott International for use in vacation ownership, we benefit from exclusive long-term access to the 147 million members in the Marriott Bonvoy loyalty program as of December 31, 2020. Through our relationship with Hyatt, we benefit from access to members of the World of Hyatt loyalty program, which includes over 25 million members as of December 31, 2020. We believe our access to guests with an affinity for our brands aids our marketing efforts and significantly enhances our ability to drive future sales, as we predominantly generate vacation ownership interest sales through brand loyalty-affiliated sales channels. We expect to continue to leverage our exclusive call transfer arrangements, on-site marketing at Marriott branded hotels, and use of certain exclusive marketing rights to increase sales across all of our Marriott-affiliated vacation ownership properties.

*Loyal, highly satisfied customers*

We have a large, highly satisfied customer base. Owner and member satisfaction is evidenced both by positive historical survey responses and higher than industry average historical resort occupancy for our Vacation Ownership segment. We believe that strong customer satisfaction and brand loyalty result in more frequent use of our products, increase in member retention, and encourage owners to purchase additional products and to recommend our products to friends and family, which in turn generates higher revenues.

*Capital efficient business model providing strong free cash flow and financial flexibility.*

We believe that our scale, recurring revenue fee streams and enhanced margin profile will enable us to maintain flexibility for continued organic growth, strategic acquisitions and debt repayment. The proportion of our total revenue excluding cost reimbursements derived from sources other than the sale of vacation ownership interests has increased and continues to increase. Our Exchange & Third-Party Management businesses also create ample opportunities to realize recurring higher-margin, fee-based revenue streams with modest required capital expenditures, enhancing our margins and free cash flow generation over time.

Our points-based vacation ownership products allow us to utilize capital efficient structures and maintain long-term sales locations without the need to construct additional units at each location. We are able to better manage our inventory needs, while achieving top line growth without a need to significantly increase inventory investments. Our disciplined inventory approach and use of capital efficient vacation ownership deal structures, including working with third parties that develop new inventory or convert previously built units that are sold to us close to when such inventory is needed to support sales, is expected to support strong free cash flow generation.

*Long-standing track record, experienced management and engaged associates*

We have been a pioneer in the vacation ownership industry since 1984, when Marriott International became the first company to introduce a lodging-branded vacation ownership product. Our seasoned management team is led by Stephen P. Weisz, our Chief Executive Officer. Mr. Weisz has served as our Chief Executive Officer since 2011, and as our President from 1996 through December 2020. Mr. Weisz has over 48 years of combined experience at Marriott International and Marriott Vacations Worldwide. William J. Shaw, the Chairman of our Board of Directors, is the former Vice Chairman, President and Chief Operating Officer of Marriott International and spent nearly 37 years with Marriott International. Our ten executive officers have an average of nearly 28 years of total combined experience at Marriott Vacations Worldwide, our subsidiary companies, and Marriott International. We believe our management team's extensive public company and vacation ownership industry experience has enabled us to achieve solid operating results and will enable us to continue to respond quickly and effectively to changing market conditions and consumer trends. Our management's experience in the highly regulated vacation ownership industry also provides us with a competitive advantage in expanding existing product forms and developing new ones.

*Engaged associates delivering high levels of customer service driving repeat customers*

We believe that our associates provide superior customer service and this dedication to serving the customer enhances our competitive position. A significant portion of our vacation ownership contract sales are historically to existing owners, which enables them to enjoy longer stays and have greater flexibility in their vacation choices. Sales to existing owners typically have significantly lower sales and marketing costs than sales to new owners. We leverage outstanding associate engagement and strong corporate culture to deliver positive customer experiences in sales, marketing, exchange, management and resort operations.

We survey our associates regularly through an external survey provider to understand their satisfaction and engagement, defined as how passionate employees are about the company's mission and their willingness to "go the extra mile" to see it succeed. We have historically ranked highly compared to other companies participating in such surveys.

## VACATION OWNERSHIP SEGMENT

Our Vacation Ownership segment develops, markets, sells, rents, and manages vacation ownership and related products under our licensed brands. Our vacation ownership resorts typically combine many of the comforts of home, such as spacious accommodations with one, two and three bedroom options, living and dining areas, in-unit kitchens and laundry facilities, with resort amenities such as large feature swimming pools, restaurants and bars, convenience stores, fitness facilities and spas, as well as sports and recreation facilities appropriate for each resort's unique location.

As of December 31, 2020, our Vacation Ownership segment had more than 100 resorts and over 650,000 owner families. The Vacation Ownership segment represented 88 percent of our consolidated revenue for 2020.

| *($ in millions)* | **2020 Vacation Ownership Segment Revenues** |
|---|---|
| Sale of vacation ownership products | $ 546 |
| Resort management and other services | 356 |
| Rental | 239 |
| Financing | 265 |
| Cost reimbursements | 1,124 |
| **TOTAL REVENUES** | $ 2,530 |

## Brands

We design, build, manage and maintain our properties at upper upscale and luxury levels primarily under the following brands:

**Marriott Vacation Club** is a collection of upper upscale vacation ownership programs with a diverse portfolio of resorts and timeshare villas and other accommodations throughout the U.S., Caribbean, Europe, Asia, and Australia. Marriott Vacation Club provides owners and their families with the flexibility to enjoy a wide variety of vacation experiences that are characterized by the consistent high quality and warm hospitality for which the Marriott name has become known. Marriott Vacation Club Pulse, a brand extension of Marriott Vacation Club, offers properties in the heart of vibrant cities, including San Francisco and New York City, among others. Because of their urban locations, Marriott Vacation Club Pulse properties typically offer limited on-site amenities and may include smaller guest rooms without separate living areas and kitchens.

**Sheraton Vacation Club** provides enriching and unexpected vacation experiences in fun family destinations like Florida, South Carolina and Colorado. This collection of Sheraton-branded upper upscale vacation ownership resorts allows owners and guests to relax, play and experience what the world has to offer. Sheraton Vacation Club resorts are part of the Vistana Signature Network.

**Westin Vacation Club** is a collection of Westin-branded upper upscale vacation ownership resorts located in some of the most sought-after destinations and designed with well-being in mind. From the world-renowned Heavenly Bed to an energizing WestinWORKOUT and revitalizing Heavenly Spa treatments, every element of a vacation stay is created to leave owners and guests feeling better than when they arrived. Westin Vacation Club resorts are part of the Vistana Signature Network.

**Grand Residences by Marriott** provides vacation ownership through fractional real estate and whole ownership offerings. Grand Residences by Marriott is dedicated to providing carefree property ownership. The accommodations for this brand are similar to those we offer under the Marriott Vacation Club brand, but the duration of the vacation ownership interest is longer, ranging between three and thirteen weeks.

**The Ritz-Carlton Destination Club** is a vacation ownership program that provides luxurious vacation experiences for members and their families commensurate with the legacy of The Ritz-Carlton brand. The Ritz-Carlton Destination Club resorts include luxury villas and resort amenities that offer inspirational vacation lifestyles tailored to every member's needs and expectations. The Ritz-Carlton Destination Club resorts typically feature two, three and four bedroom units that usually include marble foyers, walk-in closets, custom kitchen cabinetry and luxury resort amenities such as large feature swimming pools and access to full service restaurants and bars. On-site management and services, which usually include daily housekeeping service, valet, in-residence dining, and access to fitness facilities as well as spa and sports facilities as appropriate for each destination, are provided by The Ritz-Carlton Hotel Company.

**The Ritz-Carlton Residences** is a luxury tier whole ownership residence brand. The Ritz-Carlton Residences includes whole ownership luxury residential condominiums co-located with The Ritz-Carlton Destination Club resorts. Owners can typically purchase condominiums that vary in size from one-bedroom apartments to spacious penthouses. Owners of The Ritz-Carlton Residences can avail themselves of the services and facilities that are associated with the co-located The Ritz-Carlton Destination Club resort on an a la carte basis. On-site management and services are provided by The Ritz-Carlton Hotel Company.

**St. Regis Residence Club** and **The Luxury Collection** offer luxury real estate and distinctive privileges to members who embrace the art of living in unforgettable destinations. For connoisseurs who desire the finest in luxury living, magnificent residences exude the timeless grandeur and glamour synonymous with the illustrious past of the St. Regis brand**.**

**Hyatt Residence Club** is a vacation ownership program that provides flexible access to global travel experiences through a diverse portfolio of boutique upper upscale residential-style retreats. Set in unique destinations from Maui, Carmel and Aspen to Sedona, San Antonio and Key West, Hyatt Residence Club resorts deliver genuine Hyatt care.

## Products

*Points-Based Vacation Ownership Products*

We sell the majority of our products through points-based ownership programs, including Marriott Vacation Club Destinations, Sheraton Flex, Westin Flex, Westin Aventuras, and the Hyatt Residence Club Portfolio Program. While the structural characteristics of each of our points-based programs differ, in each program, owners receive an annual allotment of points representing owners' usage rights, and owners can use these points to access vacation ownership units across multiple destinations within their program's portfolio of resort locations. Each program permits shorter or longer stays than a traditional weeks-based vacation ownership product and provides for flexibility with respect to check-in days and size of accommodations. In addition to traditional resort stays, the programs enable our owners to exchange their points for a wide variety of innovative vacation experiences, which may include cruises, airline travel, guided tours, safaris and other unique vacation alternatives. Members of our points-based programs typically pay annual fees in exchange for the ability to participate in the program. In addition to points-based ownership programs that allow owners to access multiple destinations within a single program, we offer points programs at certain resorts, such as in St. John and Hawaii, that allow owners to access that particular single site using points in a similar use fashion to the other points based products.

Our points programs allow owners to bank and borrow their annual point allotments, access other locations through the applicable internal exchange programs that we operate, and access Interval International's network of nearly 3,200 affiliated resorts. Owners can also trade their vacation ownership usage rights for Marriott Bonvoy points or World of Hyatt points, as applicable, which can be used to access participating hotels or redeemed for airline miles or other merchandise offered through such customer loyalty program. Our points-based products offer usage in perpetuity or for a term of years, and may consist of real estate interests or a contractual right-to-use.

*Weeks-Based Vacation Ownership Products*

We continue to sell Marriott Vacation Club, Westin, Sheraton and Hyatt branded weeks-based vacation ownership products in select markets, including in countries where legal and tax constraints currently limit our ability to include those locations in one of our existing points-based programs. Our products include multi-week vacation ownership interests in specific Grand Residences by Marriott, St. Regis Residence Club, The Luxury Collection Residence Club, and The Ritz-Carlton Destination Club resorts. Our weeks-based vacation ownership products in the United States and select Caribbean locations are typically sold as fee simple deeded real estate interests at a specific resort representing an ownership interest in perpetuity, except where restricted by leasehold or other structural limitations. We sell vacation ownership interests as a right-to-use product subject to a finite term in Asia Pacific and Europe.

*Global Exchange Opportunities*

All of our vacation ownership products are affiliated with the Interval International network.

We offer our existing Marriott Vacation Club owners who hold weeks-based products the opportunity to participate, on a voluntary basis, in Marriott Vacation Club Destinations ("MVCD"), an exchange program through which many of MVCD's vacation experiences are offered. All existing owners, whether or not they elect to participate in the MVCD exchange program, retain their existing rights and privileges of vacation ownership. Owners who elect to participate in the exchange program receive the ability to trade their weeks-based interval usage for vacation club points usage each year, typically subject to payment of an initial enrollment fee and annual club dues. As of the end of 2020, approximately 182,000 weeks-based owners have enrolled approximately 287,000 weeks in MVCD's exchange program since its launch in 2010, with more than 236,000 total owners able to use points.

The Vistana Signature Network ("VSN") provides Westin Vacation Club and Sheraton Vacation Club owners access to its affiliated resorts as well as the opportunity to exchange their points through the Marriott Bonvoy program to Marriott resorts, through the Interval International network, or for a cruise. Based on the point value of the home resort interest owned, customers can choose other VSN affiliated resorts, the type of villa, the date of travel and the length of stay. VSN members have a four-month period in which they have exclusive occupancy rights at the related resort or points program without competition from other network members. During this home resort period, they can reserve occupancy based on the season and unit type purchased. As of December 31, 2020, VSN included more than 184,000 members.

Hyatt Residence Club provides its owners internal exchange rights among Hyatt Residence Club resorts as well as the opportunity to trade their club points for World of Hyatt points which may be redeemed at participating Hyatt branded properties and exchanged through the Interval International network. Owners will receive Hyatt Residence Club points if they have not reserved at their home resort or through its points program during their allotted preference period or if they elect to convert to points earlier. As of December 31, 2020, this points-based membership exchange system served more than 31,000 owners.

## Sources of Revenue

We generate most of our revenues from four primary sources: selling vacation ownership products; managing vacation ownership resorts, clubs, and owners' associations; financing consumer purchases of vacation ownership products; and renting vacation ownership inventory.

*Sale of Vacation Ownership Products*

Our principal source of revenue is the sale of vacation ownership interests.

*Resort Management and Other Services*

We generate revenue from fees we earn for managing each of our resorts. In addition, we earn revenue for providing ancillary offerings, including food and beverage, retail, and golf and spa offerings at our resorts. We also receive annual fees, club dues, and certain transaction-based fees from owners and other third parties, including external exchange service providers with which we are associated.

*Financing*

We earn interest income on loans that we provide to purchasers of our vacation ownership interests, as well as loan servicing and other fees.

*Rental*

We generate revenue from rentals of inventory that we hold for sale as interests in our vacation ownership programs or as residences, or inventory that we control because our owners have elected alternative usage options permitted under our vacation ownership programs. By using Marriott.com and other direct booking channels to rent available inventory, we are able to reach potential new members who may already have an affinity for and loyalty to the Marriott, Ritz-Carlton, Sheraton and Westin brands and introduce them to our products.

**Marketing and Sales Activities**

We sell our upper upscale tier vacation ownership products under our brands primarily through our worldwide network of resort-based sales centers and certain off-site sales locations. Our vacation ownership interests are currently marketed for sale throughout the United States and in over 25 countries around the world, targeting customers who vacation regularly with a focus on family, relaxation and recreational activities. In 2020, over 90 percent of our vacation ownership contract sales originated at sales centers that are co-located with one of our resorts. We maintain a range of different off-site sales centers, including our central telesales organization based in Orlando and our network of third-party brokers in Latin America and Europe. We have more than 80 global sales locations focused on the sale of vacation ownership interests. We utilize a number of marketing channels to attract qualified customers to our sales locations, including digital and social media marketing.

We solicit our existing owners primarily while they are staying in our resorts, but also offer our owners the opportunity to make additional purchases through direct phone sales, owner events and inquiries from our central customer service centers located in Salt Lake City, Utah, Orlando, Florida, and Palm Springs, California. In 2020, approximately 73 percent of our vacation ownership contract sales were to our existing owners. In addition, we are concentrating on growing our tour flow cost effectively as we seek to generate more first-time buyer tours through our strategy that emphasizes adding new sales locations and new marketing channels.

We also market to existing Marriott and Hyatt customer loyalty program members and travelers who are staying in locations where we have like-branded resorts. We market extensively to guests in Marriott International or Hyatt hotels that are located near one of our sales locations. We also market through call transfer arrangements with Marriott International pursuant to which callers to certain of its reservation centers are asked if they would like to be transferred to one of our representatives that can tell them about our products. In addition, we operate other local marketing venues in various high-traffic areas. A significant part of our direct marketing activities are focused on prospects in the Marriott and Hyatt customer loyalty program databases and our in-house databases of qualified prospects. We offer guests who do not buy a vacation ownership interest during their initial tour the opportunity to purchase a return package for a future stay at our resorts. These return guests are nearly twice as likely to purchase as a first-time visitor.

One of our key areas of focus is expanding our use of social media and digital marketing channels. We are focused on building stronger brand reputation associations via social media audience growth, community engagement, and data driven content marketing.

Our sales tours are designed to provide our guests with an overview of our company and our products, as well as a customized presentation to explain how our products and services can meet their vacationing needs. Our sales force is highly trained in a consultative sales approach designed to ensure that we meet customers' needs on an individual basis. We hire our sales executives based on stringent selection criteria. After they are hired, they spend a minimum of four weeks in product and sales training before interacting with any customers. We manage our sales executives' consistency of presentation and professionalism using a variety of sales tools and technology and through a post-presentation survey of our guests that measures many aspects of each guest's interaction with us.

We believe consumers place a great deal of trust in the Marriott, Westin, Sheraton, Ritz-Carlton and Hyatt brands and the strength of these brands is important to our ability to attract qualified prospects in the marketplace. We maintain a prominent presence on the www.marriott.com, www.ritzcarlton.com and www.hyatt.com websites. Our proprietary sites include www.marriottvacationsworldwide.com, www.marriottvacationclub.com, www.ritzcarltonclub.com, www.vistana.com, www.theresidenceclub.com, and www.hyattresidenceclub.com.

**Inventory and Development Activities**

We secure inventory by building additional phases at our existing resorts, repurchasing previously sold inventory in the secondary market, repurchasing inventory as a result of owner loan or maintenance fee defaults, or developing or acquiring inventory at resorts in strategic markets. We proactively buy back previously sold vacation ownership interests under our repurchase programs at lower costs than would be required to develop new inventory. Efficient use of our capital is also achieved through our points-based business model, which allows us to supply many sales locations with new inventory sourced from a small number of resort locations.

We intend to continue to selectively pursue growth opportunities primarily in North America by targeting high-quality inventory that allows us to add desirable new destinations to our system with new on-site sales locations in ways that optimize the timing of our capital investments. These capital efficient vacation ownership deal structures may include working with third parties to develop new inventory or to convert previously built units to be sold to us close to when we need such inventory.

Approximately a quarter of our Vacation Ownership segment resorts are co-located with same-branded hotel properties. Co-location of our resorts with same-branded hotels can provide several advantages from development, operations, customer experience and marketing perspectives, including sharing amenities, infrastructure and staff, integration of services, and other cost efficiencies. The larger campus of an integrated vacation ownership and hotel resort often can afford our owners more varied and elaborate amenities than those that would generally be available at a stand-alone resort. Shared infrastructure can also reduce our overall development costs for our resorts on a per unit basis. Integration of services and sharing staff and other expenses can lower overhead and operating costs for our resorts. Our on-site access to hotel customers, including customer loyalty program members, who are visiting co-located hotels also provides us with a cost-effective marketing channel for our vacation ownership products.

Co-located resorts require cooperation and coordination among all parties and are subject to cost sharing and integration agreements among us, the applicable property owners' association and managers and owners of the co-located hotel. Our license agreements with Marriott International and Hyatt allow for the development of co-located properties in the future, and we intend to opportunistically pursue co-located projects with them.

Owners generally can offer their vacation ownership interests for resale on the secondary market, which can create pricing pressure on the sale of developer inventory. However, owners who purchase vacation ownership interests on the secondary market typically do not receive all of the benefits that owners who purchase products directly from us receive. When an owner purchases a vacation ownership interest directly from us or a resale on the secondary market, the owner receives certain entitlements that are tied to the underlying vacation ownership interest, such as the right to reserve a resort unit that underlies their vacation ownership interest in order to occupy that unit or exchange its use for use of a unit at another resort through an external exchange service provider, as well as benefits that are incidental to the purchase of the vacation ownership interest. However, the purchaser on the secondary market may not be entitled to receive certain incidental benefits such as full access to our internal exchange programs or the right to trade their usage rights for Marriott Bonvoy points. Additionally, many of our vacation ownership interests provide us with a right of first refusal on secondary market sales. We monitor sales that occur in the secondary market and exercise our right of first refusal when it is advantageous for us to do so, whether due to pricing, desire for the particular inventory, or other factors. All owners, whether they purchase directly from us or on the secondary market, are responsible for the annual maintenance fees, property taxes and any assessments that are levied by the relevant property owners' association, as well as any exchange service membership dues or service fees.

**Management Activities**

We enter into a management agreement with the property owners' association or other governing body at our resorts and, when a trust holds interests in resorts, with the trust's governing body. In exchange for a management fee, we typically provide owner account management (reservations and usage selection), housekeeping, check-in, maintenance and billing and collections services. The management fee is typically based on either a percentage of the budgeted costs to operate such resorts or a fixed fee arrangement. We earn these fees regardless of usage or occupancy. We also receive revenues that represent reimbursement for certain costs we incur under our management agreements, which are principally payroll-related costs at the locations where we employ the associates providing on-site services.

The terms of our management agreements generally range from three to ten years and are generally subject to periodic renewal for one to five year terms. Many of these agreements renew automatically unless either party provides advance notice of termination before the expiration of the term. When our management agreement for a branded resort is not renewed or is terminated, the resort loses the ability to use the brand and trademarks. The owners at such resorts also lose their ability to trade their vacation ownership usage rights for customer loyalty points and to access other resorts through one of our internal exchange systems.

The Ritz-Carlton Hotel Company manages the on-site operations for The Ritz-Carlton Destination Club and The Ritz-Carlton Residences properties in our portfolio under separate management agreements with us. We provide property owners' association governance and vacation ownership program management services for The Ritz-Carlton Destination Club and co-located The Ritz-Carlton Residences properties, including preparing association budgets, facilitating association meetings, billing and collecting maintenance fees, and supporting reservations, vacation experience planning and other off-site member services. We and The Ritz-Carlton Hotel Company typically split the management fees equally for these resorts. If a management agreement for a resort expires or is terminated, the resort loses the ability to use the Ritz-Carlton name and trademarks. The owners at such resorts also lose their ability to access other usage benefits, such as access to accommodations at other The Ritz-Carlton Destination Club resorts, preferential access to Ritz-Carlton hotels worldwide and access to our internal exchange and vacation travel options.

Each management agreement requires the property owners' association, trust association or other governing body to provide sufficient funds to pay for the vacation ownership program and operating costs. To satisfy this requirement, owners of vacation ownership interests pay an annual maintenance fee. This fee represents the owner's allocable share of the costs of operating and maintaining the resorts or interests in the timeshare plan in which they hold a vacation ownership interest, including management fees and expenses, taxes (in some locations), insurance, and other related costs, and the costs of providing program services (such as reservation services). This fee includes a management fee payable to us for providing management services as well as an assessment for funds to be deposited into a capital asset reserve fund and used to renovate, refurbish and replace furnishings, common areas and other resort assets (such as parking lots or roofs) as needed over time. As the owner of completed but unsold vacation ownership inventory, we also pay maintenance fees in accordance with the legal requirements of the jurisdictions applicable to such resorts and programs. In addition, in early phases of development at a resort, we sometimes enter into subsidy agreements with the property owners' associations under which we agree to pay costs that otherwise would be covered by annual maintenance fees associated with vacation ownership interests or units that have not yet been built. These subsidy arrangements help keep maintenance fees at a reasonable level for owners who purchase in the early stages of development.

If an owner defaults in payment of maintenance fees or other assessments, the property owners' association typically has the right to foreclose on or revoke the defaulting owner's vacation ownership interest. We have arrangements with several property owners' associations to assist in reselling foreclosed or revoked vacation ownership interests in exchange for a fee, or to reacquire such foreclosed or revoked vacation ownership interests from the property owners' associations.

**Consumer Financing**

We offer purchase money financing for purchasers of our vacation ownership products who meet our underwriting guidelines. By offering or eliminating financing incentives and modifying underwriting standards, we have been able to increase or decrease the volume of our financing activities depending on market conditions. We are not providing financing to buyers of our residential products. We generally do not face competition in our consumer financing business to finance sales of vacation ownership products.

In 2020, our financing propensity was 51 percent and the average loan originated by us for vacation ownership products totaled approximately $26,100, which represented 75 percent of the average purchase price. We require a minimum down payment of 10 percent of the purchase price, although down payments and interest rates are typically higher for applicants with credit scores below certain levels and for purchasers who do not have credit scores, such as non-U.S. purchasers. The average interest rate for originated loans in 2020 was 13.1 percent and the average term was 12 years. Interest rates are fixed and a loan fully amortizes over the life of the loan. The average monthly mortgage payment for an owner who received a loan in 2020 was $338. We do not impose any prepayment penalties.

In 2020, approximately 94 percent of our loans were used to finance U.S.-based products. In our North America business, we perform a credit investigation or other review or inquiry to determine the purchaser's credit history before originating a loan. The interest rates on the loans we provide are based primarily upon the purchaser's credit score, the size of the purchase, and the term of the loan. We base our financing terms largely on a purchaser's FICO score, which is a branded version of a consumer credit score widely used in the United States by banks and lending institutions. FICO scores range from 300 to 850 and are calculated based on information obtained from one or more of the three major U.S. credit reporting agencies that compile and report on a consumer's credit history. In 2020, the average FICO score of our customers who were U.S. citizens or residents who financed a vacation ownership purchase was 731; 69 percent had a credit score of over 700, 87 percent had a credit score of over 650 and 96 percent had a credit score of over 600.

We use other information to determine minimum down payments and interest rates applicable to loans made to purchasers who do not have a credit score or who do not reside within the United States, such as regional historical default rates and currency fluctuation risk.

In the event of a default, we generally have the right to foreclose on or revoke the defaulting owner's vacation ownership interest. We typically resell interests that we reacquire through foreclosure or revocation or place such interests into one of our points-based programs.

We securitize the majority of the consumer loans we originate in support of our vacation ownership business. Historically, we have sold these loans to institutional investors in the ABS market on a non-recourse basis. These vacation ownership notes receivable securitizations provide funding for us at interest rates similar to those available to companies with investment grade credit ratings, and transfer the economic risks and substantially all the benefits of the consumer loans we originate to third parties. In a vacation ownership notes receivable securitization, various classes of debt securities issued by a special purpose entity are generally collateralized by a single tranche of transferred assets, which consist of vacation ownership notes receivable. During 2020, we completed one securitization transaction, which is discussed in detail in Footnote 16 "Securitized Debt" to our Financial Statements. On an ongoing basis, we have the ability to use our Warehouse Credit Facility to securitize eligible consumer loans derived from certain branded vacation ownership sales. Those loans may later be transferred to term securitization transactions in the ABS market, which we intend to continue to complete at least once per year. Since 2000, we have issued almost $7 billion of debt securities in securitization transactions in the ABS market, excluding amounts securitized through warehouse credit facilities or private bank transactions. We retain the servicing and collection responsibilities for the loans we securitize, for which we receive a servicing fee.

**Our Resorts**

As of December 31, 2020, our portfolio consisted of more than 100 properties with over 20,000 vacation ownership villas, also referred to as units, and over 30,000 keys in the following locations. A "key" is the lowest increment for reporting occupancy statistics based upon the mix of non-lock-off and lock-off villas. Lock-off villas represent two keys and non-lock-off villas represent one key.

**Vacation Ownership**

*Mainland U.S. and Hawaii*

| | # of Resorts | # of Keys | | # of Resorts | # of Keys | | # of Resorts | # of Keys |
|---|---|---|---|---|---|---|---|---|
| Arizona | 5 | 1,189 | Massachusetts | 1 | 84 | South Carolina | 10 | 1,864 |
| California | 14 | 5,264 | Missouri | 1 | 216 | Texas | 1 | 195 |
| Colorado | 13 | 1,037 | Nevada | 2 | 1,172 | Utah | 2 | 634 |
| Florida | 23 | 7,989 | New Jersey | 1 | 180 | Virginia | 1 | 276 |
| Hawaii | 12 | 4,768 | New York | 2 | 228 | Washington, D.C. | 1 | 71 |

*Caribbean and Mexico*

| | # of Resorts | # of Keys | | # of Resorts | # of Keys |
|---|---|---|---|---|---|
| Aruba | 2 | 1,211 | U.S. Virgin Islands | 3 | 512 |
| Bahamas | 1 | 392 | West Indies | 1 | 88 |
| Puerto Rico | 1 | 164 | Mexico | 3 | 1,456 |

*Europe and Asia Pacific*

| | # of Resorts | # of Keys | | # of Resorts | # of Keys |
|---|---|---|---|---|---|
| France | 1 | 202 | Indonesia | 1 | 161 |
| Spain | 3 | 735 | Thailand | 3 | 332 |
| United Kingdom | 1 | 49 | Australia | 1 | 88 |

*Brands*

| | # of Resorts | # of Keys |
|---|---|---|
| Marriott Vacation Club | 61 | 18,884 |
| Sheraton Vacation Club | 9 | 4,375 |
| Westin Vacation Club | 12 | 4,587 |
| Grand Residences by Marriott | 2 | 381 |
| The Ritz-Carlton Club | 5 | 259 |
| St. Regis Residence Club and The Luxury Collection | 3 | 82 |
| Hyatt Residence Club | 16 | 1,521 |
| Other | 2 | 468 |
| | 110 | 30,557 |

**Hotels**

| | Location |
|---|---|
| Sheraton Kauai Resort | Kauai, HI |
| The Westin Resort & Spa, Cancun | Cancun, Mexico |
| The Westin Resort & Spa, Puerto Vallarta | Puerto Vallarta, Mexico |
| Hyatt Highlands Inn | Carmel, CA |

**EXCHANGE & THIRD-PARTY MANAGEMENT SEGMENT**

Our Exchange & Third-Party Management segment includes exchange networks and membership programs comprised of nearly 3,200 resorts in over 90 nations and over 1.7 million members, as well as management of over 160 other resorts and lodging properties. We provide these services through a variety of brands including Interval International, Trading Places International, Vacation Resorts International and Aqua-Aston. The segment revenue generally is fee-based and derived from membership, exchange and rental transactions, property and owners' association management, and other related products and services. The Exchange & Third-Party Management segment represented 11 percent of our consolidated revenue for 2020.

| ***($ in millions)*** | **2020 Exchange & Third-Party Management Segment Revenues** |
|---|---|
| Management and exchange | $ 211 |
| Rental | 37 |
| Financing | 2 |
| Cost reimbursements | 59 |
| **TOTAL REVENUES** | $ 309 |

**Exchange Networks and Membership Programs**

**Interval International**

Our primary exchange offering is Interval International's network, a membership-based exchange program which also provides a comprehensive package of value-added products and services to members and developers. Generally, individuals are enrolled by resort developers in connection with their purchase of vacation ownership interests from such resort developers, with initial membership fees being paid on behalf of members by the resort developers. Members may also enroll directly, for instance, when they purchase a vacation ownership interest through resale or owners' association affiliation at a resort that participates in the Interval International network. Interval International has established multi-year relationships with resort developers, including leading independent developers and our branded vacation ownership programs, under exclusive affiliation agreements, which typically provide for continued resort participation following the agreement's term.

Our traditional Interval International network members have the option, after their initial membership period ends, to renew their memberships for terms ranging from one to five years and paying their own membership fees directly to us. Alternatively, some resort developers incorporate the Interval International network membership fee into certain annual fees they charge to owners of vacation ownership interests at their resorts or vacation ownership clubs. As a result, membership in the Interval International network and, where applicable, the Interval Gold or Interval Platinum program (as described below), for these corporate members is automatically renewed through the period of their resort's or club's participation in the Interval

International network. As of December 31, 2020, 55 percent of total Interval International network members were traditional members and 45 percent were corporate members.

Interval International recognizes certain of its eligible Interval International network resorts as either a “Select Resort,” a “Select Boutique Resort,” a “Premier Resort,” a “Premier Boutique Resort,” an “Elite Resort” or an “Elite Boutique Resort” based upon the satisfaction of qualifying criteria, inspection, member feedback, and other resort-specific factors. Over 40 percent of Interval International network resorts were recognized as a Select, Select Boutique, Premier, Premier Boutique, Elite or Elite Boutique Resort as of December 31, 2020.

**Products and Services**

*Exchange*

Members are offered the ability to exchange usage rights in their vacation ownership interest for accommodations which are generally of comparable trading value to those relinquished, based on factors including location, quality, seasonality, unit attributes and time of relinquishment prior to occupancy.

*Getaways*

We also offer additional vacation rental opportunities to members of the Interval International network and certain other membership or affinity programs at attractive rates through Getaways. Getaways allow members to rent resort accommodations for a fee, plus applicable taxes. Resort accommodations available as Getaways consist of seasonal oversupply of vacation ownership accommodations within the applicable exchange network, as well as resort accommodations we source specifically for use in Getaways.

*Interval Gold and Interval Platinum*

Interval International network members may take advantage of one of our two enhanced membership tiers, Interval Gold or Interval Platinum, each of which provides value-added benefits and services for an additional fee. These benefits and services vary by country of residence, but generally consist of discounts on Getaways, a concierge service, a hotel discount program and Interval Options, a service that allows members to relinquish annual occupancy rights in their vacation ownership interests towards the purchase of various travel products, including hotel, cruise, golf and spa vacations. Members are enrolled in these programs either by resort developers in connection with the initial purchase of their vacation ownership interests or by upgrading their membership directly.

*Club Interval*

This product gives owners of fixed or floating week vacation ownership interests the opportunity to use their resort week as points within the Interval International network. Club Interval members also receive all of the benefits of Interval Gold and can upgrade to Interval Platinum.

*Sales and Marketing Support for Interval International network resorts*

Resort developers promote membership in our exchange programs and related value-added services as an important benefit of owning a vacation ownership interest. We offer developers a selection of sales and marketing materials. These materials, many of which are available in multiple languages, include brochures, publications, sales-office displays, resort directories and Interval HD, an online video channel featuring resort and destination overviews. In addition, we offer programs, including our Leisure Time Passport program, that resort developers use as a trial membership program for potential purchasers of vacation ownership interests.

*Operational Support for Interval International network resorts*

Interval International also makes available a comprehensive array of back-office servicing solutions to resort developers and resorts. For example, for an additional fee, we provide reservation services and billing and collection of maintenance fees and other amounts due to developers or owners’ associations. In addition, through consulting arrangements, we assist resort developers in the design of tailored vacation programs for owners of vacation ownership interests.

**Trading Places International**

Trading Places International provides exchange services to owners at certain of our managed timeshare properties as well as other direct-to-consumer exchanges that do not require a membership fee. For an annual fee, vacation owners may choose to join the upgraded Trading Places Prime program with additional benefits. Exchanges in these Trading Places programs are based on like value and upgrades are available upon payment of additional fees.

**Business Development**

Our exchange businesses maintain corporate and consumer business development departments that are responsible for signing up new resorts, resort developers, and other businesses and implementing marketing strategies. We also develop printed and digital materials to promote membership participation, exchange opportunities and other value-added services to existing members, as well as for the Interval International business to secure new relationships with resort developers, owners’ associations and resorts, to obtain and retain members, and with other affinity partners, to provide value added travel benefits to their customers.

Our consumer marketing efforts revolve around the deepening of new and existing customer relationships and increasing engagement and loyalty of members through a number of channels including direct mail, telemarketing, and digital distribution as well as utilizing social media channels like Facebook and Instagram to inspire vacations, share stories and promote the vacation ownership lifestyle.

Interval International also markets products and services to resort developers and other parties in the vacation ownership industry through a series of business development initiatives. Our sales and services personnel proactively seek to establish strong relationships with developers and owners’ associations, providing input on consumer preferences and industry trends based upon years of experience. We believe that we have established a strong reputation within the vacation ownership industry as being highly responsive to the needs of resort developers, owners’ associations, management companies and owners of vacation ownership interests. In addition, we sponsor, participate in and attend numerous industry conferences around the world to provide potential and existing industry participants opportunities to network and learn more about vacation ownership.

**Third-Party Management**

We provide resort management services for vacation ownership resorts and other third-party vacation property owners through Vacation Resorts International, Trading Places International and Aqua-Aston. Our services may include day-to-day operations of the resorts, maintenance of the resorts, preparation of reports, budgets, owners’ association administration, quality assurance and employee training. As of December 31, 2020, we provided third-party management services to over 160 resorts.

Vacation Resorts International and Trading Places International provide management services to vacation ownership resorts pursuant to agreements with terms generally ranging from one to ten years, many of which are automatically renewable. Generally, our management fees are paid by the owners’ association and funded from the annual maintenance fees paid by the individual owners to the association. These maintenance fees represent each owner’s allocable share of the costs of operating and maintaining the resorts, which generally includes personnel, property taxes, insurance, a capital asset reserve to fund refurbishment and other related costs. The management fees we earn are highly predictable due to the relatively fixed nature of resort operating expenses. We are reimbursed for the costs incurred to perform our services, principally related to personnel providing on-site services. We also offer vacation rental services to these owners’ associations. These rentals are made online directly to consumers through our websites, www.vriresorts.com, and www.tradingplaces.com, through third-party online travel agencies, and through Interval International’s Getaways program.

Aqua-Aston provides management and rental services for condominium owners, hotel owners, and owners’ associations. The condominium rental properties are generally investment properties, and, to a lesser extent, second homes, owned by individuals who contract with Aqua-Aston directly to manage, market and rent their properties, generally pursuant to short-term agreements. We also offer such owners a comprehensive package of marketing, management and rental services designed to enhance rental income and profitability. Generally, owners’ association management services, including administrative, fiscal and quality assurance services, are provided pursuant to exclusive agreements with terms typically ranging from one to ten years or more, many of which are automatically renewable. Revenue is derived principally from fees for management of the hotel, condominium resort, or owners’ association as well as related rental services. Management fees consist of a base management fee and, in some instances for hotels or condominium resorts, an incentive management fee which is generally a percentage of operating profits or improvement in operating profits. Service fee revenue is based on the services provided internally or through third-party providers to owners including reservations, sales and marketing, property accounting and information technology services.

The success and continued growth of the Aqua-Aston business depends largely on our ability to source vacationers interested in booking vacation properties made available through our rental services. Our sales and marketing team in Honolulu, Hawaii, utilizes a variety of sales, marketing, revenue management and digital marketing initiatives to attract consumers and additional properties to Aqua-Aston. The team in Hawaii utilizes many channels of distribution including traditional wholesale through tour operators and travel partners, online travel agencies and global distribution systems. In addition, Aqua-Aston focuses on driving direct business through brand websites and our central reservations office. The sales team covers several market segments from corporate and government/military to travel agents and groups. We offer a variety of leisure accommodations to visitors from around the world through various consumer websites including, www.aquaaston.com, www.aquaresorts.com, www.mauicondo.com, and others.

## CORPORATE AND OTHER

Corporate and Other consists of results not allocable to our segments, including company-wide general and administrative costs, corporate interest expense, ILG acquisition-related costs, and provision for income taxes. In addition, Corporate and Other includes the revenues and expenses relating to property owners' associations consolidated under the relevant accounting guidance ("Consolidated Property Owners' Associations"), which are not included in operating segment resource allocation decision-making.

### Seasonality

Our revenue is influenced by the seasonal nature of travel. Within our Vacation Ownership segment, our sales and financing business experiences a modest impact from seasonality, with higher sales volumes during the traditional vacation periods. Our vacation ownership management businesses generally do not experience significant seasonality, with the exception of our resort operations revenue, which tends to be higher in the first quarter.

Within our Exchange & Third-Party Management segment, we recognize exchange and Getaways revenue based on confirmation of the vacation; revenue is generally higher in the first quarter and lower in the fourth quarter. Remaining rental revenue is recognized based on occupancy.

### Competition

Competition in the vacation ownership industry is driven primarily by the quality, number and location of vacation ownership resorts, the quality and capability of the related property management program, trust in the brand, pricing of product offerings and the availability of program benefits, such as exchange programs and access to affiliated hotel networks. We believe that our focus on offering distinctive vacation experiences, combined with our financial strength, well-established and diverse market presence, strong brands, expertise and well-managed and maintained properties, will enable us to remain competitive. Vacation ownership is a vacation option that is positioned and sold as an attractive alternative to vacation rentals (such as hotels, resorts and condominium rentals) and second home ownership. The various segments within the vacation ownership industry can be differentiated by the quality level of the accommodations, range of services and ancillary offerings, and price. Our brands operate in the upper upscale and luxury tiers of the vacation ownership segment of the industry and the upper upscale and luxury tiers of the whole ownership segment (also referred to as the residential segment) of the industry.

Our competitors in the vacation ownership industry range from small vacation ownership companies to large branded hospitality companies that operate or license vacation ownership businesses. In North America, we typically compete with companies that sell upper upscale tier vacation ownership products under a lodging or entertainment brand umbrella, such as Hilton Grand Vacations Club and Disney Vacation Club, as well as numerous regional vacation ownership operators. Our luxury vacation ownership products compete with vacation ownership products offered by Four Seasons, Exclusive Resorts, Timbers Resorts and several other smaller independent companies. In addition, the vacation ownership industry competes generally with other vacation rental options (such as hotels, resorts and condominium rentals) offered by the lodging industry as well as alternative lodging marketplaces such as Airbnb and HomeAway, which offer rentals of homes and condominiums. Innovations that impact the industry may also lead to new products and services that could disrupt our business model and create new and stronger competitors.

Outside North America, we operate vacation ownership resorts in two primary regions, Asia Pacific and Europe. In both regions, we are one of the largest lodging-branded vacation ownership companies operating in the upper upscale tier, with regional operators dominating the competitive landscape. Where possible, our vacation ownership properties in these regions are co-located with Marriott International branded hotels. In Asia Pacific, our owner base is derived primarily from the Asia Pacific region and secondarily from the Europe and North America regions. In Europe, our owner base is derived primarily from the North America, Europe and Middle East regions.

Recent and potential future consolidation in the highly fragmented vacation ownership industry may increase competition. Consolidation may create competitors that enjoy significant advantages resulting from, among other things, a lower cost of, and greater access to, capital and enhanced operating efficiencies.

Our Interval International exchange business principally competes for developer and consumer market share with Travel + Leisure Co.'s subsidiary, RCI. Our subsidiary, Trading Places International, and several third parties operate in this industry with a significantly more limited scope of available accommodations. This business also faces increasing competition from points-based vacation clubs and large resort developers, which operate their own internal exchange systems to facilitate exchanges for owners of vacation ownership interests at their resorts as they increase in size and scope. Increased consolidation in the industry enhances this competition. In addition, vacation clubs and resort developers may have direct exchange relationships with other developers.

We believe that developers and owners' associations generally choose to affiliate with an exchange network based on the quality of resorts participating in the network; the level of service provided to members; the range and level of support services; the flexibility of the exchange program; the demographics of the membership base; the costs for annual membership and exchanges; and the continuity of management and its strategic relationships within the industry.

**Regulation**

Our business is heavily regulated and compliance with regulations has a significant impact on our results of operations. We are subject to a wide variety of complex international, national, federal, state and local laws, regulations and policies in jurisdictions around the world. We have proactively worked with ARDA to encourage the enactment of responsible consumer-protection legislation and state regulation that enhances the reputation and respectability of the overall vacation ownership industry. We believe that, over time, our vacation ownership products and services helped improve the public perception of the vacation ownership industry.

Some laws, regulations and policies may impact multiple areas of our business, such as securities, anti-discrimination, anti-fraud, data protection and security and anti-corruption and bribery laws and regulations or government economic sanctions, including applicable regulations of the Consumer Financial Protection Bureau, the U.S. Department of the Treasury's Office of Foreign Asset Control and the U.S. Foreign Corrupt Practices Act ("FCPA"). The FCPA and similar anti-corruption and bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or generating business. The collection, use and protection of personal data of our customers, as well as the sharing of our customer data with affiliates and third parties, are governed by privacy laws and regulations enacted in the United States and other jurisdictions around the world. Other laws, regulations and policies primarily affect one of four areas of our business: real estate development activities; marketing and sales activities; lending activities; and resort management activities.

*Real Estate Development Regulation*

Our real estate development activities are regulated under a number of different timeshare, condominium and land sales disclosure statutes in many jurisdictions. We are generally subject to laws and regulations typically applicable to real estate development, subdivision, and construction activities, such as laws relating to zoning, land use restrictions, environmental regulation, accessibility, title transfers, title insurance, and taxation. In the United States, these include, with respect to some of our products, the Fair Housing Act and the Americans with Disabilities Act. In addition, we are subject to laws in some jurisdictions that impose liability on property developers for construction defects discovered or repairs made by future owners of property developed by the developer.

*Marketing and Sales Regulation*

Our marketing and sales activities are closely regulated pursuant to laws and regulations enacted specifically for the vacation ownership and land sales industries, as well as a wide variety of laws and regulations that govern our marketing and sales activities in the jurisdictions in which we carry out such activities. These laws and regulations include the USA PATRIOT Act, Foreign Investment In Real Property Tax Act, the Federal Interstate Land Sales Full Disclosure Act and fair housing statutes, U.S. Federal Trade Commission (the "FTC") and state "Little FTC Acts" and other laws and regulations governing unfair, deceptive or abusive acts or practices including unfair or deceptive trade practices and unfair competition, state attorney general regulations, anti-fraud laws, prize, gift and sweepstakes laws, real estate, title agency or insurance, travel insurance and other licensing or registration laws and regulations, anti-money laundering, consumer information privacy and security, breach notification, information sharing and telemarketing laws, home solicitation sales laws, tour operator laws, lodging certificate and seller of travel laws, securities laws, and other consumer protection laws.

Many jurisdictions, including many jurisdictions in the United States, Asia Pacific and Europe, require that we file detailed registration or offering statements with regulatory authorities disclosing certain information regarding the vacation ownership interests and other real estate interests we market and sell, such as information concerning the interests being offered, any projects, resorts or programs to which the interests relate, applicable condominium or vacation ownership plans, evidence of title, details regarding our business, the purchaser's rights and obligations with respect to such interests, and a description of the manner in which we intend to offer and advertise such interests. Regulation outside the United States includes jurisdictions in which our clubs and resorts operate, such as the European Union, Singapore and Mexico, among others. Among other things, the European and Singaporean regulations: (1) require delivery of specified disclosure (some of which must be provided in a specific format or language) to purchasers; (2) require a specified "cooling off" rescission period after a purchase contract is signed; and (3) prohibit any advance payments during the "cooling off" rescission period.

We must obtain the approval of numerous governmental authorities for our marketing and sales activities. Changes in circumstances or applicable law may necessitate the application for or modification of existing approvals. Currently, we are permitted to market and sell vacation ownership products in all 50 states and the District of Columbia in the United States and numerous countries in North and South America, the Caribbean, Europe, Asia and the Middle East. Our Marriott Vacation Club Destinations, Australia points-based program is subject to regulation as a "managed investment scheme" by the Australian Securities & Investments Commission. In some countries our vacation ownership products are marketed by third-party brokers.

Laws in many jurisdictions in which we sell vacation ownership interests grant the purchaser of a vacation ownership interest the right to cancel a purchase contract during a specified rescission period following the later of the date the contract was signed or the date the purchaser received the last of the documents required to be provided by us.

In recent years, regulators in many jurisdictions have increased regulations and enforcement actions related to telemarketing operations, including requiring adherence to the federal Telephone Consumer Protection Act (the "TCPA") and similar "do not call" legislation. These measures have significantly increased the costs and reduced the efficiencies associated with telemarketing. While we continue to be subject to telemarketing risks and potential liability, we believe that our exposure to adverse effects from telemarketing legislation and enforcement is mitigated in some instances by the use of permission-based marketing, under which we obtain the permission of prospective purchasers to contact them in the future. We participate in various programs and follow certain procedures that we believe help reduce the possibility that we contact individuals who have requested to be placed on federal or state "do not call" lists, including subscribing to the federal and certain state "do not call" lists, and maintaining an internal "do not call" list.

*Lending Regulation*

Our lending activities are subject to a number of laws and regulations including those of applicable supervisory, regulatory and enforcement agencies such as, in the United States, the Consumer Financial Protection Bureau, the FTC, and the Financial Crimes Enforcement Network. These laws and regulations, some of which contain exceptions applicable to the timeshare industry or may not apply to some of our products, may include, among others, the Real Estate Settlement Procedures Act and Regulation X, the Truth In Lending Act and Regulation Z, the Federal Trade Commission Act, the Equal Credit Opportunity Act and Regulation B, the Fair Credit Reporting Act, the Fair Housing Act and implementing regulations, the Fair Debt Collection Practices Act, the Electronic Funds Transfer Act and Regulation E, unfair, deceptive or abusive acts or practices regulations and the Consumer Protection Act, the USA PATRIOT Act, the Right to Financial Privacy Act, the Gramm-Leach-Bliley Act, the Servicemembers Civil Relief Act and the Bank Secrecy Act. Our lending activities are also subject to the laws and regulations of other jurisdictions, including, among others, laws and regulations related to consumer loans, retail installment contracts, mortgage lending, usury, fair debt collection practices, consumer debt collection practices, mortgage disclosure, lender or mortgage loan originator licensing and registration and anti-money laundering.

*Resort Management Regulation*

Our resort management activities are subject to laws and regulations regarding community association management, public lodging, food and beverage services, labor, employment, health care, health and safety, accessibility, discrimination, immigration, gaming, and the environment (including climate change). In addition, many jurisdictions in which we manage our resorts have statutory provisions that limit the duration of the initial and renewal terms of our management agreements for property owners' associations and/or permit the property owners' association for a resort to terminate our management agreement under certain circumstances (for example, upon a super-majority vote of the owners), even if we are not in default under the agreement.

**Environmental Compliance and Awareness**

The properties we manage or develop are subject to national, state and local laws and regulations that govern the discharge of materials into the environment or otherwise relate to protecting the environment. These laws and regulations include requirements that address health and safety; the use, management and disposal of hazardous substances and wastes; and emission or discharge of wastes or other materials. We believe that our management and development of properties comply, in all material respects, with environmental laws and regulations. Our compliance with such provisions also has not had a material impact on our capital expenditures, earnings or competitive position, nor do we anticipate that such compliance will have a material impact in the future.

We take our commitment to protecting the environment seriously. We have collaborated with Audubon International to further the "greening" of our Marriott Vacation Club resorts in the U.S. through the Audubon Green Leaf Eco-Rating Program for Hotels. The Audubon partnership is just one of several programs incorporated into our green initiatives. We have more than 20 years of energy conservation experience that we have put to use in implementing our environmental strategy across all of our segments. This strategy includes further reducing energy and water consumption, expanding our portfolio of green resorts, including LEED (Leadership in Energy & Environmental Design) certification, educating and inspiring associates and guests to support the environment, and embracing innovation.

## Human Capital

We recognize that our industry leadership depends in critical part on our continued ability to recruit, motivate, and retain the talented associates that make up our global workforce. We maintain a set of programs and initiatives, rooted in our Core Values (Caring Culture, Integrity First, Excellence Always, Customer Obsessed, and Better Together), designed to attract, develop, retain and engage our associates that is focused on:

- competitive, fair, and transparent compensation and benefits offerings;
- supporting the overall well-being of our associates from a physical, mental, and social perspective;
- creating opportunities for associate growth, development, recognition, training, and education; and
- promoting an inclusive and diverse workplace, where all individuals are respected regardless of their age, race, notional origin, gender, religion, disability, or sexual orientation.

As of December 31, 2020, we had a global workforce consisting of approximately 18,000 associates, of which almost 15,500 were based in the United States and approximately 2,500 were based in international locations.

In September 2020 we announced a workforce reduction plan that was expected to impact approximately 3,300 associates worldwide as a result of the adverse impact that the COVID-19 pandemic has had on demand for the Company's products and services. Since November 2020, approximately 3,000 associates have been impacted by the workforce reduction plan. We expect that fewer associates than originally anticipated will be impacted due to the increasing demand for our products and services in our Florida and Hawaii vacation ownership resort locations.

*Inclusion and Diversity*

As a leisure-focused company, we are in the business of bringing people together. Like our customers, our associates come from diverse backgrounds, offering invaluably distinct perspectives. Women comprise 53.7 percent of our worldwide workforce and men comprise 46.3 percent. Within the United States, people of color comprise 43.1 percent of our management level positions and women comprise 45.2 percent of our management level positions. We are striving to make progress with recruiting efforts related to the placement of women and people of color in management roles.

In 2020, our executive officers participated in an Inclusion and Diversity executive leadership course facilitated by an industry expert. Following this course, we committed to launching an Executive Inclusion Council, which is comprised of approximately 20 senior leaders dedicated to enabling and championing Inclusion and Diversity initiatives throughout the organization. Top priorities include providing guidance regarding our Inclusion and Diversity strategy, increasing leaders' ability to discuss and be held accountable for driving Inclusion and Diversity outcomes, and increasing awareness and impact of initiatives.

*Associate Development*

We seek to cultivate a learning-rich environment where associates are prepared to succeed and are motivated to serve our Owners, Members, and guests. Our Global Learning and Performance team develops and deploys programs and resources for all our associates. Our learning programs are designed to help ensure our company is a desirable place to start and maintain a fulfilling career, with increased opportunities for growth. In light of the COVID-19 pandemic, a key training focus in 2020 was to provide curriculum on returning to work safely and supporting our associates' overall health and well-being.

Our Global Learning and Performance team is also committed to providing our leaders with the opportunity to develop their leadership skills. With a curriculum of approximately 15 distinct courses, the Leadership Development Program provides associates the tools, resources, and practice we believe are important to becoming successful leaders. In 2020 we converted many of our classroom training offerings to virtual courses to support training in a socially distant manner.

*Collective Bargaining Agreements*

We are party to collective bargaining agreements in the United States and Mexico primarily with regard to employees working in food service, laundry, and hospitality and tourism.

*Human Rights*

We maintain a human rights policy that aligns with government, business, and public concerns about issues such as human trafficking and the exploitation of children. We do not recruit child labor, and we support programs and partnerships that help at-risk young people and their families prepare for and find meaningful employment.

**Available Information**

Our investor relations website address is www.marriottvacationsworldwide.com/investor-relations. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and any and all amendments thereto are available free of charge through our investor relations website as soon as reasonably practicable after they are filed or furnished to the Securities and Exchange Commission (the "SEC"). These materials are also accessible on the SEC's website at www.sec.gov.

**Information About Our Executive Officers**

Set forth below is certain information with respect to our executive officers. The information set forth below is as of February 22, 2021, except where indicated.

| Name and Title | Age | Business Experience |
|---|---|---|
| Stephen P. Weisz<br>Chief Executive Officer | 70 | Stephen P. Weisz has served as our Chief Executive Officer since 2011, and as our President from 1996 through December 2020; he has also been a member of our Board of Directors since 2011. Mr. Weisz joined Marriott International in 1972. Over his 39-year career with Marriott International, he held a number of leadership positions in the Lodging division, including Senior Vice President of Sales and Marketing and Executive Vice President-Lodging Brands. Mr. Weisz is a past Chairman of the Board of Directors of the American Resort Development Association and also a past Chairman of the Board of Trustees of Children's Miracle Network. |
| John E. Geller, Jr.<br>President and Chief Financial Officer | 53 | John E. Geller, Jr. has served as President and Chief Financial Officer since January 2021. From January 2018 to January 2021, he served as our Executive Vice President and Chief Financial and Administrative Officer. From 2009 to December 2017, he served as our Executive Vice President and Chief Financial Officer. Mr. Geller joined Marriott International in 2005 as Senior Vice President and Chief Audit Executive and Information Security Officer. |
| Jeanette E. Marbert<br>President, Exchange and Third-Party Management | 64 | Jeanette Marbert has served as our President, Exchange and Third-Party Management since October 2018. She served as President and Chief Executive Officer for the Exchange and Rental Segment of ILG, Inc. from November 2017 until September 2018, and as Executive Vice President from June 2009 until November 2017. She was Chief Operating Officer of ILG, Inc. from August 2008 to November 2017, and served as a Director of ILG, Inc. from February 2015 to May 2016. Ms. Marbert joined Interval in 1984. |
| Brian E. Miller<br>President, Vacation Ownership | 57 | Brian E. Miller has served as our President, Vacation Ownership since October 2020. From October 2018 to September 2020, he served as our Executive Vice President and Chief Marketing, Sales and Service Officer. From November 2011 to September 2018, he served as our Executive Vice President and Chief Sales and Marketing Officer. Prior to that time, he had served as our Senior Vice President, Sales and Marketing and Service Operations since 2007. Mr. Miller joined our company in 1991. |
| R. Lee Cunningham<br>Executive Vice President and Chief Operating Officer - Vacation Ownership | 61 | R. Lee Cunningham has served as our Executive Vice President and Chief Operating Officer - Vacation Ownership since September 2018. From December 2012 to August 2018, he served as our Executive Vice President and Chief Operating Officer. From 2007 to December 2012, he served as our Executive Vice President and Chief Operating Officer – North America and Caribbean. Mr. Cunningham joined our company in 1997 as Vice President of Revenue Management and Owner Service Operations. Mr. Cunningham joined Marriott International in 1982. |

| Name and Title | Age | Business Experience |
|---|---|---|
| Lori Gustafson<br>Executive Vice President and Chief Brand and Digital Strategy Officer | 37 | Lori Gustafson joined our company in November 2020 and serves as our Executive Vice President and Chief Brand and Digital Strategy Officer. From May 2019 to November 2020, she served as Senior Vice President, Global Brands & Digital for Wyndham Destinations, where she was responsible for brand management and digital marketing. From January 2018 to May 2019, she served as Vice President, Brand Marketing, where she was responsible for brand management, campaign development and advertising. From July 2017 to January 2018, she served as Corporate Vice President of Digital, eCommerce, and Media at SeaWorld Parks & Entertainment, where she led the U.S. team that oversaw the development of eCommerce, digital marketing, social media, business intelligence and digital content. From 2015 until July 2017, she served as Senior Director, Digital Marketing at SeaWorld Parks & Entertainment, where she was the executive leader for digital transformation initiatives, including websites, mobile and digital commerce improvements and the implementation of a data and analytics program related to customer experience. |
| James H Hunter, IV<br>Executive Vice President and General Counsel | 58 | James H Hunter, IV has served as our Executive Vice President and General Counsel since November 2011. Prior to that time, he had served as Senior Vice President and General Counsel since 2006. Mr. Hunter joined Marriott International in 1994. |
| Lizabeth Kane-Hanan<br>Executive Vice President and Chief Development and Product Officer | 54 | Lizabeth Kane-Hanan has served as our Executive Vice President and Chief Development and Product Officer since September 2018. From November 2011 to August 2018, she served as our Executive Vice President and Chief Growth and Inventory Officer. Prior to that time, she had served as our Senior Vice President, Resort Development and Planning, Inventory and Revenue Management and Product Innovation since 2009. Ms. Kane-Hanan joined our company in 2000. |
| Dwight D. Smith<br>Executive Vice President and Chief Information Officer | 60 | Dwight D. Smith has served as our Executive Vice President and Chief Information Officer since December 2011. Prior to that time, he served as our Senior Vice President and Chief Information Officer since 2006. Mr. Smith joined Marriott International in 1988. |
| Michael E. Yonker<br>Executive Vice President and Chief Human Resources Officer | 62 | Michael E. Yonker has served as our Executive Vice President and Chief Human Resources Officer since December 2011. Prior to that time, he served as our Chief Human Resources Officer since 2010. Mr. Yonker joined Marriott International in 1983. |

## Item 1A. Risk Factors

This section describes circumstances or events that could have a negative effect on our financial results or operations or that could change, for the worse, existing trends in our businesses. The occurrence of one or more of the circumstances or events described below could have a material adverse effect on our financial condition, results of operations and cash flows and/or on the trading prices of our common stock. The risks and uncertainties described in this Annual Report are not the only ones facing us. Additional risks and uncertainties that currently are not known to us or that we currently believe are immaterial also may adversely affect our businesses and operations.

### Risks related to the COVID-19 pandemic.

***The COVID-19 pandemic has had, and will continue to have, serious adverse effects on our business, financial condition, and results of operations for an unknown period of time.***

In March 2020, the World Health Organization declared the coronavirus ("COVID-19 pandemic") outbreak a pandemic. In the wake of this declaration, our operations have been impacted by recommendations and mandates from national, federal, state, and local authorities to stay home, avoid non-essential contact and gatherings, and self-quarantine. Since March 16, 2020, we have seen marked declines in occupancy, rentals, and contract sales because of the temporary closure of substantially all of our sales centers internationally, the temporary closure of many of our resorts, the temporary closure of our branded North America vacation ownership resorts for rental stays, and the reduction in operations and amenities at all of our resorts based on government mandates and advisories. In response to the pandemic, we have: implemented furloughs, reduced work hours and reduced salaries for our associates; instituted "work from home" measures for many of our associates; and implemented social distancing and enhanced hygiene protocols at our resorts, sales centers, and corporate offices. These measures to protect human life resulted in additional costs, operational inefficiencies, and fewer revenue opportunities. Protocols adopted to combat the COVID-19 pandemic, such as canceling, or implementing alternatives to, in-person sales tours and customized presentations, have resulted, and could continue to result in, lesser effectiveness of customer-associate interaction and diminished customer satisfaction, which could adversely impact our financial condition. As of December 31, 2020, the majority of our resorts and sales centers were open; however, extended or further closures may be required nationally, regionally, or in specific locations in the event of a resurgence of the virus. This situation is unprecedented and rapidly changing and has unknown duration and severity.

The COVID-19 pandemic had, and is expected to continue to have, a material adverse impact on global economies and financial markets, which resulted in an economic downturn that reduced demand for our products and services. The success of our business and our profitability depend, in substantial part, upon the health of the travel industry, which has been materially adversely affected by the COVID-19 pandemic. A substantial amount of our sales activity occurs at our resorts, and the number of prospective and current owners who visit our resorts impacts sales volume. Our rental revenue is also substantially impacted by the desire and ability of vacationers to travel. Fear of exposure to the COVID-19 pandemic, government restrictions on travel, including quarantine requirements, and the lack of a widely available vaccine have caused travelers to cancel or delay travel plans to our resorts. These changes in vacation and travel patterns have adversely affected our cash flows, revenues, and profits, and are expected to continue to do so. Moreover, when travel advisories and restrictions have been lifted, there has been a resurgence of the virus, and as a result, travel demand has remained weak and could remain so for a significant period. We cannot predict if or when demand for our resorts will return to pre-COVID-19 pandemic levels. Adverse changes in the perceived or actual economic climate, including higher unemployment rates, declines in income levels, and loss of personal wealth resulting from the impact of the COVID-19 pandemic are expected to negatively affect travel demand for a prolonged period.

The COVID-19 pandemic has led to an increase in payment delinquencies for our vacation ownership notes receivable. The number of delinquencies may increase as the duration of the pandemic or its effect on economic conditions continues and could lead to defaults on financing that we provide to purchasers of our products in excess of our estimates. Purchaser defaults may cause us to foreclose on vacation ownership notes receivable and reclaim ownership of the financed interests and could impact our ability to secure ABS or warehouse credit facility financing on terms that are acceptable to us, or at all. In addition, the transactions in which we have securitized vacation ownership notes receivable contain certain portfolio performance requirements related to default and delinquency rates, which, if not met, would result in loss or disruption of cash flow until portfolio performance sufficiently improves to satisfy the requirements.

The duration and extent of the impact of the COVID-19 pandemic on our business and financial results will largely depend on future developments, including the duration and spread of the pandemic, the extent and severity of any resurgences of the pandemic in the future, the response by all levels of government in their efforts to contain the pandemic and to mitigate the economic disruptions, the related impact on consumer confidence and spending, and how quickly economies and demand for our products and services recover after the pandemic subsides, all of which are highly uncertain, rapidly changing and cannot be predicted. Such impacts are expected to adversely affect our profitability, cash flows, financial results, and capital resources for a significant period. Further, the COVID-19 pandemic may also adversely affect our operating and financial results in a manner that is not presently known to us or that we currently do not consider to present significant risks to our operations.

***The economic disruption caused by the COVID-19 pandemic is adversely affecting our ability to generate cash to support our continuing operations and debt service, implement our growth plans and make other payments.***

We depend upon our operations to generate strong cash flows to support our operating activities, supply capital to finance our operations and growth, make capital expenditures and acquisitions, service our debt and return value to our shareholders through dividends and stock repurchases. The economic disruption caused by the COVID-19 pandemic is adversely affecting our ability to generate sufficient cash flows from operations to support these activities.

Steps taken to reduce operating costs and improve efficiency and further changes we may make in the future to reduce costs may negatively impact owner and guest satisfaction and our ability to attract and retain associates. For example, if furloughed personnel do not return to work with us when the COVID-19 pandemic subsides, we may experience operational challenges that impact owner satisfaction and demand for our products, which could limit our ability to grow and expand our business and could reduce our profits. Reductions in or deferrals of planned corporate capital expenditures may negatively impact owner satisfaction and make our products less attractive to prospective purchasers. The temporary suspension of our stock repurchase program and declaration and payment of cash dividends may negatively impact our reputation and investor confidence in us, which may negatively affect our stock price.

If we cannot make scheduled payments on, or refinance, our debt, we would be in default, and the lenders under our Corporate Credit Facility could terminate their commitments to loan money. Creditors could foreclose on the assets securing our secured debt and apply the amounts realized from such foreclosures to repay amounts owed to them. Any of these actions would likely trigger cross-default or cross-acceleration provisions in our other debt instruments, which would allow the creditors under such instruments to exercise similar rights. If any of these actions were taken, we could be forced into restructuring, bankruptcy or liquidation.

**Risks related to our business and industry.**

***Our business may be adversely affected by factors that disrupt or deter travel.***

Our success and profitability depend, in substantial part, upon the health of the worldwide vacation ownership, vacation rental and travel industries, and may be adversely affected by a number of factors that can disrupt or deter travel. A substantial amount of our sales activity occurs at our resorts, and sales volume is affected by the number of visitors at our resorts. Fear of exposure to COVID-19 or other diseases, or natural or man-made disasters, and the physical effects of climate change, such as more frequent or severe storms, droughts, hurricanes and flooding, have caused and may continue to cause travelers to delay or cancel travel plans, including tours at our resorts. Other factors such as weakened consumer confidence, limited availability of consumer credit and damage to infrastructure caused by natural or man-made disasters or other causes that impede travel have caused, and may in the future cause, travelers to delay or cancel plans to tour or visit our resorts. For example, hurricanes have caused a number of Interval International exchange network resorts and our managed vacation ownership resorts to close for prolonged periods. Actual or threatened war, civil unrest and terrorist activity, as well as heightened travel security measures instituted in response to the same, could also interrupt or deter travel plans. In addition, demand for our products and services may decrease if the cost of travel, including the cost of transportation and fuel, increases, airlift to vacation destinations decreases, or if general economic conditions decline.

Our ability to process exchanges for members and to find purchasers and renters for accommodations we market or manage, as well as the need for the vacation rental and property management services we provide, largely depends on the continued desirability of the key vacation destinations in which our branded, managed or exchange properties are concentrated. Changes in the desirability of the destinations where these resorts are located and changes in vacation and travel patterns may adversely affect our cash flows, revenue and profits.

***Our business is extensively regulated, and any failure to comply with applicable laws could materially adversely affect our business.***

We are subject to a wide variety of highly complex international, national, federal, state, and local laws, regulations and policies. The vacation ownership industry is subject to extensive regulation around the world. Each jurisdiction where we operate generally requires resort developers to follow a set of specific procedures to develop, sell and market vacation interests. Our real estate development activities, marketing and sales activities, lending activities and resort management activities are also heavily regulated. In addition, myriad laws, regulations and policies impact multiple areas of our business, such as those regulating the sale and offer of securities, anti-discrimination, anti-fraud, data protection, anti-corruption and bribery or implementing government economic sanctions.

Complying with the intricate and multifaceted regulatory structures applicable to our businesses across the globe is complicated, constantly evolving, time-consuming and costly. We may not be able to successfully comply with all laws, regulations and policies to which we are subject. These laws, regulations and policies may change or be subject to different interpretation in the future, including in ways that could decrease demand for our services, increase costs, and subject us to additional liabilities. Failure to comply could have a material adverse effect on our business. For example, failure to comply with applicable law could result in the loss of licenses or registrations we must have in order to operate our business, render sales contracts for our products void or voidable, subject us to fines or other sanctions, and increase our exposure to litigation. Adverse action by governmental authorities or others alleging our failure to comply with applicable laws could adversely affect our business, financial condition, and reputation.

***Changes in privacy laws could adversely affect our ability to market our products effectively.***

We rely on a variety of direct marketing techniques, including telemarketing, email marketing and postal mailings. Adoption of new laws, or changes in existing laws, in any of the jurisdictions in which we operate regulating marketing and solicitation or data protection could adversely affect the effectiveness of our marketing strategy. If we are not able to develop adequate alternative marketing strategies, our sales may be adversely effected. We also obtain access to potential customers from travel service providers and other companies with whom we have relationships. If our access to these third-party customer lists was prohibited or restricted, our ability to develop new customers and introduce our products to them could be impaired.

***Failure to maintain the integrity of internal or customer data or to protect our systems from cyber-attacks could disrupt our business, damage our reputation, and subject us to costs, fines or lawsuits.***

We collect large volumes of data, including social security numbers and other personally identifiable information of our customers and employees, and retain it in our information systems and those of our service providers. It is critical that we maintain the integrity of and protect this data, which we rely on to make business decisions and which our customers and employees expect that we will protect. The regulatory environment in the jurisdictions where we operate and the requirements imposed on us by the payment card industry regarding information, security and privacy is increasingly demanding. Many of the laws applicable to us in different jurisdictions vary from each other in significant ways and may not have the same effect, thus complicating compliance efforts. Our efforts to comply with these requirements may require significant additional resources and time and may not be successful.

We may be required to expend significant capital and other resources to enhance the security of our data. Our information systems and records, including those we maintain with our service providers or licensors, may be subject to security breaches, cyber-attack or cyber-intrusion, system failures, viruses, operator error or inadvertent releases of data. Data breaches have increased in recent years as the number, intensity and sophistication of attacks have increased. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Neither we nor our service providers may be able to prevent, detect and contain unauthorized activity and misuse or human errors compromising the efficacy of security measures. A breach in the security of our information systems or those of our service providers or licensors could lead to an interruption in the operation of our systems, resulting in operational inefficiencies and a loss of profits. A significant cyber-attack or theft, loss, or fraudulent use of our customer, employee or company data could adversely impact our reputation and result in remedial and other expenses, fines or litigation.

We and the companies we work with have experienced cyber security threats to our data and systems, including malware and computer virus attacks, unauthorized access, systems failures and temporary disruptions. For example, in June 2018, we identified forged and fraudulently induced electronic payment disbursements we made to third parties in an aggregate amount of $10 million resulting from unauthorized third-party access to our email system. Our licensor, Marriott International, announced in November 2018 that it had experienced a data breach that included our customers' data. Routinely, we partner with and use third-party service providers and products that host, manage, or control sensitive data. The failure of any such service providers or products to comply with our privacy policies or privacy laws and regulations, or any unauthorized release of personally identifiable information or other user data, could damage our reputation, discourage potential users from trying our products and services, breach certain agreements under which we have obligations with respect to network security, and/or result in fines and/or proceedings against us by governmental agencies, service providers and/or consumers. Any of the foregoing could materially adversely affect our business, financial condition and results of operations.

***Our international operations expose us to risks that could lower our profits or disrupt our business.***

Our international operations expose us to a number of additional risks, any of which could reduce our profits or disrupt our business, such as: compliance with laws of non-U.S. jurisdictions, including foreign ownership restrictions, import and export controls, and trade restrictions, and U.S. laws affecting our activities outside of the U.S.; anti-American sentiment; political or civil unrest and terrorism; difficulties of managing operations in many different countries; local economic risks; foreign currency exchange risks; and uncertainty as to the enforceability of contract and intellectual property rights under local laws.

***Inadequate or failed technologies could lead to interruptions in our operations and materially adversely affect our business, financial position, results of operations or cash flows.***

Our operations and competitive position depend on our ability to maintain existing systems and implement new technologies. Our information technology systems and our databases are potentially susceptible to manmade and natural disasters, as well as power losses, computer and telecommunications failures, technological breakdowns, cyber-attacks, acts of war or terrorism and other events. System interruption, delays, obsolescence, loss of critical data and lack of integration and redundancy in our information technology systems and infrastructure may adversely affect our ability to provide services, operate websites, process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations. Our backup systems only relate to certain aspects of our operations; these systems are not fully redundant and disaster recovery planning is not sufficient for all eventualities. Projects to upgrade or replace our technologies may be extremely complex and require significant resources and time. We may not have adequate insurance coverage to compensate for losses from a major interruption. If our information technology systems fail to adequately support our strategic, operational or compliance needs, our business, financial position, results of operations or cash flows may be adversely affected, as well as our disclosure controls and procedures and internal control over financial reporting.

***Spanish court rulings voiding certain timeshare contracts have increased our exposure to litigation that may materially adversely affect our business and financial condition.***

A series of Spanish court rulings that, since 2015, have voided certain timeshare contracts has increased our exposure to litigation that may materially adversely affect our business and financial condition. These rulings voided certain timeshare contracts entered into after January 1999 related to certain resorts in Spain if a resort's timeshare structure did not meet requirements prescribed by Spanish timeshare laws enacted in 1998, even if the structure was lawful prior to 1998 and adapted pursuant to mechanisms specified in the 1998 laws. These rulings have led to an increase in lawsuits by owners seeking to void timeshare contracts in Spain, including certain contracts at certain of our resorts in Spain. We have prevailed in many such lawsuits, and legislation is being considered by the Spanish government to address the impact of these lawsuits on the industry. If additional owners at our resorts in Spain file similar lawsuits, this may: void certain of those owners' timeshare contracts;

cause us to incur material litigation and other costs, including judgment or settlement payments; and materially adversely affect the results of operation of our Vacation Ownership segment, as well as our business and financial condition. The increased ability for owners of Spanish timeshares to void their contracts is negatively impacting other developers with resorts in Spain, which may lead to a significant decrease in the number of resorts located in Spain in the Interval International network and the loss of members who own VOIs at those resorts.

***The industries in which our businesses operate are competitive, which may impact our ability to compete successfully.***

Our businesses will be adversely impacted if they cannot compete effectively in their respective industries, each of which is highly competitive. A number of highly competitive companies participate in the vacation ownership industry. Our brands compete with the vacation ownership brands of major hotel chains in national and international venues, as well as with the vacation rental options (such as hotels, resorts and condominium rentals) offered by the lodging industry. Our competitors may have greater access to capital resources and broader marketing, sales and distribution capabilities than we do. Competitive pressures may cause us to reduce our fee structure or potentially modify our business models, which could adversely affect our business, financial condition and results of operations.

Our principal exchange network administered by Interval International included nearly 3,200 resorts located in over 90 nations as of December 31, 2020. Interval International’s primary competitor, RCI, has a greater number of affiliated resorts than we have. Through the resources of its corporate affiliates, particularly, Travel + Leisure Co., engaged in vacation ownership sales, RCI may have greater access to a significant segment of new vacation ownership purchasers and a broader platform for participating in industry consolidation. In addition, Interval International competes with developers that create, operate and expand internal exchange and vacation club systems, which decreases their reliance on external vacation ownership exchange programs, including those we offer, and adversely impacts the supply of resort accommodations available through our external exchange networks. The effects of such competition on our exchange business are more pronounced as the proportion of vacation club corporate members in the Interval International network increases.

Our businesses also compete for leisure travelers with other leisure lodging operators, including both independent and branded properties, as well as with alternative lodging marketplaces, which operate websites that market furnished, privately-owned residential properties throughout the world which can be rented on a nightly, weekly or monthly basis.

***Negative public perception regarding our industry could have an adverse effect on our operations.***

Negative public perception regarding our industry resulting from, among other things, consumer complaints regarding sales and marketing practices, consumer financing arrangements, and restrictions on exit, as well as negative comments on social media, could result in increased regulatory scrutiny, which could result in more onerous laws, regulations, guidelines and enforcement interpretations in jurisdictions in which we operate. These actions may lead to operational delays or restrictions, as well as increased operating costs, regulatory burdens and risk of litigation.

***Changes in tax regulations or their interpretation could reduce our profits or increase our costs.***

Changes in tax and other revenue raising laws, regulations and policies in the jurisdictions where we do business could impose new restrictions, costs or prohibitions on our practices and reduce our profits. In addition, interpretation of tax regulations requires us to exercise our judgment and taxing authorities or our independent registered public accounting firm may reach conclusions about the application of such regulations that differ from our conclusions. Our effective tax rate reflects the fact that income earned and reinvested outside the U.S. is generally taxed at local rates that are often much lower than U.S. tax rates as well as our ability to carryforward losses in certain jurisdictions from prior years to offset future profits. Changes to U.S. or international tax laws, regulations or interpretations could impact the tax treatment of our earnings and adversely affect our profitability. For example, if such changes significantly increase the tax rates on non-U.S. income, our effective tax rate could increase, our profits could be reduced, and if such increases were a result of our status as a U.S. corporation, we could be placed at a disadvantage to our non-U.S. competitors that are subject to lower local tax rates.

We are subject to audit in various jurisdictions, and these jurisdictions may assess additional taxes against us. Developments in an audit, litigation, or laws, regulations, administrative practices, principles, and interpretations could have a material effect on our operating results or cash flows. The final outcome of tax audits, investigations, and any related litigation could be materially different from our historical tax provisions and accruals.

***Concentration of some of our resorts, sales centers and exchange destinations in particular geographic areas exposes our business to the effects of regional events in these areas.***

Our business is susceptible to the effects of natural or manmade disasters, including earthquakes, windstorms, tornadoes, hurricanes, typhoons, tsunamis, volcanic eruptions, floods, drought, fires, oil spills and nuclear incidents, in the areas where some of our resorts, sales centers and exchange destinations are concentrated, such as Florida, South Carolina and Hawaii. For example, properties in these markets have had to close in the past in order to repair damage caused by disasters. Depending on the severity of future disasters, the resulting damage could require closure of all or substantially all of our properties in one or more of these markets while we complete renovations. Our insurance may not cover all damages caused by any such event, including the loss of sales of VOIs at sales centers that are not fully operational. In addition, insurance costs may increase and coverage levels may decrease for properties in these areas as a result of the number and magnitude of recent natural disasters in these areas.

Our business is also susceptible to the effects of adverse economic developments in these areas, such as regional economic downturns, significant increases in the number of our competitors' products in these markets and potentially higher labor, real estate, tax or other costs in these geographic markets. Because of this geographic concentration of properties, we face a greater risk of a negative effect on our revenues and profits if these areas are affected by extreme weather, manmade disasters or adverse economic and competitive conditions.

***If we are not able to successfully identify, finance, integrate and/or manage costs related to acquisitions, our business operations and financial position could be adversely affected.***

We have expanded in part through acquisitions of other businesses and may continue to do so in the future. Our acquisition strategy depends on our ability to identify, and the availability of, suitable acquisition candidates. We may incur costs in connection with proposed acquisitions, but may ultimately be unable or unwilling to consummate any particular proposed transaction for various reasons. In addition, acquisitions involve numerous risks, including risks that we will not be able to: successfully integrate acquired businesses in an efficient and cost-effective manner; achieve anticipated benefits of an acquisition, including expected synergies; control potential increases in operating costs; manage geographically remote operations; successfully expand our system of internal controls or our technological infrastructure to include an acquired business; avoid potential disruptions in ongoing operations during an acquisition process or integration efforts; successfully enter markets in which we have limited or no direct experience, including foreign markets whose practices or laws may pose increased risk; and retain key employees, clients, vendors and business partners of the acquired companies. For example, we may be unable to close the Welk Resorts acquisition, ensure it complies with our public company financial reporting, disclosure and corporate governance requirements and realize expected synergies when or as expected. Failure to achieve the anticipated benefits of any acquisition may adversely affect our financial condition, operating results and prospects. Acquisitions may also significantly increase our debt or result in dilutive issuances of our equity securities, write-offs of goodwill or substantial amortization expenses associated with other intangible assets.

***Our use of different estimates and assumptions in the application of our accounting policies could result in material changes to our reported financial condition and results of operations, and changes in accounting standards or their interpretation could significantly impact our reported results of operations.***

Our accounting policies are critical to the manner in which we present our results of operations and financial condition. Many of these policies, including policies relating to the recognition of revenue and determination of cost of sales, are highly complex and involve many assumptions, estimates and judgments. We are required to review these assumptions, estimates and judgments regularly and revise them when necessary. Our actual results of operations vary from period to period based on revisions to these estimates. For example, in response to the COVID pandemic, we increased our sales reserve due to higher default expectations and revised our estimates of the fair value of our reporting units, resulting in the impairment of goodwill. In addition, the regulatory bodies that establish accounting and reporting standards, including the SEC and the Financial Accounting Standards Board, periodically revise or issue new financial accounting and reporting standards that govern the preparation of our consolidated financial statements. Changes to these standards or their interpretation could significantly impact our reported results in future periods. See Footnote 2 "Summary of Significant Accounting Policies" to our Financial Statements for more information regarding changes in accounting standards that we recently adopted or expect to adopt in the future.

***The growth of our business and execution of our business strategies depend on the services of our senior management and our associates.***

Our business is based on successfully attracting and retaining talented associates. The market for highly skilled associates and leaders in our industry is extremely competitive. If we are less successful in our recruiting efforts, or if we are unable to retain management and other key associates, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. The departure of a key executive or associate and/or the failure to ensure an effective transfer of knowledge and a smooth transition upon such departure may be disruptive to the business and could hinder our strategic planning and execution.

**Risks related to our vacation ownership business.**

***The termination of our license agreements with Marriott International or Hyatt, or our rights to use their trademarks at our existing or future properties, could materially harm our business.***

Our success depends, in part, on our relationships with Marriott International and Hyatt. These relationships are governed by various agreements, including long-term license agreements that expire between 2090 and 2095, subject to renewal. However, if we breach our obligations under a license agreement, the applicable licensor may be entitled to terminate the license agreement and our rights to use its brands in connection with our businesses. In addition, if any of our properties does not meet applicable brand standards, the applicable licensor can terminate our right to use its trademarks at the subject properties.

The termination of our license agreements with Marriott International or its affiliates would materially harm our business and results of operations and materially impair our ability to market and sell our products and maintain our competitive position, and could have a material adverse effect on our financial position, results of operations or cash flows. Our inability to rely on the strength of the Marriott, Sheraton and/or Westin brands to attract qualified prospects in the marketplace would likely cause our revenue and profits to decline and our marketing and sales expenses to increase. Our inability to market to guests in hotels affiliated with our licensors that are located near one of our sales locations or maintain our marketing partnerships with North American Marriott International reservation centers would cause our sales to decline, which could adversely affect our financial conditions and result of operations. In addition, we would not be able to use the brand websites as channels through which to rent available inventory, which would cause our rental revenue to decline materially.

Our license agreements also allow us to offer points to members of the loyalty programs associated with the Marriott, Sheraton, Westin and Hyatt brands, which provides us with the opportunity to market directly to these members. The termination of the license agreements with Marriott International or Hyatt would eliminate this valuable marketing channel.

We must also obtain the applicable licensor’s consent to use its trademarks in connection with properties we acquire or develop in the future. If our licensors do not consent to such use, our ability to expand our business and remain competitive may be materially adversely affected.

***Deterioration in the quality or reputation of the brands associated with our portfolio could adversely affect our market share, reputation, business, financial condition and results of operations.***

We offer vacation ownership products and services under the Marriott, Sheraton, Westin, The Ritz-Carlton, and Hyatt brands. Our success depends in part on the continued success of Marriott International and Hyatt and their respective brands. If market recognition or the positive perception of Marriott International and/or Hyatt is reduced or compromised, the goodwill associated with these brands may be adversely affected, which may adversely affect our market share, reputation, business, financial condition or results of operations. The positioning and offerings of any of these brands and/or their related customer loyalty programs, could change in a manner that adversely affects our business.

***Marriott International could compete with our vacation ownership business in the future.***

Under the license agreement with Marriott International, if other international hotel operators offer new products and services as part of their respective hotel businesses that may directly compete with our vacation ownership products and services, then Marriott International may also offer such new products and services, and use its trademarks in connection with such offers. If Marriott International offers new vacation ownership products and services under its trademarks, it may compete directly with our vacation ownership products and services, and we may not be able to distinguish our vacation ownership products and services from those offered by Marriott International. Our ability to remain competitive and to attract and retain owners depends on our success in distinguishing the quality and value of our products and services from those offered by others. If we cannot compete successfully in these areas, this could limit our operating margins, diminish our market share and reduce our earnings.

***If a branded hotel property co-located with one of our resorts ceases to be affiliated with the same brand as our resort or a related brand, our business could be harmed.***

Approximately a quarter of our Vacation Ownership segment resorts are co-located with same-branded hotel properties. If a branded hotel property with which one of our resorts is co-located ceases to be operated by or affiliated with the same brand as our resort, which has happened in the past, we could lose benefits such as sharing amenities, infrastructure and staff, integration of services, and other cost efficiencies. Our owners could lose access to the more varied and elaborate amenities that are generally available at the larger campus of an integrated vacation ownership and hotel resort. We expect our overhead and operating costs for such resorts would increase. We could also lose our on-site access to hotel customers, including brand customer loyalty program members, at such resorts, which is a cost-effective marketing channel for our vacation ownership products, and our sales may decline.

***We may not have inventory available for sale when needed.***

We may enter into capital-efficient transactions to source inventory in which third parties agree to deliver completed units to us at pre-agreed prices in the future. These transactions expose us to additional risk as we will not control development activities or timing of development completion. If our counterparties default on their obligations, or exercise their right to sell inventory to a different buyer, we may not acquire the inventory we expect on time or at all, or it may not be within agreed upon specifications. If we cannot obtain inventory from alternative sources on a timely basis, we may not be able to achieve sales forecasts.

***The sale of vacation ownership interests in the secondary market by existing owners could cause our sales revenues and profits to decline.***

Sales of VOIs by existing owners, which are typically at lower prices than the prices at which we would sell interests, can create pricing pressure on our sale of vacation ownership products and cause our sales revenues and profits to decline. In addition, unlawful or deceptive third-party VOI resale schemes involving interests in our resorts could damage our reputation and brand value and adversely impact our sales revenues. Development of a more robust secondary market may also cause the volume of lower-cost VOI inventory that we are able to repurchase to supplement our inventory needs to decline, which could adversely impact our development margin.

***Purchaser defaults on the vacation ownership notes receivable our business generates could reduce our revenues, cash flows and profits.***

In connection with our vacation ownership business, we provide loans to purchasers to finance their purchase of VOIs. Accordingly, we are subject to the risk that purchasers of our VOIs may default on the financing that we provide. The risk of purchaser defaults may increase due to man-made or natural disasters, which cause financial hardship for purchasers. The risk of purchaser defaults may also increase if we do not evaluate accurately the creditworthiness of the customers to whom we extend financing or due to the influence of timeshare relief firms. Purchaser defaults have caused, and may continue to cause, us to foreclose on vacation ownership notes receivable and reclaim ownership of the financed interests, both for loans that we have not securitized and in our role as servicer for the vacation ownership notes receivable we have securitized through the ABS market or the Warehouse Credit Facility. If default rates for our borrowers increase, we have been required, and may in the future be required to increase our reserve on vacation ownership notes receivable.

If default rates increase beyond current projections and result in higher than expected foreclosure activity, our results of operations could be adversely affected. Purchaser defaults could impact our ability to secure ABS or warehouse credit facility financing on terms that are acceptable to us, or at all. In addition, the transactions in which we have securitized vacation ownership notes receivable contain certain portfolio performance requirements related to default and delinquency rates, which, if not met, would result in loss or disruption of cash flow until portfolio performance sufficiently improves to satisfy the requirements. In addition, we may not be able to resell foreclosed or revoked interests in a timely manner or for an attractive price which could result in an adverse impact on our results from operations. If the reclaimed interests have declined in value, we may incur impairment losses that reduce our profits. Also, if a purchaser of a VOI defaults on the related loan during the early part of the amortization period, we may not have recovered the marketing, selling and general and administrative costs associated with the sale of that VOI. If we are unable to recover any of the principal amount of the loan from a defaulting purchaser, or if the allowances for losses from such defaults are inadequate, the revenues and profits that we derive from the vacation ownership business could be reduced.

***Our points-based product forms expose us to an increased risk of temporary inventory depletion.***

Selling VOIs in a system of resorts under a points-based business model increases the risk of temporary inventory depletion. Currently, our VOI sales are made primarily through a limited number of trust entities that issue VOIs. This structure can lead to a temporary depletion of inventory available for sale caused by: (1) delayed delivery of inventory under construction by us or third parties; (2) delayed receipt of required governmental registrations of inventory for sale; and (3) significant unanticipated increases in sales pace. If the inventory available for sale for a particular trust were to be depleted before new inventory is added and available for sale, we would be required to temporarily suspend sales until inventory is replenished. Our efforts to avoid the risk of temporary inventory depletion by maintaining a surplus supply of completed inventory based on our forecasted sales pace, and by employing other mitigation strategies such as accelerating completion of resorts under construction, acquiring VOIs on the secondary market, or reducing sales pace by adjusting prices or sales incentives, may not be successful. A decline in VOI inventory could decrease our financing revenues generated from purchasers of VOIs and fee revenues generated by providing club, management, exchange, sales, and marketing services. In addition, any temporary suspension of sales due to lack of inventory could reduce our cash flow and have a negative impact on our results of operations.

***Our development activities expose us to project cost and completion risks.***

Our project development activities entail risks that may cause project delays or increased project costs and therefore may adversely impact our results of operations, cash flows and financial condition, including:

- construction delays or cost overruns;
- shortages of skilled labor;
- claims for construction defects, including claims by purchasers and property owners' associations;
- the discovery of hazardous or toxic substances, or other environmental, culturally-sensitive, or related issues;
- an inability to timely obtain required governmental permits and authorizations;
- compliance with zoning, building codes and other local regulations;
- performance by third parties involved in the financing and development of our projects;
- the cost or availability of raw materials; and
- interference of weather-related, geological or other events, such as hurricanes, earthquakes, floods, tsunamis, fires, and volcanic eruptions.

***Our resort management business may be adversely effected by the loss of management contracts, failure of resorts to comply with brand standards, increased maintenance fees and disagreements with owners.***

Owners of our VOIs are required to pay maintenance costs to maintain and refurbish the vacation ownership properties and keep them in compliance with brand standards. If a resort fails to comply with applicable brand standards, the applicable licensor could terminate our rights to use its trademarks at the resort, which would result in the loss of management fees, decreased customer satisfaction, and impairment of our ability to market and sell our products at the non-compliant locations. Increases in maintenance fees to keep pace with maintenance and other costs may make our products less desirable, which could negatively impact sales and cause an increase in defaults on our vacation ownership notes receivable portfolio. If the property owners' associations that we manage are unable to collect sufficient maintenance fees to cover operating and maintenance costs, the related resorts may have to close or file for bankruptcy, which may result in termination of our management agreements. We may also lose resort management contracts if they are not renewed when they expire, or the contract terms may be renegotiated in a manner adverse to us. The loss or renegotiation of a significant number of our management contracts may adversely affect our cash flows, revenues and profits.

From time to time, disagreements arise between us and the owners of VOIs and property owners' associations. For example, owners of our VOIs have disagreed, and may in the future disagree, with changes we make to our products or programs. Sometimes, disagreements with owners and owners' associations result in litigation and/or the loss of management contracts. If any such litigation results in a significant adverse judgment or settlement, we could suffer significant losses, our profits could be reduced, our reputation could be harmed and our future ability to operate our business could be constrained.

***Damage to, or other potential losses involving, properties that we own or manage may not be covered by insurance.***

Market forces beyond our control may limit the scope of the insurance coverage we can obtain or our ability to obtain coverage at reasonable rates. Certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, or terrorist acts, may be uninsurable or the price of coverage for such losses may be too expensive to justify obtaining insurance. The effects of climate change, such as increased storm intensity and rising sea levels, may also increase the cost of property insurance and decrease our coverage levels. In addition, in the event of a substantial loss, the insurance coverage we carry may not be sufficient to pay the full market value or replacement cost of our lost investment or that of owners of VOIs or in some cases may not provide a recovery for any part of a loss due to deductible limits, policy limits, coverage limits or other factors. As a result, we could lose some or all of the capital we have invested in a property, as well as the anticipated future revenue from the property, and we could remain obligated under guarantees or other financial obligations related to the property. In addition, we could lose the management contract for the property and, to the extent such property operates under a licensed brand, the property may lose operating rights under the associated brand.

**Risks related to our exchange and third-party management business.**

***Our Exchange & Third-Party Management business depends on relationships with developers, members and others, and any adverse changes in these relationships could adversely affect our business, financial condition, and results of operations.***

Our Interval International business depends on vacation ownership developers for new members and on members and participants to renew their existing memberships and otherwise engage in transactions. Developers and members also supply resort accommodations for use in exchanges and Getaways. Our vacation rental business depends on vacation property and hotel owners for vacation properties to rent to vacationers.

If we are unable to negotiate new affiliation agreements with resort developers or secure renewals with existing members or developers in our Interval International network, the number of new and/or existing members, the supply of resort accommodations available through our exchange networks and related revenue will decrease. The failure to secure the renewal of affiliation agreements with developers with corporate member relationships, where the developer renews Interval International membership fees for all of its active owners, has a greater adverse effect. The loss or renegotiation on less favorable terms of several of our largest affiliation agreements could materially impact our financial condition and results of operations. Our ability to maintain affiliation agreements with resort developers is also impacted by consolidation in the vacation ownership industry. Consolidation can also lead to larger competitors with greater resources that compete with our vacation ownership business for customers, projects and talent.

In addition, we depend on third parties to make certain benefits available to members of the Interval International exchange network. The loss of such benefits could result in a decrease in the number of Interval International members, which could have a materially adversely effect on our business, financial condition and results of operations.

Similarly, the failure of our third-party management businesses to maintain existing or negotiate new management agreements with hotel and vacation property owners or owners associations, as a result of the sale of property to third parties, contract disputes or otherwise, or the failure of vacationers to book vacation rentals through these businesses would result in a decrease in related revenue, which would have an adverse effect on our business, financial condition and results of operations.

***Insufficient availability of exchange inventory may adversely affect our profits.***

Our exchange networks' transaction levels depend on the supply of inventory in the system and demand for the available inventory. Exchange inventory is deposited in the system by members, or by developers on behalf of members, to support current or anticipated exchanges. Inventory supply and demand for specific regions and on a broader scope is influenced by a variety of factors, such as: economic conditions; health and safety concerns, including concerns and travel restrictions relating to the COVID-19 pandemic; the occurrence or threat of natural disasters and severe weather; and owner decisions to travel to their home resort/vacation club system or otherwise not deposit exchange inventory. The factors that affect demand for specific destinations could significantly reduce the number of accommodations available in such areas for exchanges. The level of inventory in our system also depends on the number of developers whose resorts are in our exchange networks, and the numbers of members of such resorts. The number of developers affiliated with our exchange networks may decrease for a variety of reasons, such as consolidation and contraction in the industry and competition. If inventory supply and demand do not keep pace, transactions may decrease or we may purchase additional inventory to fulfill the demand, both of which could negatively affect our profits.

**Risks related to our indebtedness.**

***Our indebtedness may restrict our operations.***

As of December 31, 2020, we had approximately $2,722 million of total corporate indebtedness outstanding and could borrow an additional $597 million under the Revolving Corporate Credit Facility. Since that date, we issued an additional $575 million in convertible senior notes. The credit agreement that governs the Corporate Credit Facility and the indentures that govern the various senior notes impose significant operating and financial restrictions on us, which among other things limit our ability and the ability of certain of our subsidiaries to incur debt, pay dividends and make other restricted payments, make loans and investments, incur liens, sell assets, enter into affiliate transactions, enter into agreements restricting certain subsidiaries' ability to pay dividends and consolidate, merge or sell all or substantially all of their assets. All of these covenants and restrictions limit how we conduct our business. The Corporate Credit Facility also requires us to maintain a specified leverage ratio; this requirement has been waived until December 31, 2021, provided that we maintain a monthly minimum liquidity of $300 million. These restrictions could restrict our flexibility to react to changes in our businesses, industries and economic conditions and increase borrowing costs.

We must dedicate a portion of our cash flow from operations to debt servicing and repayment of debt, which reduces funds available for strategic initiatives and opportunities, dividends, share repurchases, working capital, and other general corporate needs. It also increases our vulnerability to the impact of adverse economic and industry conditions.

***If we are unable to comply with our debt agreements, or to raise additional capital when needed, our business, cash flow, liquidity, and results of operations could be harmed.***

Our ability to make scheduled cash payments on and to refinance our indebtedness depends on our ability to generate significant operating cash flow in the future, which, to a significant extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not be able to maintain a sufficient level of cash flow from operating activities to permit us to pay the principal, premium, if any, and interest on our indebtedness.

In addition, our credit ratings will impact the cost and availability of future borrowings and, accordingly, our cost of capital. Downgrades in our ratings could adversely affect our businesses, cash flows, financial condition, operating results and share and debt prices, as well as our obligations with respect to our capital efficient inventory acquisitions.

Failure to make scheduled cash payments on our existing debt, or to comply with the restrictive covenants and other requirements in our debt agreements, could result in an event of default, which, if not cured or waived, could result in acceleration of our debt obligations. We may not have sufficient cash to repay any accelerated debt obligations, which would immediately and materially harm our business, results of operations and financial condition.

We may be required to raise additional capital to refinance our existing debt, or to expand or support our operations. Our access to and cost of financing will depend on, among other things, global economic conditions, conditions in the global financing markets, the availability of sufficient amounts of financing, our prospects and our credit ratings, and the outlook for our industry as a whole. The terms of future debt agreements could include more restrictive covenants or require incremental collateral, which may further restrict our business operations or adversely affect our ability to obtain additional financing. There is no guarantee that debt or equity financings will be available in the future on terms favorable to us or at all. If we are unable to access additional funds on acceptable terms, we may have to adjust our business operations, and our ability to acquire additional vacation ownership inventory, repurchase VOIs, or make other investments in our business could be impaired, any of which may adversely affect our cash flows, revenues and profits.

***We may incur substantially more debt, which could exacerbate further the risks associated with our leverage.***

We and our subsidiaries may incur substantial additional indebtedness in the future, including secured indebtedness, as well as obligations that do not constitute indebtedness as defined in our debt agreements. To the extent that we and our subsidiaries incur additional indebtedness or such other obligations, the risks associated with our substantial indebtedness described above will increase.

***If the default rates or other credit metrics underlying our vacation ownership notes receivable deteriorate, our vacation ownership notes receivable securitization program and VOI financing program could be adversely affected.***

Our vacation ownership notes receivable portfolio performance and securitization program could be adversely affected if any vacation ownership notes receivable pool fails to meet certain ratios, which could occur if the default rates or other credit metrics of the underlying vacation ownership notes receivable deteriorate. Default rates may deteriorate due to many different reasons, including those beyond our control, such as financial hardship of purchasers. In addition, if we offer loans to our customers with terms longer than those generally offered in the industry, our ability to securitize those loans may be adversely impacted. Instability in the credit markets may impact the timing and volume of the vacation ownership notes receivable that we are able to securitize, as well as the financial terms of such securitizations. If ABS issued in our securitization programs are downgraded by credit agencies in the future, our ability to complete securitization transactions on acceptable terms or at all could be jeopardized, and we could be forced to rely on other potentially more expensive and less attractive funding sources, to the extent available.

***We are subject to risks relating to our convertible notes.***

Holders of our convertible notes may convert the convertible notes after the occurrence of certain dates or events. See Footnote 17 “Debt,” to our Financial Statements for additional information. If any holders elect to convert their convertible notes, we may elect to settle all or a portion of our conversion obligation through the payment of cash, which could adversely affect our liquidity.

The way we account for our convertible notes may impact our reported or future financial results and the market price of our common stock. For example, the application of current accounting standards result in our reporting lower net income (or greater net loss) in our financial results because interest must include both the current period’s amortization of the debt discount and the instrument’s coupon interest. See Footnote 17 “Debt,” to our Financial Statements for additional information regarding current and pending methods of accounting for our convertible notes.

***We are subject to risks relating to the convertible note hedges and warrants.***

In connection with the convertible notes, we entered into privately negotiated convertible note hedges to reduce potential dilution to our common stock and/or offset cash payments we must make in excess of the principal amount, in each case, upon any conversion of convertible notes. We also issued warrants to the hedge counterparties. The warrants could have a dilutive effect on our shares of common stock to the extent that the market price per share exceeds the applicable strike price of the warrants on one or more of the applicable expiration dates.

In connection with establishing their initial hedges of the convertible note hedges and the warrants, the hedge counterparties and/or their respective affiliates advised us that they expected to purchase shares of our common stock in secondary market transactions and/or enter into various derivative transactions with respect to our common stock. These parties may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or buying or selling our common stock in the secondary market. Any of these activities could cause or prevent an increase or a decline in the market price of our common stock.

We are subject to the risk that one or more of the hedge counterparties may default under the convertible note hedges. If any of the hedge counterparties become subject to insolvency proceedings, we will become an unsecured creditor with a claim equal to our exposure at that time under our transactions with such counterparties. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price and in the volatility of our common stock. In addition, upon a default by a hedge counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock.

***We may be adversely affected by changes in LIBOR reporting practices.***

As of December 31, 2020, approximately $884 million of our gross aggregate consolidated indebtedness was indexed to the London Interbank Offered Rate (“LIBOR”) and we were party to $550 million of derivative instruments indexed to LIBOR. In addition, funding costs related to our $600 million Revolving Corporate Credit Facility and $350 million Warehouse Credit Facility, which were both undrawn at December 31, 2020 except for $3 million in letters of credit outstanding, are generally indexed to LIBOR. The U.K. authority that regulates LIBOR announced that it will not compel banks to submit rates for the calculation of LIBOR after June 2023. There is considerable uncertainty regarding the publication of such rates beyond June 2023. A committee convened by the U.S. Federal Reserve to oversee the transition process for LIBOR rates quoted in U.S. dollars recommended the Secured Overnight Financing Rate as the alternative to LIBOR rates quoted in U.S. dollars. Other authorities have recommended alternatives to LIBOR rates quoted in other currencies. The full impact of any transition away from LIBOR remains unclear and these changes may have a material adverse impact on the availability of financing, including LIBOR-based loans, and on our financing costs. To the extent our interest rates increase, our interest expense will increase, which could adversely affect our financial condition, operating results and cash flows.

**Risks related to ownership of our common stock.**

***Our share repurchase program may not enhance long-term shareholder value and could increase the volatility of the market price of our common stock and diminish our cash.***

Our share repurchase program does not obligate us to repurchase any shares of our common stock. We have temporarily suspended our share repurchase program in response to the COVID-19 pandemic and to comply with contractual constraints on our ability to repurchase our shares. When and if we resume the program, the timing and amount of any repurchases will depend upon several factors, including market conditions, business conditions, statutory and contractual restrictions, the trading price of our common stock and the nature of other investment opportunities available to us. In addition, repurchases of our common stock could affect our stock price and increase its volatility. The existence of a share repurchase program could cause our stock price to be higher than it would be absent the program and could reduce market liquidity for our stock. Use of our funds to repurchase shares could diminish our cash reserves, which may impact our ability to finance growth, pursue strategic opportunities, and discharge liabilities. Our share repurchases may not enhance shareholder value because the market price of our common stock may decline below the prices at which we repurchased shares and short-term stock price fluctuations could reduce the program's effectiveness.

***Our ability to pay dividends on our stock is limited.***

We may not declare or pay dividends in the future at any particular rate or at all. Our Board of Directors makes all decisions regarding our payment of dividends, subject to an evaluation of our financial condition, results of operations and capital requirements, as well as applicable law, regulatory and contractual constraints, industry practice and other business considerations that our Board of Directors considers relevant. Certain of the agreements governing our indebtedness restrict our ability and/ or the ability of our subsidiaries to pay dividends, and the terms of agreements governing debt that we may incur in the future may also limit or prohibit dividend payments. The payment of certain cash dividends may also result in an adjustment to the conversion rate of the Convertible Notes in a manner adverse to us. We may not have sufficient surplus under Delaware law to be able to pay any dividends, which may result from extraordinary cash expenses, actual expenses exceeding contemplated costs, funding of capital expenditures or increases in reserves.

***Anti-takeover provisions in our organizational documents, Delaware law and in certain of our agreements could delay or prevent a change in control.***

Provisions of our Charter and Bylaws, as well as provisions in the agreements with our licensors, may delay or prevent a merger or acquisition that a shareholder may consider favorable. For example, our Charter and Bylaws provide for a classified board, require advance notice for shareholder proposals and nominations, place limits on convening shareholder meetings and authorize our Board of Directors to issue one or more series of preferred stock. Delaware law also restricts some business combinations between any holder of 15 percent or more of our outstanding common stock and us. The fact that these provisions and statutory restrictions may discourage acquisition proposals or delay or prevent a change in control could harm our stock price. Delaware law also restricts some business combinations between any holder of 15 percent or more of our outstanding common stock and us.

Further, a change in control could result in an acceleration of our obligations under the Corporate Credit Facility or the indentures that govern our senior notes. The threat of our debt being accelerated in connection with a change in control could make it more difficult for us to attract potential buyers or to consummate a change in control transaction that would otherwise be beneficial to our stockholders.

**Risks related to the Vistana Spin-Off.**

***The ILG Acquisition could result in material liability if it causes the Vistana Spin-Off to be taxable.***

In connection with Vistana's spin-off from Starwood and acquisition by ILG (the "Vistana Spin-Off"), ILG and Vistana entered into a Tax Matters Agreement that restricts them from actions or omissions that would cause the Vistana Spin-Off to become taxable. Failure to adhere to these restrictions, including in certain circumstances that may be outside of our control, could result in tax being imposed on Starwood or its shareholders for which we may be obligated to indemnify Starwood. Even if we are not responsible for such tax liabilities under the Tax Matters Agreement, we may be liable under applicable tax law for such liabilities if Starwood fails to pay such taxes. For two years after the Vistana Spin-Off, the Tax Matters Agreement prohibited Vistana and ILG from taking certain actions involving their stock or Vistana's assets because the Vistana Spin-Off would be taxable to Starwood (but not to Starwood shareholders) pursuant to Section 355(e) of the Internal Revenue Code if there was a direct or indirect 50% or greater change in Vistana's ownership as part of a plan or series of related transactions including the Vistana Spin-Off. The Vistana acquisition was not expected to violate this rule because Starwood shareholders held over 50% by vote and value of ILG stock (and, thus, indirectly, of Vistana) immediately after the Vistana acquisition. However, the ILG Acquisition diluted the indirect ownership of Vistana by its former shareholders below 50%. We received an opinion from KPMG LLP that entering into the ILG Acquisition would not affect the tax-free status of the Vistana Spin-Off; however, this opinion does not bind the IRS or any court. If the IRS asserts that the ILG Acquisition is part of a plan or series of related transactions including the Vistana Spin-Off and the Vistana acquisition, and this assertion is sustained, the Vistana Spin-Off would be subject to the application of Section 355(e) of the Code, and we would be liable to indemnify Starwood (or Marriott International) for any resulting tax liability pursuant to the Tax Matters Agreement.

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

As of December 31, 2020, our vacation ownership portfolio consisted of over 100 properties in the United States and twelve other countries and territories. These properties are described in Part I, Item 1, "Business," of this Annual Report. Except as indicated in Part I, Item 1, "Business," we own all unsold inventory at these properties. We also own, manage or lease golf courses, fitness, spa and sports facilities, undeveloped and partially developed land and other common area assets at some of our resorts in our Vacation Ownership segment, including resort lobbies and food and beverage outlets.

In addition, we own or lease our regional offices and sales centers, both in the United States and internationally. We lease our corporate headquarters in Orlando, Florida under leases that begin to expire in 2021. In January 2020, we entered into a lease agreement for our new global headquarters in Orlando. The new office building will be developed by a third-party and is expected to be completed in 2024. See Footnote 15 "Leases" for information.

## Item 3. Legal Proceedings

Currently, and from time to time, we are subject to claims in legal proceedings arising in the normal course of business, including, among others, the legal actions discussed under "Loss Contingencies" in Footnote 14 "Contingencies and Commitments" to our Financial Statements. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, cash flows, or overall trends in results of operations, legal proceedings are inherently uncertain, and unfavorable rulings could, individually or in the aggregate, have a material adverse effect on our business, financial condition, or operating results.

## Item 4. Mine Safety Disclosures

Not applicable.

# PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

### Market Information and Dividends

Our common stock currently is traded on the New York Stock Exchange, or the "NYSE," under the symbol "VAC." In response to the impact of COVID-19, we temporarily suspended cash dividends. In May 2020, we entered into a waiver (the "Waiver") to the agreement that governs our Corporate Credit Facility that, among other things, suspends our requirement to comply with the leverage covenant in the Revolving Corporate Credit Facility for up to four quarters, and prohibits us from making certain restricted payments, including dividends. In February 2021, we extended the suspension period included in the Waiver through the end of 2021. Subject to compliance with the Waiver, and the other restrictions on payment of dividends in our Corporate Credit Facility, any future dividend payments will be subject to Board approval, which will depend on our financial condition, results of operations and capital requirements, as well as applicable law, regulatory and contractual constraints, industry practice and other business considerations that our Board of Directors considers relevant. In addition the indentures governing our senior notes contain restrictions on our ability to pay dividends, and the terms of agreements governing debt that we may incur in the future may also limit or prohibit dividend payments. The payment of certain cash dividends may also result in an adjustment to the conversion rate of our 1.50% Convertible Senior Notes due 2022 ("2022 Convertible Notes") in a manner adverse to us. Accordingly, there can be no assurance that we will pay dividends in the future at any particular rate or at all.

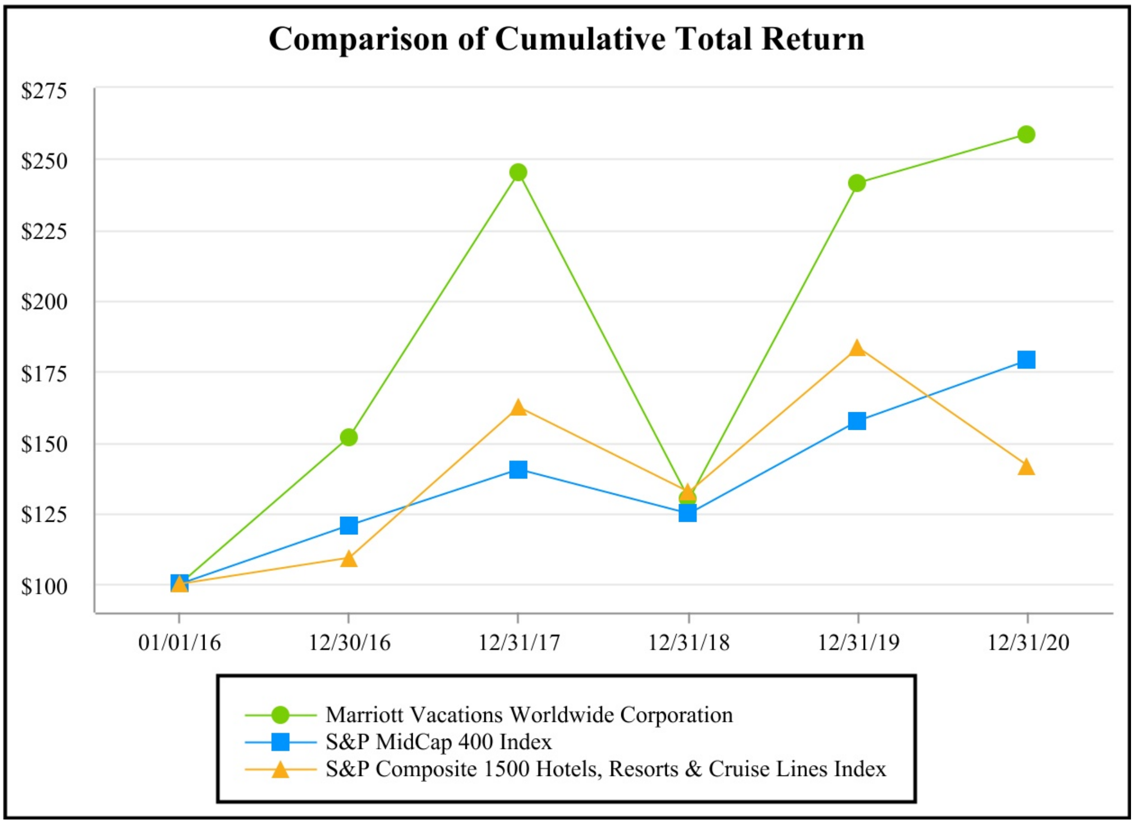
### Holders of Record

On February 19, 2021, there were 25,731 holders of record of our common stock.

### Issuer Purchases of Equity Securities

On July 30, 2019, our Board of Directors authorized the extension of the duration of our then-existing share repurchase program to December 30, 2020, as well as the repurchase of up to 4.5 million additional shares of our common stock. Due to the impact of the impact of the COVID-19 pandemic, we temporarily suspended repurchasing shares of our common stock in April 2020. Our share repurchase program expired on December 31, 2020.

**Performance Graph**




The above graph compares the relative performance of our common stock, the S&P MidCap 400 Index (which has included our common stock since the acquisition of ILG), and the S&P Composite 1500 Hotels, Resorts & Cruise Lines Index. The graph assumes that $100 was invested in our common stock and each index on January 1, 2016. The stock price performance reflected above is not necessarily indicative of future stock price performance. The foregoing performance graph is being furnished as part of this Annual Report solely in accordance with the requirement under Rule 14a-3(b)(9) to furnish our shareholders with such information, and therefore, shall not be deemed to be filed or incorporated by reference into any filings by the Company under the Securities Act of 1933, as amended, or the Exchange Act.

## Item 6. Selected Financial Data

The following table presents a summary of our selected historical consolidated financial data for the periods indicated below. Because this information is only a summary and does not provide all of the information contained in our Financial Statements, including the related notes, it should be read in conjunction with "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations," and our Financial Statements for each year for more detailed information.

| | Fiscal Years[(1)] | | | | |
|---|---|---|---|---|---|
| *(in millions, except per share amounts and member statistics)* | **2020** | **2019[(2)]** | **2018** | **2017** | **2016** |
| **Income Statement Data** | | | | | |
| Revenues | $ 2,886 | $ 4,259 | $ 2,968 | $ 2,183 | $ 2,000 |
| Revenues net of total expenses | (98) | 458 | 267 | 246 | 200 |
| Net (loss) income attributable to common shareholders | (275) | 138 | 55 | 235 | 122 |
| | | | | | |
| **Per Share Data** | | | | | |
| Basic (loss) earnings per share attributable to common shareholders | $ (6.65) | $ 3.13 | $ 1.64 | $ 8.70 | $ 4.37 |
| Diluted (loss) earnings per share attributable to common shareholders | $ (6.65) | $ 3.09 | $ 1.61 | $ 8.49 | $ 4.29 |
| Cash dividends declared per share | $ 0.54 | $ 1.89 | $ 1.65 | $ 1.45 | $ 1.25 |
| | | | | | |
| **Balance Sheet Data** | | | | | |
| Total assets | $ 8,898 | $ 9,214 | $ 9,018 | $ 2,845 | $ 2,320 |
| Securitized debt, net | 1,588 | 1,871 | 1,714 | 835 | 729 |
| Debt, net | 2,680 | 2,216 | 2,104 | 260 | 8 |
| Total liabilities | 6,216 | 6,183 | 5,552 | 1,804 | 1,425 |
| MVW shareholders' equity | 2,651 | 3,019 | 3,461 | 1,041 | 895 |
| Noncontrolling interests | 31 | 12 | 5 | — | — |
| | | | | | |
| **Operating Statistics** | | | | | |
| **Vacation Ownership** | | | | | |
| Total contract sales[(3)] | $ 669 | $ 1,569 | $ 1,089 | $ 826 | $ 741 |
| Consolidated contract sales[(3)] | $ 654 | $ 1,524 | $ 1,073 | $ 826 | $ 741 |
| **Exchange & Third-Party Management** | | | | | |
| Total active Interval International members at end of period (000's) | 1,518 | 1,670 | 1,802 | — | — |
| Average revenue per Interval International member | $ 144.97 | $ 168.73 | $ 37.37 | $ — | $ — |

(1) In 2017, we changed our financial reporting cycle to a calendar year-end reporting cycle. All fiscal years presented before 2017 included 52 weeks.

(2) Data presented herein has been reclassified to conform to our 2019 financial statement presentation.

(3) Contract sales consist of the total amount of vacation ownership product sales under contract signed during the period where we have received a down payment of typically at least ten percent of the contract price, reduced by actual rescissions during the period, inclusive of contracts associated with sales of vacation ownership products on behalf of third-parties, which we refer to as "resales contract sales." In circumstances where a customer applies any or all of their existing ownership interests as part of the purchase price for additional interests, we include only the incremental value purchased as contract sales. Contract sales differ from revenues from the sale of vacation ownership products that we report in our income statements due to the requirements for revenue recognition described in Footnote 2 "Summary of Significant Accounting Policies" to our Financial Statements. We consider contract sales to be an important operating measure because it reflects the pace of sales in our business. Total contract sales include contract sales from the sale of vacation ownership products including joint ventures. Consolidated contract sales exclude contract sales from the sale of vacation ownership products for non-consolidated joint ventures.

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Statements

*You should read the following discussion of our results of operations and financial condition together with our audited historical consolidated financial statements and accompanying notes that we have included elsewhere in this Annual Report, as well as the discussion in the section of this Annual Report entitled “Business.” This discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on our current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those we discuss in the sections of this Annual Report entitled “Risk Factors” and “Special Note About Forward-Looking Statements.”*

*Our consolidated financial statements, which we discuss below, reflect our historical financial condition, results of operations and cash flows. The financial information discussed below and included in this Annual Report may not, however, necessarily reflect what our financial condition, results of operations and cash flows may be in the future.*

*Our discussion and analysis of fiscal year 2020 to fiscal year 2019 is included herein. Our discussion and analysis of fiscal year 2019 to fiscal year 2018 has been omitted from this Form 10-K and can be found in Part II, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which was filed with the Securities and Exchange Commission on March 2, 2020.*

### Business Overview

We are a leading global vacation company that offers vacation ownership, exchange, rental, and resort and property management, along with related businesses, products and services. Our business operates in two reportable segments: Vacation Ownership and Exchange & Third-Party Management.

Corporate and other represents that portion of our results that are not allocable to our segments, including those relating to Consolidated Property Owners’ Associations.

*COVID-19 Pandemic Update*

The COVID-19 pandemic has caused significant disruptions in international and U.S. economies and markets. We discuss the COVID-19 pandemic and its current and potential future implications in this report; however, the COVID-19 pandemic is evolving and its potential impact on our business in the future remains uncertain. Please see “*Impact of COVID-19 Pandemic*” included in “*Item 1. Business*” for additional discussion on the COVID-19 pandemic and its impact on our business.

As a result of the COVID-19 pandemic, in September 2020, a workforce reduction plan was approved, which impacted approximately 3,000 associates beginning in November 2020. We expect that we will incur approximately $30 to $35 million in restructuring and related charges primarily related to employee severance and benefit costs, including a portion that is included in cost reimbursements. See Footnote 3 “Restructuring Charges” to our Financial Statements for more information about the restructuring charges recorded as a result of the COVID-19 pandemic.

*Significant Accounting Policies Used in Describing Results of Operations*

*Sale of Vacation Ownership Products*

We recognize revenues from the sale of VOIs when control of the vacation ownership product is transferred to the customer and the transaction price is deemed collectible. Based upon the different terms of the contracts with the customer and business practices, control of the vacation ownership product is transferred to the customer at closing for Legacy-MVW transactions and upon expiration of the statutory rescission period for Legacy-ILG transactions. Sales of vacation ownership products may be made for cash or we may provide financing. In addition, we recognize settlement fees associated with the transfer of vacation ownership products and commission revenues from sales of vacation ownership products on behalf of third parties, which we refer to as “resales revenue.”

We also provide sales incentives to certain purchasers. These sales incentives typically include Marriott Bonvoy points, World of Hyatt points or an alternative sales incentive that we refer to as “plus points.” These plus points are redeemable for stays at our resorts or for use in other third-party offerings, generally up to two years from the date of issuance. Typically, sales incentives are only awarded if the sale is closed.

As a result of the revenue recognition requirements included in Accounting Standards Codification (“ASC”) Topic 606, “*Revenue from Contracts with Customers*” (“ASC 606”), there may be timing differences between the date of the contract with the customer and when revenue is recognized. When comparing results year-over-year, this timing difference may generate significant variances, which we refer to as the impact of revenue reportability.

Finally, as more fully described in “*Financing*” below, we record the difference between the vacation ownership note receivable and the consideration to which we expect to be entitled (also known as a vacation ownership notes receivable reserve or a sales reserve) as a reduction of revenues from the sale of vacation ownership products at the time we recognize revenues from a sale.

We report, on a supplemental basis, contract sales for our Vacation Ownership segment. Contract sales consist of the total amount of vacation ownership product sales under contract signed during the period where we have received a down payment of typically at least ten percent of the contract price, reduced by actual rescissions during the period, inclusive of contracts associated with sales of vacation ownership products on behalf of third-parties, which we refer to as “resales contract sales.” In circumstances where a customer applies any or all of their existing ownership interests as part of the purchase price for additional interests, we include only the incremental value purchased as contract sales. Contract sales differ from revenues from the sale of vacation ownership products that we report on our Income Statements due to the requirements for revenue recognition described above. We consider contract sales to be an important operating measure because it reflects the pace of sales in our business.

Cost of vacation ownership products includes costs to develop and construct our projects (also known as real estate inventory costs), other non-capitalizable costs associated with the overall project development process and settlement expenses associated with the closing process. For each project, we expense real estate inventory costs in the same proportion as the revenue recognized. Consistent with the applicable accounting guidance, to the extent there is a change in the estimated sales revenues or inventory costs for the project in a period, a non-cash adjustment is recorded on our Income Statements to true-up costs in that period to those that would have been recorded historically if the revised estimates had been used. These true-ups, which we refer to as product cost true-up activity, can have a positive or negative impact on our Income Statements.

We refer to revenues from the sale of vacation ownership products less the cost of vacation ownership products and marketing and sales costs as development margin. Development margin percentage is calculated by dividing development margin by revenues from the sale of vacation ownership products.

*Management and Exchange*

Our management and exchange revenues include revenues generated from fees we earn for managing each of our vacation ownership resorts, providing property management, property owners’ association management and related services to third-party vacation ownership resorts and fees we earn for providing rental services and related hotel, condominium resort, and property owners’ association management services to vacation property owners.

In addition, we earn revenue from ancillary offerings, including food and beverage outlets, golf courses and other retail and service outlets located at our Vacation Ownership resorts. We also receive annual membership fees, club dues and certain transaction-based fees from members, owners and other third parties.

Management and exchange expenses include costs to operate the food and beverage outlets and other ancillary operations and to provide overall customer support services, including reservations, and certain transaction-based expenses relating to external exchange service providers.

In our Vacation Ownership segment and Consolidated Property Owners’ Associations, we refer to these activities as “Resort Management and Other Services.”

*Financing*

We offer financing to qualified customers for the purchase of most types of our vacation ownership products. The average FICO score of customers who were U.S. citizens or residents who financed a vacation ownership purchase was as follows:

| | Fiscal Years | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Average FICO score | 730 | 736 | 738 |

The typical financing agreement provides for monthly payments of principal and interest with the principal balance of the loan fully amortizing over the term of the related vacation ownership note receivable, which is approximately ten years. Included within our vacation ownership notes receivable are originated vacation ownership notes receivable and vacation ownership notes receivable acquired in connection with the ILG Acquisition.

Acquired vacation ownership notes receivable are accounted for using the purchased credit deteriorated assets provision of the current expected credit loss model. At acquisition, we recorded these vacation ownership notes receivable at fair value. Upon adoption of Accounting Standards Update 2016-13 – "*Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*" on January 1, 2020, we established a reserve for credit losses and a corresponding increase in the book value of the acquired vacation ownership notes receivable, resulting in no impact to the recorded balance. The estimates of the reserve for credit losses on the acquired vacation ownership notes receivable are based on default rates that are an output of our static pool analyses. Any changes in the reserve for credit losses are recorded as Financing expenses on our Income Statements.

In addition, we established a noncredit discount, which represents the difference between the amortized cost basis and the par value of our acquired vacation ownership notes receivable. The noncredit discount will be amortized to interest expense over the contractual life of the acquired vacation ownership notes receivable and is recorded as Financing expenses on our Income Statements. See Footnote 7 "Vacation Ownership Notes Receivable" to our Financial Statements for further information regarding the accounting for acquired vacation ownership notes receivable.

The interest income earned from the originated vacation ownership financing arrangements is earned on an accrual basis on the principal balance outstanding over the contractual life of the arrangement and is recorded as Financing revenues on our Income Statements. Financing revenues also include fees earned from servicing the existing vacation ownership notes receivable portfolio. Financing expenses include costs in support of the financing, servicing and securitization processes. The amount of interest income earned in a period depends on the amount of outstanding vacation ownership notes receivable, which, for originated vacation ownership notes receivable, is impacted positively by the origination of new vacation ownership notes receivable and negatively by principal collections. We calculate financing propensity as contract sales volume of financed contracts closed in the period divided by contract sales volume of all contracts closed in the period. We do not include resales contract sales in the financing propensity calculation. Financing propensity was 51 percent in 2020 and 63 percent in 2019, with the year-over-year decline being driven by programs we offered to incent cash purchases. We expect to continue offering financing incentive programs in 2021 and that interest income will begin to increase when new originations of vacation ownership notes receivable outpace the decline in principal of existing vacation ownership notes receivable, most likely in 2022.

In the event of a default, we generally have the right to foreclose on or revoke the underlying VOI. We return VOIs that we reacquire through foreclosure or revocation back to inventory. As discussed above, for originated vacation ownership notes receivable, we record a reserve at the time of sale and classify the reserve as a reduction to revenues from the sale of vacation ownership products on our Income Statements. Historical default rates, which represent defaults as a percentage of each year's beginning gross vacation ownership notes receivable balance, were as follows:

| | Fiscal Years | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Historical default rates | 6.3% | 4.5% | 3.8% |

The increase in default rates in 2020 was predominantly due to the impact of the COVID-19 pandemic on the performance of our notes receivable portfolio. See Footnote 7, "Vacation Ownership Notes Receivable" to our Financial Statements for additional information regarding the COVID-19 impact on our vacation ownership notes receivable reserves.

Financing expenses include consumer financing interest expense, which represents interest expense associated with the securitization of our vacation ownership notes receivable. We distinguish consumer financing interest expense from all other interest expense because the debt associated with the consumer financing interest expense is secured by vacation ownership notes receivable that have been sold to bankruptcy remote special purpose entities and is generally non-recourse to us.

*Rental*

In our Vacation Ownership segment, we operate a rental business to provide owner flexibility and to help mitigate carrying costs associated with our inventory. We generate revenue from rentals of inventory that we hold for sale as interests in our vacation ownership programs, inventory that we control because our owners have elected alternative usage options permitted under our vacation ownership programs and rentals of owned-hotel properties. We also recognize rental revenue from the utilization of plus points under the MVCD program when the points are redeemed for rental stays at one of our resorts or in the Explorer Collection. We obtain rental inventory from unsold inventory and inventory we control because owners have elected alternative usage options offered through our vacation ownership programs. For rental revenues associated with vacation ownership products which we own and which are registered and held for sale, to the extent that the revenues from rental are less than costs, revenues are reported net in accordance with ASC Topic 978, "*Real Estate - Time-Sharing Activities*" ("ASC 978"). The rental activity associated with discounted vacation packages requiring a tour ("preview stays") is not included in rental metrics, and because the majority of these preview stays are sourced directly or indirectly from unsold inventory, the associated revenues and expenses are reported net in Marketing and sales expense.

In our Exchange & Third-Party Management segment, we offer vacation rental opportunities to members of the Interval International network and certain other membership programs. The offering of Getaways allows us to monetize excess availability of resort accommodations within the applicable exchange network. Resort accommodations available as Getaways typically result from seasonal oversupply or underutilized space, as well as resort accommodations we source specifically for Getaways.

Rental expenses include:

- Maintenance fees on unsold inventory;
- Costs to provide alternative usage options, including Marriott Bonvoy points, offerings available as part of the Explorer Collection and through the Interval Options program, for owners who elect to exchange their inventory;
- Marketing costs and direct operating and related expenses in connection with the rental business (such as housekeeping, credit card expenses and reservation services); and
- Costs to secure resort accommodations for use in Getaways.

Rental metrics, including the average daily transient rate or the number of transient keys rented, may not be comparable between periods given fluctuation in available occupancy by location, unit size (such as two bedroom, one bedroom or studio unit), owner use and exchange behavior. In addition, rental metrics may not correlate with rental revenues due to the requirement to report certain rental revenues net of rental expenses in accordance with ASC 978 (as discussed above). Further, as our ability to rent certain luxury and other inventory is often limited on a site-by-site basis, rental operations may not generate adequate rental revenues to cover associated costs. Our Vacation Ownership segment units are either “full villas” or “lock-off” villas. Lock-off villas are units that can be separated into a master unit and a guest room. Full villas are “non-lock-off” villas because they cannot be separated. A “key” is the lowest increment for reporting occupancy statistics based upon the mix of non-lock-off and lock-off villas. Lock-off villas represent two keys and non-lock-off villas represent one key. The “transient keys” metric represents the blended mix of inventory available for rent and includes all of the combined inventory configurations available in our resort system.

*Cost Reimbursements*

Cost reimbursements include direct and indirect costs that are reimbursed to us by customers under management contracts. All costs, with the exception of taxes assessed by a governmental authority, reimbursed to us by customers are reported on a gross basis. We recognize cost reimbursements when we incur the related reimbursable costs. Cost reimbursements consist of actual expenses with no added margin.

*Interest Expense*

Interest expense consists of all interest expense other than consumer financing interest expense.

*Other Items*

We measure operating performance using the following key metrics:

- Contract sales from the sale of vacation ownership products;
    - Total contract sales include contract sales from the sale of vacation ownership products including joint ventures
    - Consolidated contract sales exclude contracts sales from the sale of vacation ownership products for non-consolidated joint ventures
- Development margin percentage;
- Volume per guest (“VPG”), which we calculate by dividing consolidated vacation ownership contract sales, excluding fractional sales, telesales, resales, joint venture sales and other sales that are not attributed to a tour at a sales location, by the number of tours at sales locations in a given period (which we refer to as “tour flow”). We believe that this operating metric is valuable in evaluating the effectiveness of the sales process as it combines the impact of average contract price with the number of touring guests who make a purchase;
- Average revenue per member, which we calculate by dividing membership fee revenue, transaction revenue and other member revenue for the Interval International network by the monthly weighted average number of Interval International network active members during the applicable period; and
- Total active members, which is the number of Interval International network active members at the end of the applicable period.

**CONSOLIDATED RESULTS**

| *($ in millions)* | Fiscal Years 2020 | 2019 | 2018 |
|---|---|---|---|
| **REVENUES** | | | |
| Sale of vacation ownership products | $ 546 | $ 1,354 | $ 990 |
| Management and exchange | 755 | 949 | 499 |
| Rental | 276 | 573 | 371 |
| Financing | 267 | 275 | 183 |
| Cost reimbursements | 1,042 | 1,108 | 925 |
| **TOTAL REVENUES** | 2,886 | 4,259 | 2,968 |
| **EXPENSES** | | | |
| Cost of vacation ownership products | 150 | 349 | 260 |
| Marketing and sales | 419 | 748 | 527 |
| Management and exchange | 442 | 547 | 259 |
| Rental | 321 | 357 | 281 |
| Financing | 107 | 91 | 65 |
| General and administrative | 154 | 248 | 198 |
| Depreciation and amortization | 123 | 141 | 62 |
| Litigation charges | 6 | 7 | 46 |
| Restructuring | 25 | — | — |
| Royalty fee | 95 | 106 | 78 |
| Impairment | 100 | 99 | — |
| Cost reimbursements | 1,042 | 1,108 | 925 |
| **TOTAL EXPENSES** | 2,984 | 3,801 | 2,701 |
| (Losses) gains and other (expense) income, net | (26) | 16 | 21 |
| Interest expense | (150) | (132) | (54) |
| ILG acquisition-related costs | (62) | (118) | (127) |
| Other | (4) | 1 | (4) |
| **(LOSS) INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS** | (340) | 225 | 103 |
| Benefit (provision) for income taxes | 84 | (83) | (51) |
| **NET (LOSS) INCOME** | (256) | 142 | 52 |
| Net (income) loss attributable to noncontrolling interests | (19) | (4) | 3 |
| **NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS** | $ (275) | $ 138 | $ 55 |

**Operating Statistics**

| *(Contract sales $ in millions)* | Fiscal Years 2020 | 2019 | 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| **Vacation Ownership** | | | | | | | | |
| Total contract sales | $ 669 | $ 1,569 | $ 1,089 | $ (900) | (57%) | $ 480 | $ 50 | 6% |
| Consolidated contract sales | $ 654 | $ 1,524 | $ 1,073 | $ (870) | (57%) | $ 451 | $ 50 | 6% |
| **Exchange & Third-Party Management** | | | | | | | | |
| Total active members at end of period (000's) | 1,518 | 1,670 | 1,802 | (152) | (9%) | (132) | | |
| Average revenue per member[1] | $ 144.97 | $ 168.73 | $ 37.37 | $ (23.76) | (14%) | NM | | |

(1) Only includes members of the Interval International exchange network.

NM Not meaningful

**Revenues**

The following table presents our revenues for 2020, 2019, and 2018. The results for 2018 include Legacy-ILG for the months of September through December 2018, following the ILG Acquisition on September 1, 2018.

| *($ in millions)* | Fiscal Years 2020 | 2019 | 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Vacation Ownership | $ 2,530 | $ 3,761 | $ 2,803 | $ (1,231) | (33%) | $ 958 | $ 117 | 5% |
| Exchange & Third-Party Management | 309 | 454 | 161 | (145) | (32%) | 293 | — | —% |
| Total Segment Revenues | 2,839 | 4,215 | 2,964 | (1,376) | (33%) | 1,251 | 117 | —% |
| Consolidated Property Owners' Associations | 47 | 44 | 4 | 3 | 10% | 40 | — | —% |
| Total Revenues | $ 2,886 | $ 4,259 | $ 2,968 | $ (1,373) | (32%) | $ 1,291 | $ 117 | 5% |

**Earnings Before Interest Expense, Taxes, Depreciation and Amortization ("EBITDA") and Adjusted EBITDA**

EBITDA, a financial measure that is not prescribed by GAAP, is defined as earnings, or net income attributable to common shareholders, before interest expense (excluding consumer financing interest expense associated with term loan securitization transactions), income taxes, depreciation and amortization. Adjusted EBITDA reflects additional adjustments for certain items described below, and excludes share-based compensation expense to address considerable variability among companies in recording compensation expense because companies use share-based payment awards differently, both in the type and quantity of awards granted. For purposes of our EBITDA and Adjusted EBITDA calculations, we do not adjust for consumer financing interest expense associated with term loan securitization transactions because we consider it to be an operating expense of our business. We consider Adjusted EBITDA to be an indicator of operating performance, which we use to measure our ability to service debt, fund capital expenditures and expand our business. We also use Adjusted EBITDA, as do analysts, lenders, investors and others, because this measure excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be dependent on a company's capital structure, debt levels and credit ratings. Accordingly, the impact of interest expense on earnings can vary significantly among companies. The tax positions of companies can also vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provision for income taxes can vary considerably among companies. EBITDA and Adjusted EBITDA also exclude depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. We believe Adjusted EBITDA is useful as an indicator of operating performance because it allows for period-over-period comparisons of our on-going core operations before the impact of the excluded items. Adjusted EBITDA also facilitates comparison by us, analysts, investors, and others, of results from our on-going core operations before the impact of these items with results from other vacation companies.

EBITDA and Adjusted EBITDA have limitations and should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. In addition, other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do or may not calculate them at all, limiting their usefulness as comparative measures. The table below shows our EBITDA and Adjusted EBITDA calculation and reconciles these measures with Net (loss) income attributable to common shareholders, which is the most directly comparable GAAP financial measure.

| | Fiscal Years | | | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | | |
|---|---|---|---|---|---|---|---|---|
| ***($ in millions)*** | **2020** | **2019** | **2018** | **Change** | | **Change** | **Change Excluding Legacy-ILG Impact** | |
| Net (loss) income attributable to common shareholders | $ (275) | $ 138 | $ 55 | $ (413) | (299%) | $ 83 | $ (50) | (88%) |
| Interest expense | 150 | 132 | 54 | 18 | 14% | 78 | 77 | 149% |
| Tax (benefit) provision | (84) | 83 | 51 | (167) | (201%) | 32 | (39) | (87%) |
| Depreciation and amortization | 123 | 141 | 62 | (18) | (13%) | 79 | 5 | 23% |
| EBITDA | (86) | 494 | 222 | (580) | (117%) | 272 | (7) | (4%) |
| Share-based compensation | 37 | 37 | 35 | — | (1%) | 2 | 4 | 16% |
| Certain items | 284 | 227 | 162 | 57 | 25% | 65 | 71 | 58% |
| Adjusted EBITDA | $ 235 | $ 758 | $ 419 | $ (523) | (69%) | $ 339 | $ 68 | 21% |
| Adjusted EBITDA margin percentage | 13% | 24% | 21% | (11 pts) | | 4 pts | 3 pts | |

Certain items for 2020 consisted of $100 million of impairment charges, $62 million of ILG acquisition-related costs, $57 million of other charges (including $50 million related to the net sales reserve adjustment, $2 million related to an accrual for the health and welfare costs for furloughed associates, $4 million related to the charge for VAT penalties and interest (see offset included in indemnification below) and $1 million of other miscellaneous charges), $26 million of losses and other expense, $25 million of restructuring costs, $4 million of purchase accounting adjustments, $6 million of litigation charges, and $4 million of transaction costs related to our asset light inventory arrangements.

The $26 million of losses and other expense included $32 million related to a true-up to a Marriott International indemnification receivable upon settlement (the true-up to the offsetting accrual is included in the Benefit (provision) for income taxes line), $11 million related to foreign currency translation losses, and a $5 million loss related to the disposition of a formerly consolidated subsidiary, partially offset by $6 million of gains and other income related to the disposition of excess land parcels in Orlando, Florida and Steamboat Springs, Colorado, a $6 million receivable related to indemnification from Marriott International for certain VAT charges, $4 million related to net insurance proceeds from the final settlement of Legacy-MVW business interruption insurance claims arising from a prior year hurricane, $3 million related to other insurance proceeds, and $3 million of miscellaneous gains and other income.

Certain items for 2019 consisted of $119 million of acquisition-related costs (including $118 million of ILG acquisition-related costs and $1 million of other acquisition costs), $99 million of asset impairment charges, $17 million of unfavorable purchase price adjustments, $7 million of litigation charges, and $1 million of other severance costs, partially offset by $16 million of miscellaneous gains and other income. The $16 million of miscellaneous gains and other income included $19 million of gains and other income related to the disposition of excess land parcels in Cancun, Mexico and Avon, Colorado, $9 million of gains and other income related to net insurance proceeds from the final settlement of Legacy-MVW business interruption insurance claims arising from prior year hurricanes, and $3 million of gains and other income resulting from the recovery of a portion of the fraudulently induced electronic payment disbursements made to third parties, partially offset by $15 million of integration related tax matters and other miscellaneous expenses.

**Segment Adjusted EBITDA**

| *($ in millions)* | Fiscal Years 2020 | 2019 | 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Vacation Ownership | $ 229 | $ 794 | $ 511 | $ (565) | (71%) | $ 283 | $ 79 | 18% |
| Exchange & Third-Party Management | 119 | 183 | 77 | (64) | (36%) | 106 | — | —% |
| Segment Adjusted EBITDA | 348 | 977 | 588 | (629) | (64%) | 389 | 79 | —% |
| General and administrative | (118) | (222) | (171) | 104 | 47% | (51) | (11) | (11%) |
| Consolidated Property Owners' Associations | 5 | 3 | 2 | 2 | 122% | 1 | — | —% |
| Adjusted EBITDA | $ 235 | $ 758 | $ 419 | $ (523) | (69%) | $ 339 | $ 68 | 21% |

The following tables present Adjusted EBITDA for our reportable segments reconciled to segment financial results.

**Vacation Ownership**

| *($ in millions)* | Fiscal Years 2020 | 2019 | 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Segment Adjusted EBITDA | $ 229 | $ 794 | $ 511 | $ (565) | (71%) | $ 283 | $ 79 | 5% |
| Depreciation and amortization | (71) | (68) | (37) | (3) | (4%) | (31) | (1) | (9%) |
| Share-based compensation | (6) | (8) | (7) | 2 | 29% | (1) | (1) | (2%) |
| Certain items | (73) | (95) | (24) | 22 | 22% | (71) | (57) | (316%) |
| Segment financial results | $ 79 | $ 623 | $ 443 | $ (544) | (87%) | $ 180 | $ 20 | 5% |

Certain items in the Vacation Ownership segment for 2020 consisted of $50 million related to the net sales reserve adjustment, $15 million of restructuring costs, $8 million of asset impairment charges, $6 million of litigation charges, $3 million of unfavorable purchase accounting adjustments, and $3 million of transaction costs associated with asset light inventory arrangements, partially offset by $12 million of gains and other income.

Certain items in the Vacation Ownership segment for 2019 consisted of $99 million of asset impairment charges, $17 million of unfavorable purchase accounting adjustments, $6 million of litigation charges, and $1 million of acquisition costs, partially offset by $28 million of gains and other income.

**Exchange & Third-Party Management**

| *($ in millions)* | Fiscal Years 2020 | 2019 | 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | |
|---|---|---|---|---|---|---|---|
| Segment Adjusted EBITDA | $ 119 | $ 183 | $ 77 | $ (64) | (36%) | $ 106 | 138% |
| Depreciation and amortization | (19) | (47) | (16) | 28 | 60% | (31) | (191%) |
| Share-based compensation | (2) | (3) | (1) | 1 | 33% | (2) | (137%) |
| Certain items | (99) | (4) | (3) | (95) | (2215%) | (1) | (25%) |
| Segment financial results | $ (1) | $ 129 | $ 57 | $ (130) | (101%) | $ 72 | 129% |

Certain items in the Exchange & Third-Party Management segment for 2020 consisted of $92 million of asset impairment charges, $4 million of restructuring costs, $2 million of miscellaneous losses and other expense, and $1 million of unfavorable purchase accounting adjustments.

Certain items in the Exchange & Third-Party Management segment for 2019 consisted of $3 million of miscellaneous losses and other expense and $1 million of unfavorable purchase accounting adjustments.

## BUSINESS SEGMENTS

Our business is grouped into two reportable business segments: Vacation Ownership and Exchange & Third-Party Management. See Footnote 21 "Business Segments" to our Financial Statements for further information on our segments.

## VACATION OWNERSHIP

| *($ in millions)* | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 |
|---|---|---|---|
| **REVENUES** | | | |
| Sale of vacation ownership products | $ 546 | $ 1,354 | $ 990 |
| Resort management and other services | 356 | 488 | 359 |
| Rental | 239 | 512 | 352 |
| Financing | 265 | 271 | 182 |
| Cost reimbursements | 1,124 | 1,136 | 920 |
| **TOTAL REVENUES** | 2,530 | 3,761 | 2,803 |
| **EXPENSES** | | | |
| Cost of vacation ownership products | 150 | 349 | 260 |
| Marketing and sales | 386 | 695 | 513 |
| Resort management and other services | 136 | 229 | 190 |
| Rental | 363 | 390 | 277 |
| Financing | 106 | 89 | 64 |
| Depreciation and amortization | 71 | 68 | 37 |
| Litigation charges | 6 | 6 | 46 |
| Restructuring | 15 | — | — |
| Royalty fee | 95 | 106 | 78 |
| Impairment | 8 | 99 | — |
| Cost reimbursements | 1,124 | 1,136 | 920 |
| **TOTAL EXPENSES** | 2,460 | 3,167 | 2,385 |
| Gains and other income, net | 12 | 28 | 28 |
| ILG acquisition-related costs | — | — | — |
| Other | (3) | 1 | (4) |
| **SEGMENT FINANCIAL RESULTS BEFORE NONCONTROLLING INTERESTS** | 79 | 623 | 442 |
| Net loss attributable to noncontrolling interests | — | — | 1 |
| **SEGMENT FINANCIAL RESULTS ATTRIBUTABLE TO COMMON SHAREHOLDERS** | $ 79 | $ 623 | $ 443 |

### Contract Sales

| | Fiscal Years | | | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | | |
|---|---|---|---|---|---|---|---|---|
| *($ in millions)* | 2020 | 2019 | 2018 | Change | | Change | Change Excluding Legacy-ILG Impact | |
| Total consolidated contract sales | 654 | 1,524 | 1,073 | (870) | (57%) | 451 | 50 | 6% |
| Joint venture contract sales | 15 | 45 | 16 | (30) | (68%) | 29 | — | —% |
| Total contract sales | $ 669 | $ 1,569 | $ 1,089 | $ (900) | (57%) | $ 480 | $ 50 | 6% |

**Sale of Vacation Ownership Products**

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Total contract sales | $ 669 | $ 1,569 | $ 1,089 | $ (900) | (57%) | $ 480 | $ 50 | 6% |
| Less resales contract sales | (12) | (30) | (30) | 18 | | — | — | |
| Less joint venture contract sales | (15) | (45) | (16) | 30 | | (29) | — | |
| Consolidated contract sales, net of resales | 642 | 1,494 | 1,043 | (852) | | 451 | 50 | |
| Plus: | | | | | | | | |
| Settlement revenue | 14 | 24 | 26 | (10) | | (2) | 1 | |
| Resales revenue | 7 | 14 | 12 | (7) | | 2 | 2 | |
| Revenue recognition adjustments: | | | | | | | | |
| Reportability | 58 | (8) | 11 | 66 | | (19) | (19) | |
| Sales reserve | (129) | (112) | (64) | (17) | | (48) | (13) | |
| Other[(1)] | (46) | (58) | (38) | 12 | | (20) | 1 | |
| Sale of vacation ownership products | $ 546 | $ 1,354 | $ 990 | $ (808) | (60%) | $ 364 | $ 22 | 3% |

(1) Adjustment for sales incentives that will not be recognized as Sale of vacation ownership products revenue and other adjustments to Sale of vacation ownership products revenue.

*2020 Compared to 2019*

Sale of vacation ownership products decreased $808 million due primarily to $852 million of lower consolidated contract sales volumes, net of resales, and $17 million of higher sales reserve activity, partially offset by a $66 million favorable change in revenue reportability.

The lower contract sales performance as well as the higher sales reserve activity were primarily due to the response to the COVID-19 pandemic. Contract sales and VPG as of March 13, 2020 were 10 percent and 11 percent higher, respectively, than the same period during the first quarter of 2019. However, during the second half of March 2020, as the virus continued to spread and we closed all of our sales centers, contract sales volumes declined significantly. We reopened eight sales centers in the second quarter and continued to reopen sales centers throughout the remainder of the year. At the end of 2020, over 80 percent of our sales centers were open, with the exception of sales centers in Kauai, Hawaii and in California that reopened but closed again in December 2020 due to government restrictions, as well as a handful of our smaller urban sales centers.

The higher sales reserve recorded in 2020 reflected an estimate of higher estimated default activity related primarily to the impact of the COVID-19 pandemic, offset partially by the impact of lower contract sales in 2020. We will continue to evaluate our estimate of future default activity and compare it to actual default activity, and may adjust our sales reserve based on changes in actual default activity and other factors, as necessary.

Revenue reportability was significantly higher in 2020 as a result of contract sales late in the fourth quarter of 2019 that we recognized as revenue in 2020. However, this shift of revenues from sales in late 2019 to early 2020 was not fully offset by the shift of revenues from sales late in the fourth quarter of 2020 into 2021, given the lower sales volumes in December 2020 due to the impact of the COVID-19 pandemic.

**Development Margin**

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Sale of vacation ownership products | $ 546 | $ 1,354 | $ 990 | $ (808) | (60%) | $ 364 | $ 22 | 3% |
| Cost of vacation ownership products | (150) | (349) | (260) | 199 | 57% | (89) | 4 | 2% |
| Marketing and sales | (386) | (695) | (513) | 309 | 45% | (182) | (2) | (1%) |
| Development margin | $ 10 | $ 310 | $ 217 | $ (300) | (97%) | $ 93 | $ 24 | 13% |
| Development margin percentage | 1.8% | 22.9% | 21.9% | (21.1 pts) | | 1.0 pts | | |

*2020 Compared to 2019*

Development margin decreased $300 million or 97 percent. The decrease in development margin reflected $174 million of lower vacation ownership contract sales volume, net of the sales reserve and direct variable expenses (i.e., cost of vacation ownership products and marketing and sales), $107 million related to less efficient marketing and sales spend, and $80 million related to the net impact of the higher sales reserve. These declines were partially offset by $45 million of favorable revenue reportability compared to 2019 and $16 million of lower product cost activity mainly from a favorable mix of lower cost inventory being sold.

**Resort Management and Other Services Revenues, Expenses and Margin**

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Management fee revenues | $ 149 | $ 144 | $ 114 | $ 5 | 4% | $ 30 | $ 2 | 2% |
| Ancillary revenues | 89 | 224 | 160 | (135) | (60%) | 64 | 5 | 4% |
| Other management and exchange revenue | 118 | 120 | 85 | (2) | (3%) | 35 | 7 | 9% |
| Resort management and other services revenues | 356 | 488 | 359 | $ (132) | (27%) | 129 | 14 | 5% |
| Resort management and other services expenses | (136) | (229) | (190) | 93 | 41% | (39) | (3) | (2%) |
| Resort management and other services margin | $ 220 | $ 259 | $ 169 | $ (39) | (15%) | 90 | $ 11 | 7% |
| Resort management and other services margin percentage | 61.8% | 53.0% | 47.1% | 8.8 pts | | 5.9 pts | | |

*2020 Compared to 2019*

Resort management and other services revenues reflected lower ancillary revenues, including revenues from food and beverage and golf offerings, as a result of significant resort and ancillary outlet closings due to the COVID-19 pandemic, partially offset by 4 percent higher management fees resulting from the cumulative increase in the number of vacation ownership products sold and higher operating costs across the system.

The decrease in resort management and other services margin reflected the decrease in resort management and other services revenues, partially offset by lower ancillary expenses as a result of the lower ancillary revenues mentioned above.

**Rental Revenues, Expenses and Margin**

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Rental revenues | $ 239 | $ 512 | $ 352 | $ (273) | (53%) | $ 160 | $ 36 | 13% |
| Rental expenses | (363) | (390) | (277) | 27 | 7% | (113) | (18) | (8%) |
| Rental margin | $ (124) | $ 122 | $ 75 | $ (246) | (201%) | $ 47 | $ 18 | 35% |
| Rental margin percentage | NM | 23.7% | 21.5% | NM | | 2.2 pts | | |

| (transient keys in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Transient keys rented[1] | 1.1 | 2.4 | 1.6 | (1.3) | (53%) | 0.8 | 0.1 | 4% |
| Average transient key rate | $ 219.82 | $ 228.38 | $ 222.10 | $ (8.56) | (4%) | $ 6.28 | $ 3.65 | 2% |
| Resort occupancy | 57.2% | 88.1% | 88.5% | (30.9 pts) | | (0.4 pts) | 0.9 pts | |

(1) Transient keys rented exclude those obtained through the use of plus points and preview stays.

*2020 Compared to 2019*

The decline in rental margin resulted from a decline in keys rented and transient rate due to the COVID-19 pandemic. Rental margin as of the end of February 2020 was nearly $4 million higher than the comparable period of 2019. In response to quickly evolving travel restrictions and restrictions on business operations, beginning March 25, 2020, we closed our resorts for rental guests with stays at our branded North America vacation ownership resorts. In late May, as many government restrictions were beginning to be relaxed, we began reopening resorts to rental guests. Since the end of the second quarter and through the end of the year, we reopened more resorts to rental guests and expect rental revenues to continue to increase from current levels. At the end of 2020, over 95% of our resorts were open for rental stays.

**Financing Revenues, Expenses and Margin**

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Financing revenues | $ 265 | $ 271 | $ 182 | $ (6) | (2%) | $ 89 | $ 32 | 22% |
| Financing expenses | (48) | (34) | (24) | (14) | (45%) | (10) | (1) | (10%) |
| Consumer financing interest expense | (58) | (55) | (40) | (3) | (5%) | (15) | (7) | (21%) |
| Financing margin | $ 159 | $ 182 | $ 118 | (23) | (13%) | 64 | $ 24 | 25% |
| Financing margin percentage | 59.8% | 67.3% | 64.6% | (7.5 pts) | | 2.7 pts | 1.5 pts | |
| Financing propensity | 51% | 63% | 62% | (12 pts) | | 1 pts | | |

*2020 Compared to 2019*

Financing revenues decreased due to higher plus point finance incentive costs related to financing incentive programs we offered prior to the COVID-19 pandemic, as well as a decrease in the average gross vacation ownership notes receivable balance. The higher financing expenses included $14 million related to the higher reserve on the acquired vacation ownership notes receivable balance due primarily to higher estimated defaults as a result of the COVID-19 pandemic and $5 million related to higher technology related costs year over year, partially offset by lower salaries and wages associated with the furlough and reduced work week programs in the current year. Higher consumer financing interest expense resulted from higher overall securitized debt balances, partially offset by lower average borrowing rates.

**Depreciation and Amortization**

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Depreciation and amortization | $ 71 | $ 68 | $ 37 | $ 3 | 4% | $ 31 | $ 1 | 8% |

## Litigation Charges

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Litigation charges | $ 6 | $ 6 | $ 46 | $ — | 7% | $ (40) | $ (40) | (87%) |

*2020 Compared to 2019*

In 2020, we incurred $6 million of litigation charges related primarily to projects in Europe. In 2019, we incurred $6 million of litigation charges, including approximately $4 million related to projects in Europe and approximately $1 million related to projects in California.

## Royalty Fee

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Royalty fee | $ 95 | $ 106 | $ 78 | $ (11) | (10%) | $ 28 | $ — | —% |

*2020 Compared to 2019*

Royalty fee expense declined in 2020 as a result of lower contract closings due to the lower contract sales compared to the prior year.

## Impairment

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Impairment | $ 8 | $ 99 | $ — | $ (91) | (91%) | $ 99 | $ 99 | 100% |

*2020*

We recorded a non-cash impairment of $6 million related to our Asia Pacific inventory as a result of the COVID-19 pandemic and $2 million of impairment charges for property and equipment.

*2019*

We recorded a non-cash impairment of $26 million as a result of entering into a contract to sell land and land improvements associated with a future phase of an existing resort located in Orlando, Florida for which the book value of the assets to be sold exceeded the sales price. This contract was subsequently terminated. We also recorded a non-cash impairment charge of $72 million due to a change in our development strategy associated with our comprehensive review of the strategic fit of the land holdings and operating hotels in our Vacation Ownership segment as a result of the ILG Acquisition. Additionally, we recorded a non-cash impairment of $1 million related to an ancillary asset located at a Vacation Ownership segment property in Europe.

## Cost Reimbursements

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Cost reimbursements | $ 1,124 | $ 1,136 | $ 920 | $ (12) | (1%) | $ 216 | $ 13 | 2% |

## Other

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Other | $ (3) | $ 1 | $ (4) | $ (4) | (441%) | $ 5 | $ 4 | NM |

*2020 Compared to 2019*

In 2020, we incurred $3 million of transaction costs associated with our asset light inventory arrangements.

**Gains and Other Income, Net**

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 Change | | Change 2019 vs. 2018 Change | Change Excluding Legacy-ILG Impact | |
|---|---|---|---|---|---|---|---|---|
| Gains and other income, net | $ 12 | $ 28 | $ 28 | $ (16) | (56%) | $ — | $ (1) | (6%) |

*2020*

We recorded $12 million of gains and other income, including $6 million of net gains related to the disposition of excess land parcels in Orlando, Florida and Steamboat Springs, Colorado, $4 million of net insurance proceeds related to the settlement of Legacy-MVW business interruption insurance claims arising from a prior year hurricane, $1 million related to foreign currency translation and $1 million related to a miscellaneous insurance refund.

*2019*

We recorded $28 million of gains and other income, including $19 million of net gains related to the disposition of excess land in Cancun, Mexico, and Avon, Colorado, and $9 million gains and other income related to net insurance proceeds from the settlement of Legacy-MVW business interruption insurance claims arising from the 2017 hurricanes.

**EXCHANGE & THIRD-PARTY MANAGEMENT**

Our Exchange & Third-Party Management segment offers access to vacation accommodations and other travel-related transactions and services to leisure travelers by providing vacation exchange and management services, including vacation rentals and other services. We provide these services through a variety of brands including Interval International, Trading Places International, Vacation Resorts International, and Aqua-Aston. These brands were acquired as part of our acquisition of ILG on September 1, 2018 and, consequently, are only included in our results for the periods subsequent to that date.

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 |
|---|---|---|---|
| **REVENUES** | | | |
| Management and exchange | $ 211 | $ 298 | $ 109 |
| Rental | 37 | 61 | 18 |
| Financing | 2 | 4 | 1 |
| Cost reimbursements | 59 | 91 | 33 |
| **TOTAL REVENUES** | 309 | 454 | 161 |
| **EXPENSES** | | | |
| Marketing and sales | 33 | 53 | 14 |
| Management and exchange | 89 | 101 | 31 |
| Rental | 11 | 28 | 9 |
| Financing | 1 | 2 | 1 |
| Amortization of intangibles | 19 | 22 | 6 |
| Depreciation | — | 25 | 10 |
| Restructuring | 4 | — | — |
| Impairment | 92 | — | — |
| Cost reimbursements | 59 | 91 | 33 |
| **TOTAL EXPENSES** | 308 | 322 | 104 |
| (Losses) gains and other (expense) income, net | (2) | (3) | 1 |
| **SEGMENT FINANCIAL RESULTS BEFORE NONCONTROLLING INTERESTS** | (1) | 129 | 58 |
| Net income attributable to noncontrolling interests | — | — | (1) |
| **SEGMENT FINANCIAL RESULTS ATTRIBUTABLE TO COMMON SHAREHOLDERS** | $ (1) | $ 129 | $ 57 |

**Management and Exchange Margin**

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | |
|---|---|---|---|---|---|---|---|
| Management and exchange revenue | $ 211 | $ 298 | $ 109 | $ (87) | (29%) | $ 189 | 173% |
| Management and exchange expense | (89) | (101) | (31) | 12 | 12% | (70) | (224%) |
| Management and exchange margin | $ 122 | $ 197 | $ 78 | $ (75) | (38%) | 119 | 152% |
| Management and exchange margin percentage | 57.4% | 65.9% | 71.3% | (8.5 pts) | | (5.4 pts) | |

*2020 Compared to 2019*

The decline in management and exchange revenue and margin reflected lower exchange revenues and lower average exchange transaction fees at Interval International, primarily due to the closure of a large number of affiliated resorts and the fact that additional resorts stopped taking reservations in response to the COVID-19 pandemic. In addition, Aqua-Aston was negatively impacted by travel restrictions that significantly affected substantially all of their properties in Hawaii. Lower management and exchange expense reflected lower costs associated with the furlough and reduced work week programs and lower print and postage costs.

While exchange revenues were down in 2020, exchange transactions increased 8 percent in the second half of the year as compared to the prior year, with the fourth quarter increasing 17 percent, reflecting customers' more recent desire to travel and pent up demand. As of December 31, 2020, over 90 percent of Interval International's affiliated resorts had reopened.

**Rental Revenues, Expenses and Margin**

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | |
|---|---|---|---|---|---|---|---|
| Rental revenues | $ 37 | $ 61 | $ 18 | $ (24) | (40%) | $ 43 | 249% |
| Rental expenses | (11) | (28) | (9) | 17 | 62% | (19) | (203%) |
| Rental margin | $ 26 | $ 33 | $ 9 | $ (7) | (22%) | $ 24 | 300% |
| Rental margin percentage | 71.3% | 54.6% | 47.7% | 16.7 pts | | 6.9 pts | |

*2020 Compared to 2019*

The decline in rental revenue reflected lower Getaways program transactions and lower average Getaways program transaction fees as a result of resort closures in response to the COVID-19 pandemic.

The decline in rental margin reflected the declines in rental revenue, partially offset by a reduction in space procurement costs resulting from fewer bookings into purchased inventory, and adjustments for cancellations and resorts closing for rental stays in response to the COVID-19 pandemic.

**Impairment**

| ($ in millions) | Fiscal Years 2020 | Fiscal Years 2019 | Fiscal Years 2018 | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | |
|---|---|---|---|---|---|---|---|
| Impairment | $ 92 | $ — | $ — | $ 92 | NM | $ — | —% |

*2020*

In 2020, we recorded a non-cash impairment charge of $92 million primarily related to a decrease in the fair value of goodwill and certain trademarks resulting from the impact of the COVID-19 pandemic. See Footnote 12 "Goodwill" and Footnote 13 "Intangible Assets" to our Financial Statements for additional information.

**Losses / Gains and Other Expense / Income**

| | Fiscal Years | | | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | |
|---|---|---|---|---|---|---|---|
| *($ in millions)* | 2020 | 2019 | 2018 | Change | | Change | |
| (Losses) gains and other (expense) income, net | $ (2) | $ (3) | $ 1 | $ 1 | 11% | $ (4) | 518% |

*2020*

We recorded $2 million of net losses and other expense, including a $5 million loss related to the disposition of a previously consolidated subsidiary, partially offset by $3 million of gains and other income from other insurance proceeds.

*2019*

We recorded $3 million of miscellaneous net losses and other expense.

## CORPORATE AND OTHER

Corporate and Other consists of results that are not allocable to our segments, including company-wide general and administrative costs, corporate interest expense, ILG acquisition-related costs, and provision for income taxes. In addition, Corporate and Other includes the Consolidated Property Owners' Associations revenues and expenses.

| | Fiscal Years | | |
|---|---|---|---|
| *($ in millions)* | 2020 | 2019 | 2018 |
| **REVENUES** | | | |
| Resort management and other services | $ 188 | $ 163 | $ 31 |
| Rental | — | — | 1 |
| Cost reimbursements | (141) | (119) | (28) |
| **TOTAL REVENUES** | 47 | 44 | 4 |
| **EXPENSES** | | | |
| Resort management and other services | 217 | 217 | 38 |
| Rental | (53) | (61) | (5) |
| General and administrative | 154 | 248 | 198 |
| Depreciation and amortization | 33 | 26 | 9 |
| Litigation charges | — | 1 | — |
| Restructuring | 6 | — | — |
| Cost reimbursements | (141) | (119) | (28) |
| **TOTAL EXPENSES** | 216 | 312 | 212 |
| Losses and other expense, net | (36) | (9) | (8) |
| Interest expense | (150) | (132) | (54) |
| ILG acquisition-related costs | (62) | (118) | (127) |
| **FINANCIAL RESULTS BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS** | (418) | (527) | (397) |
| Benefit (provision) for income taxes | 84 | (83) | (51) |
| Net (income) loss attributable to noncontrolling interests | (19) | (4) | 3 |
| **FINANCIAL RESULTS ATTRIBUTABLE TO COMMON SHAREHOLDERS** | $ (353) | $ (614) | $ (445) |

**Consolidated Property Owners' Associations**

The following table illustrates the impact of the Consolidated Property Owners' Associations of the acquired Legacy-ILG vacation ownership properties under the relevant accounting guidance, which represents the portion related to individual or third-party VOI owners.

| | Fiscal Years | | |
|---|---|---|---|
| *($ in millions)* | 2020 | 2019 | 2018 |
| **REVENUES** | | | |
| Resort management and other services | $ 188 | $ 163 | $ 31 |
| Rental | — | — | 1 |
| Cost reimbursements | (141) | (119) | (28) |
| **TOTAL REVENUES** | 47 | 44 | 4 |
| **EXPENSES** | | | |
| Resort management and other services | 217 | 217 | 38 |
| Rental | (53) | (61) | (5) |
| Cost reimbursements | (141) | (119) | (28) |
| **TOTAL EXPENSES** | 23 | 37 | 5 |
| Gains and other income, net | 4 | — | — |
| **FINANCIAL RESULTS BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS** | 28 | 7 | (1) |
| Provision for income taxes | (4) | — | — |
| Net (income) loss attributable to noncontrolling interests | (19) | (4) | 3 |
| **FINANCIAL RESULTS ATTRIBUTABLE TO COMMON SHAREHOLDERS** | $ 5 | $ 3 | $ 2 |

**General and Administrative**

| | Fiscal Years | | | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | | |
|---|---|---|---|---|---|---|---|---|
| *($ in millions)* | 2020 | 2019 | 2018 | Change | | Change | Change Excluding Legacy-ILG Impact | |
| General and administrative | $ 154 | $ 248 | $ 198 | $ (94) | (38%) | $ 50 | $ 15 | 12% |

*2020 Compared to 2019*

General and administrative expenses decreased $94 million due to $26 million of savings related to synergy efforts and lower costs associated with the furlough and reduced work week programs, $17 million related to lower personnel related costs, a $14 million credit related to the incentive under the CARES Act for companies to continue paying associates' benefit costs while they were not working, and $37 million of lower overall spending across the business on technology, travel, training and other costs as a result of the COVID-19 pandemic. The lower personnel related and other expenses included suspension of annual merit increases and bonuses in response to the COVID-19 pandemic, offset by inflationary cost increases.

**Depreciation and Amortization**

| | Fiscal Years | | | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | | |
|---|---|---|---|---|---|---|---|---|
| *($ in millions)* | 2020 | 2019 | 2018 | Change | | Change | Change Excluding Legacy-ILG Impact | |
| Depreciation and amortization | $ 33 | $ 26 | $ 9 | $ 7 | 28% | $ 17 | $ 4 | 88% |

**Losses and Other Expense, net**

| | Fiscal Years | | | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | | |
|---|---|---|---|---|---|---|---|---|
| *($ in millions)* | 2020 | 2019 | 2018 | Change | | Change | Change Excluding Legacy-ILG Impact | |
| Losses and other expense, net | $ (36) | $ (9) | $ (8) | $ (27) | (255%) | $ (1) | $ (11) | (163%) |

*2020*

We recorded $36 million of net losses and other expense, including $32 million for the true-up to an indemnification receivable from Marriott International as a result of a settlement of an indemnified liability with a taxing authority (the true-up to the offsetting accrual is included in the Benefit (provision) for income taxes line), and $12 million related to foreign currency translation, partially offset by $6 million of other income related to an indemnification from Marriott International for VAT penalties and interest and $2 million of miscellaneous net gains and other income.

*2019*

We recorded $9 million of net losses and other expense, including $10 million of ILG integration-related tax matters and $2 million of losses and other expense resulting from foreign currency translation, partially offset by $3 million of gains and other income resulting from the recovery of a portion of the fraudulently induced electronic payment disbursements made in 2018.

**Interest Expense**

| | Fiscal Years | | | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | | |
|---|---|---|---|---|---|---|---|---|
| ***($ in millions)*** | **2020** | **2019** | **2018** | **Change** | | **Change** | **Change Excluding Legacy-ILG Impact** | |
| Interest expense | $ (150) | $ (132) | $ (54) | $ (18) | (14%) | $ (78) | $ (77) | (149%) |

*2020 Compared to 2019*

Interest expense increased $18 million due primarily to $20 million of higher interest expense associated with the new debt issued in May 2020, partially offset by $2 million of lower interest expense associated with various other debt.

**ILG Acquisition-Related Costs**

ILG acquisition-related costs include transaction costs, employee termination costs and integration costs. Transaction costs represent costs related to the planning and execution of the ILG Acquisition, primarily for financial advisory, legal, and other professional service fees, as well as certain tax related accruals. Employee termination costs represent charges for employee severance, retention, and other termination related benefits. Acquisition and integration costs primarily represent integration employee salaries and share-based compensation, fees paid to change management consultants, and technology-related costs.

| | Fiscal Years | | | Change 2020 vs. 2019 | | Change 2019 vs. 2018 | | |
|---|---|---|---|---|---|---|---|---|
| ***($ in millions)*** | **2020** | **2019** | **2018** | **Change** | | **Change** | **Change Excluding Legacy-ILG Impact** | |
| ILG acquisition-related costs | $ (62) | $ (118) | $ (127) | $ 56 | 48% | $ 9 | $ (1) | (1%) |

**Income Tax**

| | Fiscal Years | | | | | | |
|---|---|---|---|---|---|---|---|
| ***($ in millions)*** | **2020** | **2019** | **2018** | **Change 2020 vs. 2019** | | **Change 2019 vs. 2018** | |
| Benefit (provision) for income taxes | $ 84 | $ (83) | $ (51) | $ 167 | 201% | $ (32) | (61%) |

*2020 Compared to 2019*

The change in the Benefit (provision) for income taxes is predominately attributable to a pre-tax loss for fiscal year 2020 compared to pre-tax income for fiscal year 2019 and benefits of the CARES Act.

**Liquidity and Capital Resources**

Our capital needs are supported by cash on hand ($524 million at the end of 2020), cash generated from operations, our ability to raise capital through securitizations in the ABS market and, to the extent necessary, funds available under the Warehouse Credit Facility and the Revolving Corporate Credit Facility. We believe these sources of capital will be adequate to meet our short-term and long-term liquidity requirements, finance our long-term growth plans, satisfy debt service requirements, fulfill other cash requirements and return capital to shareholders. At the end of 2020, we had $4.3 billion of total gross debt outstanding, which included $1.6 billion of non-recourse securitized debt, $1.1 billion of gross senior unsecured notes, $0.9 billion of gross secured indebtedness under the Corporate Credit Facility, $0.5 billion of gross senior secured notes, and $0.2 billion of 2022 Convertible Notes.

Subsequent to the end of 2020, we entered into a definitive agreement to acquire Welk Resorts, one of the largest independent timeshare companies in North America, for approximately $430 million, including approximately 1.4 million shares of our common stock, which will be valued at $134 per share. The remaining purchase price will be paid in cash. The acquisition is expected to close early in the second quarter of 2021.

Additionally, subsequent to the end of 2020, we issued $575 million of 0.00% Convertible Senior Notes due 2026 (the "2026 Convertible Notes") with an initial conversion price of $171.01 per share. To reduce the potential dilution to earnings per share upon conversion of the 2026 Convertible Notes, we also entered into privately negotiated convertible note hedges at a strike price that initially corresponds to the initial conversion price of the 2026 Convertible Notes and warrant transactions at an initial strike price of $213.76 per share, which represents a premium of 75% over the last reported sale price of our common stock on January 27, 2021. We expect to use the net proceeds to finance and consummate the acquisition of Welk Resorts, repay certain outstanding Welk Resorts debt, repay a portion of our term loan and pay transaction expenses and other fees in connection therewith, and to the extent of any remaining proceeds, for other general corporate purposes.

At the end of 2020, we had $749 million of completed real estate inventory on hand. In addition, we had $162 million of completed vacation ownership units that have been classified as a component of Property and equipment until the time at which they are legally registered for sale as vacation ownership products.

Our vacation ownership product offerings allow us to utilize our real estate inventory efficiently. The majority of our sales are of points-based products, which permits us to sell vacation ownership products at most of our sales locations, including those where little or no weeks-based inventory remains available for sale. Because we no longer need specific resort-based inventory at each sales location, we need to have only a few resorts under development at any given time and can leverage successful sales locations at completed resorts. This allows us to maintain long-term sales locations and reduces the need to develop and staff on-site sales locations at smaller projects in the future. We believe our points-based programs enable us to closely align the timing of our real estate inventory acquisitions with the pace of sales of vacation ownership products.

We are selectively pursuing growth opportunities in North America and Asia Pacific by targeting high-quality inventory that allows us to add desirable new destinations to our system with new on-site sales locations through transactions that limit our up-front capital investment and allow us to purchase finished inventory closer to the time it is needed for sale. These capital efficient vacation ownership deal structures may consist of the development of new inventory, or the conversion of previously built units by third parties, just prior to sale.

Our Exchange & Third-Party Management segment includes exchange networks, membership programs and third-party property management services that were acquired as part of the ILG Acquisition. These networks, programs and services generate revenue that is generally fee-based and derived from membership, exchange and rental transactions, property and association management, and other related products and services. This segment is expected to be less capital intensive than our Vacation Ownership segment and is expected to be funded with cash generated from segment operations.

The following table summarizes the changes in cash, cash equivalents and restricted cash:

| | Fiscal Years | | |
|---|---|---|---|
| ***($ in millions)*** | **2020** | **2019** | **2018** |
| Cash, cash equivalents, and restricted cash provided by (used in): | | | |
| Operating activities | $ 299 | $ 382 | $ 97 |
| Investing activities | (32) | 37 | (1,407) |
| Financing activities | 23 | (331) | 1,433 |
| Effect of change in exchange rates on cash, cash equivalents, and restricted cash | 1 | (1) | — |
| Net change in cash, cash equivalents, and restricted cash | $ 291 | $ 87 | $ 123 |

*Cash from Operating Activities*

Our primary sources of funds from operations are (1) cash sales and down payments on financed sales, (2) cash from our financing operations, including principal and interest payments received on outstanding vacation ownership notes receivable, (3) cash from fee-based membership, exchange and rental transactions and (4) net cash generated from our rental and resort management and other services operations. Outflows include spending for the development of new phases of existing resorts, the acquisition of additional inventory, enhancement of our inventory exchange network of resorts and related technology infrastructure and funding our working capital needs.

We minimize our working capital needs through cash management, strict credit-granting policies and disciplined collection efforts. Our working capital needs fluctuate throughout the year given the timing of annual maintenance fees on unsold inventory we pay to property owners' associations and certain annual compensation-related outflows. In addition, our cash from operations varies due to the timing of our owners' repayment of vacation ownership notes receivable, the closing or recording of sales contracts for vacation ownership products, financing propensity and cash outlays for inventory acquisition and development.

In 2020, we generated $299 million of cash flows from operating activities compared to $382 million in 2019. Excluding the impact of changes in net income and adjustments for non-cash items, the change in cash flows from operations reflected lower sales and rentals deposits due to the COVID-19 pandemic and higher net inventory activity, partially offset by higher collections of outstanding vacation ownership notes receivable and lower operational expense spending.

In 2019, we generated $382 million of cash flows from operating activities compared to $97 million in 2018. Excluding the impact of changes in net income and adjustments for non-cash items, the change in cash flows from operations reflected higher originations of vacation ownership notes receivable driven by higher contract sales and slightly higher financing propensity, higher inventory spending, lower ILG acquisition-related costs, and timing of certain annual compensation-related outflows partially offset by higher collections due to an increasing portfolio of outstanding vacation ownership notes receivable. The impact of changes in operating cash flows in 2019 also included $118 million of ILG acquisition-related costs, partially offset by business interruption insurance proceeds of $6 million for Legacy-MVW losses and $38 million for Legacy-ILG losses.

In addition to net (loss) income and adjustments for non-cash items, the following operating activities are key drivers of our cash flow from operating activities:

*Inventory Spending (In Excess of) Less Than Cost of Sales*

| | Fiscal Years | | |
|---|---|---|---|
| ***($ in millions)*** | **2020** | **2019** | **2018** |
| Inventory spending | $ (98) | $ (228) | $ (212) |
| Purchase of vacation ownership units for future transfer to inventory | (61) | (20) | — |
| Inventory costs | 117 | 292 | 221 |
| Inventory spending (in excess of) less than cost of sales | $ (42) | $ 44 | $ 9 |

We measure our real estate inventory capital efficiency by comparing the cash outflow for real estate inventory spending (a cash item) to the amount of real estate inventory costs charged to expense on our Income Statements related to sale of vacation ownership products (a non-cash item). Given the significant level of completed real estate inventory on hand, as well as the capital efficiency resulting from our points programs and capital efficient transactions, our spending for real estate inventory remained below the amount of real estate inventory costs in 2019 and 2018. In 2020, however, while our spending for real estate inventory remained low, given the slowdown in sales pace as a result of the COVID-19 pandemic, inventory spending was above inventory costs for the year.

Our inventory spending in 2020 included a payment to acquire 34 completed vacation ownership units located at our Marriott Vacation Club Pulse, San Francisco property for $26 million, of which $5 million was a prepayment for future tranches of completed vacation ownership units. Purchase of vacation ownership units for future transfer to inventory also included the balance of the price allocated to acquire 57 completed vacation ownership units at our Marriott Vacation Club Pulse, New York property.

Our inventory spending in 2019 included a payment to satisfy our commitment to purchase 78 vacation ownership units located in San Francisco, California for $48 million. Purchase of vacation ownership units for future transfer to inventory for 2019 included a $20 million advance payment to satisfy a portion of our commitment to purchase 57 vacation ownership units located at our Marriott Vacation Club Pulse, New York property.

See Footnote 4 "Acquisitions and Dispositions" to our Financial Statements for additional information regarding the transactions discussed above.

Through our existing vacation ownership interest repurchase program, we proactively buy back previously sold vacation ownership interests at lower costs than would be required to develop new inventory. By repurchasing inventory, we expect to be able to stabilize the future cost of vacation ownership products. However, given the impact of the COVID-19 pandemic, we have temporarily discontinued the majority of this repurchase activity.

*Vacation Ownership Notes Receivable Collections In Excess of (Less Than) Originations*

| | Fiscal Years | | |
|---|---|---|---|
| ***($ in millions)*** | **2020** | **2019** | **2018** |
| Vacation ownership notes receivable collections — non-securitized | $ 217 | $ 61 | $ 115 |
| Vacation ownership notes receivable collections — securitized | 403 | 432 | 271 |
| Vacation ownership notes receivable originations | (377) | (817) | (630) |
| Vacation ownership notes receivable collections in excess of (less than) originations | $ 243 | $ (324) | $ (244) |

Vacation ownership notes receivable collections include principal from non-securitized and securitized vacation ownership notes receivable. Vacation ownership notes receivable collections increased in 2020 compared to 2019 due to a higher portfolio of outstanding vacation ownership notes receivable at the beginning of 2020. Vacation ownership notes receivable originations in 2020 decreased due to lower sales due to the COVID-19 pandemic and a lower financing propensity. Financing propensity declined to 51 percent in 2020 from 63 percent in 2019 as a result of the various sales programs that we offered to incentivize cash purchases over financed purchases during the year, in response to the COVID-19 pandemic.

*Cash from Investing Activities*

| | Fiscal Years | | |
|---|---|---|---|
| ***($ in millions)*** | **2020** | **2019** | **2018** |
| Acquisition of a business, net of cash and restricted cash acquired | $ — | $ — | $ (1,393) |
| Disposition of subsidiary shares to noncontrolling interest holder | — | — | 40 |
| Proceeds from collection of notes receivable | — | 38 | — |
| Capital expenditures for property and equipment (excluding inventory) | (41) | (46) | (40) |
| Purchase of company owned life insurance | (6) | (6) | (14) |
| Dispositions, net | 15 | 51 | — |
| Net cash, cash equivalents, and restricted cash (used in) provided by investing activities | $ (32) | $ 37 | $ (1,407) |

*Proceeds from Collection of Notes Receivable*

During 2019, we collected $23 million of notes receivable related to the disposition of our interest in VRI Europe during the fourth quarter of 2018. In addition, we also collected a $15 million note receivable acquired in the ILG Acquisition.

*Capital Expenditures for Property and Equipment*

Capital expenditures for property and equipment relate to spending for technology development, buildings and equipment used at sales locations and ancillary offerings, such as food and beverage offerings, at locations where such offerings are provided. Additionally, it includes spending related to maintenance of buildings and equipment used in common areas at some of our resorts.

In 2020, capital expenditures for property and equipment of $41 million included $40 million to support business operations (including $27 million for ancillary and other operations assets and $13 million for sales locations) and $1 million for technology spending. Given the impact of the COVID-19 pandemic, we significantly reduced our planned spending for property and equipment beginning with the second quarter of 2020.

In 2019, capital expenditures for property and equipment of $46 million included $32 million to support business operations (including $19 million for ancillary and other operations assets and $13 million for sales locations) and $14 million for technology spending.

*Purchase of Company Owned Life Insurance*

To support our ability to meet a portion of our obligations under the Marriott Vacations Worldwide Corporation Deferred Compensation Plan (the “Deferred Compensation Plan”), we acquired company owned insurance policies on the lives of certain participants in the Deferred Compensation Plan, the proceeds of which are intended to be aligned with the investment alternatives elected by plan participants as discussed in Footnote 2 “Summary of Significant Accounting Policies” to our Financial Statements. During 2020, 2019, and 2018 we paid $6 million, $6 million, and $14 million, respectively, to acquire these policies.

*Dispositions, net*

Dispositions of $15 million during 2020 related to the disposition of excess land parcels in Orlando, Florida and Steamboat Springs, Colorado as part of our strategic decision to reduce holdings in markets where we have excess supply. Dispositions of $51 million during 2019 related to our dispositions of excess land parcels in Cancun, Mexico and Avon, Colorado as part of our strategic decision to reduce holdings in markets where we have excess supply. See additional information on these dispositions in Footnote 4 “Acquisitions and Dispositions” to our Financial Statements for additional information.

*Cash from Financing Activities*

| ***($ in millions)*** | **Fiscal Years 2020** | **2019** | **2018** |
|---|---|---|---|
| Borrowings from securitization transactions | $ 690 | $ 1,026 | $ 539 |
| Repayment of debt related to securitization transactions | (960) | (880) | (382) |
| Proceeds from debt | 1,166 | 935 | 1,690 |
| Repayments of debt | (705) | (820) | (215) |
| Finance lease payment | (11) | (12) | — |
| Debt issuance costs | (14) | (20) | (34) |
| Repurchase of common stock | (82) | (465) | (96) |
| Payment of dividends | (45) | (81) | (51) |
| Payment of withholding taxes on vesting of restricted stock units | (16) | (15) | (18) |
| Other, net | — | 1 | — |
| Net cash, cash equivalents, and restricted cash provided by (used in) by financing activities | $ 23 | $ (331) | $ 1,433 |

*Borrowings from / Repayment of Debt Related to Securitization Transactions*

We reflect proceeds from securitizations of vacation ownership notes receivable, including draw downs on the Warehouse Credit Facility, as "Borrowings from securitization transactions." We reflect repayments of bonds associated with vacation ownership notes receivable securitizations and repayments on the Warehouse Credit Facility (including vacation ownership notes receivable repurchases) as "Repayment of debt related to securitization transactions."

We account for our securitizations of vacation ownership notes receivable as secured borrowings and therefore do not recognize a gain or loss as a result of the transaction. The results of operations for the securitization entities are consolidated within our results of operations as these entities are variable interest entities for which we are the primary beneficiary.

During the third quarter of 2020, we completed the securitization of a pool of $383 million of vacation ownership notes receivable. In connection with the securitization, investors purchased in a private placement $375 million in vacation ownership loan backed notes from MVW 2020-1 LLC (the "2020-1 LLC"). Four classes of vacation ownership loan backed notes were issued by the 2020-1 LLC: $238 million of Class A Notes, $72 million of Class B Notes, $44 million of Class C Notes, and $21 million of Class D Notes. The Class A Notes have an interest rate of 1.74 percent, the Class B Notes have an interest rate of 2.73 percent, the Class C Notes have an interest rate of 4.21 percent, and the Class D Notes have an interest rate of 7.14 percent, for an overall weighted average interest rate of 2.53 percent. Of the $375 million in proceeds from the transaction, $300 million was used to repay all outstanding amounts previously drawn under the Warehouse Credit Facility, as defined below, $7 million was used to pay transaction expenses and fund required reserves, and the remainder will be used for general corporate purposes.

During 2020, we securitized vacation ownership notes receivable under our Warehouse Credit Facility. The total carrying amount of the vacation ownership notes receivable securitized was $372 million. The average advance rate was 85 percent, which resulted in total gross proceeds of $315 million. Total net proceeds were $313 million due to the funding of reserve accounts of $2 million. As of December 31, 2020, $147 million of gross vacation ownership notes receivable were eligible for securitization.

*Proceeds from / Repayments of Debt*

*<u>Borrowings from / Repayment of Corporate Credit Facility</u>*

During 2020, we borrowed an additional $666 million under our Revolving Corporate Credit Facility, which is part of our Corporate Credit Facility, to facilitate the funding of our short-term working capital needs and to increase our cash position and preserve financial flexibility in light of the impact on global markets resulting from the COVID-19 pandemic. During 2020, we repaid $696 million under the Revolving Corporate Credit Facility and no amounts were outstanding as of December 31, 2020. Additionally, during 2020, we repaid $9 million of the amount outstanding under the Term Loan, which is also part of our Corporate Credit Facility.

During 2019, we borrowed $585 million under our Revolving Corporate Credit Facility to facilitate the funding of our short-term working capital needs, of which $554 million was repaid during 2019. Also during 2019, we repaid $7 million of the amount outstanding under the Term Loan.

See Footnote 17 "Debt" to our Financial Statements for additional information regarding our Corporate Credit Facility.

*Proceeds from Senior Secured Debt*

During the second quarter of 2020, we issued $500 million of senior secured notes, the 2025 Notes, as discussed further in Footnote 17 “Debt” to our Financial Statements. After deducting offering expenses and the underwriting discount, we received net proceeds of approximately $493 million from the offering of the 2025 Notes, which we used to repay all amounts outstanding at that time on our Revolving Corporate Credit Facility.

*Proceeds from Senior Unsecured Debt*

During 2019, we issued $350 million of senior unsecured notes, the 2028 Notes, as discussed further in Footnote 17 “Debt” to our Financial Statements. The net proceeds from the 2028 Notes were used (i) to redeem all of the outstanding IAC Notes, (ii) to redeem all of the outstanding Exchange Notes, (iii) to repay a portion of the outstanding borrowings under our Revolving Corporate Credit Facility, (iv) to pay transaction expenses and fees in connection with each of the foregoing and (v) for general corporate purposes.

*Repayments of Non-interest Bearing Note Payable*

During 2019, we paid the last installment of $31 million on a non-interest bearing note payable related to the acquisition of 112 completed vacation ownership units located on the Big Island of Hawaii in 2017.

*Debt Issuance Costs*

In 2020, we incurred $14 million of debt issuance costs, which included $7 million associated with the issuance of senior secured notes (the 2025 Notes), $5 million associated with the 2020-1 vacation ownership notes receivable securitization, $1 million associated with the Waiver, and $1 million associated with an amendment of the Warehouse Credit Facility

In 2019, we incurred $20 million of debt issuance costs, which included $12 million associated with the 2019 vacation ownership notes receivable securitizations, $5 million associated with the issuance of senior unsecured notes (the 2028 Notes), $2 million associated with an amendment and extension of the Warehouse Credit Facility, and $1 million related to an amendment of the Revolving Corporate Credit Facility.

*Repurchase of Common Stock*

The following table summarizes share repurchase activity under our share repurchase program, which expired on December 31, 2020:

| ***($ in millions, except per share amounts)*** | **Number of Shares Repurchased** | **Cost of Shares Repurchased** | **Average Price Paid per Share** |
|---|---|---|---|
| As of December 31, 2019 | 16,418,950 | $ 1,258 | $ 76.60 |
| For the year ended December 31, 2020 | 769,935 | 82 | 106.60 |
| As of December 31, 2020 | 17,188,885 | $ 1,340 | $ 77.95 |

See Footnote 18 “Shareholders' Equity” to our Financial Statements for further information related to our share repurchase program. Due to the impact of the COVID-19 pandemic, we temporarily suspended repurchasing shares of our common stock. Future share repurchases will be subject to the restrictions imposed under the Waiver as well as Board approval of a new repurchase program, which will depend on our financial condition, results of operations and capital requirements, in addition to applicable law, regulatory constraints, industry practice and other business considerations that our Board of Directors considers relevant.

*Payment of Dividends to Common Shareholders*

We distributed cash dividends to holders of common stock for the year ended December 31, 2020 as follows:

| **Declaration Date** | **Shareholder Record Date** | **Distribution Date** | **Dividend per Share** |
|---|---|---|---|
| December 9, 2019 | December 23, 2019 | January 6, 2020 | $0.54 |
| February 14, 2020 | February 27, 2020 | March 12, 2020 | $0.54 |

Given the impact of the COVID-19 pandemic, we temporarily suspended cash dividends. In addition, our Corporate Credit Facility and the indentures governing our senior notes contain restrictions on our ability to pay dividends. Future dividend payments will also be subject to both the restrictions imposed under the Waiver and Board approval, which will depend on our financial condition, results of operations and capital requirements, as well as applicable law, regulatory and contractual constraints, industry practice and other business considerations that our Board of Directors considers relevant. The payment of certain cash dividends may also result in an adjustment to the conversion rate of the 2022 Convertible Notes in a manner adverse to us. Accordingly, there can be no assurance that we will pay dividends in the future at the same rate or at all.

*Supplemental Guarantor Information*

The 2026 Notes and 2028 Notes are guaranteed by MVWC, Marriott Ownership Resorts, Inc. ("MORI"), and certain other subsidiaries whose voting securities are wholly owned directly or indirectly by MORI (such subsidiaries collectively, the "Senior Notes Guarantors"). These guarantees are full and unconditional and joint and several. The guarantees of the Senior Notes Guarantors are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

The following tables present consolidating financial information as of December 31, 2020, and for the twelve months ended December 31, 2020, for MVWC and MORI on a stand-alone basis (collectively, the "Issuers"), the Senior Notes Guarantors, the combined non-guarantor subsidiaries of MVW, and MVW on a consolidated basis.

*Condensed Consolidating Balance Sheet*

| | As of December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Issuers | | | | | |
| ***($ in millions)*** | **MVWC** | **MORI** | **Senior Notes Guarantors** | **Non-Guarantor Subsidiaries** | **Total Eliminations** | **MVW Consolidated** |
| Cash and cash equivalents | $ 25 | $ 347 | $ 50 | $ 102 | $ — | $ 524 |
| Restricted cash | — | 19 | 72 | 377 | — | 468 |
| Accounts receivable, net | 44 | 59 | 121 | 57 | (5) | 276 |
| Vacation ownership notes receivable, net | — | 164 | 116 | 1,560 | — | 1,840 |
| Inventory | — | 276 | 383 | 100 | — | 759 |
| Property and equipment, net | — | 213 | 341 | 237 | — | 791 |
| Goodwill | — | — | 2,817 | — | — | 2,817 |
| Intangibles, net | — | — | 894 | 58 | — | 952 |
| Investments in subsidiaries | 2,775 | 4,384 | — | — | (7,159) | — |
| Other | 54 | 115 | 214 | 133 | (45) | 471 |
| Total assets | $ 2,898 | $ 5,577 | $ 5,008 | $ 2,624 | $ (7,209) | $ 8,898 |
| | | | | | | |
| Accounts payable | $ 29 | $ 29 | $ 145 | $ 6 | $ — | $ 209 |
| Advance deposits | — | 70 | 57 | 20 | — | 147 |
| Accrued liabilities | 1 | 99 | 157 | 99 | (7) | 349 |
| Deferred revenue | — | 8 | 126 | 355 | (1) | 488 |
| Payroll and benefits liability | 1 | 81 | 55 | 20 | — | 157 |
| Deferred compensation liability | — | 104 | 22 | 1 | — | 127 |
| Securitized debt, net | — | — | — | 1,604 | (16) | 1,588 |
| Debt, net | 215 | 2,464 | — | 1 | — | 2,680 |
| Other | 1 | 39 | 130 | 27 | — | 197 |
| Deferred taxes | — | 103 | 143 | 28 | — | 274 |
| MVW shareholders' equity | 2,651 | 2,580 | 4,173 | 432 | (7,185) | 2,651 |
| Noncontrolling interests | — | — | — | 31 | — | 31 |
| Total liabilities and equity | $ 2,898 | $ 5,577 | $ 5,008 | $ 2,624 | $ (7,209) | $ 8,898 |

*Condensed Consolidating Statement of Income*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Issuers | | | | | |
| ($ in millions) | MVWC | MORI | Senior Notes Guarantors | Non-Guarantor Subsidiaries | Total Eliminations | MVW Consolidated |
| Revenues | $ — | $ 375 | $ 1,753 | $ 789 | $ (31) | $ 2,886 |
| Expenses | (17) | (648) | (1,955) | (637) | 31 | (3,226) |
| Benefit (provision) for income taxes | 5 | 80 | 53 | (54) | — | 84 |
| Equity in net (loss) income of subsidiaries | (263) | (34) | — | — | 297 | — |
| Net (loss) income | (275) | (227) | (149) | 98 | 297 | (256) |
| Net income attributable to noncontrolling interests | — | — | — | (19) | — | (19) |
| Net (loss) income attributable to common shareholders | $ (275) | $ (227) | $ (149) | $ 79 | $ 297 | $ (275) |

*Contractual Obligations and Off-Balance Sheet Arrangements*

The following table summarizes our contractual obligations, including material off-balance sheet arrangements as of December 31, 2020:

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| ($ in millions) | Total | Less Than 1 Year | 1 - 3 Years | 3 - 5 Years | More Than 5 Years |
| Contractual Obligations | | | | | |
| Debt[(1)] | $ 5,247 | $ 357 | $ 925 | $ 1,989 | $ 1,976 |
| Purchase obligations[(2)] | 429 | 307 | 111 | 11 | — |
| Operating lease obligations | 237 | 27 | 42 | 34 | 134 |
| Finance lease obligations[(3)] | 9 | 4 | 4 | — | 1 |
| Other long-term obligations[(4)] | 30 | 16 | 8 | 4 | 2 |
| Total contractual obligations | $ 5,952 | $ 711 | $ 1,090 | $ 2,038 | $ 2,113 |

(1) Includes principal as well as interest payments and excludes unamortized debt discount and issuance costs.

(2) Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure, and approximate timing of the transaction. Amounts reflected herein represent expected funding under such contracts. Amounts reflected on the consolidated balance sheet as accounts payable and accrued liabilities are excluded from the table above.

(3) Includes interest.

(4) Primarily relates to future guaranteed purchases of rental inventory, operational support services, marketing related benefits, membership fulfillment benefits and other commitments.

In the normal course of our resort management business, we enter into purchase commitments on behalf of property owners' associations to manage the daily operating needs of our resorts. Since we are reimbursed for these commitments from the cash flows of the resorts, these obligations have minimal impact on our net income and cash flow.

*Leases That Have Not Yet Commenced*

During the first quarter of 2020, we entered into a finance lease arrangement for a new corporate office building in Orlando, Florida. The new Orlando corporate office building is currently expected to be completed in 2024, at which time the lease term will commence and a right-of-use asset and corresponding liability will be recorded on our balance sheet. The initial lease term is approximately 16 years with total lease payments of $129 million for the aforementioned period. See Footnote 15 "Leases" to our Financial Statements for additional information on this lease, including additional arrangements made as a result of the COVID-19 pandemic.

## Recent Accounting Pronouncements

See Footnote 2 “Summary of Significant Accounting Policies” to our Financial Statements for information regarding accounting standards adopted in 2020 and other new accounting standards that were issued but not effective as of December 31, 2020.

## Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Management considers an accounting estimate to be critical if: (1) it requires assumptions to be made that are uncertain at the time the estimate is made; and (2) changes in the estimate, or different estimates that could have been selected, could have a material effect on our results of operations or financial condition.

While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information presently available. Actual results may differ significantly. Additionally, changes in our assumptions, estimates or assessments as a result of unforeseen events or otherwise could have a material impact on our consolidated financial position or results of operations.

See Footnote 2 “Summary of Significant Accounting Policies” to our Financial Statements for further information on accounting policies that we believe to be critical, including our policies on:

*Revenue recognition*, including how we recognize revenue under Accounting Standards Codification (“ASC”) Topic 606, “*Revenue from Contracts with Customers*” (“ASC 606”);

*Purchase price allocations of business combinations*, which is also discussed in Footnote 2 “Summary of Significant Accounting Policies” and Footnote 4 “Acquisitions and Dispositions” to our Financial Statements;

*Inventories and cost of vacation ownership products*, which requires estimation of future revenues, including incremental revenues from future price increases or from the sale of reacquired inventory resulting from defaulted vacation ownership notes receivable, and development costs to apply a relative sales value method specific to the vacation ownership industry and how we evaluate the fair value of our vacation ownership inventory;

*Valuation of right-of-use assets and lease liabilities*, including determination of lease term which may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option, as further described in Footnote 2 “Summary of Significant Accounting Policies” to our Financial Statements;

*Valuation of property and equipment*, including when we record impairment losses;

*Valuation of goodwill and intangible assets*, including when we record impairment losses;

*Accounting for acquired vacation ownership notes receivable*, which is also discussed in Footnote 7 “Vacation Ownership Notes Receivable” to our Financial Statements;

*Loss contingencies*, including information on how we account for loss contingencies; and

*Income taxes*, including information on how we determine our current year amounts payable or refundable, as well as our estimate of deferred tax assets and liabilities.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

*Quantitative and Qualitative Disclosures About Market Risk.*

We are exposed to market risk from changes in interest rates, currency exchange rates, and debt prices. We manage our exposure to these risks by monitoring available financing alternatives, through pricing policies that may take into account currency exchange rates, and by entering into derivative arrangements.

We are exposed to interest rate risk through borrowings on our Warehouse Credit Facility and our Corporate Credit Facility, which includes our Revolving Corporate Credit Facility and our Term Loan, as these facilities bear interest at variable rates. All other interest bearing debt, including securitized debt, incurs interest at fixed rates. Changes in interest rates also impact the fair value of our fixed-rate notes receivable and our fixed-rate debt.

The following table sets forth the scheduled maturities and the total fair value as of year-end 2020 for our financial instruments that are impacted by market risks:

| | | Maturities by Period | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ***($ in millions)*** | **Average Interest Rate** | **2021** | **2022** | **2023** | **2024** | **2025** | **Thereafter** | **Total Carrying Value** | **Total Fair Value** |
| **Assets – Maturities represent expected principal receipts; fair values represent assets** | | | | | | | | | |
| Vacation ownership notes receivable — non-securitized | 12.7% | $ 43 | $ 36 | $ 31 | $ 29 | $ 29 | $ 179 | $ 347 | $ 356 |
| Vacation ownership notes receivable — securitized | 12.9% | $ 168 | $ 165 | $ 168 | $ 167 | $ 168 | $ 657 | $ 1,493 | $ 1,530 |
| **Liabilities – Maturities represent expected principal payments; fair values represent liabilities** | | | | | | | | | |
| Securitized debt | 2.8% | $ (170) | $ (171) | $ (175) | $ (176) | $ (181) | $ (731) | $ (1,604) | $ (1,653) |
| Senior secured notes | | | | | | | | | |
| 2025 Notes | 6.1% | $ — | $ — | $ — | $ — | $ (500) | $ — | $ (500) | $ (533) |
| Senior unsecured notes | | | | | | | | | |
| 2026 Notes | 6.5% | $ — | $ — | $ — | $ — | $ — | $ (750) | $ (750) | $ (784) |
| 2028 Notes | 4.8% | $ — | $ — | $ — | $ — | $ — | $ (350) | $ (350) | $ (359) |
| Term Loan | 1.9% | $ (9) | $ (9) | $ (9) | $ (9) | $ (848) | $ — | $ (884) | $ (864) |
| 2022 Convertible Notes | 4.7% | $ — | $ (230) | $ — | $ — | $ — | $ — | $ (230) | $ (262) |

We are exposed to currency exchange rate risk through investments in foreign subsidiaries that transact business in a currency other than the U.S. dollar and through the revaluation of assets and liabilities denominated in a currency other than the functional currency.

We use derivative instruments as part of our overall strategy to manage our exposure to market risks associated with fluctuations in interest rates and currency exchange rates. As a matter of policy, we only enter into transactions that we believe will be highly effective at offsetting the underlying risk and we do not use derivatives for trading or speculative purposes. However, we cannot assure you that these transactions will be as effective as we anticipate.

## Item 8. Financial Statements and Supplementary Data

The following financial information is included on the pages indicated.

**MANAGEMENT'S REPORT ON**
**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of Marriott Vacations Worldwide Corporation (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Company's transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance on prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the Company's annual consolidated financial statements, management has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria").

Based on this assessment, management has concluded that, applying the COSO criteria, as of December 31, 2020, the Company's internal control over financial reporting was effective to provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this report, has issued a report on the effectiveness of the Company's internal control over financial reporting, a copy of which appears on the next page of this Annual Report on Form 10-K.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Marriott Vacations Worldwide Corporation

**Opinion on Internal Control over Financial Reporting**

We have audited Marriott Vacations Worldwide Corporation's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Marriott Vacations Worldwide Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the accompanying consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated March 1, 2021 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Orlando, Florida
March 1, 2021

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Marriott Vacations Worldwide Corporation

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Marriott Vacations Worldwide Corporation (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2021 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

**Valuation of Goodwill and Other Indefinite-Lived Intangible Assets**

| | |
|---|---|
| *Description of the Matter* | At December 31, 2020, the Company's goodwill and other indefinite-lived intangible assets were $2,817 million and $64 million, respectively. For the year ended December 31, 2020, the Company recorded impairment charges of $73 million and $18 million for goodwill and other indefinite-lived intangible assets, respectively. As discussed in Note 2 to the consolidated financial statements, goodwill and other indefinite-lived intangible assets are tested for impairment at least annually, or more frequently if events or circumstances indicate a possible impairment. The Company's goodwill is tested for impairment at the reporting unit level, and other indefinite-lived intangibles, which include trade names and trademarks, are each tested for impairment at the asset level. |

**Valuation of Goodwill and Other Indefinite-Lived Intangible Assets**

Auditing the Company's goodwill and certain other indefinite-lived intangible assets impairment tests was complex and highly judgmental due to the significant estimation required to determine the fair value of the reporting units and trade names and trademarks. In particular, the fair value estimates for the reporting units were sensitive to changes in significant assumptions, which include projections of revenues, expenses, expected future investments and estimated discount rates, while the fair value of the other indefinite-lived intangibles were sensitive to projections of revenues, the estimated discount rate and royalty rate. These significant assumptions are affected by expectations about future industry performance and market and economic conditions. Currently, the development of such projections and assumptions involves increased judgment due to the continued effects of the COVID pandemic on the global economy.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill and other indefinite-lived intangible assets impairment review process, including controls over management's review of the significant assumptions described above.

To test the estimated fair value of the reporting units and other indefinite-lived intangible assets, we performed audit procedures that included, among others, assessing the methodologies used and testing the significant assumptions discussed above and the underlying data used by the Company in its analyses. We assessed the historical accuracy of the Company's estimates, compared the significant assumptions used by the Company to historical operating results and cash flows as well as current industry and economic trends and evaluated whether changes in the Company's business model and other factors would materially affect the significant assumptions. We also performed sensitivity analyses on certain significant assumptions to evaluate the changes in the fair value of the reporting units and other indefinite-lived intangible assets that would result from changes in the assumptions. We involved our valuation specialists to assist in the evaluation of the Company's methodologies and certain significant assumptions, such as the projections of revenue, discount rates and royalty rate.

**Cost of Vacation Ownership Products**

*Description of the Matter*

The Company's cost of vacation ownership products was $150 million for the year ended December 31, 2020. As discussed in Note 2 to the consolidated financial statements, the Company accounts for the cost of vacation ownership products utilizing the relative sales value method in accordance with the authoritative guidance for accounting for real estate time-sharing transactions. Changes in estimates used in applying the relative sales value method are recognized in the period that the changes occur.

Auditing the Company's application of the relative sales value method was challenging due to the nature and extent of audit effort required as the calculations are complex and contain a significant volume of data. Additionally, the determination of the cost of vacation ownership products was sensitive to certain estimates, such as estimated future revenue from sale of vacation ownership products, which are affected by expectations about future market and economic conditions.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process to determine the cost of vacation ownership products. For example, we tested controls over management's review of the calculations, including the inputs and certain estimates, such as estimated future revenue from sale of vacation ownership products.

To test the cost of vacation ownership products, we performed audit procedures that included, among others, assessing the methodologies used, evaluating the estimates discussed above and testing the completeness and accuracy of the data used by the Company in the calculations. For example, we agreed inputs to the calculations to historical data and evaluated the estimates used in the calculations, such as estimated future revenue from sale of vacation ownership products, utilizing historical operating results and relevant market information available. We involved real estate subject matter resources on our team because the application of the relative sales value method is unique to companies in the real estate time-sharing industry.

**Valuation of Originated and Acquired Vacation Ownership Notes Receivable**

| | |
|---|---|
| *Description of the Matter* | As of December 31, 2020, the Company's vacation ownership notes receivable was $1,840 million of which $1,531 million related to originated vacation ownership notes receivable and $309 million related to acquired vacation ownership notes receivable. As discussed in Note 2 to the consolidated financial statements, for originated notes, the Company records the difference between the vacation ownership note receivable and variable consideration included in the transaction price for the sale of the related vacation ownership products as a reserve on the Company's originated vacation ownership notes receivable. The Company's acquired vacation ownership notes receivable are accounted for using the purchased credit deteriorated assets provision of the current expected credit loss model, whereby the Company estimates the reserve of its acquired vacation ownership receivables on a quarterly basis and any changes in the reserve are recorded as financing expense. The estimates of the variable consideration for originated vacation ownership notes receivable and the reserve for credit losses on the acquired vacation ownership notes receivable are based on default rates that are an output of the Company's static pool analyses and the estimates regarding future defaults.<br><br>Auditing the Company's valuation of originated and acquired vacation ownership notes receivable was challenging because management's assumptions regarding future defaults are highly subjective and requires significant judgment. Furthermore, significant audit effort is required as the static pool analyses are complex and contain a significant volume of data. |
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's vacation ownership notes receivable process. For example, we tested controls over management's review of the assumptions regarding future defaults and review of the static pool analyses, including the significant inputs to the analyses.<br><br>To test the valuation of originated and acquired vacation ownership notes receivable, we performed audit procedures that included, among others, assessing the methodologies used, evaluating the assumptions regarding future defaults as discussed above, and testing the completeness and accuracy of the static pool analyses, including the significant inputs to the analyses. For example, we compared the assumptions regarding future defaults to recent trends in performance of the Company's originated and acquired vacation ownership notes receivables and performed sensitivity analyses on the assumptions. We also compared inputs to the static pool analysis to historical data. We involved real estate subject matter resources on our team because of the significant judgment involved in auditing the future defaults assumptions and the static pool analyses are unique to companies in the real estate time-sharing industry. |

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2011.

Orlando, Florida
March 1, 2021

**MARRIOTT VACATIONS WORLDWIDE CORPORATION**
**CONSOLIDATED STATEMENTS OF INCOME**
**Fiscal Years 2020, 2019 and 2018**
(In millions, except per share amounts)

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **REVENUES** | | | |
| Sale of vacation ownership products | $ 546 | $ 1,354 | $ 990 |
| Management and exchange | 755 | 949 | 499 |
| Rental | 276 | 573 | 371 |
| Financing | 267 | 275 | 183 |
| Cost reimbursements | 1,042 | 1,108 | 925 |
| **TOTAL REVENUES** | 2,886 | 4,259 | 2,968 |
| **EXPENSES** | | | |
| Cost of vacation ownership products | 150 | 349 | 260 |
| Marketing and sales | 419 | 748 | 527 |
| Management and exchange | 442 | 547 | 259 |
| Rental | 321 | 357 | 281 |
| Financing | 107 | 91 | 65 |
| General and administrative | 154 | 248 | 198 |
| Depreciation and amortization | 123 | 141 | 62 |
| Litigation charges | 6 | 7 | 46 |
| Restructuring | 25 | — | — |
| Royalty fee | 95 | 106 | 78 |
| Impairment | 100 | 99 | — |
| Cost reimbursements | 1,042 | 1,108 | 925 |
| **TOTAL EXPENSES** | 2,984 | 3,801 | 2,701 |
| (Losses) gains and other (expense) income, net | (26) | 16 | 21 |
| Interest expense | (150) | (132) | (54) |
| ILG acquisition-related costs | (62) | (118) | (127) |
| Other | (4) | 1 | (4) |
| **(LOSS) INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS** | (340) | 225 | 103 |
| Benefit (provision) for income taxes | 84 | (83) | (51) |
| **NET (LOSS) INCOME** | (256) | 142 | 52 |
| Net (income) loss attributable to noncontrolling interests | (19) | (4) | 3 |
| **NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS** | $ (275) | $ 138 | $ 55 |
| | | | |
| **(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS** | | | |
| Basic | $ (6.65) | $ 3.13 | $ 1.64 |
| Diluted | $ (6.65) | $ 3.09 | $ 1.61 |
| | | | |
| **CASH DIVIDENDS DECLARED PER SHARE** | $ 0.54 | $ 1.89 | $ 1.65 |

**See Notes to Consolidated Financial Statements**

**MARRIOTT VACATIONS WORLDWIDE CORPORATION**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**Fiscal Years 2020, 2019 and 2018**
(In millions)

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **NET (LOSS) INCOME** | $ (256) | $ 142 | $ 52 |
| | | | |
| Foreign currency translation adjustments | 6 | (27) | (5) |
| Derivative instrument adjustment, net of tax | (18) | (15) | (6) |
| **OTHER COMPREHENSIVE LOSS, NET OF TAX** | (12) | (42) | (11) |
| | | | |
| Net (income) loss attributable to noncontrolling interests | (19) | (4) | 3 |
| Other comprehensive income attributable to noncontrolling interests | — | — | — |
| **COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS** | (19) | (4) | 3 |
| | | | |
| **COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS** | $ (287) | $ 96 | $ 44 |

**See Notes to Consolidated Financial Statements**

**MARRIOTT VACATIONS WORLDWIDE CORPORATION**
**CONSOLIDATED BALANCE SHEETS**
**Fiscal Year-End 2020 and 2019**
(In millions, except share and per share data)

| | 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 524 | $ 287 |
| Restricted cash (including $68 and $64 from VIEs, respectively) | 468 | 414 |
| Accounts receivable, net (including $11 and $13 from VIEs, respectively) | 276 | 323 |
| Vacation ownership notes receivable, net (including $1,493 and $1,750 from VIEs, respectively) | 1,840 | 2,233 |
| Inventory | 759 | 859 |
| Property and equipment, net | 791 | 718 |
| Goodwill | 2,817 | 2,892 |
| Intangibles, net | 952 | 1,027 |
| Other (including $54 and $39 from VIEs, respectively) | 471 | 461 |
| **TOTAL ASSETS** | $ 8,898 | $ 9,214 |
| **LIABILITIES AND EQUITY** | | |
| Accounts payable | $ 209 | $ 286 |
| Advance deposits | 147 | 187 |
| Accrued liabilities (including $1 and $2 from VIEs, respectively) | 349 | 397 |
| Deferred revenue | 488 | 433 |
| Payroll and benefits liability | 157 | 186 |
| Deferred compensation liability | 127 | 110 |
| Securitized debt, net (including $1,604 and $1,871 from VIEs, respectively) | 1,588 | 1,871 |
| Debt, net | 2,680 | 2,216 |
| Other | 197 | 197 |
| Deferred taxes | 274 | 300 |
| **TOTAL LIABILITIES** | 6,216 | 6,183 |
| Contingencies and Commitments (Note 14) | | |
| Preferred stock — $0.01 par value; 2,000,000 shares authorized; none issued or outstanding | — | — |
| Common stock — $0.01 par value; 100,000,000 shares authorized; 75,279,061 and 75,020,272 shares issued, respectively | 1 | 1 |
| Treasury stock — at cost; 34,184,813 and 33,438,176 shares, respectively | (1,334) | (1,253) |
| Additional paid-in capital | 3,760 | 3,738 |
| Accumulated other comprehensive income | (48) | (36) |
| Retained earnings | 272 | 569 |
| **TOTAL MVW SHAREHOLDERS' EQUITY** | 2,651 | 3,019 |
| Noncontrolling interests | 31 | 12 |
| **TOTAL EQUITY** | 2,682 | 3,031 |
| **TOTAL LIABILITIES AND EQUITY** | $ 8,898 | $ 9,214 |

*The abbreviation VIEs above means Variable Interest Entities.*

**See Notes to Consolidated Financial Statements**

**MARRIOTT VACATIONS WORLDWIDE CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**Fiscal Years 2020, 2019 and 2018**
(In millions)

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net (loss) income | $ (256) | $ 142 | $ 52 |
| Adjustments to reconcile net (loss) income to net cash, cash equivalents, and restricted cash provided by operating activities: | | | |
| Depreciation and amortization of intangibles | 123 | 141 | 62 |
| Amortization of debt discount and issuance costs | 22 | 19 | 16 |
| Vacation ownership notes receivable reserve | 150 | 112 | 68 |
| Share-based compensation | 36 | 33 | 29 |
| Impairment charges | 100 | 99 | — |
| (Gain) loss on disposal of property and equipment, net | (4) | (18) | 1 |
| Deferred income taxes | (38) | 5 | 54 |
| Net change in assets and liabilities, net of the effects of acquisition: | | | |
| Accounts receivable | 21 | 69 | (38) |
| Vacation ownership notes receivable originations | (377) | (817) | (630) |
| Vacation ownership notes receivable collections | 620 | 493 | 386 |
| Inventory | 18 | 65 | 9 |
| Purchase of vacation ownership units for future transfer to inventory | (61) | (20) | — |
| Other assets | 44 | 37 | 21 |
| Accounts payable, advance deposits and accrued liabilities | (146) | 17 | 21 |
| Deferred revenue | 59 | 10 | 40 |
| Payroll and benefit liabilities | (29) | (25) | (8) |
| Deferred compensation liability | 17 | 18 | 10 |
| Other liabilities | — | 23 | — |
| Other, net | — | (21) | 4 |
| Net cash, cash equivalents, and restricted cash provided by operating activities | 299 | 382 | 97 |
| **INVESTING ACTIVITIES** | | | |
| Acquisition of a business, net of cash and restricted cash acquired | — | — | (1,393) |
| Disposition of subsidiary shares to noncontrolling interest holder | — | — | 40 |
| Proceeds from collection of notes receivable | — | 38 | — |
| Capital expenditures for property and equipment (excluding inventory) | (41) | (46) | (40) |
| Purchase of company owned life insurance | (6) | (6) | (14) |
| Dispositions, net | 15 | 51 | — |
| Net cash, cash equivalents, and restricted cash (used in) provided by investing activities | (32) | 37 | (1,407) |

**Continued**

**See Notes to Consolidated Financial Statements**

**MARRIOTT VACATIONS WORLDWIDE CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**
**Fiscal Years 2020, 2019 and 2018**
(In millions)

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **FINANCING ACTIVITIES** | | | |
| Borrowings from securitization transactions | 690 | 1,026 | 539 |
| Repayment of debt related to securitization transactions | (960) | (880) | (382) |
| Proceeds from debt | 1,166 | 935 | 1,690 |
| Repayments of debt | (705) | (820) | (215) |
| Finance lease payment | (11) | (12) | — |
| Debt issuance costs | (14) | (20) | (34) |
| Repurchase of common stock | (82) | (465) | (96) |
| Payment of dividends | (45) | (81) | (51) |
| Payment of withholding taxes on vesting of restricted stock units | (16) | (15) | (18) |
| Other, net | — | 1 | — |
| Net cash, cash equivalents, and restricted cash provided by (used in) by financing activities | 23 | (331) | 1,433 |
| Effect of changes in exchange rates on cash, cash equivalents, and restricted cash | 1 | (1) | — |
| Change in cash, cash equivalents, and restricted cash | 291 | 87 | 123 |
| Cash, cash equivalents, and restricted cash, beginning of year | 701 | 614 | 491 |
| Cash, cash equivalents, and restricted cash, end of year | $ 992 | $ 701 | $ 614 |
| | | | |
| **SUPPLEMENTAL DISCLOSURES** | | | |
| Dividends payable | $ — | $ 23 | $ 21 |
| Non-cash issuance of note receivable in connection with disposition to noncontrolling interest | — | — | 23 |
| Non-cash issuance of stock in connection with ILG Acquisition | — | — | 2,505 |
| Non-cash transfer from inventory to property and equipment | 74 | — | — |
| Non-cash transfer from property and equipment to inventory | — | 71 | — |
| Non-cash issuance of treasury stock for employee stock purchase plan | 2 | 2 | 1 |
| Property acquired via capital lease | — | — | 9 |
| Interest paid, net of amounts capitalized | 176 | 167 | 55 |
| Income taxes paid, net of refunds | (32) | 53 | 41 |

**See Notes to Consolidated Financial Statements**

**MARRIOTT VACATIONS WORLDWIDE CORPORATION**
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**
**Fiscal Years 2020, 2019 and 2018**
(In millions)

| Common Stock Issued | | Common Stock | Treasury Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Retained Earnings | Total MVW Shareholders' Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| 36.9 | **BALANCE AT YEAR-END 2017** | $ — | $ (694) | $ 1,189 | $ 17 | $ 529 | $ 1,041 | $ — | $ 1,041 |
| — | Net income (loss) | — | — | — | — | 55 | 55 | (3) | 52 |
| 20.5 | ILG Acquisition | 1 | — | 2,408 | — | — | 2,409 | 29 | 2,438 |
| — | Disposition of subsidiary shares to noncontrolling interest holder | — | — | 72 | — | — | 72 | (21) | 51 |
| — | Foreign currency translation adjustments | — | — | — | (5) | — | (5) | — | (5) |
| — | Derivative instrument adjustment | — | — | — | (6) | — | (6) | — | (6) |
| 0.2 | Amounts related to share-based compensation | — | — | 52 | — | — | 52 | — | 52 |
| — | Repurchase of common stock | — | (96) | — | — | — | (96) | — | (96) |
| — | Dividends | — | — | — | — | (61) | (61) | — | (61) |
| 57.6 | **BALANCE AT YEAR-END 2018** | $ 1 | $ (790) | $ 3,721 | $ 6 | $ 523 | $ 3,461 | $ 5 | $ 3,466 |
| — | Impact of adoption of ASU 2016-02 | — | — | — | — | (8) | (8) | — | (8) |
| 57.6 | **OPENING BALANCE 2019** | $ 1 | $ (790) | $ 3,721 | $ 6 | $ 515 | $ 3,453 | $ 5 | $ 3,458 |
| — | Net income | — | — | — | — | 138 | 138 | 4 | 142 |
| — | ILG Acquisition purchase accounting adjustment | — | — | — | — | — | — | 3 | 3 |
| — | Foreign currency translation adjustments | — | — | — | (27) | — | (27) | — | (27) |
| — | Derivative instrument adjustment | — | — | — | (15) | — | (15) | — | (15) |
| 0.3 | Amounts related to share-based compensation | — | — | 16 | — | — | 16 | — | 16 |
| — | Repurchase of common stock | — | (465) | — | — | — | (465) | — | (465) |
| — | Dividends | — | — | — | — | (84) | (84) | — | (84) |
| 17.1 | Tax restructuring transaction | — | — | — | — | — | — | — | — |
| — | Employee stock plan issuance | — | 2 | 1 | — | — | 3 | — | 3 |
| 75.0 | **BALANCE AT YEAR-END 2019** | $ 1 | $ (1,253) | $ 3,738 | $ (36) | $ 569 | $ 3,019 | $ 12 | $ 3,031 |
| — | Net (loss) income | — | — | — | — | (275) | (275) | 19 | (256) |
| — | Foreign currency translation adjustments | — | — | — | 6 | — | 6 | — | 6 |
| — | Derivative instrument adjustment | — | — | — | (18) | — | (18) | — | (18) |
| 0.3 | Amounts related to share-based compensation | — | — | 21 | — | — | 21 | — | 21 |
| — | Repurchase of common stock | — | (82) | — | — | — | (82) | — | (82) |
| — | Dividends | — | — | — | — | (22) | (22) | — | (22) |
| — | Employee stock plan issuance | — | 1 | 1 | — | — | 2 | — | 2 |
| 75.3 | **BALANCE AT YEAR-END 2020** | $ 1 | $ (1,334) | $ 3,760 | $ (48) | $ 272 | $ 2,651 | $ 31 | $ 2,682 |

**See Notes to Consolidated Financial Statements**

**MARRIOTT VACATIONS WORLDWIDE CORPORATION**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## 1. BASIS OF PRESENTATION

The consolidated financial statements present the results of operations, financial position and cash flows of Marriott Vacations Worldwide Corporation (referred to in this report as (i) "we," "us," "Marriott Vacations Worldwide," "MVW," or "the Company," which includes our consolidated subsidiaries except where the context of the reference is to a single corporate entity, or (ii) "MVWC," which shall refer only to Marriott Vacations Worldwide Corporation, without its consolidated subsidiaries). In order to make this report easier to read, we refer throughout to (i) our Consolidated Financial Statements as our "Financial Statements," (ii) our Consolidated Statements of Income as our "Income Statements," (iii) our Consolidated Balance Sheets as our "Balance Sheets," and (iv) our Consolidated Statements of Cash Flows as our "Cash Flows." References throughout to numbered "Footnotes" refer to the numbered Notes in these Notes to Consolidated Financial Statements, unless otherwise noted. We also refer to Marriott International, Inc. as "Marriott International" and Marriott International's Marriott Bonvoy customer loyalty program as "Marriott Bonvoy." We use certain other terms that are defined within these Financial Statements.

The Financial Statements presented herein and discussed below include 100 percent of the assets, liabilities, revenues, expenses, and cash flows of Marriott Vacations Worldwide, all entities in which Marriott Vacations Worldwide has a controlling voting interest ("subsidiaries"), and those variable interest entities ("VIEs") for which Marriott Vacations Worldwide is the primary beneficiary in accordance with consolidation accounting guidance. References in these Financial Statements to net (loss) income attributable to common shareholders and MVW shareholders' equity do not include noncontrolling interests, which represent the outside ownership of our consolidated non-wholly owned entities and are reported separately. Intercompany accounts and transactions between consolidated entities have been eliminated in consolidation.

These Financial Statements reflect our financial position, results of operations, and cash flows as prepared in conformity with United States Generally Accepted Accounting Principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates include, but are not limited to, revenue recognition, allocations of the purchase price paid in business combinations, cost of vacation ownership products, inventory valuation, goodwill and intangibles valuation, property and equipment valuation, accounting for acquired vacation ownership notes receivable, vacation ownership notes receivable reserves, income taxes, and loss contingencies. The uncertainty created by the COVID-19 pandemic (as defined below), and efforts to mitigate it, has made it more challenging to make these estimates. Accordingly, ultimate results could differ from these estimated amounts.

We have reclassified certain prior year amounts to conform with our current year presentation.

*COVID-19 Pandemic Update*

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a global pandemic ("COVID-19," "the COVID-19 pandemic," "the pandemic," or "the virus"), and since then the world has been, and continues to be, impacted by this virus. National, federal, state, and local governments have since implemented various travel restrictions, border closings, restrictions on public gatherings, mandatory quarantines, shelter-in-place mandates and limitations on business operations. The COVID-19 pandemic had a swift and unexpected adverse impact on the global economic landscape, with an especially significant adverse impact on the travel and hospitality industries.

The results of operations for 2020 include impacts related to the COVID-19 pandemic, which have been significantly adverse for our business. The COVID-19 pandemic and measures to prevent or slow the spread of the virus impacted our businesses in a number of ways. In our vacation ownership segment, due to low occupancy rates and based on various governmental mandates and advisories, we closed all of our sales centers and several of our resorts and reduced operations and amenities at our resorts over the course of 2020. These actions led to a material decrease in contract sales and rental revenues from our vacation ownership business. In our Exchange & Third-Party Management business, the closures of certain affiliated resorts and managed properties had an adverse impact on our business, and the closure of a large number of resorts, and their decision not to take reservations, during a portion of the year resulted in a decrease in management and exchange revenues.

In response to the evolving situation and in anticipation of continued possible disruptions, we took action to implement various cost saving measures and to preserve liquidity through restructuring our workforce and corporate debt. See Footnote 3 "Restructuring Charges" for more information about the restructuring charges recorded as a result of the COVID-19 pandemic. Also see Footnote 17 "Debt" for information on the steps taken to preserve liquidity during these uncertain times.

*Acquisition of ILG*

On September 1, 2018 (the “Acquisition Date”), we completed the acquisition of ILG, LLC, formerly known as ILG, Inc. (“ILG”), through a series of transactions (the “ILG Acquisition”), after which ILG became our indirect wholly-owned subsidiary. We refer to our business associated with brands that existed prior to the ILG Acquisition as “Legacy-MVW” and to ILG’s business and brands that we acquired as “Legacy-ILG.” See Footnote 4 “Acquisitions and Dispositions” for more information on the ILG Acquisition.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Revenue Recognition***

We account for revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606, “*Revenue from Contracts with Customers*” (“ASC 606”).

***Sale of Vacation Ownership Products***

We market and sell vacation ownership products in our Vacation Ownership segment. Vacation ownership products include deeded vacation ownership products, deeded beneficial interests, rights to use real estate and other interests in trusts that solely hold real estate (collectively “vacation ownership products” or “VOIs”). Vacation ownership products may be sold for cash or we may provide financing.

In connection with the sale of vacation ownership products, we provide sales incentives to certain purchasers and, in certain cases, membership in a brand affiliated club. Non-cash incentives typically include Marriott Bonvoy points, Hyatt’s customer loyalty program points (“World of Hyatt” points), or an alternative sales incentive that we refer to as “plus points.” Plus points are redeemable for stays at our resorts or for use in an exclusive selection of travel packages provided by affiliate tour operators (the “Explorer Collection”), generally up to two years from the date of issuance. Typically, sales incentives are only awarded if the sale is closed.

Upon execution of a legal sales agreement, we typically receive an upfront deposit from our customer with the remainder of the purchase price for the vacation ownership product to either be collected at closing (“cash contract”) or financed by the customer through our financing programs (“financed contract”). Refer to “*Financing Revenues*” below for further information regarding financing terms. Customer deposits received for contracts are recorded as Advance deposits on our Balance Sheets until the point in time at which control of the vacation ownership product has transferred to the customer.

Our assessment of collectibility of the transaction price for sales of vacation ownership products is aligned with our credit granting policies for financed contracts. In determining the consideration to which we expect to be entitled for financed contracts, we include estimated variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on the customer class and the results of our static pool analyses, which rely on historical payment data by customer class as described in “*Loan Loss Reserves*” below. Variable consideration which has not been included within the transaction price is presented as a reserve on vacation ownership notes receivable. Revisions to estimates of variable consideration from the sale of vacation ownership products impact the reserve on vacation ownership notes receivable and can increase or decrease revenue. Revenues were reduced during 2020 by $79 million due to changes in our estimates of variable consideration for performance obligations that were satisfied in prior periods. See Footnote 7 “Vacation Ownership Notes Receivable” for information on increases to our vacation ownership notes receivable reserve attributable to the COVID-19 pandemic. In addition, we account for cash incentives provided to customers as a reduction of the transaction price. Refer to “*Arrangements with Multiple Performance Obligations*” below for a description of our methods of allocating transaction price to each performance obligation.

We evaluated our business practices, and the underlying risks and rewards associated with vacation ownership products and the respective timing that such risks and rewards are transferred to the customer in determining the point in time at which control of the vacation ownership product is transferred to the customer. Based upon the different terms of the contracts with the customer and business practices, we transfer control of the vacation ownership product at different times for Legacy-MVW and Legacy-ILG. We recognize revenue on the sale of Legacy-MVW vacation ownership products at closing. We recognize revenue on the sale of Legacy-ILG vacation ownership products upon expiration of the rescission period.

Revenue for non-cash incentives, such as plus points, is recorded as Deferred revenue on our Balance Sheets at closing and is recognized as rental revenue upon transfer of control to the customer, which typically occurs upon delivery of the incentive, or at the point in time when the incentive is redeemed. For non-cash incentives provided by third parties (i.e. Marriott Bonvoy points, World of Hyatt points or third-party Explorer Collection offerings), we evaluated whether we control the underlying good or service prior to delivery to the customer. We concluded that we are an agent for those non-cash incentives which we do not control prior to delivery and as such record the related revenue net of the related cost upon recognition.

***Management and Exchange Revenues and Cost Reimbursements Revenues***

*Ancillary Revenues*

Ancillary revenues consist of goods and services that are sold or provided by us at food and beverage outlets, golf courses and other retail and service outlets located at our resorts. Payments for such goods and services are generally received at the point of sale in the form of cash or credit card charges. For goods and services sold, we evaluate whether we control the underlying goods or services prior to delivery to the customer. For transactions where we do not control the goods or services prior to delivery, the related revenue is recorded net of the related cost upon recognition. We recognize ancillary revenue at the point in time when goods have been provided and/or services have been rendered.

*Management Fee Revenues and Cost Reimbursements Revenues*

We provide day-to-day-management services, including housekeeping services, operation of reservation systems, maintenance and certain accounting and administrative services for property owners' associations, condominium owners and hotels.

We generate revenue from fees we earn for managing vacation ownership resorts, clubs, owners' associations, condominiums and hotels. In our Vacation Ownership segment, these fees are earned regardless of usage or occupancy and are typically based on either a percentage of the budgeted costs to operate the resorts or a fixed fee arrangement ("VO management fee revenues"). In our Exchange & Third-Party Management segment, we earn base management fees which are typically either (i) fixed amounts, (ii) amounts based on a percentage of adjusted gross lodging revenue, or (iii) various revenue sharing agreements based on stated formulas ("Base management fee revenues") and incentive management fees, which are generally a percentage of either operating profits or improvement in operating profits ("Incentive management fees"). In addition, we receive reimbursement of costs incurred on behalf of our customers, which consist of actual expenses with no added margin ("cost reimbursements"). Vacation Ownership segment cost reimbursements revenues exclude amounts that we have paid to the property owners' associations related to maintenance fees for unsold vacation ownership products, as we have concluded that such payments are consideration payable to a customer.

Management fees are collected over time or upfront depending upon the specific management contract. Cost reimbursements are received over time and considered variable consideration. We have determined that a significant financing component does not exist as a substantial amount of the consideration promised by the customer is paid when the associated variable consideration is determined.

We evaluated the nature of the management services provided and concluded that the management services constitute a series of distinct services to be accounted for as a single performance obligation transferred over time. We use an input method, the number of days that management services are provided, to recognize VO management fee revenues and Base management fee revenues, which is consistent with the pattern of transfer to the customers who receive and consume the benefits as services are provided each day. We recognize Incentive management fees as earned throughout the incentive period based on actual results, which is subject to estimation of the transaction price.

Any consideration we receive in advance of services being rendered is recorded as Deferred revenue on our Balance Sheets and is recognized ratably across the service period to which it relates. We recognize variable consideration for Cost reimbursements revenues when the reimbursable costs are incurred.

*Other Services Revenues*

Other services revenues includes revenues from membership fees, club dues and additional fees for services we provide to customers. Membership fees and club dues are received in advance of providing access to the exchange services, are recorded as Deferred revenue on our Balance Sheets and are earned regardless of whether exchange services are provided. Generally, Interval International memberships are cancellable and refundable on a pro-rata basis, with the exception of the Interval International network's Platinum tier which is non-refundable. Transaction-based fees are typically collected at a point in time.

We have determined that exchange services constitute a stand-ready obligation for us to provide unlimited access to exchange services over a defined period of time, when and if a customer (or customer of a customer) requests. We have determined that customers benefit from the stand-ready obligation evenly throughout the period in which the customer has access to exchange services and as such, recognize membership fees and club dues on a straight-line basis over the related period of time.

Transaction-based fees are recognized as revenue at the point in time at which the relevant goods or services are transferred to the customer. For transaction-based fees, we evaluate whether we control the underlying goods or services prior to delivery to the customer. Transaction-based fees from exchanges and other transactions in our Exchange & Third-Party Management segment are generally recognized when confirmation of the transaction is provided and services have been rendered. For transactions where we do not control the goods or services prior to delivery, the related revenue is recorded net of the related cost upon recognition.

***Financing Revenues***

We offer consumer financing as an option to qualifying customers purchasing vacation ownership products, which is collateralized by the underlying vacation ownership products. We recognize interest income on an accrual basis. The contractual terms of the financing agreements require that the contractual level of annual principal payments be sufficient to amortize the loan over a customary period for the vacation ownership product being financed, which is generally ten years. Generally, payments commence under the financing contracts 30 to 60 days after closing. We record the difference between the vacation ownership note receivable and the variable consideration included in the transaction price for the sale of the related vacation ownership product as a reserve on our vacation ownership notes receivable. We earn interest income from the financing arrangements on the principal balance outstanding over the life of the arrangement and record that interest income in Financing revenues on our Income Statements.

In addition, we recognize interest income related to our acquired vacation ownership notes receivable using the level yield method. See Footnote 7 “Vacation Ownership Notes Receivable” for additional information related to the accounting for our acquired vacation ownership notes receivable.

Financing revenues include transaction-based fees we charge to owners and other third parties for services. We recognize fee revenues when services have been rendered.

***Rental Revenues***

In our Vacation Ownership segment, we generate revenue from rentals of inventory that we hold for sale as interests in our vacation ownership programs, inventory that we control because our owners have elected alternative usage options permitted under our vacation ownership programs and rentals of owned-hotel properties. In our Exchange & Third-Party Management segment, we offer vacation rental opportunities for managed properties and to members of the Interval International network and certain other membership programs from seasonal oversupply or underutilized space, as well as sourced resort accommodations.

We receive payments for rentals primarily through credit card charges. We generally recognize rental revenues when occupancy has occurred, which is consistent with the period in which the customer benefits from such service. For certain rental revenues associated with our Exchange & Third-Party Management segment, revenue is recognized when confirmation of the transaction is provided as we concluded we are an agent for these transactions. We recognize rental revenue from the utilization of plus points issued in connection with the sale of vacation ownership products as described in “*Sale of Vacation Ownership Products*” above.

We also generate revenues from vacation packages sold to our customers. The packages have an expiration period of six to twenty-four months, and payments for such packages are non-refundable and generally paid by the customer in advance. Payments received in advance are recorded as Advance deposits on our Balance Sheets, until the revenue is recognized, when occupancy has occurred. For rental revenues associated with vacation ownership products which we own and which are registered and held for sale, to the extent that the proceeds are less than costs, revenues are reported net in accordance with ASC Topic 978, “*Real Estate – Time-Sharing Activities*.”

***Arrangements with Multiple Performance Obligations***

Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. In cases where the standalone selling price is not readily available, we generally determine the standalone selling prices utilizing the adjusted market approach, using prices from similar contracts, our historical pricing on similar contracts, our internal marketing and selling data and other internal and external inputs we deem to be appropriate. Significant judgment is required in determining the standalone selling price under the adjusted market approach.

***Receivables, Contract Assets & Contract Liabilities***

As discussed above, the payment terms and conditions in our customer contracts vary. In some cases, customers prepay for their goods and services; in other cases, after appropriate credit evaluations, payment is due in arrears. When the timing of our delivery of goods and services is different from the timing of the payments made by customers, we recognize either a contract asset (performance precedes contractual due date) or a contract liability (customer payment precedes performance or when we have a right to consideration that is unconditional before the transfer of goods or services to a customer). Receivables are recorded when the right to consideration becomes unconditional. Contract liabilities are recognized as revenue as (or when) we perform under the contract. See Footnote 5 "Revenue" for additional information related to our receivables, contract assets and contract liabilities.

***Costs Incurred to Sell Vacation Ownership Products***

We charge marketing and sales costs we incur to sell vacation ownership products to expense when incurred.

***(Loss) Earnings Per Share Attributable to Common Shareholders***

Basic (loss) earnings per share attributable to common shareholders is calculated by dividing the (loss) earnings available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted (loss) earnings per share attributable to common shareholders is calculated to give effect to all potentially dilutive common shares that were outstanding during the reporting period. The dilutive effect of outstanding equity-based compensation awards is reflected in diluted earnings per share attributable to common shareholders by application of the treasury stock method. Any potentially dilutive equity-based compensation awards are excluded from the calculation for periods when there is a net loss attributable to common shareholders to avoid anti-dilutive effects.

***Business Combinations***

We allocate the purchase price of an acquisition to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. We recognize as goodwill the amount by which the purchase price of an acquired entity exceeds the net of the fair values assigned to the assets acquired and liabilities assumed. In determining the fair values of assets acquired and liabilities assumed, we use various recognized valuation methods including the income, cost and market approaches. Further, we make assumptions within certain valuation techniques, including discount rates, royalty rates, and the amount and timing of future cash flows. We record the net assets and results of operations of an acquired entity in our Financial Statements from the acquisition date. We initially perform these valuations based upon preliminary estimates and assumptions by management or independent valuation specialists under our supervision, where appropriate, and make revisions as estimates and assumptions are finalized. We expense acquisition-related costs as we incur them.

As part of our accounting for business combinations we are required to determine the useful lives of identifiable intangible assets recognized separately from goodwill. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the acquired business. An intangible asset with a finite useful life shall be amortized; an intangible asset with an indefinite useful life shall not be amortized. We base the estimate of the useful life of an intangible asset on an analysis of all pertinent factors, in particular, all of the following factors with no one factor being more presumptive than the other:

- The expected use of the asset.
- The expected useful life of another asset or a group of assets to which the useful life of the intangible asset may relate.
- Any legal, regulatory, or contractual provisions that may limit the useful life.
- Our own historical experience in renewing or extending similar arrangements, consistent with our intended use of the asset, regardless of whether those arrangements have explicit renewal or extension provisions.
- The effects of obsolescence, demand, competition, and other economic factors.
- The level of maintenance expenditures required to obtain the expected future cash flows from the asset.

If no legal, regulatory, contractual, competitive, economic, or other factors limit the useful life of an intangible asset to the reporting entity, the useful life of the asset shall be considered to be indefinite. The term indefinite does not mean the same as infinite or indeterminate. The useful life of an intangible asset is indefinite if that life extends beyond the foreseeable horizon; that is, there is no foreseeable limit on the period of time over which it is expected to contribute to the cash flows of the acquired business.

Although we believe the assumptions and estimates we have made have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired entity and are inherently uncertain. Examples of critical estimates in accounting for acquisitions include but are not limited to future expected cash flows from sales of products and services and related contracts and agreements and discount and long-term growth rates. Unanticipated events and circumstances may occur which could affect the accuracy or validity of our assumptions, estimates or actual results.

Additionally, when acquiring a company that has recorded deferred revenue in its historical, pre-acquisition financial statements, we are required as part of purchase accounting to re-measure the deferred revenue as of the acquisition date. Deferred revenue is re-measured to represent solely the cost that relates to the associated legal performance obligation which we assumed as part of the acquisition, plus a normal profit margin representing the level of effort or risk assumed. Legal performance obligations that simply relate to the passage of time would not result in recognized deferred revenue as there is little to no associated cost. This purchase accounting treatment typically results in lower amounts of revenue recognized in a reporting period following the acquisition than would have otherwise been recognized on a historical basis.

***Variable Interest Entities***

We consolidate entities under our control, including VIEs where we are deemed to be the primary beneficiary. In accordance with the applicable accounting guidance for the consolidation of VIEs, we analyze our variable interests, including loans, guarantees and equity investments, to determine if an entity in which we have a variable interest is a VIE. Our analysis includes both quantitative and qualitative reviews. We base our quantitative analysis on the forecasted cash flows of the entity, and our qualitative analysis on our review of the design of the entity, its organizational structure including decision-making ability, and relevant financial agreements. We also use our qualitative analyses to determine if we must consolidate a VIE because we are its primary beneficiary.

***Fair Value Measurements***

We have several financial instruments that we must measure at fair value on a recurring basis. See Footnote 8 “Financial Instruments” for further information. We also apply the provisions of fair value measurement to various non-recurring measurements for our financial and non-financial assets and liabilities.

The applicable accounting standards define fair value as the price that would be received upon selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). We measure fair value of our assets and liabilities using inputs from the following three levels of the fair value hierarchy:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date.
- Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).
- Level 3 includes unobservable inputs that reflect our assumptions about what factors market participants would use in pricing the asset or liability. We develop these inputs based on the best information available, including our own data.

***Cash and Cash Equivalents***

We consider all highly liquid investments with an initial purchase maturity of three months or less at the date of purchase to be cash equivalents.

***Restricted Cash***

Restricted cash primarily consists of cash restricted for use by consolidated property owners’ associations which is designated for resort operations and other specific uses, such as reserves, cash held in a reserve account related to vacation ownership notes receivable securitizations, cash collected for maintenance fees to be remitted to property owners’ associations, and deposits received and held in escrow, primarily associated with the sale of vacation ownership products.

***Accounts Receivable***

Accounts receivable are stated at amounts due from customers, principally resort developers, members and managed properties, net of a reserve for credit losses. Accounts receivable outstanding longer than the contractual payment terms are considered past due. We determine our credit loss reserve for accounts receivable by considering a number of factors, including the length of time accounts receivable are past due, previous loss history, our judgment as to the specific customer's current ability to pay its obligation and the condition of the general economy. We write off accounts receivable when they become uncollectible once we have exhausted all means of collection. Accounts receivable is presented net of a reserve for credit losses of $15 million and $12 million at December 31, 2020 and December 31, 2019, respectively. Accounts receivable also includes interest receivable on vacation ownership notes receivable. Write-offs of interest receivable are recorded as a reversal of previously recorded interest income.

***Acquired Vacation Ownership Notes Receivable Reserve for Credit Losses***

As part of the ILG Acquisition, we acquired existing portfolios of vacation ownership notes receivable. At acquisition, we recorded these vacation ownership notes receivable at fair value. Upon adoption of ASU 2016-13 (as defined below) on January 1, 2020, we account for these acquired vacation ownership notes receivable using the purchased credit deteriorated assets provision of the current expected credit loss model, whereby we established a reserve for credit losses and a corresponding increase in the book value of the acquired vacation ownership notes receivable, resulting in no impact to the recorded balance. The estimates of the reserve for credit losses on the acquired vacation ownership notes receivable are based on default rates that are an output of our static pool analyses. Any changes in the reserve for credit losses are recorded as Financing expenses on our Income Statements.

In addition, we established a noncredit discount of $2 million, which represents the difference between the amortized cost basis and the par value of our acquired vacation ownership notes receivable. The noncredit discount will be amortized to interest expense over the contractual life of the acquired vacation ownership notes receivable and is recorded as Financing expenses on our Income Statements.

For additional information on our acquired vacation ownership notes receivable, including information on the related reserves and the impact of the COVID-19 pandemic, see Footnote 7 "Vacation Ownership Notes Receivable."

***Originated Vacation Ownership Notes Receivable Reserve***

We record the difference between the vacation ownership note receivable and the variable consideration included in the transaction price for the sale of the related vacation ownership product as a reserve on our originated vacation ownership notes receivable. See "Financing Revenues" above for further information.

Although we consider loans to owners to be past due if we do not receive payment within 30 days of the due date, we suspend accrual of interest only on those loans that are over 90 days past due. For Legacy-MVW vacation ownership notes receivable, we consider loans over 150 days past due to be in default and fully reserve such amounts. For Legacy-ILG vacation ownership notes receivable we consider loans over 120 days past due to be in default and fully reserve such amounts. We apply payments we receive for vacation ownership notes receivable on non-accrual status first to interest, then to principal and any remainder to fees. We resume accruing interest when vacation ownership notes receivable are less than 90 days past due. We do not accept payments for vacation ownership notes receivable during the foreclosure process unless the amount is sufficient to pay all past due principal, interest, fees and penalties owed and fully reinstate the note. We write off vacation ownership notes receivable against the reserve once we receive title to the vacation ownership products through the foreclosure or deed-in-lieu process or, in certain circumstances, when revocation is complete.

For additional information on our originated vacation ownership notes receivable, including information on the related reserves and the impact of the COVID-19 pandemic, see Footnote 7 "Vacation Ownership Notes Receivable."

***Inventory***

Our inventory consists primarily of completed vacation ownership products and vacation ownership products under construction. We carry our inventory at the lower of (1) cost, including costs of improvements and amenities incurred subsequent to acquisition, capitalized interest and real estate taxes plus other costs incurred during construction, or (2) estimated fair value, less costs to sell, which can result in impairment charges and/or recoveries of previous impairments.

We account for vacation ownership inventory and cost of vacation ownership products in accordance with the authoritative guidance for accounting for real estate time-sharing transactions, which defines a specific application of the relative sales value method for reducing vacation ownership inventory and recording cost of sales as described in our policy for revenue recognition for vacation ownership products. Also, pursuant to the guidance for accounting for real estate time-sharing transactions, we do not reduce inventory for cost of vacation ownership products related to variable consideration which has not been included within the transaction price (accordingly, no adjustment is made when inventory is reacquired upon default of the related receivable). These standards provide for changes in estimates within the relative sales value calculations to be accounted for as real estate inventory true-ups, which we refer to as product cost true-up activity, and are recorded in Cost of vacation ownership product expenses on the Income Statements to retrospectively adjust the margin previously recorded subject to those estimates. For 2020, 2019 and 2018, product cost true-up activity relating to vacation ownership products increased carrying values of inventory by $6 million, $8 million and $6 million, respectively.

***Property and Equipment***

Property and equipment includes our sales centers, golf courses, information technology, including internally developed capitalized software, and other assets used in the normal course of business, as well as land held for future vacation ownership product development and undeveloped, and partially developed land parcels that are not part of an approved development plan and do not meet the criteria to be classified as held for sale. In addition, fully developed vacation ownership interests are classified as property and equipment until they are registered for sale. We record property and equipment at cost, including interest and real estate taxes incurred during active development. We capitalize the cost of improvements that extend the useful life of property and equipment when incurred. We expense all repair and maintenance costs as incurred. We compute depreciation using the straight-line method over the estimated useful lives of the assets (three to forty years), and we amortize leasehold improvements over the shorter of the asset life or lease term.

We also capitalize certain qualified costs incurred in connection with the development of internal use software. Capitalization of internal use software costs begins when the preliminary project stage is completed, management with the relevant authority authorizes and commits to the funding of the software project, and it is probable that the project will be completed and the software will be used to perform the function intended.

***Leases***

We account for leases in accordance with ASC Topic 842, "*Leases*" ("ASC 842"). We determine if an arrangement is or contains a lease at contract inception. Operating leases include lease arrangements for various land, corporate facilities, real estate and equipment. We also have a long-term land lease for land underlying an operating hotel. Corporate facilities leases are for office space, including our corporate headquarters in Orlando, Florida. Other operating leases are primarily for office, off-site sales centers and retail space, as well as various equipment supporting our operations, with varying terms and renewal option periods.

Finance leases include lease arrangements for ancillary and operations space. In addition, we also lease various equipment supporting our operations and classify these leases as finance leases in accordance with ASC 842. The depreciable life of these assets is limited to the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Right-of-use assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Short-term leases, which have an initial term of a year or less, are not recorded on the balance sheet. For purposes of calculating lease liabilities, lease terms may be deemed to include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Macro-economic conditions are the primary factor used to estimate whether an option to extend a lease term will be exercised or not. Because the rate implicit in our leases is not readily determinable, we use our incremental borrowing rate as the discount rate, which approximates the interest rate at which we could borrow on a collateralized basis with similar terms and payments and in similar economic environments. Right-of-use assets exclude the unamortized portion of lease incentives received. Certain of our lease agreements include variable rental payments that are based on a percentage of retail sales over contractual levels and others include rental payments adjusted periodically for inflation. Additionally, with respect to our real estate leases, we do not separate lease and non-lease components.

***Impairment of Long-Lived Assets and Other Intangible Assets***

We assess long-lived assets, including property and equipment, leases, and definite-lived intangible assets, for recoverability when changes in circumstances indicate the carrying value may not be recoverable, for example, when there are material adverse changes in projected revenues or expenses, significant underperformance relative to historical or projected operating results, or significant negative industry or economic trends. We evaluate recoverability of an asset group by comparing its carrying value to the future net undiscounted cash flows that we expect will be generated by the asset group. If the comparison indicates that the carrying value of an asset group is not recoverable, we recognize an impairment loss for the excess of carrying value over the estimated fair value. When we recognize an impairment loss for assets to be held and used, we depreciate the adjusted carrying amount of those assets over their remaining useful life.

We assess indefinite-lived intangible assets for potential impairment and continued indefinite use annually, or more frequently if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. We may first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible is less than its carrying amount. If the carrying value of the asset exceeds the fair value, we recognize an impairment loss in the amount of that excess.

We recorded $3 million of impairment charges for property and equipment during 2020. See Footnote 13 “Intangible Assets” for additional information on our intangibles, including the impairment charges recorded during the year ended December 31, 2020.

***Goodwill***

We perform an annual review for the potential impairment of the carrying value of goodwill in the fourth quarter, or more frequently if events or circumstances indicate a possible impairment. For purposes of evaluating goodwill for impairment, we have two reporting units, which are also our reportable operating segments. In evaluating goodwill for impairment, we may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If we bypass the qualitative assessment, or if we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then we perform a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount.

Qualitative factors that we consider include, for example, macroeconomic and industry conditions, overall financial performance, and other relevant entity-specific events. If the qualitative assessment is not conclusive, then a quantitative impairment analysis for goodwill is performed at the reporting unit level. We may also choose to perform this quantitative impairment analysis instead of the qualitative analysis. The quantitative impairment analysis compares the fair value of the reporting unit, determined using the income and/or market approach, to its recorded amount. If the recorded amount exceeds the fair value, then a goodwill impairment charge is recorded for the difference up to the recorded amount of goodwill.

We calculate the estimated fair value of a reporting unit using a weighting of the income and market approaches. For the income approach, we use internally developed discounted cash flow models that include the following assumptions, among others: projections of revenues, expenses, and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. For the market approach, we use internal analyses based primarily on market comparables. We base these assumptions on our historical data and experience, third-party appraisals, industry projections, micro and macro general economic condition projections, and our expectations.

See Footnote 12 “Goodwill” for additional information on our goodwill, including the impairment charges recorded during the year ended December 31, 2020.

***Convertible Senior Notes***

In accounting for the 1.50% Convertible Senior Notes due 2022 (the “2022 Convertible Notes”), we bifurcated the liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the 2022 Convertible Notes. The excess of the principal amount of the liability over its carrying amount is amortized to interest expense over the term of the 2022 Convertible Notes using the effective interest method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the issuance costs related to the 2022 Convertible Notes, we allocated the total amount incurred to the liability and equity components based on their relative values. Issuance costs attributable to the liability component are amortized to interest expense over the term of the 2022 Convertible Notes, and issuance costs attributable to the equity component are included along with the equity component in additional paid-in capital within shareholders’ equity. See Footnote 17 “Debt” for more information.

***Derivative Instruments***

We record derivatives at fair value. The designation of a derivative instrument as a hedge and its ability to meet the hedge accounting criteria determine how we reflect the change in fair value of the derivative instrument in our Financial Statements. A derivative qualifies for hedge accounting if we expect it to be highly effective in offsetting the underlying hedged exposure and we fulfill the hedge documentation requirements. We may designate a hedge as a cash flow hedge, fair value hedge, or a net investment in non-U.S. operations hedge based on the exposure we are hedging. If a qualifying hedge is deemed effective, we record changes in fair value in other comprehensive income.

We assess the effectiveness of our hedging instruments quarterly, recognize current period hedge ineffectiveness immediately in earnings, and discontinue hedge accounting for any hedge that we no longer consider to be highly effective. We recognize changes in fair value for derivatives not designated as hedges or those not qualifying for hedge accounting in current period earnings.

We are exposed to market risk from changes in interest rates, currency exchange rates and debt prices. We manage our exposure to these risks by monitoring available financing alternatives, through pricing policies that may take into account currency exchange rates, and by entering into derivative arrangements. As a matter of policy, we only enter into transactions that we believe will be highly effective at offsetting the underlying risk, and we do not use derivatives for trading or speculative purposes.

***Loss Contingencies***

We are subject to various legal proceedings and claims in the normal course of business, the outcomes of which are subject to significant uncertainty. We record an accrual for loss contingencies when we determine that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In making such determinations we evaluate, among other things, the degree of probability of an unfavorable outcome and, when it is probable that a liability has been incurred, our ability to make a reasonable estimate of the loss. We review these accruals each reporting period and make revisions based on changes in facts and circumstances.

***Defined Contribution Plan***

We administer and maintain a defined contribution plan for the benefit of all employees meeting certain eligibility requirements who elect to participate in the plan. Contributions are determined based on a specified percentage of salary deferrals by participating employees. We recognized compensation expense (net of cost reimbursements from property owners' associations) for our participating employees totaling $12 million in 2020, $19 million in 2019 and $11 million in 2018.

***Deferred Compensation Plan***

Certain members of our senior management have the opportunity to participate in the Marriott Vacations Worldwide Deferred Compensation Plan (the "Deferred Compensation Plan"), which we maintain and administer. Under both the Deferred Compensation Plan and the Marriott International EDC (as defined below) participating employees are able to defer payment and income taxation of a portion of their salary and bonus. It also provides participants with the opportunity for long-term capital appreciation by crediting their accounts with notional earnings.

Prior to the spin-off of MVW from Marriott International (the "Marriott Spin-Off"), certain members of our senior management had the opportunity to participate in the Marriott International, Inc. Executive Deferred Compensation Plan (the "Marriott International EDC"), which Marriott International maintains and administers. Subsequent to the Marriott Spin-Off, we remain liable to reimburse Marriott International for distributions to participants that were employees of Marriott Vacations Worldwide at the time of the Marriott Spin-Off including earnings thereon.

To support our ability to meet a portion of our obligations under the Deferred Compensation Plan, we acquired company owned insurance policies (the "COLI policies") on the lives of certain participants in the Deferred Compensation Plan, the proceeds of which are intended to be aligned with the investment alternatives elected by plan participants and are payable to a rabbi trust with the Company as grantor. For both 2020 and 2019, participants were able to select a rate of return based on market-based investment alternatives for up to 100 percent of their contributions and existing balances, with one of those options being a fixed rate of return of 3.5 percent.

We consolidate the liabilities of the Deferred Compensation Plan and the related assets, which consist of the COLI policies held in the rabbi trust. The rabbi trust is considered a VIE. We are considered the primary beneficiary of the rabbi trust because we direct the activities of the trust and are the beneficiary of the trust. At December 31, 2020, the value of the assets held in the rabbi trust was $54 million, which is included in the Other line within assets on our Balance Sheets.

***Share-Based Compensation Costs***

During the second quarter of 2020, our shareholders approved the Marriott Vacations Worldwide Corporation 2020 Equity Incentive Plan (the "MVW Equity Plan"), which supersedes both the Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan and the Interval Leisure Group, Inc. 2013 Stock and Incentive Plan (collectively, the "Prior Plans"). No new awards will be granted under the Prior Plans and all awards that were granted under the Prior Plans will remain outstanding and continue to be governed by the Prior Plans.

The MVW Equity Plan was established in order to compensate our employees and directors by granting them equity awards such as restricted stock units ("RSUs"), stock appreciation rights ("SARs") and stock options.

We follow the provisions of ASC Topic 718, "*Compensation—Stock Compensation*," which requires that a company measure the expense of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. Generally, share-based awards granted to our employees, other than RSUs with performance vesting conditions, vest ratably over a four-year period. For share-based awards with service-only vesting conditions, we record compensation expense on a straight-line basis over the requisite service period. For RSUs with performance vesting conditions, the number of RSUs earned, if any, is determined following the end of a performance period (typically three years) based upon the cumulative achievement over that period of specific quantitative operating financial measures and we recognize compensation expense once it is probable that the corresponding performance condition will be achieved.

SARs awarded under the MVW Equity Plan are granted at exercise prices or strike prices equal to the market price of our common stock on the date of grant (this price is referred to as the "base value"). SARs generally expire ten years after the date of grant and both vest and become exercisable in cumulative installments of one quarter of the grant at the end of each of the first four years following the date of grant. Upon exercise of SARs, our employees and non-employee directors receive a number of shares of our common stock equal to the number of SARs being exercised, multiplied by the quotient of (a) the market price of the common stock on the date of exercise (this price is referred to as the "final value") minus the base value, divided by (b) the final value.

We recognize the expense associated with these awards on our Income Statements based on the fair value of the awards as of the date that the share-based awards are granted and adjust that expense to the estimated number of awards that we expect will vest or be earned. The fair value of RSUs represents the number of awards granted multiplied by the average of the high and low market price of our common stock on the date the awards are granted reduced by the present value of the dividends expected to be paid on the shares during the vesting period, discounted at a risk-free interest rate. We generally determine the fair value of SARs using the Black-Scholes option valuation model which incorporates assumptions about expected volatility, risk free interest rate, dividend yield and expected term. We will issue shares from authorized shares upon the exercise of SARs or stock options held by our employees and directors.

For share-based awards granted to non-employee directors, we recognize compensation expense on the grant date based on the fair value of the awards as of that date. See Footnote 19 "Share-Based Compensation" for more information on the MVW Equity Plan.

***Non-U.S. Operations***

The U.S. dollar is the functional currency of our consolidated entities operating in the United States. The functional currency for our consolidated entities operating outside of the United States is generally the currency of the economic environment in which the entity primarily generates and expends cash. For consolidated entities whose functional currency is not the U.S. dollar, we translate their financial statements into U.S. dollars. We translate assets and liabilities at the exchange rate in effect as of the financial statement date and translate Income Statement accounts using the weighted average exchange rate for the period. We include translation adjustments from currency exchange and the effect of exchange rate changes on intercompany transactions of a long-term investment nature as a separate component of equity. We report gains and losses from currency exchange rate changes related to intercompany receivables and payables that are not of a long-term investment nature, as well as gains and losses from non-U.S. currency transactions, in the (Losses) gains and other (expense) income, net line on our Income Statements.

***Income Taxes***

We file income tax returns, including with respect to our subsidiaries, in various jurisdictions around the world. We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Changes in existing tax laws and rates, their related interpretations, and the uncertainty generated by the current economic environment may affect the amounts of deferred tax liabilities or the valuations of deferred tax assets over time. Our accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in the accounting estimates.

We record a valuation allowance on deferred taxes if we determine it is more likely than not that we will not fully realize the future benefit of deferred tax assets. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. In the event we determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which impacts the provision for income taxes.

We file tax returns after the close of our fiscal year end and adjust our estimated tax receivable or liability to the actual tax receivable or due per the filed tax returns. Historically, we have not experienced significant differences between our estimates of provision for income tax and actual amounts incurred.

For purposes of Global Intangible Low-Taxed Income ("GILTI"), we have elected to use the period cost method and therefore have not recorded deferred taxes for basis differences expected to reverse in future periods.

For tax positions we have taken, or expect to take, in a tax return we apply a more likely than not threshold, under which we must conclude a tax position is more likely than not to be sustained, assuming that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information, in order to continue to recognize the benefit. In determining our provision for income taxes, we use judgment, reflecting our estimates and assumptions, in applying the more likely than not threshold. Based on our evaluations of tax positions, we believe that potential tax exposures have been recorded appropriately. Additionally, we recognize accrued interest and penalties related to our unrecognized tax benefits as a component of tax expense.

For information about income taxes, deferred tax assets and liabilities, and uncertain tax benefits, see Footnote 6 "Income Taxes."

***New Accounting Standards***

Accounting Standards Update 2016-13 – "*Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*" ("ASU 2016-13")

In the first quarter of 2020, we adopted Accounting Standards Update ("ASU") 2016-13, which replaced the incurred loss impairment methodology in then-current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The update was intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The current expected credit loss model provides that an initial estimate of expected credit losses over the contractual life of the financial instrument is reflected in the allowance for credit losses and any changes to that estimate are recognized as adjustments to the allowance. ASU 2016-13 did not have a material impact on our financial statements or disclosures upon adoption, primarily as most of our vacation ownership notes receivable are recorded net of an allowance that is calculated in accordance with ASC 606.

*Vacation Ownership Notes Receivable*

Our originated vacation ownership notes receivable are recorded net of a reserve that is calculated in accordance with ASC 606, so there was no material impact upon adoption of ASU 2016-13. Our acquired vacation ownership notes receivable have historically been accounted for using the expected cash flow method of recognizing discount accretion based on the expected cash flows of those instruments. Upon adoption of ASU 2016-13, we established a reserve for credit losses and a corresponding increase in the book value of the acquired vacation ownership notes receivable, resulting in no impact to the recorded balance. In addition, we recorded a noncredit discount of $2 million, which represents the difference between the amortized cost basis and the par value of our acquired vacation ownership notes receivable. The noncredit discount will be amortized to interest expense over the contractual life of the acquired vacation ownership notes receivable and is recorded as Financing expenses on our Income Statements. For additional information on our vacation ownership notes receivable, including information on the related reserves, see Footnote 7 "Vacation Ownership Notes Receivable."

*Accounts Receivable*

Our Accounts receivable include amounts due from customers, principally credit card receivables, and amounts due from resort developers, members and managed properties. These amounts are typically due within one year and are presented net of a reserve for credit losses. Subsequent to our adoption of ASU 2016-13, we estimate expected credit losses for our accounts receivable by considering a number of factors, including previous loss history and the condition of the general economy, as well as any other significant events that may impact the collectibility of the specific accounts receivable. Accounts receivable also includes interest receivable on vacation ownership notes receivable. Write-offs of interest receivable are recorded as a reversal of previously recorded interest income. There was no material impact to our financial statements or disclosures as a result of our adoption of ASU 2016-13 for accounts receivable, and no material change in our reserve for credit losses during 2020.

Accounting Standards Update 2020-09 – *"Debt (Topic 470) – Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762"* ("ASU 2020-09")

In March 2020, the Securities and Exchange Commission (the "SEC") issued a final rule which simplifies the disclosure requirements related to registered securities under Rule 3-10 of Regulation S-X (the "SEC Final Rule"). The SEC Final Rule replaces the requirement for a parent entity to provide detailed disclosures regarding subsidiary issuers and guarantors of registered debt offerings within the footnotes to the consolidated financial statements. Under the SEC Final Rule, a parent entity is required to present summarized financial information of the issuers' and guarantors' balance sheets and statements of operations on a consolidated basis. It also requires qualitative disclosures with respect to information about guarantors and the terms and conditions of guarantees. These disclosures may be provided outside the footnotes to a company's consolidated financial statements. In October 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-09 to reflect the SEC's new disclosure rules on guaranteed debt securities offerings. We early adopted the reporting requirements of the SEC Final Rule as reflected in ASU 2020-09 in the first quarter of 2020 and elected to provide these disclosures within Management's Discussion and Analysis of Financial Condition and Results of Operations.

***Future Adoption of Accounting Standards***

Accounting Standards Update 2019-12 – *"Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"* ("ASU 2019-12")

In December 2019, the FASB issued ASU 2019-12, which amends and simplifies existing guidance in an effort to reduce the complexity of accounting for income taxes while maintaining or enhancing the helpfulness of information provided to financial statement users. This update is effective for fiscal years beginning after December 15, 2020, including interim periods therein, with early adoption permitted. We expect to adopt ASU 2019-12 commencing in fiscal year 2021 and continue to evaluate the impact that adoption of this update will have on our financial statements and disclosures. We do not anticipate a material change upon adoption.

Accounting Standards Update 2020-04 – "*Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*" ("ASU 2020-04")

In March 2020, the FASB issued ASU 2020-04, as amended, which provides optional expedients and exceptions to existing guidance on contract modifications and hedge accounting in an effort to ease the financial reporting burdens related to the expected market transition from the LIBOR and other interbank offered rates to alternative reference rates. This update can be adopted no later than December 1, 2022, with early adoption permitted. We expect to adopt ASU 2020-04 in fiscal year 2022 and continue to evaluate the impact that adoption of this update will have on our financial statements and disclosures.

Accounting Standards Update 2020-06 – "*Debt — Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity"* ("ASU 2020-06")

In August 2020, the FASB issued ASU 2020-06, which amends and simplifies existing guidance in an effort to reduce the complexity of accounting for convertible instruments and to provide financial statement users with more meaningful information. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods therein, with early adoption permitted for fiscal years beginning after December 15, 2020. This update may be applied retrospectively or on a modified retrospective basis with the cumulative effect recognized as an adjustment to the opening balance of retained earnings on the date of adoption. Additionally, this update provides for a one-time irrevocable election by entities to apply the fair value option in accordance with ASC Topic 825-10, "*Financial Instruments - Overall*," for any liability-classified convertible securities, with the difference between the carrying amount and the fair value recorded as a cumulative-effect adjustment to opening retained earnings as of the beginning of the period of adoption. We are evaluating the impact that ASU 2020-06, including the timing of implementation, will have on our financial statements and disclosures. In accordance with ASU 2020-06, we will be required to calculate diluted earnings per share under the "if-converted" method. Under the "if-converted" method, diluted earnings per share would generally be calculated assuming that all of the convertible notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive. The application of the "if-converted" method may reduce our reported diluted earnings per share.

## 3. RESTRUCTURING CHARGES

As a result of the COVID-19 pandemic, in September 2020 a workforce reduction plan was approved, which impacted approximately 3,000 associates beginning in November 2020. We expect that we will incur approximately $30 to $35 million in total restructuring and related charges, primarily related to employee severance and benefit costs. In connection with this plan, we have recorded the following on our Income Statement for the year ended December 31, 2020:

| ***($ in millions)*** | **Vacation Ownership** | **Exchange & Third-Party Management** | **Corporate and Other** | **Total** |
|---|---|---|---|---|
| Cost reimbursement revenues | $ 4 | $ 2 | $ — | $ 6 |
| Cost reimbursement expenses | $ (4) | $ (2) | $ — | $ (6) |
| Restructuring | $ 15 | $ 4 | $ 6 | $ 25 |

The following table presents our restructuring reserve activity during the year ended December 31, 2020:

| ***($ in millions)*** | **Employee Termination Costs** |
|---|---|
| Balance at December 31, 2019 | $ — |
| Charges | 25 |
| Cash Payments | (8) |
| Other | — |
| Balance at December 31, 2020 | $ 17 |

## 4. ACQUISITIONS AND DISPOSITIONS

***Acquisitions***

*New York, New York*

During the first quarter of 2020, we acquired 57 completed vacation ownership units, as well as office and ancillary space, located at our Marriott Vacation Club Pulse, New York City property for $89 million, of which $22 million was a prepayment for future tranches of completed vacation ownership units and $20 million was paid in December 2019. We accounted for the transaction as an asset acquisition with the purchase price allocated to Other assets ($22 million) and Property and equipment ($67 million).

See Footnote 20 “Variable Interest Entities” for information on our remaining commitment to purchase future inventory and additional information on our activities relating to the VIE involved in this transaction.

*San Francisco, California*

During the first quarter of 2020, we acquired 34 completed vacation ownership units located at our Marriott Vacation Club Pulse, San Francisco property for $26 million, of which $5 million was a prepayment for future tranches of completed vacation ownership units. We accounted for the transaction as an asset acquisition with the purchase price allocated to Inventory ($18 million), Other assets ($5 million), and Property and equipment ($3 million).

See Footnote 20 “Variable Interest Entities” for information on our remaining commitment to purchase future inventory and additional information on our activities relating to the VIE involved in this transaction.

During the third quarter of 2019, we acquired 78 completed vacation ownership units and a sales gallery located at our Marriott Vacation Club Pulse, San Francisco resort for $58 million. We accounted for the transaction as an asset acquisition with the purchase price allocated to Inventory ($48 million) and Property and equipment ($10 million).

*Marco Island, Florida*

During the fourth quarter of 2018, we acquired 92 completed vacation ownership units for $83 million and during the first quarter of 2018, we acquired 20 completed vacation ownership units for $24 million. Both transactions were accounted for as asset acquisitions with all of the purchase price allocated to Inventory.

***ILG Acquisition***

We completed the acquisition of ILG on September 1, 2018. The following table presents the fair value of each type of consideration transferred in the ILG Acquisition, as finalized at September 30, 2019.

| ***(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 per share 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 | | 32 |
| | $ | 4,217 |

*Fair Values of Assets Acquired and Liabilities Assumed*

The following table presents the fair values of the assets that we acquired and the liabilities that we assumed on the Acquisition Date.

| ***($ in millions)*** | | **September 1, 2018 (as finalized)** |
|---|---|---|
| Vacation ownership notes receivable | $ | 753 |
| Inventory | | 484 |
| Property and equipment | | 382 |
| Intangible assets | | 1,145 |
| Other assets | | 707 |
| Deferred revenue | | (291) |
| Deferred taxes | | (138) |
| Debt | | (392) |
| Securitized debt from VIEs | | (718) |
| Other liabilities | | (605) |
| Net assets acquired | | 1,327 |
| Goodwill[(1)] | | 2,890 |
| | $ | 4,217 |

(1) Goodwill is calculated as total consideration transferred, net of cash acquired, less identified net assets acquired and it represents the value that we expect to obtain from synergies and growth opportunities from our combined operations, and is not deductible for tax purposes. See Footnote 12 “Goodwill” for additional information on our goodwill.

We valued acquired vacation ownership notes receivables, which consisted of loans to customers who purchased vacation ownership products and chose to finance their purchase, using a discounted cash flow model, under which we calculated a present value of expected future cash flows over the term of the respective vacation ownership notes receivable (Level 3). We valued acquired inventory, which consisted of completed unsold VOIs and vacation ownership projects under construction, using an income approach, which is primarily based on significant Level 3 assumptions, such as estimates of future income growth, capitalization rates, discount rates and capital expenditure needs of the relevant properties. We valued acquired property and equipment, which included four owned hotels, using a combination of the income, cost, and market approaches, which are primarily based on significant Level 3 assumptions, such as estimates of future income growth, capitalization rates, discount rates and capital expenditure needs of the hotels. We valued deferred revenue, primarily related to membership fees, which are deferred and recognized over the terms of the applicable memberships, utilizing Level 3 inputs based on a review of existing deferred revenue balances against legal performance obligations. We estimated deferred income taxes based on statutory rates in the jurisdictions of the legal entities where the acquired assets and liabilities are recorded.

We valued the senior unsecured notes assumed using a quoted market price, which is considered a Level 2 input as it is observable in the market; however these notes had only a limited trading volume and as such this fair value estimate is not necessarily indicative of the value at which these notes could be retired or transferred. The carrying value of the outstanding balance on the revolving credit facility that was acquired, which was extinguished and repaid in full upon completion of the ILG Acquisition, approximated fair value, as the contractual interest rate was variable plus an applicable margin based credit rating (Level 3 input). We valued assumed securitized debt from VIEs using a discounted cash flow model. The significant assumptions in our analysis include default rates, prepayment rates, bond interest rates and other structural factors (Level 3 inputs).

The following table presents the fair values ILG's identified intangible assets and their related estimated useful lives as of the Acquisition Date.

| *($ in millions)* | September 1, 2018 (as finalized) | Useful Life (in years) |
|---|---|---|
| Member relationships | $ 671 | 15 to 20 |
| Management contracts | 357 | 15 to 25 |
| Management contracts[1] | 35 | indefinite |
| Trade names and trademarks | 82 | indefinite |
| | $ 1,145 | |

(1) These management contracts were entirely related to the VRI Europe business, which we disposed of in the fourth quarter of 2018. The indefinite-lived management contracts, by their terms, continued beyond the then foreseeable horizon. There were no legal, regulatory, contractual, competitive, economic or other factors which limited the period of time over which these resort management contracts were expected to contribute future cash flows.

We valued member relationships and management contracts using the multi-period excess earnings method, which is a variation of the income approach. This method estimates an intangible asset's value based on the present value of the incremental after-tax cash flows attributable to the intangible asset. We valued trade names and trademarks using the relief-from-royalty method, which applies an estimated royalty rate to forecasted future cash flows, discounted to present value. These valuation approaches utilize Level 3 inputs.

*Pro Forma Results of Operations*

The following unaudited pro forma information presents the combined results of operations of Marriott Vacations Worldwide and ILG as if we had completed the ILG Acquisition on December 30, 2016, the last day of our 2016 fiscal year, but using our fair values of assets and liabilities as of the Acquisition Date. As required by GAAP, these unaudited pro forma results do not reflect any synergies from operating efficiencies. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the ILG Acquisition had occurred at the beginning of the period presented, nor are they indicative of future results of operations. The unaudited pro forma results below include $54 million of ILG acquisition-related costs.

| *($ in millions, except per share data)* | 2018 |
|---|---|
| Revenues | $ 4,216 |
| Net income | $ 210 |
| Net income attributable to common shareholders | $ 211 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS** | |
| Basic | $ 4.49 |
| Diluted | $ 4.38 |

***Dispositions***

During the third quarter of 2020, we recorded a loss of $5 million in the (Losses) gains and other (expense) income, net line on our Income Statement for the year ended December 31, 2020 relating to the redemption of our interest in a joint venture in our Exchange & Third-Party Management segment which was consolidated under the voting interest model. We received nominal cash proceeds and a note receivable which we measured at a fair value of $1 million using Level 3 inputs.

Additionally, during the third quarter of 2020, we disposed of excess Vacation Ownership segment land parcels in Orlando, Florida and Steamboat Springs, Colorado for combined proceeds of $15 million, as part of our strategic decision to reduce holdings in markets where we have excess supply, as discussed further below. We recorded a combined net gain of $6 million in the (Losses) gains and other (expense) income, net line on our Income Statement for year ended December 31, 2020 relating to these transactions.

*2019 Strategy Change*

As a result of the ILG Acquisition, we performed a comprehensive review to evaluate the strategic fit of the land holdings and operating hotels in our Vacation Ownership segment. A key focus of our comprehensive review was to evaluate opportunities to reduce holdings in markets where we have excess supply so that future inventory spend can be focused on markets that create incremental cost-effective sales locations in areas of high customer demand. We evaluated each asset in the context of its current and anticipated product form, our inventory needs and our operating strategy.

As a result of the change in our development strategy, in the third quarter of 2019, we recorded a non-cash impairment charge of $72 million, of which $61 million related to land and land improvements associated with future phases of three existing resorts, primarily attributable to the fact that the book values of these assets include the historical allocations of common costs incurred when we built the infrastructure of these resorts, $9 million related to a land parcel held for future development and $2 million related to an ancillary business, as the book values of these assets were in excess of the estimated fair values of these assets. We also reviewed the remainder of the assets identified for disposition and determined that no other impairment charges were necessary.

We used a combination of the market and income approaches to estimate the fair value of these assets. Under the market approach, a Level 2 input, fair value is measured through an analysis of sales and offerings of comparable property which are adjusted to reflect differences between the asset being valued and the comparable assets, such as location, time and terms of sales, utility and physical characteristics. Under the income approach, a Level 3 input, fair value is measured through a discounted cash flow. Under the income approach, we contemplated alternative uses to comply with the highest and best use provisions of ASC 820.

During the fourth quarter of 2019, we disposed of excess land parcels in Cancun, Mexico and Avon, Colorado for proceeds of $62 million, of which $8 million is deferred until certain conditions associated with the sale have been met, as part of our strategic decision to reduce holdings in markets where we have excess supply. We recorded a combined net gain of $19 million in the (Losses) gains and other (expense) income, net line on our Income Statement for the year ended December 31, 2019.

*VRI Europe*

As part of the ILG Acquisition, we acquired a 75.5 percent interest in VRI Europe Limited (“VRI Europe”), a joint venture comprised of a European vacation ownership resort management business, which was consolidated by MVW under the voting interest model. During the fourth quarter of 2018, we sold our interest in VRI Europe to an affiliate of the noncontrolling interest holder for our book value of $63 million, of which we received $40 million in cash in 2018. In addition, we recorded a receivable of $6 million due in 2019 and a note receivable of $17 million due in 2020 relating to the transaction, both of which were received in 2019.

## 5. REVENUE

*Sources of Revenue by Segment*

The following tables detail the sources of revenue by segment for each of the last three fiscal years.

| ($ in millions) | 2020 Vacation Ownership | 2020 Exchange & Third-Party Management | 2020 Corporate and Other | 2020 Total |
|---|---|---|---|---|
| Sale of vacation ownership products | $ 546 | $ — | $ — | $ 546 |
| | | | | |
| Ancillary revenues | 89 | 1 | — | 90 |
| Management fee revenues | 149 | 17 | (22) | 144 |
| Exchange and other services revenues | 118 | 193 | 210 | 521 |
| Management and exchange | 356 | 211 | 188 | 755 |
| | | | | |
| Rental | 239 | 37 | — | 276 |
| | | | | |
| Cost reimbursements | 1,124 | 59 | (141) | 1,042 |
| Revenue from contracts with customers | 2,265 | 307 | 47 | 2,619 |
| | | | | |
| Financing | 265 | 2 | — | 267 |
| Total Revenues | $ 2,530 | $ 309 | $ 47 | $ 2,886 |

| ($ in millions) | 2019 Vacation Ownership | 2019 Exchange & Third-Party Management | 2019 Corporate and Other | 2019 Total |
|---|---|---|---|---|
| Sale of vacation ownership products | $ 1,354 | $ — | $ — | $ 1,354 |
| | | | | |
| Ancillary revenues | 224 | 4 | — | 228 |
| Management fee revenues | 144 | 46 | (13) | 177 |
| Exchange and other services revenues | 120 | 248 | 176 | 544 |
| Management and exchange | 488 | 298 | 163 | 949 |
| | | | | |
| Rental | 512 | 61 | — | 573 |
| | | | | |
| Cost reimbursements | 1,136 | 91 | (119) | 1,108 |
| Revenue from contracts with customers | 3,490 | 450 | 44 | 3,984 |
| | | | | |
| Financing | 271 | 4 | — | 275 |
| Total Revenues | $ 3,761 | $ 454 | $ 44 | $ 4,259 |

| ($ in millions) | 2018 Vacation Ownership | 2018 Exchange & Third-Party Management | 2018 Corporate and Other | 2018 Total |
|---|---|---|---|---|
| Sale of vacation ownership products | $ 990 | $ — | $ — | $ 990 |
| | | | | |
| Ancillary revenues | 160 | 1 | — | 161 |
| Management fee revenues | 114 | 30 | (4) | 140 |
| Exchange and other services revenues | 85 | 78 | 35 | 198 |
| Management and exchange | 359 | 109 | 31 | 499 |
| | | | | |
| Rental | 352 | 18 | 1 | 371 |
| | | | | |
| Cost reimbursements | 920 | 33 | (28) | 925 |
| Revenue from contracts with customers | 2,621 | 160 | 4 | 2,785 |
| | | | | |
| Financing | 182 | 1 | — | 183 |
| Total Revenues | $ 2,803 | $ 161 | $ 4 | $ 2,968 |

*Timing of Revenue from Contracts with Customers by Segment*

The following tables detail the timing of revenue from contracts with customers by segment for each of the last three fiscal years.

| ($ in millions) | 2020 Vacation Ownership | 2020 Exchange & Third-Party Management | 2020 Corporate and Other | 2020 Total |
|---|---|---|---|---|
| Services transferred over time | $ 1,616 | $ 156 | $ 47 | $ 1,819 |
| Goods or services transferred at a point in time | 649 | 151 | — | 800 |
| Revenue from contracts with customers | $ 2,265 | $ 307 | $ 47 | $ 2,619 |

| ($ in millions) | 2019 Vacation Ownership | 2019 Exchange & Third-Party Management | 2019 Corporate and Other | 2019 Total |
|---|---|---|---|---|
| Services transferred over time | $ 1,896 | $ 194 | $ 44 | $ 2,134 |
| Goods or services transferred at a point in time | 1,594 | 256 | — | 1,850 |
| Revenue from contracts with customers | $ 3,490 | $ 450 | $ 44 | $ 3,984 |

| ($ in millions) | 2018 Vacation Ownership | 2018 Exchange & Third-Party Management | 2018 Corporate and Other | 2018 Total |
|---|---|---|---|---|
| Services transferred over time | $ 1,467 | $ 95 | $ 4 | $ 1,566 |
| Goods or services transferred at a point in time | 1,154 | 65 | — | 1,219 |
| Revenue from contracts with customers | $ 2,621 | $ 160 | $ 4 | $ 2,785 |

*Receivables from Contracts with Customers, Contract Assets, & Contract Liabilities*

The following table shows the composition of our receivables from contracts with customers and contract liabilities. We had no contract assets at either December 31, 2020 or December 31, 2019.

| *($ in millions)* | At December 31, 2020 | At December 31, 2019 |
|---|---|---|
| **Receivables** | | |
| Accounts receivable | $ 150 | $ 166 |
| Vacation ownership notes receivable, net | 1,840 | 2,233 |
| | $ 1,990 | $ 2,399 |
| | | |
| **Contract Liabilities** | | |
| Advance deposits | $ 147 | $ 187 |
| Deferred revenue | 488 | 433 |
| | $ 635 | $ 620 |

Revenue recognized during the year ended December 31, 2020 that was included in our contract liabilities balance at December 31, 2019 was $355 million.

*Remaining Performance Obligations*

Our remaining performance obligations represent the expected transaction price allocated to our contracts that we expect to recognize as revenue in future periods when we perform under the contracts. At December 31, 2020, approximately 82 percent of this amount is expected to be recognized as revenue over the next two years.

*Accounts Receivable*

Accounts receivable is comprised of amounts due from customers, primarily property owners’ associations, resort developers and members, credit card receivables, interest receivables, amounts due from taxing authorities, indemnification assets, and other miscellaneous receivables. The following table shows the composition of our accounts receivable balances:

| *($ in millions)* | At December 31, 2020 | At December 31, 2019 |
|---|---|---|
| Receivables from contracts with customers | $ 150 | $ 166 |
| Interest receivable | 13 | 16 |
| Tax receivable | 60 | 82 |
| Indemnification asset | 15 | 38 |
| Employee tax credit receivable | 19 | — |
| Other | 19 | 21 |
| | $ 276 | $ 323 |

## 6. INCOME TAXES

*Income Tax Provision*

The following table presents the components of our (losses) earnings before income taxes for the last three fiscal years:

| ***($ in millions)*** | **2020** | **2019** | **2018** |
|---|---|---|---|
| United States | $ (255) | $ 190 | $ 108 |
| Non-U.S. jurisdictions | (85) | 35 | (5) |
| | $ (340) | $ 225 | $ 103 |

Our benefit from (provision for) income taxes for the last three years consisted of:

| ***($ in millions)*** | | **2020** | **2019** | **2018** |
|---|---|---|---|---|
| Current | – U.S. Federal | $ 31 | $ (12) | $ 17 |
| | – U.S. State | 1 | (29) | (1) |
| | – Non-U.S. | 11 | (36) | (10) |
| | | 43 | (77) | 6 |
| | | | | |
| Deferred | – U.S. Federal | 26 | (28) | (46) |
| | – U.S. State | 9 | 17 | (9) |
| | – Non-U.S. | 6 | 5 | (2) |
| | | 41 | (6) | (57) |
| | | $ 84 | $ (83) | $ (51) |

*U.S. Tax Law Update*

We have considered the income tax accounting and disclosure implications of the relief provided by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") enacted on March 27, 2020. As of December 31, 2020, we evaluated the income tax provisions of the CARES Act and have determined there to be a 6.0 percent benefit to the December 31, 2020 tax rate. We will continue to evaluate the income tax provisions of the CARES Act and monitor the developments in the jurisdictions where we have significant operations for tax law changes that could have additional income tax accounting and disclosure implications.

*Reconciliation of U.S. Federal Statutory Income Tax Rate to Actual Income Tax Rate*

The following table reconciles the U.S. statutory income tax rate to our effective income tax rate:

| | **2020** | **2019** | **2018** |
|---|---|---|---|
| U.S. statutory income tax rate | 21.0% | 21.0% | 21.0% |
| U.S. state income taxes, net of U.S. federal tax benefit | 4.5 | 4.2 | 4.2 |
| Share-based compensation, net of Section 162(m) limitation(1) | 0.2 | 0.7 | 3.6 |
| Transaction costs(2) | — | — | 4.7 |
| Other permanent differences(3) | (8.0) | 3.9 | 4.2 |
| Impact related to the CARES Act of 2020 | 6.0 | — | — |
| Impact related to the Tax Cuts and Jobs Act of 2017 | — | — | 1.2 |
| Foreign tax rate changes | 0.4 | — | (0.1) |
| Non-U.S. income (loss)(4) | 2.4 | 2.2 | 3.9 |
| Foreign tax credits | — | (6.3) | (1.4) |
| Unrecognized tax benefits | 5.2 | 3.1 | — |
| Change in valuation allowance(5) | (7.5) | 7.0 | 8.6 |
| Other items | 0.4 | 1.1 | (0.1) |
| Effective rate | 24.6% | 36.9% | 49.8% |

(1) The 2018 increase is attributable to non-deductible executive compensation under provisions of the Tax Cuts and Jobs Act of 2017.

(2) Attributed to non-deductible transaction costs incurred as a result of the ILG Acquisition.

(3) The 2020 change is primarily attributable to non-deductible goodwill impairment recorded due to the impact of COVID-19. For 2019 and 2018, primarily due to non-deductible meal and entertainment expenses and new foreign tax provisions, under provisions of the Tax Cuts and Jobs Act of 2017.

(4) Attributed to the difference between U.S. and foreign income tax rates and other foreign adjustments.

(5) In 2020, primarily attributable to the increase of the valuation allowance on Spanish and Mexican entities and to losses and future deductions in foreign jurisdictions for which a tax benefit has not been recognized through establishment of valuation allowances. In 2019, primarily attributable to foreign tax credit carryforwards in the branch and treaty baskets and losses and future deductions in foreign jurisdictions for which a tax benefit has not been recognized through establishment of valuation allowances. In 2018, primarily attributable to losses and future deductions in foreign jurisdictions for which a tax benefit has not been recognized through establishment of valuation allowances.

For the years ended December 31, 2020, 2019 and 2018, the provision for income taxes included $4 million, $2 million, and $2 million of excess tax benefits resulting from equity incentive plan activities, respectively.

We conduct business in countries that grant "holidays" from income taxes for ten to thirty year periods. These holidays expire through 2034.

*Other*

We finalized our purchase price accounting for the ILG Acquisition during 2019 and established a reserve for non-income tax issues related to Legacy-ILG. As of December 31, 2020, the balance of this reserve was $46 million. We expect that we will be indemnified for liabilities of $8 million in connection with these non-income tax matters pursuant to a Tax Matters Agreement dated May 11, 2016 by and among Starwood Hotels & Resorts Worldwide, Inc. ("Starwood"), Vistana Signature Experiences, Inc. ("Vistana"), and Interval Leisure Group, Inc. ("Interval Leisure Group"), and consequently have recorded a corresponding indemnification asset.

*Deferred Income Taxes*

The following table presents the significant components of our deferred tax assets and liabilities:

| ***($ in millions)*** | **At Year-End 2020** | **At Year-End 2019** |
|---|---|---|
| **Deferred Tax Assets** | | |
| Inventory | $ 83 | $ 117 |
| Reserves | 98 | 77 |
| Deferred revenue | 12 | 14 |
| Property and equipment | 72 | 74 |
| Net operating loss and capital loss carryforwards | 98 | 61 |
| Tax credits | 31 | 37 |
| Right-of-use asset | 2 | 3 |
| Other, net | 113 | 95 |
| Deferred tax assets | 509 | 478 |
| Less valuation allowance | (106) | (97) |
| Net deferred tax assets | 403 | 381 |
| | | |
| **Deferred Tax Liabilities** | | |
| Long lived intangible assets | (233) | (244) |
| Deferred sales of vacation ownership interests | (362) | (363) |
| Right-of-use liability | (2) | (3) |
| Other, net | (43) | (42) |
| Deferred tax liabilities | (640) | (652) |
| | | |
| Total net deferred tax liabilities | $ (237) | $ (271) |

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. In 2020 we established an additional valuation allowance of $12 million on foreign net tax assets.

We have $70 million of foreign net operating loss carryforwards, some of which begin expiring in 2021; however, a significant portion of these have indefinite carryforward periods. We have $15 million of federal net operating losses and $11 million of state net operating loss carryforwards, none of which will expire within the next five years. We have U.S. federal foreign tax credit carryforwards of $20 million, federal capital loss carryforwards of $1 million, and $11 million of state tax credit carryforwards.

As a result of the Tax Cuts and Jobs Act of 2017, distribution of profits from non-U.S. subsidiaries are not expected to cause a significant incremental U.S. tax impact in the future. However, distributions may be subject to non-U.S. withholding taxes if profits are distributed from certain jurisdictions. Our present intention is to indefinitely reinvest residual historic undistributed accumulated earnings associated with certain foreign subsidiaries. We have not provided for deferred taxes on outside basis differences in our investments in these foreign subsidiaries, and such estimates are not practicable to be determined.

*Unrecognized Tax Benefits*

A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding interest and penalties) is as follows:

| ***($ in millions)*** | **2020** | **2019** | **2018** |
|---|---|---|---|
| Unrecognized tax benefit at beginning of year | $ 21 | $ 2 | $ 2 |
| Increases related to tax positions taken during a prior period | 6 | 18 | — |
| Increases related to tax positions taken during the current period | 2 | 1 | — |
| Decreases related to settlements with taxing authorities | (14) | — | — |
| Decreases as a result of a lapse of the applicable statute of limitations | (1) | — | — |
| Unrecognized tax benefit at end of year | $ 14 | $ 21 | $ 2 |

The total unrecognized tax benefits related to uncertain income tax positions, which would affect the effective tax rate if recognized, were $14 million at December 31, 2020 and $21 million at December 31, 2019. The total amount of gross interest and penalties accrued were $25 million at December 31, 2020 and $41 million at December 31, 2019. We anticipate $4 million of unrecognized tax benefits, including interest and penalties, to be indemnified pursuant to a Tax Matters Agreement dated May 11, 2016 by and among Starwood Hotels & Resorts Worldwide, Inc., Vistana Signature Experiences, Inc., and Interval Leisure Group, Inc., and consequently have recorded a corresponding indemnification asset. The unrecognized tax benefit, including accrued interest and penalties are included in other liabilities on the consolidated balance sheet.

Our income tax returns are subject to examination by relevant tax authorities. Certain of our returns are being audited in various jurisdictions for tax years 2012 through 2018. The amount of the unrecognized tax benefit may increase or decrease within the next twelve months as a result of audits or audit settlements.

## 7. VACATION OWNERSHIP NOTES RECEIVABLE

The following table shows the composition of our vacation ownership notes receivable balances, net of reserves:.

| ($ in millions) | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Originated | Acquired | Total | Originated | Acquired[1] | Total |
| Securitized | $ 1,220 | $ 273 | $ 1,493 | $ 1,378 | $ 372 | $ 1,750 |
| Non-securitized | | | | | | |
| Eligible for securitization[2] | 126 | 2 | 128 | 155 | 10 | 165 |
| Not eligible for securitization[2] | 185 | 34 | 219 | 261 | 57 | 318 |
| Subtotal | 311 | 36 | 347 | 416 | 67 | 483 |
| | $ 1,531 | $ 309 | $ 1,840 | $ 1,794 | $ 439 | $ 2,233 |

(1) Net of impairment of $7 million recognized in 2019, prior to the adoption of ASU 2016-13 on January 1, 2020.

(2) Refer to Footnote 8 "Financial Instruments" for discussion of eligibility of our vacation ownership notes receivable for securitization.

We reflect interest income associated with vacation ownership notes receivable in our Income Statements in the Financing revenues caption. The following table summarizes interest income associated with vacation ownership notes receivable:

| ($ in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Interest income associated with vacation ownership notes receivable — securitized | $ 239 | $ 232 | $ 151 |
| Interest income associated with vacation ownership notes receivable — non-securitized | 18 | 32 | 24 |
| Total interest income associated with vacation ownership notes receivable | $ 257 | $ 264 | $ 175 |

### *COVID-19 Impact on Vacation Ownership Notes Receivable Reserves*

As a result of higher actual and projected default activity related predominantly to the COVID-19 pandemic, we evaluated our vacation ownership notes receivable reserves initially using the 2008/2009 financial crisis as a reference point. As a result, we increased our vacation ownership notes receivable reserves by $52 million in the first quarter of 2020. We monitored actual delinquency and default activity throughout the remainder of 2020. Taking into account higher than previously expected default activity experienced, we increased our vacation ownership notes receivable reserves by $17 million in the fourth quarter of 2020. In total, the reserve adjustments made during 2020 were reflected as a $59 million reduction to Sale of vacation ownership products, a $10 million increase in Financing expenses, and a $19 million reduction in Cost of vacation ownership products on our Income Statement for the year ended December 31, 2020.

### *Acquired Vacation Ownership Notes Receivable*

Acquired vacation ownership notes receivable represent vacation ownership notes receivable acquired as part of the ILG Acquisition. The following table shows future contractual principal payments, as well as interest rates, for our non-securitized and securitized acquired vacation ownership notes receivable at December 31, 2020.

| ($ in millions) | Acquired Vacation Ownership Notes Receivable | | |
|---|---|---|---|
| | Non-Securitized | Securitized | Total |
| 2021 | $ 4 | $ 42 | $ 46 |
| 2022 | 4 | 38 | 42 |
| 2023 | 4 | 38 | 42 |
| 2024 | 4 | 36 | 40 |
| 2025 | 4 | 33 | 37 |
| Thereafter | 16 | 86 | 102 |
| Balance at December 31, 2020 | $ 36 | $ 273 | $ 309 |
| Weighted average stated interest rate | 13.5% | 13.5% | 13.5% |
| Range of stated interest rates | 3.0% to 17.9% | 6.0% to 15.9% | 3.0% to 17.9% |

The following table summarizes the activity related to our acquired vacation ownership notes receivable reserve.

| | Acquired Vacation Ownership Notes Receivable Reserve | | |
|---|---|---|---|
| ***($ in millions)*** | **Non-Securitized** | **Securitized** | **Total** |
| Balance at December 31, 2019, as reported | $ — | $ — | $ — |
| Impact of adoption of ASU 2016-13 | 29 | 26 | 55 |
| Opening Balance at January 1, 2020 | 29 | 26 | 55 |
| Securitizations | (1) | 1 | — |
| Clean-up call | 1 | (1) | — |
| Write-offs | (18) | — | (18) |
| Recoveries | 9 | — | 9 |
| Defaulted vacation ownership notes receivable repurchase activity[1] | 17 | (17) | — |
| Increase in vacation ownership notes receivable reserve[2] | 2 | 12 | 14 |
| Balance at December 31, 2020 | $ 39 | $ 21 | $ 60 |

---

(1) Decrease in securitized vacation ownership notes receivable reserve and increase in non-securitized vacation ownership notes receivable reserve was attributable to the transfer of the reserve when we voluntarily repurchased defaulted securitized vacation ownership notes receivable.

(2) Increase in vacation ownership notes receivable reserve includes $10 million ($8 million non-securitized and $2 million securitized) attributable to the increased reserve as a result of the COVID-19 pandemic.

***Originated Vacation Ownership Notes Receivable***

Originated vacation ownership notes receivable represent vacation ownership notes receivable originated by Legacy-ILG subsequent to the Acquisition Date and all Legacy-MVW vacation ownership notes receivable. The following table shows future principal payments, net of reserves, as well as interest rates, for our non-securitized and securitized originated vacation ownership notes receivable at December 31, 2020.

| | Originated Vacation Ownership Notes Receivable | | |
|---|---|---|---|
| ***($ in millions)*** | **Non-Securitized** | **Securitized** | **Total** |
| 2021 | $ 39 | $ 126 | $ 165 |
| 2022 | 32 | 127 | 159 |
| 2023 | 27 | 130 | 157 |
| 2024 | 25 | 131 | 156 |
| 2025 | 25 | 135 | 160 |
| Thereafter | 163 | 571 | 734 |
| Balance at December 31, 2020 | $ 311 | $ 1,220 | $ 1,531 |
| Weighted average stated interest rate | 12.6% | 12.7% | 12.7% |
| Range of stated interest rates | 0.0% to 18.0% | 0.0% to 17.5% | 0.0% to 18.0% |

The following table summarizes the activity related to our originated vacation ownership notes receivable reserve.

| | Originated Vacation Ownership Notes Receivable Reserve | | |
|---|---|---|---|
| ($ in millions) | Non-Securitized | Securitized | Total |
| Balance at December 31, 2017 | $ 58 | $ 61 | $ 119 |
| Increase in vacation ownership notes receivable reserve | 57 | 7 | 64 |
| Securitizations | (39) | 39 | — |
| Clean-up call | 1 | (1) | — |
| Write-offs | (43) | — | (43) |
| Defaulted vacation ownership notes receivable repurchase activity[1] | 27 | (27) | — |
| Balance at December 31, 2018 | 61 | 79 | 140 |
| Increase in vacation ownership notes receivable reserve | 94 | 18 | 112 |
| Securitizations | (81) | 81 | — |
| Clean-up call | 24 | (24) | — |
| Write-offs | (48) | — | (48) |
| Defaulted vacation ownership notes receivable repurchase activity[1] | 40 | (40) | — |
| Balance at December 31, 2019 | 90 | 114 | 204 |
| Increase in vacation ownership notes receivable reserve[2] | 87 | 50 | 137 |
| Securitizations | (70) | 70 | — |
| Clean-up call | 37 | (37) | — |
| Write-offs | (31) | — | (31) |
| Defaulted vacation ownership notes receivable repurchase activity[1] | 80 | (80) | — |
| Balance at December 31, 2020 | $ 193 | $ 117 | $ 310 |

(1) Decrease in securitized vacation ownership notes receivable reserve and increase in non-securitized vacation ownership notes receivable reserve was attributable to the transfer of the reserve when we voluntarily repurchased defaulted securitized vacation ownership notes receivable.

(2) Increase in vacation ownership notes receivable reserve includes $59 million ($32 million non-securitized and $27 million securitized) attributable to the increased reserve as a result of the COVID-19 pandemic.

***Credit Quality of Vacation Ownership Notes Receivable***

***Legacy-MVW Vacation Ownership Notes Receivable***

For both Legacy-MVW non-securitized and securitized vacation ownership notes receivable, we estimated average remaining default rates of 6.74 percent and 7.04 percent as of December 31, 2020 and December 31, 2019, respectively. A 0.5 percentage point increase in the estimated default rate would have resulted in an increase in the related vacation ownership notes receivable reserve of $6 million and $8 million as of December 31, 2020 and December 31, 2019, respectively.

We use the aging of the vacation ownership notes receivable as the primary credit quality indicator for our Legacy-MVW vacation ownership notes receivable, as historical performance indicates that there is a relationship between the default behavior of borrowers and the age of the receivable associated with the vacation ownership interest.

The following table shows our recorded investment in non-accrual Legacy-MVW vacation ownership notes receivable, which are vacation ownership notes receivable that are 90 days or more past due.

| | Legacy-MVW Vacation Ownership Notes Receivable | | |
|---|---|---|---|
| ($ in millions) | Non-Securitized | Securitized | Total |
| Investment in vacation ownership notes receivable on non-accrual status at year-end 2020 | $ 100 | $ 14 | $ 114 |
| Investment in vacation ownership notes receivable on non-accrual status at year-end 2019 | $ 43 | $ 11 | $ 54 |

The following table shows the aging of the recorded investment in principal, before reserves, in Legacy-MVW vacation ownership notes receivable as of December 31, 2020 and December 31, 2019:

| | Legacy-MVW Vacation Ownership Notes Receivable | | | | | |
|---|---|---|---|---|---|---|
| | As of December 31, 2020 | | | As of December 31, 2019 | | |
| *($ in millions)* | Non-Securitized | Securitized | Total | Non-Securitized | Securitized | Total |
| 31 – 90 days past due | $ 8 | $ 25 | $ 33 | $ 7 | $ 33 | $ 40 |
| 91 – 150 days past due | 5 | 14 | 19 | 4 | 11 | 15 |
| Greater than 150 days past due | 95 | — | 95 | 39 | — | 39 |
| Total past due | 108 | 39 | 147 | 50 | 44 | 94 |
| Current | 231 | 1,011 | 1,242 | 222 | 1,254 | 1,476 |
| Total vacation ownership notes receivable | $ 339 | $ 1,050 | $ 1,389 | $ 272 | $ 1,298 | $ 1,570 |

The following table details the origination year of our Legacy-MVW vacation ownership notes receivable as of December 31, 2020.

| | Legacy-MVW Vacation Ownership Notes Receivable | | |
|---|---|---|---|
| *($ in millions)* | Non-Securitized | Securitized | Total |
| **Year of Origination** | | | |
| 2020 | $ 156 | $ 86 | $ 242 |
| 2019 | 73 | 384 | 457 |
| 2018 | 43 | 247 | 290 |
| 2017 | 21 | 150 | 171 |
| 2016 | 11 | 70 | 81 |
| 2015 & Before | 35 | 113 | 148 |
| | $ 339 | $ 1,050 | $ 1,389 |

***Legacy-ILG Vacation Ownership Notes Receivable***

At December 31, 2020 and December 31, 2019, the weighted average FICO score within our consolidated Legacy-ILG vacation ownership notes receivable pools was 708 and 712, respectively, based upon the outstanding vacation ownership notes receivable balance at time of origination. The average estimated rate for all future defaults for our Legacy-ILG consolidated outstanding pool of vacation ownership notes receivable was 14.63 percent as of December 31, 2020, and 12.65 percent as of December 31, 2019. A 0.5 percentage point increase in the estimated default rate on the Legacy-ILG vacation ownership notes receivable would have resulted in an increase in the related vacation ownership notes receivable reserve of $3 million and $2 million as of December 31, 2020 and December 31, 2019, respectively.

We use the origination of the vacation ownership notes receivable by brand (Westin, Sheraton, Hyatt) and the FICO scores of the customer as the primary credit quality indicators for our Legacy-ILG vacation ownership notes receivable, as historical performance indicates that there is a relationship between the default behavior of borrowers and the brand associated with the vacation ownership interest they have acquired, supplemented by the FICO scores of the customers.

The following table shows our recorded investment in non-accrual Legacy-ILG vacation ownership notes receivable, which are vacation ownership notes receivable that are 90 days or more past due.

| | Legacy-ILG Vacation Ownership Notes Receivable | | |
|---|---|---|---|
| *($ in millions)* | Non-Securitized | Securitized | Total |
| Investment in vacation ownership notes receivable on non-accrual status at year-end 2020 | $ 109 | $ 12 | $ 121 |
| Investment in vacation ownership notes receivable on non-accrual status at year-end 2019 | $ 40 | $ 9 | $ 49 |

The following table shows the aging of the recorded investment in principal, before reserves, in Legacy-ILG vacation ownership notes receivable as of December 31, 2020 and December 31, 2019:

| | Legacy-ILG Vacation Ownership Notes Receivable | | | | | |
|---|---|---|---|---|---|---|
| | As of December 31, 2020 | | | As of December 31, 2019 | | |
| ***($ in millions)*** | **Non-Securitized** | **Securitized** | **Total** | **Non-Securitized** | **Securitized** | **Total** |
| 31 – 90 days past due | $ 8 | $ 19 | $ 27 | $ 11 | $ 18 | $ 29 |
| 91 – 120 days past due | 2 | 7 | 9 | 3 | 6 | 9 |
| Greater than 120 days past due | 107 | 5 | 112 | 37 | 3 | 40 |
| Total past due | 117 | 31 | 148 | 51 | 27 | 78 |
| Current | 123 | 550 | 673 | 250 | 539 | 789 |
| Total vacation ownership notes receivable | $ 240 | $ 581 | $ 821 | $ 301 | $ 566 | $ 867 |

The following tables show the Legacy-ILG acquired vacation ownership notes receivable by brand and FICO score, before reserves. Vacation ownership notes receivable with no FICO score primarily relate to non-U.S. resident borrowers.

| | Acquired Vacation Ownership Notes Receivable as of December 31, 2020 | | | | |
|---|---|---|---|---|---|
| ***($ in millions)*** | **700 +** | **600 - 699** | **< 600** | **No Score** | **Total** |
| Westin | $ 81 | $ 48 | $ 4 | $ 11 | $ 144 |
| Sheraton | 81 | 73 | 13 | 31 | 198 |
| Hyatt | 12 | 9 | 1 | — | 22 |
| Other | 2 | 1 | — | 2 | 5 |
| | $ 176 | $ 131 | $ 18 | $ 44 | $ 369 |

| | Acquired Vacation Ownership Notes Receivable as of December 31, 2019 | | | | |
|---|---|---|---|---|---|
| ***($ in millions)*** | **700 +** | **600 - 699** | **< 600** | **No Score** | **Total** |
| Westin | $ 103 | $ 57 | $ 4 | $ 13 | $ 177 |
| Sheraton | 95 | 83 | 15 | 37 | 230 |
| Hyatt | 15 | 10 | 1 | — | 26 |
| Other | 3 | 1 | — | 2 | 6 |
| | $ 216 | $ 151 | $ 20 | $ 52 | $ 439 |

The following table details the origination year of our Legacy-ILG acquired vacation ownership notes receivable by brand and FICO score as of December 31, 2020. Vacation ownership notes receivable with no FICO score primarily relate to non-U.S. resident borrowers.

| | Acquired Vacation Ownership Notes Receivable - Westin | | | | | | |
|---|---|---|---|---|---|---|---|
| ***($ in millions)*** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015 & Prior** | **Total** |
| 700 + | $ — | $ — | $ 22 | $ 22 | $ 14 | $ 23 | $ 81 |
| 600 - 699 | — | — | 11 | 13 | 9 | 15 | 48 |
| < 600 | — | — | 3 | 1 | — | — | 4 |
| No Score | — | — | 3 | 3 | 2 | 3 | 11 |
| | $ — | $ — | $ 39 | $ 39 | $ 25 | $ 41 | $ 144 |

| | Acquired Vacation Ownership Notes Receivable - Sheraton | | | | | | |
|---|---|---|---|---|---|---|---|
| ***($ in millions)*** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015 & Prior** | **Total** |
| 700 + | $ — | $ — | $ 23 | $ 23 | $ 14 | $ 21 | $ 81 |
| 600 - 699 | — | — | 19 | 19 | 12 | 23 | 73 |
| < 600 | — | — | 8 | 2 | 1 | 2 | 13 |
| No Score | — | — | 9 | 9 | 5 | 8 | 31 |
| | $ — | $ — | $ 59 | $ 53 | $ 32 | $ 54 | $ 198 |

| ($ in millions) | Acquired Vacation Ownership Notes Receivable - Hyatt and Other | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 & Prior | Total |
| 700 + | $ — | $ — | $ 3 | $ 3 | $ 2 | $ 6 | $ 14 |
| 600 - 699 | — | — | 2 | 2 | 2 | 4 | 10 |
| < 600 | — | — | — | — | — | 1 | 1 |
| No Score | — | — | — | — | — | 2 | 2 |
| | $ — | $ — | $ 5 | $ 5 | $ 4 | $ 13 | $ 27 |

The following tables show the Legacy-ILG originated vacation ownership notes receivable by brand and FICO score, before reserves. Vacation ownership notes receivable with no FICO score primarily relate to non-U.S. resident borrowers.

| ($ in millions) | Originated Vacation Ownership Notes Receivable as of December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | 700 + | 600 - 699 | < 600 | No Score | Total |
| Westin | $ 109 | $ 52 | $ 6 | $ 23 | $ 190 |
| Sheraton | 106 | 72 | 16 | 43 | 237 |
| Hyatt | 16 | 8 | — | — | 24 |
| | $ 231 | $ 132 | $ 22 | $ 66 | $ 451 |

| ($ in millions) | Originated Vacation Ownership Notes Receivable as of December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | 700 + | 600 - 699 | < 600 | No Score | Total |
| Westin | $ 122 | $ 46 | $ 5 | $ 25 | $ 198 |
| Sheraton | 97 | 61 | 13 | 37 | 208 |
| Hyatt | 16 | 6 | — | — | 22 |
| | $ 235 | $ 113 | $ 18 | $ 62 | $ 428 |

The following tables detail the origination year of our Legacy-ILG originated vacation ownership notes receivable by brand and FICO score as of December 31, 2020. Vacation ownership notes receivable with no FICO score primarily relate to non-U.S. resident borrowers.

| ($ in millions) | Originated Vacation Ownership Notes Receivable - Westin | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 & Prior | Total |
| 700 + | $ 35 | $ 60 | $ 14 | $ — | $ — | $ — | $ 109 |
| 600 - 699 | 14 | 31 | 7 | — | — | — | 52 |
| < 600 | 2 | 3 | 1 | — | — | — | 6 |
| No Score | 11 | 11 | 1 | — | — | — | 23 |
| | $ 62 | $ 105 | $ 23 | $ — | $ — | $ — | $ 190 |

| ($ in millions) | Originated Vacation Ownership Notes Receivable - Sheraton | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 & Prior | Total |
| 700 + | $ 35 | $ 56 | $ 15 | $ — | $ — | $ — | $ 106 |
| 600 - 699 | 20 | 40 | 12 | — | — | — | 72 |
| < 600 | 5 | 9 | 2 | — | — | — | 16 |
| No Score | 11 | 26 | 6 | — | — | — | 43 |
| | $ 71 | $ 131 | $ 35 | $ — | $ — | $ — | $ 237 |

| ($ in millions) | Originated Vacation Ownership Notes Receivable - Hyatt 2020 | 2019 | 2018 | 2017 | 2016 | 2015 & Prior | Total |
|---|---|---|---|---|---|---|---|
| 700 + | $ 5 | $ 9 | $ 2 | $ — | $ — | $ — | $ 16 |
| 600 - 699 | 3 | 4 | 1 | — | — | — | 8 |
| < 600 | — | — | — | — | — | — | — |
| No Score | — | — | — | — | — | — | — |
| | $ 8 | $ 13 | $ 3 | $ — | $ — | $ — | $ 24 |

**8. FINANCIAL INSTRUMENTS**

The following table shows the carrying values and the estimated fair values of financial assets and liabilities that qualify as financial instruments, determined in accordance with the authoritative guidance for disclosures regarding the fair value of financial instruments. Considerable judgment is required in interpreting market data to develop estimates of fair value. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts. The table excludes Cash and cash equivalents, Restricted cash, Accounts receivable, Accounts payable, Advance deposits and Accrued liabilities, all of which had fair values approximating their carrying amounts due to the short maturities and liquidity of these instruments.

| | At December 31, 2020 | | At December 31, 2019 | |
|---|---|---|---|---|
| ($ in millions) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Vacation ownership notes receivable | $ 1,840 | $ 1,886 | $ 2,233 | $ 2,264 |
| Other assets | 60 | 60 | 45 | 45 |
| | $ 1,900 | $ 1,946 | $ 2,278 | $ 2,309 |
| | | | | |
| Securitized debt, net | $ (1,588) | $ (1,653) | $ (1,871) | $ (1,924) |
| 2025 Notes, net | (494) | (533) | — | — |
| 2026 Notes, net | (744) | (784) | (742) | (824) |
| 2028 Notes, net | (346) | (359) | (345) | (358) |
| Term Loan, net | (873) | (864) | (881) | (899) |
| Revolving Corporate Credit Facility, net | — | — | (27) | (27) |
| 2022 Convertible notes, net | (215) | (262) | (207) | (247) |
| | $ (4,260) | $ (4,455) | $ (4,073) | $ (4,279) |

*Vacation Ownership Notes Receivable*

| | At December 31, 2020 | | At December 31, 2019 | |
|---|---|---|---|---|
| ($ in millions) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Vacation ownership notes receivable | | | | |
| Securitized | $ 1,493 | $ 1,530 | $ 1,750 | $ 1,771 |
| | | | | |
| Eligible for securitization | 128 | 137 | 165 | 175 |
| Not eligible for securitization | 219 | 219 | 318 | 318 |
| Non-securitized | 347 | 356 | 483 | 493 |
| | $ 1,840 | $ 1,886 | $ 2,233 | $ 2,264 |

We estimate the fair value of our vacation ownership notes receivable that have been securitized using a discounted cash flow model. We believe this is comparable to the model that an independent third party would use in the current market. Our model uses default rates, prepayment rates, coupon rates, and loan terms for our securitized vacation ownership notes receivable portfolio as key drivers of risk and relative value to determine the fair value of the underlying vacation ownership notes receivable. We concluded that this fair value measurement should be categorized within Level 3.

Due to factors that impact the general marketability of our vacation ownership notes receivable that have not been securitized, as well as current market conditions, we bifurcate our non-securitized vacation ownership notes receivable at each balance sheet date into those eligible and not eligible for securitization using criteria applicable to current securitization transactions in the asset-backed securities ("ABS") market. Generally, vacation ownership notes receivable are considered not eligible for securitization if any of the following attributes are present: (1) payments are greater than 30 days past due; (2) the first payment has not been received; or (3) the collateral is located in Asia or Europe. In some cases, eligibility may also be determined based on the credit score of the borrower, the remaining term of the loans and other similar factors that may reflect investor demand in a securitization transaction or the cost to effectively securitize the vacation ownership notes receivable.

The table above shows the bifurcation of our vacation ownership notes receivable that have not been securitized into those eligible and not eligible for securitization based upon the aforementioned eligibility criteria. We estimate the fair value of the portion of our vacation ownership notes receivable that have not been securitized that we believe will ultimately be securitized in the same manner as vacation ownership notes receivable that have been securitized. We value the remaining vacation ownership notes receivable that have not been securitized at their carrying value, rather than using our pricing model. We believe that the carrying value of these particular vacation ownership notes receivable approximates fair value because the stated, or otherwise imputed, interest rates of these loans are consistent with current market rates and the reserve for these vacation ownership notes receivable appropriately accounts for risks in default rates, prepayment rates, discount rates, and loan terms. We concluded that this fair value measurement should be categorized within Level 3.

*Other Assets*

Other assets include $54 million of company owned insurance policies (the "COLI policies"), acquired on the lives of certain participants in the Marriott Vacations Worldwide Deferred Compensation Plan, that are held in a rabbi trust. The carrying value of the COLI policies is equal to their cash surrender value (Level 2 inputs). In addition, we have investments in marketable securities of $6 million that are marked to market using quoted market prices (Level 1 inputs).

*Securitized Debt*

We generate cash flow estimates by modeling all bond tranches for our active vacation ownership notes receivable securitization transactions, with consideration for the collateral specific to each tranche. The key drivers in our analysis include default rates, prepayment rates, bond interest rates, and other structural factors, which we use to estimate the projected cash flows. In order to estimate market credit spreads by rating, we obtain indicative credit spreads from investment banks that actively issue and facilitate the market for vacation ownership securities and determine an average credit spread by rating level of the different tranches. We then apply those estimated market spreads to swap rates in order to estimate an underlying discount rate for calculating the fair value of the active bonds payable. We concluded that this fair value measurement should be categorized within Level 3.

*2025 Notes, 2026 Notes, and 2028 Notes*

We estimate the fair value of our 2025 Notes, 2026 Notes, and 2028 Notes (each as defined in Footnote 17 "Debt") using quoted market prices as of the last trading day for the quarter; however these notes have only a limited trading history and volume, and as such this fair value estimate is not necessarily indicative of the value at which these notes could be retired or transferred. We concluded that this fair value measurement should be categorized within Level 2.

*Term Loan*

We estimate the fair value of our Term Loan (as defined in Footnote 17 "Debt") using quotes from securities dealers as of the last trading day for the quarter; however these notes have only a limited trading history and volume, and as such this fair value estimate is not necessarily indicative of the value at which the Term Loan could be retired or transferred. We concluded that this fair value measurement should be categorized within Level 3.

*Revolving Corporate Credit Facility*

We estimate that the fair value of our Revolving Corporate Credit Facility (as defined in Footnote 17 "Debt") approximates its gross carrying value as the contractual interest rate is variable plus an applicable margin. We concluded that this fair value measurement should be categorized within Level 3.

*2022 Convertible Notes*

We estimate the fair value of our 2022 Convertible Notes using quoted market prices as of the last trading day for the quarter; however these notes have only a limited trading history and volume and as such this fair value estimate is not necessarily indicative of the value at which the 2022 Convertible Notes could be retired or transferred. We concluded that this fair value measurement should be categorized within Level 2. The difference between the carrying value and the fair value is primarily attributed to the underlying conversion feature and the spread between the conversion price and the market value of the shares underlying the 2022 Convertible Notes.

## 9. EARNINGS PER SHARE

Basic (loss) earnings per common share attributable to common shareholders is calculated by dividing net (loss) or income attributable to common shareholders by the weighted average number of shares of common stock outstanding during the reporting period. Treasury stock is excluded from the weighted average number of shares of common stock outstanding. Diluted earnings per common share attributable to common shareholders is calculated to give effect to all potentially dilutive common shares that were outstanding during the reporting period, except in periods when there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect. The dilutive effect of outstanding equity-based compensation awards is reflected in diluted earnings per common share applicable to common shareholders by application of the treasury stock method using average market prices during the period.

Our calculation of diluted (loss) earnings per share attributable to common shareholders reflects our intent to settle conversions of the 2022 Convertible Notes through a combination settlement, which contemplates repayment in cash of the principal amount and repayment in shares of our common stock of any excess of the conversion value over the principal amount (the “conversion premium”). Therefore, we include only the shares that may be issued with respect to any conversion premium in total dilutive weighted average shares outstanding, which we calculate using the treasury stock method. As no conversion premium existed as of December 31, 2020, December 31, 2019, or December 31, 2018, there was no dilutive impact from the 2022 Convertible Notes for 2020, 2019, or 2018.

The shares issuable on exercise of the 2022 Warrants (as defined in Footnote 17 “Debt”) sold in connection with the issuance of the 2022 Convertible Notes will not impact the total dilutive weighted average shares outstanding unless and until the price of our common stock exceeds the strike price. If and when the price of our common stock exceeds the strike price of the 2022 Warrants, we will include the dilutive effect of the additional shares that may be issued upon exercise of the 2022 Warrants in total dilutive weighted average shares outstanding, which we calculate using the treasury stock method. The 2022 Convertible Note Hedges purchased in connection with the issuance of the 2022 Convertible Notes are considered to be anti-dilutive and do not impact our calculation of diluted earnings per share attributable to common shareholders for any periods presented herein.

The table below illustrates the reconciliation of the earnings and number of shares used in our calculation of basic and diluted (loss) earnings per share attributable to common shareholders.

| *(in millions, except per share amounts)* | 2020 | 2019[1] | 2018[1] |
|---|---|---|---|
| **Computation of Basic (Loss) Earnings Per Share Attributable to Common Shareholders** | | | |
| Net (loss) income attributable to common shareholders | $ (275) | $ 138 | $ 55 |
| Shares for basic (loss) earnings per share | 41.3 | 43.9 | 33.3 |
| **Basic (loss) earnings per share** | $ (6.65) | $ 3.13 | $ 1.64 |
| **Computation of Diluted (Loss) Earnings Per Share Attributable to Common Shareholders** | | | |
| Net (loss) income attributable to common shareholders | $ (275) | $ 138 | $ 55 |
| Shares for basic (loss) earnings per share | 41.3 | 43.9 | 33.3 |
| Effect of dilutive shares outstanding[2] | | | |
| Employee stock options and SARs | — | 0.3 | 0.4 |
| Restricted stock units | — | 0.3 | 0.3 |
| Shares for diluted (loss) earnings per share | 41.3 | 44.5 | 34.0 |
| Diluted (loss) earnings per share | $ (6.65) | $ 3.09 | $ 1.61 |

(1) The computations of diluted earnings per share attributable to common shareholders exclude approximately 345,000 and 165,000 shares of common stock, the maximum number of shares issuable as of December 31, 2019 and December 31, 2018, respectively, upon the vesting of certain performance-based awards, because the performance conditions required to be met for the shares subject to such awards to vest were not achieved by the end of the reporting period.

(2) Amounts exclude all potentially dilutive equity-based compensation awards for periods when there is a net loss attributable to common shareholders.

In accordance with the applicable accounting guidance for calculating earnings per share, for each of the years ended December 31, 2019 and December 31, 2018, we excluded from our calculation of diluted earnings per share 56,649 shares underlying SARs that may settle in shares of common stock because the exercise price of $143.38 of such SARs was greater than the average market price for each of the applicable periods.

**10. INVENTORY**

The following table shows the composition of our inventory balances:

| *($ in millions)* | At Year-End 2020 | At Year-End 2019 |
|---|---|---|
| Finished goods[(1)] | $ 749 | $ 782 |
| Work-in-progress | — | 69 |
| Real estate inventory | 749 | 851 |
| Other | 10 | 8 |
| | $ 759 | $ 859 |

(1) Represents completed inventory that is registered for sale as vacation ownership interests and inventory expected to be acquired pursuant to estimated future foreclosures.

We value vacation ownership interests at the lower of cost or fair market value less costs to sell, in accordance with applicable accounting guidance, and we record operating supplies at the lower of cost (using the first-in, first-out method) or net realizable value.

In addition to the above, at December 31, 2020 and December 31, 2019, we had $162 million and $55 million, respectively, of completed vacation ownership units which are classified as a component of Property and equipment until the time at which they are legally registered for sale as vacation ownership products. We also had $43 million and $38 million of deposits on future purchases of inventory at December 31, 2020 and December 31, 2019, respectively, which are included in the Other assets line on our Balance Sheets. Additionally, during the year ended December 31, 2020, we recorded $6 million of inventory impairments.

**11. PROPERTY AND EQUIPMENT**

The following table details the composition of our property and equipment balances:

| *($ in millions)* | At Year-End 2020 | At Year-End 2019 |
|---|---|---|
| Land and land improvements | $ 285 | $ 267 |
| Buildings and leasehold improvements | 482 | 389 |
| Furniture, fixtures and other equipment | 95 | 94 |
| Information technology | 322 | 312 |
| Construction in progress | 68 | 62 |
| | 1,252 | 1,124 |
| Accumulated depreciation | (461) | (406) |
| | $ 791 | $ 718 |

**12. GOODWILL**

The following table details the carrying amount of our goodwill at December 31, 2020 and December 31, 2019, and reflects goodwill attributed to the ILG Acquisition, which was allocated to our Vacation Ownership and our Exchange & Third-Party Management reporting units.

| *($ in millions)* | Vacation Ownership Segment | Exchange & Third-Party Management Segment | Total Consolidated |
|---|---|---|---|
| Balance at December 31, 2018 | $ 2,448 | $ 380 | $ 2,828 |
| Measurement period adjustments | (4) | 66 | 62 |
| Foreign exchange adjustments | 1 | 1 | 2 |
| Balance at December 31, 2019 | 2,445 | 447 | 2,892 |
| Impairment | — | (73) | (73) |
| Foreign exchange adjustments | — | (2) | (2) |
| Balance at December 31, 2020 | $ 2,445 | $ 372 | $ 2,817 |

*Q1 2020*

In connection with the preparation of our Financial Statements for the first quarter of 2020, we initially concluded that it was more likely than not that the fair value of both of our reporting units was below their respective carrying amounts. The factors that led to this conclusion were related to the COVID-19 pandemic and included: (i) the substantial decline in our stock price and market capitalization; (ii) the closure of substantially all of our Vacation Ownership reporting unit sales centers; (iii) the government stay-at-home orders in place in many of the jurisdictions in which we operate; (iv) our planned furloughs and reduced work schedule arrangements; (v) the impact of travel restrictions on the hospitality industry; and (vi) the macroeconomic fallout from the COVID-19 pandemic.

We utilized a combination of the income and market approaches to estimate the fair value of our reporting units (Level 3). We concluded that there was no impairment of the Vacation Ownership reporting unit as declines in expected future operating results were not substantial enough to cause the fair value of the reporting unit to be below its carrying amount. We recognized a non-cash impairment charge of $73 million in the Impairment line on our Income Statement during the first quarter of 2020 related to the Exchange & Third-Party Management reporting unit, which was primarily driven by the change in expected future operating results as a result of the impact of the COVID-19 pandemic.

*Q2 2020 and Q3 2020*

In connection with the preparation of our Financial Statements for the second and third quarters of 2020, we concluded that an interim quantitative impairment test was required for our Exchange & Third-Party Management reporting unit because of the impairment charge we recognized for this reporting unit in the first quarter of 2020. We utilized a combination of the income and market approaches to estimate the fair value of this reporting unit (Level 3) consistent with the methodology used in the first quarter of 2020. We concluded that there was no further impairment of the Exchange & Third-Party Management reporting unit as of the end of each of the second and third quarters of 2020 from the first quarter of 2020, as future expected operating results had improved slightly in comparison to the projections used in the first quarter, resulting in a fair value of the reporting unit in excess of its carrying amount. We performed a qualitative analysis of the impact of recent events, including business and industry specific considerations, on the fair value of our Vacation Ownership reporting unit as of the end of each of the second and third quarters of 2020 and determined that an interim quantitative impairment test was not required.

*Q4 2020*

We performed our annual goodwill impairment test as of October 1, 2020 and prepared a quantitative assessment for both the Vacation Ownership and the Exchange & Third-Party Management reporting units. We utilized a combination of the income and market approaches to estimate the fair value of this reporting unit (Level 3) consistent with the methodology used in the first quarter of 2020. For each reporting unit, the fair value of the reporting unit was in excess of the carrying value and therefore we concluded there was no further impairment.

Given the continued impact of the COVID-19 pandemic, in connection with the preparation of our Financial Statements for the year ended December 31, 2020, we performed a qualitative analysis of each of our reporting units as of the end of the fourth quarter, considering recent events and determined that interim quantitative impairment tests were not required. While the goodwill of our reporting units are not impaired at December 31, 2020, we cannot assure you that goodwill will not be impaired in future periods. We will continue to monitor the operating results, cash flow forecasts and impact from changes in market conditions, as well as impacts of COVID-19 for these reporting units.

## 13. INTANGIBLE ASSETS

The following table details the composition of our intangible asset balances:

| *($ in millions)* | 2020 | 2019 |
|---|---|---|
| Definite-lived intangible assets | | |
| Member relationships | $ 671 | $ 671 |
| Management contracts | 351 | 351 |
| | 1,022 | 1,022 |
| Accumulated amortization | (134) | (77) |
| | 888 | 945 |
| Indefinite-lived intangible assets | | |
| Trade names and trademarks | 64 | 82 |
| | $ 952 | $ 1,027 |

*Definite-Lived Intangible Assets*

Definite-lived intangible assets, all of which were acquired as part of the ILG Acquisition, are amortized on a straight-line basis over their estimated useful lives, ranging from 15 to 25 years. We recorded amortization expense of $57 million in 2020, $59 million in 2019, and $19 million in 2018 in the Depreciation and amortization line of our Income Statements. For these assets, we estimate that our aggregate amortization expense will be $57 million for each of the next five fiscal years.

*Indefinite-Lived Intangibles*

The following table summarizes the activity related to our indefinite-lived intangible assets, all of which are related to the Exchange & Third-Party Management segment.

| *($ in millions)* | Trade Names and Trademarks |
|---|---|
| Balance at December 31, 2019 | $ 82 |
| Impairment | (18) |
| Balance at December 31, 2020 | $ 64 |

In connection with the preparation of the financial statements for the first quarter of 2020, we concluded that it was more likely than not that the fair value of our indefinite lived intangibles was below their carrying amounts. The factors that led to this conclusion were related to the COVID-19 pandemic and included: (i) the government stay-at-home orders in place in many of the jurisdictions in which we operate; (ii) the impact of travel restrictions on the hospitality industry; and (iii) the macroeconomic fallout from the COVID-19 pandemic.

We used the relief of royalty method in calculating the fair value of the trade names and trademarks (Level 3). We recognized a non-cash impairment charge of $18 million in the Impairment line on our Income Statement during the first quarter of 2020, which was primarily attributed to the decline in estimated near-term revenues and related recovery of long-term revenues attributed to the impact of the COVID-19 pandemic.

We performed our annual impairment test of indefinite lived intangible assets as of October 1, 2020 consistent with the methodology used in the first quarter of 2020 and determined that the fair value of our indefinite lived intangibles was above their carrying amounts.

## 14. CONTINGENCIES AND COMMITMENTS

*Commitments and Letters of Credit*

As of December 31, 2020, we had the following commitments outstanding:

- We have various contracts for the use of information technology hardware and software that we use in the normal course of business. Our aggregate commitments under these contracts were $85 million, of which we expect $34 million, $26 million, $16 million, $6 million, and $3 million will be paid in 2021, 2022, 2023, 2024, and 2025, respectively.

- We have various commitments to acquire real estate for use in our Vacation Ownership segment via our involvement with VIEs. Refer to Footnote 20 “Variable Interest Entities” for additional information and our activities relating to the VIEs involved in these transactions.
- We have a remaining commitment to purchase 88 vacation ownership units located in Bali, Indonesia for use in our Vacation Ownership segment, contingent upon completion of construction to agreed-upon standards. We expect to complete the acquisition in 2021 and to make the remaining payments with respect to these units when specific construction milestones are completed, as follows: $21 million in 2021 and $2 million in 2022.

Surety bonds issued as of December 31, 2020 totaled $75 million, the majority of which were requested by federal, state or local governments in connection with our operations.

As of December 31, 2020, we had $3 million of letters of credit outstanding under our Revolving Corporate Credit Facility (as defined in Footnote 17 “Debt”). In addition, as of December 31, 2020, we had $2 million in letters of credit outstanding related to and in lieu of reserves required for several vacation ownership notes receivable securitization transactions outstanding. These letters of credit are not issued pursuant to, nor do they impact our borrowing capacity under, the Revolving Corporate Credit Facility.

We estimate the cash outflow associated with completing the phases of our existing portfolio of vacation ownership projects currently under development will be approximately $3 million, of which $2 million is included within liabilities on our Balance Sheet at December 31, 2020. This estimate is based on our current development plans, which remain subject to change, and we expect the phases currently under development will be completed by the end of 2021.

*Guarantees*

Certain of our rental management agreements in our Exchange & Third-Party Management segment provide for owners of properties we manage to receive specified percentages or guaranteed amounts of the rental revenue generated under our management. In these cases, the operating expenses for the rental operations are paid from the revenue generated by the rentals, the owners are then paid their contractual percentages or guaranteed amounts, and our vacation rental business either retains the balance (if any) as its fee or makes up the deficit. At December 31, 2020, our maximum exposure under fixed dollar guarantees was $24 million, of which $10 million, $6 million, $3 million, $2 million, $1 million, and $2 million relate to 2021, 2022, 2023, 2024, 2025, and thereafter, respectively. Based on the impact of the COVID-19 pandemic on our rental operations, we declared the occurrence of a force majeure event under many of these agreements, generally effective as of April 1, 2020. As a result, owner distributions made under such agreements will be paid on a net operating income basis, rather than as guaranteed amounts, until such time as force majeure event conditions abate.

*Loss Contingencies*

In March 2017, RCHFU, L.L.C. and other owners at The Ritz-Carlton Club, Aspen Highlands (“RCC Aspen Highlands”) filed a complaint in an action pending in the U.S. District Court for the District of Colorado against us and certain third parties, alleging that their fractional interests were devalued by the affiliation of the RCC Aspen Highlands and other Ritz-Carlton Clubs with our points-based Marriott Vacation Club Destinations (“MVCD”) program. The plaintiffs are seeking compensatory damages, disgorgement, punitive damages, fees and costs. A trial is scheduled to begin in January 2022.

In May 2016, a purported class-action lawsuit was filed in the U.S. District Court for the Middle District of Florida by Anthony and Beth Lennen against us and certain third parties. The complaint challenged the characterization of the beneficial interests in the MVCD trust that are sold to customers as real estate interests under Florida law, the structure of the trust, and associated operational aspects of the trust. The plaintiffs sought declaratory relief, an unwinding of the MVCD product, and punitive damages. In August 2019, the District Court granted our motion for judgment on the pleadings and dismissed the case. The plaintiffs have appealed the ruling.

In February 2019, the owners’ association for the St. Regis NY Club filed a lawsuit in the Supreme Court for the State of New York, New York County, Commercial Division against ILG and several of its subsidiaries and certain third parties. The operative complaint alleges that the defendants breached their fiduciary duties related to sale and rental practices, aided and abetted certain breaches of fiduciary duty, engaged in self-dealing as the sponsor and manager of the club, tortiously interfered with the management agreement, was unjustly enriched, and engaged in anticompetitive conduct. The plaintiff is seeking unspecified damages, punitive damages and disgorgement of payments under the management and purchase agreements.

In April 2019, a purported class-action lawsuit was filed by Alan and Marjorie Helman and others against us in the Superior Court of the Virgin Islands, Division of St. Thomas alleging that their fractional interests were devalued by the affiliation of The Ritz-Carlton Club, St. Thomas and other Ritz-Carlton Clubs with our MVCD program. The lawsuit was subsequently removed to the U.S. District Court for the District of the Virgin Islands. The plaintiffs are seeking unspecified damages, disgorgement of profits, fees and costs.

In May 2019, the G.A. Resort Condominium Association Inc., the owners' association for the fractional owners at the Hyatt Residence Club Grand Aspen resort ("HRC Grand Aspen") filed a lawsuit against us in the District Court for the County of Pitkin, Colorado relating to the transfer of ownership of developer-owned fractional interests at HRC Grand Aspen to the HPC Trust Club for sale and use as a part of the Hyatt Residence Club Portfolio Program. The lawsuit was subsequently removed to the U.S. District Court for the District of Colorado. The plaintiff is seeking termination of the management agreement with the owners' association, the annulment of certain amendments to governing documents at HRC Grand Aspen, the removal of fractional interests at HRC Grand Aspen from the HPC Trust Club, unspecified damages, disgorgement of profits, fees and costs. In November 2020, the District Court granted our motion to dismiss and dismissed the case. The plaintiffs have appealed the ruling.

We believe we have meritorious defenses to the claims in each of the above matters and intend to vigorously defend each matter.

In the ordinary course of our business, various claims and lawsuits have been filed or are pending against us. A number of these lawsuits and claims may exist at any given time. Additionally, the COVID-19 pandemic may give rise to various claims and lawsuits from owners, members and other parties. We record and accrue for legal contingencies when we determine that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In making such determinations, we evaluate, among other things, the degree of probability of an unfavorable outcome and, when it is probable that a liability has been incurred, our ability to make a reasonable estimate of loss. We review these accruals each reporting period and make revisions based on changes in facts and circumstances.

We have not accrued for any of the pending matters described above and we cannot estimate a range of the potential liability associated with these pending matters, if any, at this time. We have accrued for other claims and lawsuits, but the amount accrued is not material individually or in the aggregate. For matters not requiring accrual, we do not believe that the ultimate outcome of such matters, individually and in the aggregate, will materially harm our financial position, cash flows, or overall trends in results of operations based on information currently available. However, legal proceedings are inherently uncertain, and while we believe that our accruals are adequate and/or we have valid defenses to the claims asserted, unfavorable rulings could occur that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, or operating results.

## 15. LEASES

The following table presents the carrying values of our leases and the classification on our Balance Sheet.

| ***($ in millions)*** | **Balance Sheet Classification** | **At December 31, 2020** | **At December 31, 2019** |
|---|---|---|---|
| Operating lease assets | Other assets | $ 131 | $ 142 |
| Finance lease assets | Property and equipment | 8 | 13 |
| | | $ 139 | $ 155 |
| | | | |
| Operating lease liabilities | Accrued liabilities | $ 138 | $ 151 |
| Finance lease liabilities | Debt | 8 | 14 |
| | | $ 146 | $ 165 |

The following table presents the lease costs and the classification on our Income Statements for the years ended December 31, 2020 and December 31, 2019.

| ***($ in millions)*** | **Income Statement Classification** | **2020** | **2019** |
|---|---|---|---|
| Operating lease cost | Marketing and sales expense<br>General and administrative expense | $ 36 | $ 33 |
| Finance lease cost | | | |
| Amortization of right-of-use assets | Depreciation and amortization | 5 | 5 |
| Interest on lease liabilities | Financing expense | 1 | 1 |
| Variable lease cost | Marketing and sales expense | 2 | 5 |
| | | $ 44 | $ 44 |

The following table presents the maturity of our operating and financing lease liabilities as of December 31, 2020.

| ***($ in millions)*** | **Operating Leases** | | **Finance Leases** | | **Total** | |
|---|---|---|---|---|---|---|
| 2021 | $ | 27 | $ | 4 | $ | 31 |
| 2022 | | 22 | | 3 | | 25 |
| 2023 | | 20 | | 1 | | 21 |
| 2024 | | 18 | | — | | 18 |
| 2025 | | 16 | | — | | 16 |
| Thereafter | | 134 | | 1 | | 135 |
| Total lease payments | | 237 | | 9 | | 246 |
| Less: Imputed interest | | (99) | | (1) | | (100) |
| | $ | 138 | $ | 8 | $ | 146 |

*Lease Term and Discount Rate*

The following table presents additional information about our lease obligations.

| | **At December 31, 2020** | **At December 31, 2019** |
|---|---|---|
| Weighted-average remaining lease term | | |
| Operating leases | 19.1 years | 10.5 years |
| Finance leases | 3.0 years | 1.0 years |
| Weighted-average discount rate | | |
| Operating leases | 5.8% | 6.1% |
| Finance leases | 3.9% | 4.9% |

*Other Information*

The following table presents supplemental cash flow information for 2020 and 2019.

| ***($ in millions)*** | **2020** | | **2019** | |
|---|---|---|---|---|
| Cash paid for amounts included in measurement of lease liabilities | | | | |
| Operating cash flows for finance leases | $ | 1 | $ | 1 |
| Operating cash flows for operating leases | $ | 41 | $ | 39 |
| Financing cash flows for finance leases | $ | 11 | $ | 12 |
| | | | | |
| Right-of-use assets obtained in exchange for lease obligations | | | | |
| Operating leases | $ | 27 | $ | 33 |
| Finance leases | $ | 7 | $ | 3 |

*Leases That Have Not Yet Commenced*

During the first quarter of 2020, we entered into a finance lease arrangement for our new global headquarters in Orlando, Florida. The new office building is currently expected to be completed in 2024, at which time the lease term will commence and a right-of-use asset and corresponding liability will be recorded on our balance sheet. The initial lease term is approximately 16 years with total lease payments of $129 million over the aforementioned period. During 2020, in response to the COVID-19 pandemic and our ongoing evaluation of future space needs, we entered into a standstill arrangement with the developer/lessor, which expires in June 2021. The agreement provides for a standstill on certain project spending, extends certain deliverable dates pertaining to the development and lease, and grants us a limited termination option in exchange for reimbursement of certain developer soft costs.

## 16. SECURITIZED DEBT

The following table provides detail on our securitized debt, net of unamortized debt discount and issuance costs:

| *($ in millions)* | At December 31, 2020 | At December 31, 2019 |
|---|---|---|
| Vacation ownership notes receivable securitizations, gross[1] | $ 1,604 | $ 1,850 |
| Unamortized debt discount and issuance costs | (16) | (18) |
| | 1,588 | 1,832 |
| | | |
| Warehouse Credit Facility, gross | — | 21 |
| Unamortized debt issuance costs[2] | — | (2) |
| | — | 19 |
| | | |
| Other | — | 20 |
| | $ 1,588 | $ 1,871 |

(1) Interest rates as of December 31, 2020 range from 2.3% to 4.4%, with a weighted average interest rate of 2.8%

(2) Excludes $1 million of unamortized debt issuance costs as of December 31, 2020, as no cash borrowings were outstanding on the Warehouse Credit Facility at that time

All of our securitized debt is non-recourse to us. See Footnote 20 "Variable Interest Entities" for a discussion of the collateral for the non-recourse debt associated with our securitized debt.

The following table shows scheduled future principal payments for our securitized debt as of December 31, 2020.

| *($ in millions)* | Vacation Ownership Notes Receivable Securitizations |
|---|---|
| **Payments Year** | |
| 2021 | $ 170 |
| 2022 | 171 |
| 2023 | 175 |
| 2024 | 176 |
| 2025 | 181 |
| Thereafter | 731 |
| | $ 1,604 |

*Vacation Ownership Notes Receivable Securitizations*

Each of the securitized vacation ownership notes receivable transactions contains various triggers relating to the performance of the underlying vacation ownership notes receivable. If a pool of securitized vacation ownership notes receivable fails to perform within the pool's established parameters (default or delinquency thresholds vary by transaction), transaction provisions effectively redirect the monthly excess spread we would otherwise receive from that pool (attributable to the interests we retained) to accelerate the principal payments to investors (taking into account the subordination of the different tranches to the extent there are multiple tranches) until the performance trigger is cured. During 2020, and as of December 31, 2020, no securitized vacation ownership notes receivable pools were out of compliance with their respective established parameters. As of December 31, 2020, we had 12 securitized vacation ownership notes receivable pools outstanding.

As the contractual terms of the underlying securitized vacation ownership notes receivable determine the maturities of the non-recourse debt associated with them, actual maturities may occur earlier than shown below due to prepayments by the vacation ownership notes receivable obligors.

During the third quarter of 2020, we completed the securitization of a pool of $383 million of vacation ownership notes receivable. In connection with the securitization, investors purchased in a private placement $375 million in vacation ownership loan backed notes from MVW 2020-1 LLC (the "2020-1 LLC"). Four classes of vacation ownership loan backed notes were issued by the 2020-1 LLC: $238 million of Class A Notes, $72 million of Class B Notes, $44 million of Class C Notes, and $21 million of Class D Notes. The Class A Notes have an interest rate of 1.74 percent, the Class B Notes have an interest rate of 2.73 percent, the Class C Notes have an interest rate of 4.21 percent, and the Class D Notes have an interest rate of 7.14 percent, for an overall weighted average interest rate of 2.53 percent. Of the $375 million in proceeds from the transaction, $300 million was used to repay all outstanding amounts previously drawn under the Warehouse Credit Facility, as defined below, $7 million was used to pay transaction expenses and fund required reserves, and the remainder will be used for general corporate purposes.

*Warehouse Credit Facility*

Our warehouse credit facility (the "Warehouse Credit Facility"), which has a borrowing capacity of $350 million, allows for the securitization of vacation ownership notes receivable on a revolving non-recourse basis. The Warehouse Credit Facility terminates on December 20, 2021, and if not renewed prior to termination, any amounts outstanding thereunder would become due and payable 13 months after termination, at which time all principal and interest collected with respect to the vacation ownership notes receivable held in the Warehouse Credit Facility would be redirected to the lenders to pay down the outstanding debt under the facility. The advance rate for vacation ownership notes receivable securitized using the Warehouse Credit Facility varies based on the characteristics of the securitized vacation ownership notes receivable. We also pay unused facility and other fees under the Warehouse Credit Facility. We generally expect to securitize our vacation ownership notes receivable, including any vacation ownership notes receivable held in the Warehouse Credit Facility, in the ABS market at least once per year.

During the first quarter of 2020, we securitized vacation ownership notes receivable under our Warehouse Credit Facility. The carrying amount of the vacation ownership notes receivable securitized was $240 million. The average advance rate was 84 percent, which resulted in gross proceeds of $202 million. Net proceeds were $201 million due to the funding of reserve accounts of $1 million.

During the second quarter of 2020, we securitized vacation ownership notes receivable under our Warehouse Credit Facility. The carrying amount of the vacation ownership notes receivable securitized was $132 million. The average advance rate was 86 percent, which resulted in gross proceeds of $113 million. Net proceeds were $113 million due to the funding of reserve accounts of less than $1 million.

Additionally, during the second quarter of 2020, we amended our Warehouse Credit Facility to increase the borrowing capacity by $181 million, to $531 million. As part of this amendment, the interest rate increased from primarily LIBOR plus 1.1% to primarily LIBOR plus 1.4%. During the third quarter of 2020, we terminated the additional $181 million capacity of the Warehouse Credit Facility.

## 17. DEBT

The following table provides detail on our debt balances, net of unamortized debt discount and issuance costs:

| *($ in millions)* | At December 31, 2020 | At December 31, 2019 |
|---|---|---|
| Senior Secured Notes | | |
| 2025 Notes | $ 500 | $ — |
| Unamortized debt discount and issuance costs | (6) | — |
| | 494 | — |
| | | |
| Senior Unsecured Notes | | |
| 2026 Notes | 750 | 750 |
| Unamortized debt discount and issuance costs | (6) | (8) |
| | 744 | 742 |
| | | |
| 2028 Notes | 350 | 350 |
| Unamortized debt discount and issuance costs | (4) | (5) |
| | 346 | 345 |
| | | |
| Corporate Credit Facility | | |
| Term Loan | 884 | 893 |
| Unamortized debt discount and issuance costs | (11) | (12) |
| | 873 | 881 |
| | | |
| Revolving Corporate Credit Facility | — | 30 |
| Unamortized debt issuance costs[1] | — | (3) |
| | — | 27 |
| | | |
| 2022 Convertible Notes | 230 | 230 |
| Unamortized debt discount and issuance costs | (15) | (23) |
| | 215 | 207 |
| | | |
| Finance leases | 8 | 14 |
| | $ 2,680 | $ 2,216 |

(1) Excludes $3 million of unamortized debt issuance costs as of December 31, 2020, as no cash borrowings were outstanding on the Revolving Corporate Credit Facility, as defined below, at that time.

The following table shows scheduled future principal payments for our debt, excluding finance leases, as of December 31, 2020.

| *($ in millions)* | 2025 Notes | 2026 Notes | 2028 Notes | Term Loan[1] | 2022 Convertible Notes | Total |
|---|---|---|---|---|---|---|
| **Payments Year** | | | | | | |
| 2021 | $ — | $ — | $ — | $ 9 | $ — | $ 9 |
| 2022 | — | — | — | 9 | 230 | 239 |
| 2023 | — | — | — | 9 | — | 9 |
| 2024 | — | — | — | 9 | — | 9 |
| 2025 | 500 | — | — | 848 | — | 848 |
| Thereafter | — | 750 | 350 | — | — | 1,100 |
| | $ 500 | $ 750 | $ 350 | $ 884 | $ 230 | $ 2,214 |

(1) Subsequent to the end of 2020, we elected to repay $100 million of the principal of our Term Loan.

*Senior Secured Notes*

In the second quarter of 2020, we issued $500 million aggregate principal amount of 6.125% Senior Secured Notes due September 15, 2025 (the "2025 Notes"). The 2025 Notes are pari passu with, and secured by the same collateral as, our Corporate Credit Facility. We pay interest on the 2025 Notes on May 15 and November 15 of each year, commencing on November 15, 2020. We received net proceeds of approximately $493 million from the offering of the 2025 Notes, after deducting offering expenses and the underwriting discount, which were used to repay all amounts outstanding at that time on the Revolving Corporate Credit Facility. We may redeem some or all of the 2025 Notes prior to maturity under the terms provided in the indenture.

*Senior Unsecured Notes*

Our Senior Unsecured Notes, as further discussed below, include the following:

- $750 million aggregate principal amount of 6.500% Senior Unsecured Notes due 2026 issued in the third quarter of 2018 with a maturity date of September 15, 2026 (the "2026 Notes"); and
- $350 million aggregate principal amount of 4.750% Senior Unsecured Notes due 2028 issued in the fourth quarter of 2019 with a maturity date of January 15, 2028 (the "2028 Notes").

*2026 Notes*

We issued the 2026 Notes under an indenture dated August 23, 2018 with The Bank of New York Mellon Trust, as trustee. We received net proceeds of $742 million from the offering, after deducting the underwriting discount and estimated expenses. We used these proceeds, together with the borrowings under the Term Loan (defined below) primarily to finance the cash component of the consideration paid in the ILG Acquisition to ILG shareholders, certain fees and expenses we incurred in connection with the ILG Acquisition and working capital. We pay interest on the 2026 Notes on March 15 and September 15 of each year, commencing on March 15, 2019. We may redeem some or all of the 2026 Notes prior to maturity under the terms provided in the indenture.

*2028 Notes*

We issued the 2028 Notes under an indenture dated October 1, 2019 with The Bank of New York Mellon Trust, as trustee. We received net proceeds of $346 million from the offering, after deducting the underwriting discount and estimated expenses. The net proceeds from the 2028 Notes were used (i) to redeem all of the outstanding 5.625% Senior Unsecured Notes due 2023 assumed in connection with the ILG Acquisition (the "IAC Notes"), (ii) to redeem all of the outstanding 5.625% Senior Unsecured Notes due 2023 offered in exchange for the IAC Notes during the third quarter of 2018 (the "Exchange Notes"), (iii) to repay a portion of the outstanding borrowings under our Revolving Corporate Credit Facility, (iv) to pay transaction expenses and fees in connection with each of the foregoing and (v) for general corporate purposes. We pay interest on the 2028 Notes on March 15 and September 15 of each year, commencing on March 15, 2020. We may redeem some or all of the 2028 Notes prior to maturity under the terms provided in the indenture.

*Corporate Credit Facility*

Our corporate credit facility ("Corporate Credit Facility"), which provides support for our business, including ongoing liquidity and letters of credit, includes a $900 million term loan facility (the "Term Loan"), which matures on August 31, 2025, and a revolving credit facility with a borrowing capacity of $600 million (the "Revolving Corporate Credit Facility"), including a letter of credit sub-facility of $75 million, that terminates on August 31, 2023.

The Term Loan bears interest at LIBOR plus 1.75 percent. Borrowings under the Revolving Corporate Credit Facility generally bear interest at a floating rate plus an applicable margin that varies from 0.50 percent to 2.75 percent depending on the type of loan and our credit rating. In addition, we pay a commitment fee on the unused availability under the Revolving Corporate Credit Facility at a rate that varies from 20 to 40 basis points per annum, also depending on our credit rating.

Any amounts borrowed under that facility, as well as obligations with respect to letters of credit issued pursuant to that facility, are secured by a perfected first priority security interest in substantially all of the assets of the borrower under, and guarantors of, that facility (which include Marriott Vacations Worldwide and each of our direct and indirect, existing and future, domestic subsidiaries, excluding certain bankruptcy remote special purpose subsidiaries), in each case including inventory, subject to certain exceptions.

In May 2020, we entered into a waiver (the "Waiver") to the agreement that governs our Corporate Credit Facility. The Waiver, among other things, suspends the requirement to comply with the leverage covenant in the Revolving Corporate Credit Facility, commencing with the fiscal quarter ending June 30, 2020. The initial suspension period included in the Waiver was up to four quarters, however, in February 2021, subsequent to the end of 2020, we further amended the agreement governing our Corporate Credit Facility to extend the suspension period included in the Waiver through the end of 2021. We are required to maintain monthly minimum liquidity of at least $300 million until the later of December 31, 2021 or the end of the suspension period. In addition, for the duration of the period during which the waiver of the leverage covenant remains in effect, we are prohibited from making certain restricted payments, including share repurchases and dividends. If we are not in compliance with the leverage covenant at the end of the suspension period, we will seek to negotiate with our lenders to amend such covenant, as needed.

Prior to 2020, we entered into $250 million of interest rate swaps under which we pay a fixed rate of 2.9625 percent and receive a floating interest rate through September 2023 and $200 million of interest rate swaps under which we pay a fixed rate of 2.2480 percent and receive a floating interest rate through April 2024, in each case to hedge a portion of our interest rate risk on the Term Loan. We also entered into a $100 million interest rate collar with a cap strike rate of 2.5000 percent and a floor strike rate of 1.8810 percent through April 2024 to further hedge our interest rate risk on the Term Loan. Both the interest rate swaps and the interest rate collar have been designated and qualify as cash flow hedges of interest rate risk and recorded in Other liabilities on our Balance Sheet as of December 31, 2020 and December 31, 2019. We characterize payments we make in connection with these derivative instruments as interest expense and a reclassification of accumulated other comprehensive income for presentation purposes.

The following table reflects the activity in accumulated other comprehensive loss related to our derivative instruments during 2020, 2019 and 2018.

| ***($ in millions)*** | **2020** | **2019** | **2018** |
|---|---|---|---|
| Derivative Instrument Adjustment, Beginning of Year | $ (21) | $ (6) | $ — |
| Other comprehensive loss before reclassifications | (18) | (15) | (6) |
| Reclassification to Income Statement | — | — | — |
| Net other comprehensive loss | (18) | (15) | (6) |
| Derivative Instrument Adjustment, End of Year | $ (39) | $ (21) | $ (6) |

*2022 Convertible Notes*

During 2017, we issued an aggregate principal amount of $230 million of 2022 Convertible Notes that bear interest at a rate of 1.50 percent, payable in cash semi-annually. The 2022 Convertible Notes mature on September 15, 2022, unless repurchased or converted in accordance with their terms prior to that date.

The conversion rate is subject to adjustment for certain events as described in the indenture governing the notes, and was subject to adjustment as of December 31, 2020 to 6.8115 shares of common stock per $1,000 principal amount of 2022 Convertible Notes (equivalent to a conversion price of approximately $146.81 per share of our common stock), as a result of the $0.54 per share quarterly dividends declared during the first quarter of 2020, which was greater than the quarterly dividend when the 2022 Convertible Notes were issued. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. It is our intent to settle conversions of the 2022 Convertible Notes through combination settlement, which contemplates repayment in cash of the principal amount and repayment in shares of our common stock of any excess of the conversion value over the principal amount.

Holders may convert their 2022 Convertible Notes prior to June 15, 2022 only under certain circumstances. We may not redeem the 2022 Convertible Notes prior to their maturity date. If we undergo a fundamental change, as described in the indenture, subject to certain conditions, holders may require us to repurchase for cash all or any portion of their 2022 Convertible Notes, at a repurchase price equal to 100 percent of the principal amount of the 2022 Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. If certain fundamental changes referred to in the indenture as make-whole fundamental changes occur, the conversion rate applicable to the 2022 Convertible Notes may increase.

As of December 31, 2020, the effective interest rate was 4.7 percent and the remaining debt discount amortization period was 1.7 years.

The following table shows the net carrying value of the 2022 Convertible Notes:

| ***($ in millions)*** | **At December 31, 2020** | **At December 31, 2019** |
|---|---|---|
| Liability component | | |
| Principal amount | $ 230 | $ 230 |
| Unamortized debt discount | (13) | (20) |
| Unamortized debt issuance costs | (2) | (3) |
| Net carrying amount of the liability component | $ 215 | $ 207 |
| | | |
| Carrying amount of equity component, net of issuance costs | $ 33 | $ 33 |

The following table shows interest expense information related to the 2022 Convertible Notes:

| ***($ in millions)*** | **2020** | **2019** | **2018** |
|---|---|---|---|
| Contractual interest expense | $ 3 | $ 3 | $ 3 |
| Amortization of debt discount | 7 | 6 | 6 |
| Amortization of debt issuance costs | 1 | 2 | 1 |
| | $ 11 | $ 11 | $ 10 |

See Footnote 23 “Subsequent Events” for information on convertible notes, convertible note hedges and warrants issued subsequent to the end of 2020.

*2022 Convertible Note Hedges and Warrants*

In connection with the offering of the 2022 Convertible Notes, we concurrently entered into the following privately-negotiated separate transactions: convertible note hedge transactions with respect to our common stock (“2022 Convertible Note Hedges”), initially covering a total of approximately 1.55 million shares of our common stock, and warrant transactions (“2022 Warrants”), whereby we sold to the counterparties to the 2022 Convertible Note Hedges warrants to acquire approximately 1.55 million shares of our common stock at an initial strike price of $176.68 per share. As of December 31, 2020, no 2022 Convertible Note Hedges or 2022 Warrants have been exercised. The 2022 Warrants will expire in ratable portions on a series of expiration dates commencing on December 15, 2022.

The 2022 Convertible Notes, the 2022 Convertible Note Hedges and the 2022 Warrants are transactions that are separate from each other. Holders of any such instrument have no rights with respect to the other instruments.

*Finance Leases*

See Footnote 15 “Leases” for information on our finance leases.

*Security and Guarantees*

Amounts borrowed under the Corporate Credit Facility and the 2025 Notes, as well as obligations with respect to letters of credit issued pursuant to the Corporate Credit Facility, are secured by a perfected first priority security interest in substantially all of the assets of the borrowers under, and guarantors of, that facility (which include MVWC and certain of our direct and indirect, existing and future, domestic subsidiaries, excluding certain bankruptcy remote special purpose subsidiaries), in each case including inventory, subject to certain exceptions. In addition, the Corporate Credit Facility, the 2025 Notes, the 2026 Notes and the 2028 Notes are guaranteed by MVWC and certain of our direct and indirect, existing and future, domestic subsidiaries, excluding bankruptcy remote special purpose subsidiaries.

## 18. SHAREHOLDERS' EQUITY

Marriott Vacations Worldwide has 100,000,000 authorized shares of common stock, par value of $0.01 per share. At December 31, 2020, there were 75,279,061 shares of Marriott Vacations Worldwide common stock issued, of which 41,094,248 shares were outstanding and 34,184,813 shares were held as treasury stock. At December 31, 2019, there were 75,020,272 shares of Marriott Vacations Worldwide common stock issued, of which 41,582,096 shares were outstanding and 33,438,176 shares were held as treasury stock. Marriott Vacations Worldwide has 2,000,000 authorized shares of preferred stock, par value of $0.01 per share, none of which were issued or outstanding as of December 31, 2020 or December 31, 2019.

*Share Repurchase Program*

The following table summarizes the share repurchase activity under our share repurchase program, which expired on December 31, 2020:

| ***($ in millions, except per share amounts)*** | **Number of Shares Repurchased** | **Cost of Shares Repurchased** | **Average Price Paid per Share** |
|---|---|---|---|
| As of December 31, 2019 | 16,418,950 | $ 1,258 | $ 76.60 |
| For the year ended December 31, 2020 | 769,935 | 82 | 106.60 |
| As of December 31, 2020 | 17,188,885 | $ 1,340 | $ 77.95 |

*Dividends*

We declared cash dividends to holders of common stock during the year ended December 31, 2020 as follows:

| **Declaration Date** | **Shareholder Record Date** | **Distribution Date** | **Dividend per Share** |
|---|---|---|---|
| February 14, 2020 | February 27, 2020 | March 12, 2020 | $0.54 |

Due to the impact of the COVID-19 pandemic, we temporarily suspended cash dividends. Any future dividend payments will be subject to both the restrictions imposed under the Waiver and other agreements covering our debt, Board approval, and there can be no assurance that we will pay dividends in the future.

*Noncontrolling Interests*

*Property Owners' Associations*

We consolidate certain property owners' associations. Noncontrolling interests represents the portion of the property owners' associations related to individual or third-party vacation ownership interest owners. Noncontrolling interests of $31 million and $12 million, as of December 31, 2020 and December 31, 2019, respectively, are included on our Balance Sheets as a component of equity.

## 19. SHARE-BASED COMPENSATION

The MVW Equity Plan is maintained for the benefit of our officers, directors and employees. Under the MVW Equity Plan, we are authorized to award: (1) RSUs of our common stock, (2) SARs relating to our common stock, and (3) stock options to purchase our common stock. A total of 1.8 million shares are authorized for issuance pursuant to grants under the MVW Equity Plan. As of December 31, 2020, approximately 1.7 million shares were available for grants under the MVW Equity Plan.

The following table details our share-based compensation expense related to award grants to our officers, directors, and employees:

| ***($ in millions)*** | **2020** | **2019** | **2018** |
|---|---|---|---|
| Service-based RSUs | $ 22 | $ 17 | $ 12 |
| Performance-based RSUs | 9 | 7 | 7 |
| ILG Acquisition Converted RSUs | 2 | 10 | 13 |
| | 33 | 34 | 32 |
| SARs | 4 | 3 | 3 |
| Stock options | — | — | — |
| | $ 37 | $ 37 | $ 35 |

The following table details our deferred compensation costs related to unvested awards:

| *($ in millions)* | At Year-End 2020[(1)] | At Year-End 2019 |
|---|---|---|
| Service-based RSUs | $ 27 | $ 17 |
| Performance-based RSUs | 6 | 10 |
| ILG Acquisition Converted RSUs | — | 3 |
| | 33 | 30 |
| SARs | 1 | 1 |
| Stock options | — | — |
| | $ 34 | $ 31 |

(1) As of December 31, 2020, the weighted average remaining term for RSU grants outstanding at year-end 2020 was one to two years and we expect that deferred compensation expense will be recognized over a weighted average period of one to three years.

*Restricted Stock Units*

We have issued RSUs that vest over time, which we refer to as service-based RSUs, and RSUs that vest based on performance with respect to established criteria, which we refer to as performance-based RSUs.

The following table shows the changes in our outstanding RSUs and the associated weighted average grant-date fair values:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Service-based | | Performance-based | | Total | |
| | Number of RSUs | Weighted Average Grant-Date Fair Value Per RSU | Number of RSUs | Weighted Average Grant-Date Fair Value Per RSU | Number of RSUs | Weighted Average Grant-Date Fair Value Per RSU |
| Outstanding at year-end 2019 | 648,575 | $ 85.87 | 489,322 | $ 101.35 | 1,137,897 | $ 92.53 |
| Granted | 348,890 | $ 98.51 | 177,208 | $ 90.82 | 526,098 | $ 95.92 |
| Distributed | (192,337) | $ 94.80 | (65,863) | $ 93.41 | (258,200) | $ 94.44 |
| Forfeited | (21,639) | $ 98.02 | (50,496) | $ 94.32 | (72,135) | $ 95.43 |
| Outstanding at year-end 2020 | 783,489 | $ 88.98 | 550,171 | $ 99.56 | 1,333,660 | $ 93.34 |

The weighted average grant-date fair value per RSU granted in 2019 and 2018 was $92.53 and $120.04, respectively. The fair value of the RSUs which vested in 2020 was $30 million, and included $6 million related to RSUs converted from ILG equity-based RSUs to MVW equity-based RSUs in the ILG Acquisition. The fair value of the RSUs which vested in 2019 was $34 million, and included $15 million related to RSUs converted in the ILG Acquisition. The fair value of the RSUs which vested in 2018 was $48 million, and included $24 million related to RSUs converted in the ILG Acquisition.

*Stock Appreciation Rights*

The following table shows the changes in our outstanding SARs and the associated weighted average exercise prices:

| | 2020 | |
|---|---|---|
| | Number of SARs | Weighted Average Exercise Price Per SAR |
| Outstanding at year-end 2019 | 696,147 | $ 68.18 |
| Granted | 116,434 | $ 96.82 |
| Exercised | (184,118) | $ 29.85 |
| Forfeited or expired | (6,361) | $ 97.95 |
| Outstanding at year-end 2020[(1)(2)] | 622,102 | $ 84.58 |

(1) As of December 31, 2020, outstanding SARs had a total intrinsic value of $33 million and a weighted average remaining term of 6 years.

(2) As of December 31, 2020, 381,067 SARs with a weighted average exercise price of $72.57, an aggregate intrinsic value of $25 million and a weighted average remaining contractual term of 5 years were exercisable.

The weighted average grant-date fair value per SAR granted in 2020, 2019, and 2018 was $29.63, $28.89, and $44.75, respectively. The intrinsic value of SARs which vested in 2020, 2019, and 2018, was $4 million, $4 million, and less than $1 million, respectively. The aggregate intrinsic value of SARs which were exercised in 2020, 2019, and 2018 was $19 million, $11 million, and $2 million, respectively.

We use the Black-Scholes model to estimate the fair value of the SARs granted. The expected stock price volatility was calculated based on the average of the historical and implied volatility from our stock price. The average expected life was calculated using the simplified method, as we have insufficient historical information to provide a basis for estimating average expected life. The risk-free interest rate was calculated based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The dividend yield assumption listed below is based on the expectation of future payouts.

The following table outlines the assumptions used to estimate the fair value of grants in 2020, 2019, and 2018:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Expected volatility | 38.81% | 31.10% | 30.78% |
| Dividend yield | 2.13% | 1.76% | 1.11% |
| Risk-free rate | 0.96% | 2.59% | 2.68% |
| Expected term (in years) | 6.25 | 6.25 | 6.25 |

*Stock Options*

We may grant non-qualified stock options to employees and non-employee directors at exercise prices or strike prices equal to the market price of our common stock on the date of grant.

There were no outstanding or exercisable stock options held by our employees at year-end 2020 or 2019, and no stock options were granted to our employees in 2020, 2019, or 2018. At December 31, 2020, approximately 700 stock options were outstanding and exercisable with a weighted average exercise price per option of $23.46 and a weighted average remaining life of less than one year.

*Employee Stock Purchase Plan*

During 2015, the Board of Directors adopted, and our shareholders subsequently approved, the Marriott Vacations Worldwide Corporation Employee Stock Purchase Plan (the “ESPP”), which became effective during 2015. A total of 500,000 shares of common stock may be purchased under the ESPP. The ESPP allows eligible employees to purchase shares of our common stock at a price per share not less than 95% of the fair market value per share of common stock on the purchase date, up to a maximum threshold established by the plan administrator for the offering period.

## 20. VARIABLE INTEREST ENTITIES

*Variable Interest Entities Related to Our Vacation Ownership Notes Receivable Securitizations*

We periodically securitize, without recourse, through bankruptcy remote special purpose entities, notes receivable originated in connection with the sale of vacation ownership products. These vacation ownership notes receivable securitizations provide funding for us and transfer the economic risks and substantially all the benefits of the consumer loans we originate to third parties. In a vacation ownership notes receivable securitization, various classes of debt securities issued by a special purpose entity are generally collateralized by a single tranche of transferred assets, which consist of vacation ownership notes receivable. With each vacation ownership notes receivable securitization, we may retain a portion of the securities, subordinated tranches, interest-only strips, subordinated interests in accrued interest and fees on the securitized vacation ownership notes receivable or, in some cases, overcollateralization and cash reserve accounts.

We created these bankruptcy remote special purpose entities to serve as a mechanism for holding assets and related liabilities, and the entities have no equity investment at risk, making them VIEs. We continue to service the vacation ownership notes receivable, transfer all proceeds collected to these special purpose entities, and retain rights to receive benefits that are potentially significant to the entities. Accordingly, we concluded that we are the entities’ primary beneficiary and, therefore, consolidate them. There is no noncontrolling interest balance related to these entities and the creditors of these entities do not have general recourse to us.

As part of the ILG Acquisition, we acquired the variable interests in the entities associated with ILG’s outstanding vacation ownership notes receivable securitization transactions. As these vacation ownership notes receivable securitizations are similar in nature to the Legacy-MVW vacation ownership notes receivable securitizations, they have been aggregated for disclosure purposes.

The following table shows consolidated assets, which are collateral for the obligations of these VIEs, and consolidated liabilities included on our Balance Sheet at December 31, 2020:

| ***($ in millions)*** | **Vacation Ownership Notes Receivable Securitizations** | **Warehouse Credit Facility** | **Total** |
|---|---|---|---|
| **Consolidated Assets** | | | |
| Vacation ownership notes receivable, net of reserves | $ 1,493 | $ — | $ 1,493 |
| Interest receivable | 11 | — | 11 |
| Restricted cash | 68 | — | 68 |
| Total | $ 1,572 | $ — | $ 1,572 |
| **Consolidated Liabilities** | | | |
| Interest payable | $ 1 | $ — | $ 1 |
| Securitized debt | 1,604 | — | 1,604 |
| Total | $ 1,605 | $ — | $ 1,605 |

The following table shows the interest income and expense recognized as a result of our involvement with these VIEs during 2020:

| ***($ in millions)*** | **Vacation Ownership Notes Receivable Securitizations** | **Warehouse Credit Facility** | **Total** |
|---|---|---|---|
| Interest income | $ 222 | $ 17 | $ 239 |
| Interest expense to investors | $ 51 | $ 4 | $ 55 |
| Debt issuance cost amortization | $ 7 | $ 1 | $ 8 |
| Administrative expenses | $ 1 | $ — | $ 1 |

The following table shows cash flows between us and the vacation ownership notes receivable securitization VIEs:

| ***($ in millions)*** | **2020** | **2019** |
|---|---|---|
| **Cash Inflows** | | |
| Net proceeds from vacation ownership notes receivable securitizations | $ 371 | $ 815 |
| Principal receipts | 487 | 477 |
| Interest receipts | 218 | 214 |
| Reserve release | 16 | 184 |
| Total | 1,092 | 1,690 |
| **Cash Outflows** | | |
| Principal to investors | (509) | (507) |
| Voluntary repurchases of defaulted vacation ownership notes receivable | (95) | (54) |
| Voluntary clean-up call | (18) | (22) |
| Interest to investors | (49) | (49) |
| Funding of restricted cash | (20) | (169) |
| Total | (691) | (801) |
| **Net Cash Flows** | $ 401 | $ 889 |

Under the terms of our vacation ownership notes receivable securitizations, we have the right to substitute loans for, or repurchase, defaulted loans at our option, subject to certain limitations. We made voluntary repurchases of defaulted vacation ownership notes receivable, net of substitutions, of $95 million during 2020, $54 million during 2019 and $31 million during 2018. We also made voluntary repurchases, net of substitutions, of $383 million, $356 million and $39 million of other non-defaulted vacation ownership notes receivable during 2020, 2019 and 2018, respectively, to retire previous vacation ownership notes receivable securitizations. Our maximum exposure to potential loss relating to the special purpose entities that purchase, sell, and own these vacation ownership notes receivable is the overcollateralization amount (the difference between the loan collateral balance and the balance on the outstanding vacation ownership notes receivable), plus cash reserves and any residual interest in future cash flows from collateral.

The following table shows cash flows between us and the Warehouse Credit Facility VIE:

| *($ in millions)* | 2020 | 2019 |
|---|---|---|
| **Cash Inflows** | | |
| Proceeds from vacation ownership notes receivable securitizations | $ 315 | $ 202 |
| Principal receipts | 34 | 14 |
| Interest receipts | 17 | 13 |
| Reserve release | 2 | 2 |
| Total | 368 | 231 |
| **Cash Outflows** | | |
| Principal to investors | (33) | (12) |
| Voluntary repurchases of defaulted vacation ownership notes receivable | (3) | — |
| Repayment of Warehouse Credit Facility | (300) | (285) |
| Interest to investors | (4) | (4) |
| Funding of restricted cash | (2) | (2) |
| Total | (342) | (303) |
| **Net Cash Flows** | $ 26 | $ (72) |

*Other Variable Interest Entities*

We have a commitment to purchase an operating property located in San Francisco, California, that we currently manage as Marriott Vacation Club Pulse, San Francisco. We expect to acquire the operating property over time and as of December 31, 2020 are committed to make payments for the operating property as follows: $32 million in 2021, $24 million in 2022, and $32 million in 2023. See Footnote 4 "Acquisitions and Dispositions" for information on the purchases that occurred during 2020 and 2019. We are required to purchase the property from the third party developer unless the developer has sold the property to another party. The property is held by a VIE for which we are not the primary beneficiary as we cannot prevent the VIE from selling the property to another party at a higher price. Accordingly, we have not consolidated the VIE. As of December 31, 2020, our Balance Sheet reflected $2 million in Accounts Receivable, including a note receivable of less than $1 million, and $5 million in Other assets for a deposit related to the acquisition of a portion of this property. We believe that our maximum exposure to loss as a result of our involvement with this VIE is approximately $7 million as of December 31, 2020. Subsequent to the end of 2020, we fulfilled our outstanding commitment to purchase 44 completed vacation ownership units for $34 million. We accounted for this purchase as an asset acquisition with the purchase price allocated to Inventory ($29 million) and Other assets ($5 million).

We have a commitment to purchase an operating property located in New York, New York, that we currently manage as Marriott Vacation Club Pulse, New York City. See Footnote 4 "Acquisitions and Dispositions" for information on the purchase that occurred during 2020. We are required to purchase the completed property from the third-party developer unless the developer has sold the property to another party. The property is held by a VIE for which we are not the primary beneficiary as we cannot prevent the VIE from selling the property at a higher price. Accordingly, we have not consolidated the VIE. As of December 31, 2020, our Balance Sheet reflected $22 million in Other assets for a deposit related to the acquisition of the remainder of this property which was completed in January 2021, and a note receivable of less than $1 million that is included in the Accounts receivable line. We believe that our maximum exposure to loss as a result of our involvement with this VIE is approximately $23 million as of December 31, 2020. Subsequent to the end of 2020, we fulfilled our outstanding commitment to purchase the remaining 120 completed vacation ownership units for $98 million. We accounted for this purchase as an asset acquisition with the purchase price allocated to Property and equipment.

We have a commitment to purchase a property located in Waikiki, Hawaii, which we assigned to a third party during 2020. If we are unable to negotiate a capital efficient inventory arrangement, we are committed to purchase the property, in its then current form, for $98 million in 2021, unless it has been sold to another party. The property is held by a VIE for which we are not the primary beneficiary as we do not control the operations of the VIE. Accordingly, we have not consolidated the VIE. As of December 31, 2020, our Balance Sheet reflected $1 million in Accounts Receivable, including a note receivable of less than $1 million. We believe that our maximum exposure to loss as a result of our involvement with this VIE is approximately $1 million as of December 31, 2020.

## 21. BUSINESS SEGMENTS

We define our reportable segments based on the way in which the chief operating decision maker ("CODM"), currently our chief executive officer, manages the operations of the Company for purposes of allocating resources and assessing performance. We operate in two operating and reportable business segments:

- Vacation Ownership includes a diverse portfolio of resorts that includes seven vacation ownership brands licensed under exclusive, long-term relationships with Marriott International and Hyatt Hotels Corporation. We are the exclusive worldwide developer, marketer, seller, and manager of vacation ownership and related products under the Marriott Vacation Club, Grand Residences by Marriott, Sheraton Vacation Club, Westin Vacation Club, and Hyatt Residence Club brands, as well as under Marriott Vacation Club Pulse, an extension to the Marriott Vacation Club brand. We are also the exclusive worldwide developer, marketer, and seller of vacation ownership and related products under The Ritz-Carlton Destination Club brand, we have the non-exclusive right to develop, market, and sell whole ownership residential products under The Ritz-Carlton Residences brand and have a license to use the St. Regis brand for specified fractional ownership resorts.

  Our Vacation Ownership segment generates most of its revenues from four primary sources: selling vacation ownership products; managing vacation ownership resorts, clubs, and owners' associations; financing consumer purchases of vacation ownership products; and renting vacation ownership inventory.

- Exchange & Third-Party Management includes exchange networks and membership programs, as well as management of resorts and lodging properties. We provide these services through a variety of brands including Interval International, Trading Places International, Vacation Resorts International, and Aqua-Aston. Exchange & Third-Party Management revenue generally is fee-based and derived from membership, exchange and rental transactions, property and association management, and other related products and services.

Our CODM evaluates the performance of our segments based primarily on the results of the segment without allocating corporate expenses or income taxes. We do not allocate corporate interest expense or indirect general and administrative expenses to our segments. We include interest income specific to segment activities within the appropriate segment. We allocate depreciation, other gains and losses, equity in earnings or losses from our joint ventures, and noncontrolling interest to each of our segments as appropriate. Corporate and other represents that portion of our results that are not allocable to our segments, including those relating to consolidated property owners' associations, as our CODM does not use this information to make operating segment resource allocations. Prior year segment information has been reclassified to conform to the current reportable segment presentation.

Our CODM uses Adjusted EBITDA to evaluate the profitability of our operating segments, and the components of net income attributable to common shareholders excluded from Adjusted EBITDA are not separately evaluated. Adjusted EBITDA is defined as net income attributable to common shareholders, before interest expense (excluding consumer financing interest expense associated with term loan securitization transactions), income taxes, depreciation and amortization, excluding share-based compensation expense and adjusted for certain items that affect the comparability or our operating performance. Our reconciliation of the aggregate amount of Adjusted EBITDA for our reportable segments to consolidated net (loss) income attributable to common shareholders is presented below.

*Revenues*

| ***($ in millions)*** | **2020** | **2019** | **2018** |
|---|---|---|---|
| Vacation Ownership | $ 2,530 | $ 3,761 | $ 2,803 |
| Exchange & Third-Party Management | 309 | 454 | 161 |
| Total segment revenues | 2,839 | 4,215 | 2,964 |
| Corporate and other | 47 | 44 | 4 |
| | $ 2,886 | $ 4,259 | $ 2,968 |

*Adjusted EBITDA and Reconciliation to Net Income Attributable to Common Shareholders*

| ***($ in millions)*** | **2020** | | **2019** | | **2018** | |
|---|---|---|---|---|---|---|
| Adjusted EBITDA Vacation Ownership | $ | 229 | $ | 794 | $ | 511 |
| Adjusted EBITDA Exchange & Third-Party Management | | 119 | | 183 | | 77 |
| Reconciling items: | | | | | | |
| Corporate and other | | (113) | | (219) | | (169) |
| Interest expense | | (150) | | (132) | | (54) |
| Tax benefit (provision) | | 84 | | (83) | | (51) |
| Depreciation and amortization | | (123) | | (141) | | (62) |
| Share-based compensation expense | | (37) | | (37) | | (35) |
| Certain items | | (284) | | (227) | | (162) |
| Net income attributable to common shareholders | $ | (275) | $ | 138 | $ | 55 |

*Depreciation and Amortization*

| ***($ in millions)*** | **2020** | | **2019** | | **2018** | |
|---|---|---|---|---|---|---|
| Vacation Ownership | $ | 71 | $ | 68 | $ | 37 |
| Exchange & Third-Party Management | | 19 | | 47 | | 16 |
| Total segment depreciation | | 90 | | 115 | | 53 |
| Corporate and other | | 33 | | 26 | | 9 |
| | $ | 123 | $ | 141 | $ | 62 |

*Assets*

| ***($ in millions)*** | **At December 31, 2020** | | **At December 31, 2019** | |
|---|---|---|---|---|
| Vacation Ownership | $ | 6,859 | $ | 7,345 |
| Exchange & Third-Party Management | | 951 | | 1,162 |
| Total segment assets | | 7,810 | | 8,507 |
| Corporate and other | | 1,088 | | 707 |
| | $ | 8,898 | $ | 9,214 |

*Capital Expenditures (including inventory)*

| ***($ in millions)*** | **2020** | | **2019** | | **2018** | |
|---|---|---|---|---|---|---|
| Vacation Ownership | $ | 191 | $ | 266 | $ | 245 |
| Exchange & Third-Party Management | | 7 | | 14 | | 5 |
| Total segment capital expenditures | | 198 | | 280 | | 250 |
| Corporate and other | | 4 | | 13 | | 2 |
| | $ | 202 | $ | 293 | $ | 252 |

*Geographic Information*

We conduct business globally, and our operations outside the United States represented approximately 10 percent, 11 percent, and 13 percent of our revenues, excluding cost reimbursements, for 2020, 2019, and 2018, respectively.

*Revenues (excluding cost reimbursements)*

| ***($ in millions)*** | **2020** | | **2019** | | **2018** | |
|---|---|---|---|---|---|---|
| United States | $ | 1,664 | $ | 2,810 | $ | 1,780 |
| All other countries | | 180 | | 341 | | 263 |
| | $ | 1,844 | $ | 3,151 | $ | 2,043 |

*Fixed Assets*

| *($ in millions)* | At December 31, 2020 | At December 31, 2019 |
|---|---|---|
| United States | $ 640 | $ 560 |
| All other countries | 151 | 158 |
| | $ 791 | $ 718 |

**22. QUARTERLY RESULTS (UNAUDITED)**

| | 2020[1] | | | | |
|---|---|---|---|---|---|
| *($ in millions, except per share data)* | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Fiscal Year |
| Revenues | $ 1,010 | $ 480 | $ 649 | $ 747 | $ 2,886 |
| Expenses | $ (1,060) | $ (521) | $ (673) | $ (730) | $ (2,984) |
| Net loss attributable to common shareholders | $ (106) | $ (70) | $ (62) | $ (37) | $ (275) |
| Loss per share attributable to common shareholders | | | | | |
| Basic | $ (2.56) | $ (1.68) | $ (1.51) | $ (0.88) | $ (6.65) |
| Diluted | $ (2.56) | $ (1.68) | $ (1.51) | $ (0.88) | $ (6.65) |

| | 2019[1] | | | | |
|---|---|---|---|---|---|
| *($ in millions, except per share data)* | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Fiscal Year |
| Revenues | $ 1,034 | $ 1,043 | $ 1,066 | $ 1,116 | $ 4,259 |
| Expenses | $ (943) | $ (900) | $ (996) | $ (962) | $ (3,801) |
| Net income (loss) attributable to common shareholders | $ 24 | $ 49 | $ (9) | $ 74 | $ 138 |
| Earnings (loss) per share attributable to common shareholders | | | | | |
| Basic | $ 0.52 | $ 1.11 | $ (0.21) | $ 1.74 | $ 3.13 |
| Diluted | $ 0.51 | $ 1.10 | $ (0.21) | $ 1.71 | $ 3.09 |

(1) The sum of the earnings per share attributable to common shareholders for the four quarters differs from annual earnings per share attributable to common shareholders due to the required method of computing the weighted average shares in interim periods.

## 23. SUBSEQUENT EVENTS

### *Acquisition of Welk Resorts*

On January 26, 2021, subsequent to the end of 2020, we entered into a definitive agreement to acquire Welk Resorts, one of the largest independent timeshare companies in North America, for approximately $430 million, including approximately 1.4 million shares of our common stock. The acquisition is expected to close early in the second quarter of 2021.

### *Issuance of Convertible Notes*

During the first quarter of 2021, we issued $575 million aggregate principal amount of 0.00% Convertible Senior Notes due 2026 (the “2026 Convertible Notes”). The 2026 Convertible Notes will not bear regular interest and will mature on January 15, 2026, unless earlier repurchased or converted.

On or after October 15, 2025, and prior to the close of business on the second scheduled trading day immediately preceding the stated maturity date of the 2026 Convertible Notes, holders may convert their 2026 Convertible Notes at their option. The 2026 Convertible Notes are convertible at an initial rate of 5.8476 shares of common stock per $1,000 principal amount of 2026 Convertible Notes (equivalent to an initial conversion price of $171.01 per share of our common stock). The conversion rate is subject to adjustment for certain events as described in the Indenture. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election. It is our intent to settle conversions of the 2026 Convertible Notes through combination settlement, which contemplates repayment in cash of the principal amount and repayment in shares of our common stock of any excess of the conversion value over the principal amount.

In connection with the offering of the 2026 Convertible Notes, we entered into privately-negotiated convertible note hedge transactions with respect to our common stock with certain counterparties (the “2026 Convertible Note Hedges”), covering a total of 3.4 million shares of our common stock at a cost of approximately $100 million. Concurrently with the entry into the 2026 Convertible Note Hedges, we separately entered into privately-negotiated warrant transactions (the “2026 Warrants”), whereby we sold to the counterparties to the 2026 Convertible Note Hedges warrants to acquire, collectively, subject to anti-dilution adjustments, approximately 3.4 million shares of our common stock at an initial strike price of $213.76 per share. We received aggregate proceeds of approximately $70 million from the sale of the 2026 Warrants to the counterparties. Taken together, the 2026 Convertible Note Hedges and the 2026 Warrants are generally expected to reduce the potential dilution to our common stock (or, in the event the conversion of the 2026 Convertible Notes is settled in cash, to reduce our cash payment obligation) in the event that at the time of conversion our stock price exceeds the conversion price under the 2026 Convertible Notes.

## Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

## Item 9A. Controls and Procedures

*Disclosure Controls and Procedures*

As of the end of the period covered by this Annual Report, we evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act), and management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature, can provide only reasonable assurance about management's control objectives. Our disclosure controls and procedures have been designed to provide reasonable assurance of achieving the desired control objectives. However, you should note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based upon the foregoing evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2020, our disclosure controls and procedures were effective and operating to provide reasonable assurance that we record, process, summarize and report the information we are required to disclose in the reports that we file or submit under the Exchange Act within the time periods specified in the rules and forms of the SEC, and to provide reasonable assurance that we accumulate and communicate such information to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions about required disclosure.

*Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). We have set forth management's annual report on internal control over financial reporting and the independent registered public accounting firm's report on the effectiveness of our internal control over financial reporting in Part II, Item 8 of this Annual Report, and we incorporate those reports by reference.

*Changes in Internal Control Over Financial Reporting*

We made no changes in our internal control over financial reporting during the fourth quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than changes in control over financial reporting to integrate the business we acquired in the ILG Acquisition; such changes included the replacement of our U.S. payroll service provider with new functionality provided by our enterprise-wide human resources information system.

## Item 9B. Other Information

None.

# PART III

As described below, we incorporate by reference in this Annual Report certain information appearing in the Proxy Statement that we will furnish to our shareholders for our 2021 Annual Meeting of Shareholders (the "Proxy Statement").

## Item 10. Directors, Executive Officers and Corporate Governance

Our Proxy Statement will be filed with the SEC in connection with our 2021 Annual Meeting of Shareholders. Information regarding executive officers is included in Part I of this Form 10-K as permitted by General Instruction G(3) to Form 10-K. Information required by Item 10 of Form 10-K relating to directors is incorporated by reference to the material captioned "Report on the Board of Directors and its Committees" in our Proxy Statement.

### Code of Conduct

Our Board of Directors has adopted a code of conduct, our Business Conduct Guide, that applies to all of our directors, officers, and associates, including our Chief Executive Officer, Principal Financial Officer, and Chief Accounting Officer. Our Business Conduct Guide is available in the Investor Relations section of our website (marriottvacationsworldwide.com) and is accessible by clicking on "Corporate Governance." Any amendments to our Business Conduct Guide and any grant of a waiver from a provision of our Business Conduct Guide requiring disclosure under applicable SEC rules may be disclosed at the same location as the Business Conduct Guide in the Investor Relations section of our website located at marriottvacationsworldwide.com within four business days following the date of the amendment or waiver or on a Current Report on Form 8-K.

**Item 11. Executive Compensation**

We incorporate this information by reference to the "Executive and Director Compensation" and "Compensation Committee Interlocks and Insider Participation" sections of our Proxy Statement.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

We incorporate this information by reference to the "Securities Authorized for Issuance Under Equity Compensation Plans" and "Stock Ownership" sections of our Proxy Statement.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

We incorporate this information by reference to the "Transactions with Related Persons" and "Director Independence" sections of our Proxy Statement.

**Item 14. Principal Accountant Fees and Services**

We incorporate this information by reference to the "Independent Registered Public Accounting Firm Fee Disclosure" and "Pre-Approval of Independent Auditor Fees and Services Policy" sections of our Proxy Statement.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

The following are filed as part of this Annual Report:

(1) Financial Statements

We include this portion of Item 15 under Part II, Item 8 of this Annual Report.

(2) Financial Statement Schedules

We include the financial statement schedules required by the applicable accounting regulations of the SEC in the notes to our consolidated financial statements and incorporate that information in this Item 15 by reference.

(3) Exhibits

A shareholder who wants a copy of any of the following Exhibits may obtain one from us, without charge, upon written request. Written requests to obtain any exhibit should be sent to Marriott Vacations Worldwide Corporation, 6649 Westwood Blvd., Orlando, Florida 32821, Attention: Corporate Secretary. All documents referenced below are being filed as a part of this Annual Report, unless otherwise noted.

| Exhibit Number | Description | Filed Herewith | Incorporation By Reference From | | |
|---|---|---|---|---|---|
| | | | Form | Exhibit | Date Filed |
| 2.1 | Separation and Distribution Agreement, entered into on November 17, 2011, among Marriott International, Inc., Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., Marriott Resorts Hospitality Corporation, MVCI Asia Pacific Pte. Ltd. and MVCO Series LLC | | 8-K | 2.1 | 11/22/2011 |
| 2.2 | Agreement and Plan of Merger, dated as of April 30, 2018, by and among Marriott Vacations Worldwide Corporation, ILG, Inc., Ignite Holdco, Inc., Ignite Holdco Subsidiary, Inc., Volt Merger Sub LLC[(1)] | | 8-K | 2.1 | 5/1/2018 |
| 2.3 | Agreement and Plan of Merger by and among Marriott Vacations Worldwide Corporation, Sommelier Acquisition Corp., Champagne Resorts, Inc., Welk Hospitality Group, Inc. and the Shareholder Representative, dated as of January 26, 2021 | | 8-K | 2.1 | 1/26/2021 |
| 3.1 | Restated Certificate of Incorporation of Marriott Vacations Worldwide Corporation | | 8-K | 3.1 | 11/22/2011 |
| 3.2 | Restated Bylaws of Marriott Vacations Worldwide Corporation | | 8-K | 3.2 | 11/22/2011 |
| 4.1 | Form of certificate representing shares of common stock, par value $0.01 per share, of Marriott Vacations Worldwide Corporation | | 10 | 4.1 | 10/14/2011 |

| Exhibit Number | Description | Filed Herewith | Incorporation By Reference From | | |
|---|---|---|---|---|---|
| | | | Form | Exhibit | Date Filed |
| 4.2 | Indenture between Marriott Vacations Worldwide Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee, dated September 25, 2017 | | 10-Q | 4.1 | 11/2/2017 |
| 4.3 | Form of 1.50% Convertible Senior Note due 2022 (included as Exhibit A to Exhibit 4.2 above) | | 10-Q | 4.1 | 11/2/2017 |
| 4.4 | Indenture, dated as of August 23, 2018, by and among Marriott Ownership Resorts, Inc., Marriott Vacations Worldwide Corporation, as guarantor, the other guarantors party thereto and the Bank of New York Mellon Trust Company, N.A., as trustee | | 8-K | 4.1 | 8/23/2018 |
| 4.5 | First Supplemental Indenture, dated September 1, 2018, by and among Marriott Ownership Resorts, Inc., ILG, LLC, the guarantors party thereto and the Bank of New York Mellon Trust Company, N.A., as trustee | | 8-K | 4.7 | 9/5/2018 |
| 4.6 | Second Supplemental Indenture, dated December 31, 2019, by and among Marriott Ownership Resorts, Inc., ILG, LLC, MVW Vacations, LLC and the Bank of New York Mellon Trust Company, N.A., as trustee | | 10-K | 4.6 | 3/2/2020 |
| 4.7 | Third Supplemental Indenture, dated February 26, 2020, by and among Marriott Ownership Resorts, Inc., ILG, LLC, MVW Services Corporation, and the Bank of New York Mellon Trust Company, N.A., as trustee | | 10-K | 4.7 | 3/2/2020 |
| 4.8 | Form of 6.500% Senior Note due 2026 (included as Exhibit A to Exhibit 4.4 above) | | 8-K | 4.1 | 8/23/2018 |
| 4.9 | Registration Rights Agreement, dated as of August 23, 2018, by and among Marriott Ownership Resorts, Inc., Marriott Vacations Worldwide Corporation, as guarantor, the other guarantors party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated | | 8-K | 4.3 | 8/23/2018 |
| 4.10 | Joinder Agreement to Registration Rights Agreement, dated as of September 1, 2018, by and among ILG, LLC, the guarantors party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated as the representative of the initial purchasers | | 8-K | 4.8 | 9/5/2018 |
| 4.11 | Indenture, dated as of October 1, 2019, by and among Marriott Ownership Resorts, Inc., Marriott Vacations Worldwide Corporation, as guarantor, the other guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee | | 8-K | 4.1 | 10/1/2019 |
| 4.12 | Supplemental Indenture, dated December 31, 2019, by and among Marriott Ownership Resorts, Inc., MVW Vacations, LLC and the Bank of New York Mellon Trust Company, N.A., as trustee | | 10-K | 4.12 | 3/2/2020 |
| 4.13 | Second Supplemental Indenture, dated February 26, 2020, by and among Marriott Ownership Resorts, Inc., MVW Services Corporation, and the Bank of New York Mellon Trust Company, N.A., as trustee | | 10-K | 4.13 | 3/2/2020 |
| 4.14 | Form of 4.750% Senior Notes due 2028 (included as Exhibit A to Exhibit 4.11 above) | | 8-K | 4.2 | 10/1/2019 |
| 4.15 | Registration Rights Agreement, dated as of October 1, 2019, by and among Marriott Ownership Resorts, Inc., Marriott Vacations Worldwide Corporation, as guarantor, the other guarantors party thereto and J.P. Morgan Securities LLC | | 8-K | 4.3 | 10/1/2019 |
| 4.16 | Indenture, dated as of May 13, 2020, by and among Marriott Ownership Resorts, Inc., Marriott Vacations Worldwide Corporation, as guarantor, the other guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent | | 8-K | 4.1 | 5/15/2020 |
| 4.17 | Form of 6.125% Senior Secured Notes due 2025 (included as Exhibit A to Exhibit 4.16 above) | | 8-K | 4.1 | 5/15/2020 |
| 4.18 | Indenture, dated as of February 2, 2021, by and among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc. and the other guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee | | 8-K | 4.1 | 2/3/2021 |

| Exhibit Number | Description | Filed Herewith | Incorporation By Reference From | | |
|---|---|---|---|---|---|
| | | | Form | Exhibit | Date Filed |
| 4.19 | Form of 0.00% Convertible Senior Note due 2026 (included as Exhibit A to Exhibit 4.18 above) | | 8-K | 4.1 | 2/3/2021 |
| 4.20 | Description of Registered Securities | | 10-K | 4.16 | 3/2/2020 |
| 10.1 | License, Services, and Development Agreement, entered into on November 17, 2011, among Marriott International, Inc., Marriott Worldwide Corporation, Marriott Vacations Worldwide Corporation and the other signatories thereto | | 8-K | 10.1 | 11/22/2011 |
| 10.2 | Letter Agreement, dated as of February 21, 2013, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation, supplementing the License, Services, and Development Agreement | | 10-Q | 10.1 | 4/25/2013 |
| 10.3 | Letter Agreement, dated May 9, 2016, among Marriott Vacations Worldwide Corporation, Marriott Worldwide Corporation and Marriott International, Inc. relating to the License, Services, and Development Agreement | | 10-Q | 10.3 | 7/21/2016 |
| 10.4 | First Amendment to License, Services, and Development Agreement, dated as of February 26, 2018, among Marriott International, Inc., Marriott Worldwide Corporation, Marriott Vacations Worldwide Corporation and the other signatories thereto | | 10-K | 10.4 | 2/27/2018 |
| 10.5 | Amended and Restated Side Letter Agreement, dated as of February 26, 2018 by among Marriott International, Inc., Marriott Worldwide Corporation, Marriott Rewards, LLC, Marriott Vacations Worldwide Corporation and Marriott Ownership Resorts, Inc.† | | 10-K | 10.5 | 2/27/2018 |
| 10.6 | License, Services, and Development Agreement, entered into on November 17, 2011, among The Ritz-Carlton Hotel Company, L.L.C., Marriott Vacations Worldwide Corporation and the other signatories thereto | | 8-K | 10.2 | 11/22/2011 |
| 10.7 | First Amendment to License, Services, and Development Agreement, dated as of February 26, 2018, among The Ritz-Carlton Hotel Company, L.L.C., Marriott Vacations Worldwide Corporation and the other signatures thereto | | 10-K | 10.7 | 2/27/2018 |
| 10.8 | Employee Benefits and Other Employment Matters Allocation Agreement, entered into on November 17, 2011, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation | | 8-K | 10.3 | 11/22/2011 |
| 10.9 | Tax Sharing and Indemnification Agreement, entered into on November 17, 2011, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation | | 8-K | 10.4 | 11/22/2011 |
| 10.10 | Amendment, dated August 2, 2012, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation, to the Tax Sharing and Indemnification Agreement | | 10-Q | 10.1 | 10/18/2012 |
| 10.11 | Marriott Rewards Affiliation Agreement, entered into on November 17, 2011, among Marriott International, Inc., Marriott Rewards, LLC, Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc. and the other signatories thereto | | 8-K | 10.5 | 11/22/2011 |
| 10.12 | First Amendment to Marriott Rewards Affiliation Agreement, dated as of February 26, 2018, among Marriott International, Inc., Marriott Rewards, LLC, Marriott Vacations Worldwide Corporation and Marriott Ownership Resorts, Inc. | | 10-K | 10.12 | 2/27/2018 |
| 10.13 | Termination of Noncompetition Agreement, dated as of February 26, 2018, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation | | 10-K | 10.14 | 2/27/2018 |
| 10.14 | Marriott Vacations Worldwide Corporation Amended and Restated Stock and Cash Incentive Plan* | | 10-K | 10.14 | 2/23/2017 |
| 10.15 | Form of Restricted Stock Unit Agreement – Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan* | | 8-K | 10.1 | 12/9/2011 |
| 10.16 | Form of Stock Appreciation Right Agreement – Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan* | | 8-K | 10.2 | 12/9/2011 |

| Exhibit Number | Description | Filed Herewith | Incorporation By Reference From | | |
|---|---|---|---|---|---|
| | | | Form | Exhibit | Date Filed |
| 10.17 | Form of Performance Unit Award Agreement – Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan* | | 8-K | 10.1 | 3/16/2012 |
| 10.18 | Form of Non-Employee Director Share Award Confirmation* | | 10-K | 10.17 | 2/25/2016 |
| 10.19 | Form of Non-Employee Director Stock Appreciation Right Award Agreement* | | 10-K | 10.16 | 3/21/2012 |
| 10.20 | Form of Director Stock Unit Agreement* | | 10-Q | 10.1 | 4/30/2015 |
| 10.21 | Marriott Vacations Worldwide Corporation Change in Control Severance Plan* | | 8-K | 10.2 | 3/16/2012 |
| 10.22 | Form of Participation Agreement for Change in Control Severance Plan – Marriott Vacations Worldwide Corporation Change in Control Severance Plan* | | 8-K | 10.3 | 3/16/2012 |
| 10.23 | Marriott Vacations Worldwide Corporation Deferred Compensation Plan* | | 8-K | 10.3 | 6/13/2013 |
| 10.24 | Marriott Vacations Worldwide Corporation Executive Long-Term Disability Plan* | | 10-K | 10.21 | 2/26/2015 |
| 10.25 | Marriott Vacations Worldwide Corporation Employee Stock Purchase Plan* | | 8-K | 10.1 | 6/11/2015 |
| 10.26 | Third Amended and Restated Indenture and Servicing Agreement, entered into September 15, 2014 and dated as of September 1, 2014, among Marriott Vacations Worldwide Owner Trust 2011-1, Marriott Ownership Resorts, Inc., and Wells Fargo Bank, National Association | | 8-K | 10.2 | 9/16/2014 |
| 10.27 | Indenture Supplement, dated June 24, 2015, among Marriott Vacations Worldwide Owner Trust 2011-1, Marriott Ownership Resorts, Inc., and Wells Fargo Bank, National Association, Deutsche Bank AG, New York Branch, and the Conduits, Alternate Purchasers, Funding Agents and Non-Conduit Committed Purchasers signatory thereto | | 10-Q | 10.2 | 7/23/2015 |
| 10.28 | Second Amended and Restated Sale Agreement, entered into September 15, 2014 and dated as of September 1, 2014, between MORI SPC Series Corp. and Marriott Vacations Worldwide Owner Trust 2011-1 | | 8-K | 10.1 | 9/16/2014 |
| 10.29 | Omnibus Amendment No. 3, dated November 23, 2015, relating to, among other agreements, the Third Amended and Restated Indenture and the Second Amended and Restated Sale Agreement, by and among Marriott Vacations Worldwide Owner Trust 2011-1, Marriott Ownership Resorts, Inc., Wells Fargo Bank, National Association, MORI SPC Series Corp., Marriott Vacations Worldwide Corporation, the Purchasers signatory thereto, Deutsche Bank AG, New York Branch, Wilmington Trust, National Association, and MVCO Series LLC | | 8-K | 10.1 | 11/25/2015 |
| 10.30 | Omnibus Amendment No. 4, dated May 20, 2016, relating to, among other agreements, the Third Amended and Restated Indenture and the Second Amended and Restated Sale Agreement, by and among Marriott Vacations Worldwide Owner Trust 2011-1, Marriott Ownership Resorts, Inc., Wells Fargo Bank, National Association, MORI SPC Series Corp., Marriott Vacations Worldwide Corporation, the Purchasers signatory thereto, Deutsche Bank AG, New York Branch, Wilmington Trust, National Association, and MVCO Series LLC | | 10-Q | 10.2 | 7/21/2016 |
| 10.31 | Indenture Supplement, dated June 16, 2016, by and among Marriott Vacations Worldwide Owner Trust 2011-1, as issuer, Marriott Ownership Resorts, Inc., Wells Fargo Bank, National Association, Deutsche Bank AG, New York Branch, and the Conduits, Alternate Purchasers, Funding Agents and Non-Conduit Committed Purchasers signatory thereto | | 10-Q | 10.1 | 7/21/2016 |

| Exhibit Number | Description | Filed Herewith | Incorporation By Reference From | | |
|---|---|---|---|---|---|
| | | | Form | Exhibit | Date Filed |
| 10.32 | Omnibus Amendment No. 5, dated March 8, 2017, relating to, among other agreements, the Third Amended and Restated Indenture, by and among Marriott Vacations Worldwide Owner Trust 2011-1, Marriott Ownership Resorts, Inc., Wells Fargo Bank, National Association, MORI SPC Series Corp., Marriott Vacations Worldwide Corporation, the Purchasers signatory thereto, Deutsche Bank AG, New York Branch, Wilmington Trust, National Association, and MVCO Series LLC | | 8-K | 10.1 | 3/14/2017 |
| 10.33 | Omnibus Amendment No. 6, dated August 17, 2017, relating to, among other agreements, the Third Amended and Restated Indenture and the Second Amended and Restated Sale Agreement, by and among Marriott Vacations Worldwide Owner Trust 2011-1, Marriott Ownership Resorts, Inc., Wells Fargo Bank, National Association, MORI SPC Series Corp., Marriott Vacations Worldwide Corporation, the Purchasers signatory thereto, Deutsche Bank AG, New York Branch, Wilmington Trust, National Association, and MVCO Series LLC | | 8-K | 10.3 | 8/21/2017 |
| 10.34 | Form of Call Option Transaction Confirmation | | 10-Q | 10.1 | 11/2/2017 |
| 10.35 | Form of Warrant Confirmation | | 10-Q | 10.2 | 11/2/2017 |
| 10.36 | Form of Amendment Agreement to Warrant Confirmation | | 10-K | 10.54 | 3/1/2019 |
| 10.37 | Credit Agreement, dated as of August 31, 2018, among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent | | 8-K | 4.9 | 9/5/2018 |
| 10.38 | Amendment No. 1 to Credit Agreement, dated as of December 3, 2019, among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., Interval Acquisition Corp., the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent | | 10-K | 10.38 | 3/2/2020 |
| 10.39 | Waiver to Credit Agreement, dated as of May 14, 2020, by and among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., the Revolving Credit Lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent | | 8-K | 4.3 | 5/15/2020 |
| 10.40 | Amended and Restated Waiver to Credit Agreement, dated as of February 16, 2021, by and among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., the Revolving Credit Lenders party thereto and JP Morgan Chase Bank, N.A. as administrative agent | X | | | |
| 10.41 | Joinder Agreement, dated as of September 1, 2018, among Interval Acquisition Corp. and JPMorgan Chase Bank, N.A. | | 8-K | 4.10 | 9/5/2018 |
| 10.42 | Omnibus Amendment No. 8, dated August 31, 2018, relating to, among other agreements, the Third Amended and Restated Indenture, by and among Marriott Vacations Worldwide Owner Trust 2011-1, Marriott Ownership Resorts, Inc., Wells Fargo Bank, National Association, MORI SPC Series Corp., Marriott Vacations Worldwide Corporation, the Purchasers signatory thereto, Deutsche Bank AG, New York Branch, Wilmington Trust, National Association, and MVCO Series LLC. | | 10-Q | 10.3 | 11/7/2018 |
| 10.43 | Deferred Compensation Plan for Non-Employee Directors* | | S-1(2) | 10.12 | 8/1/2018 |
| 10.44 | Interval Leisure Group, Inc. 2013 Stock and Incentive Compensation Plan, as amended* | | S-8(2) | 10.1 | 8/5/2016 |
| 10.45 | Form of Terms and Conditions for Annual RSU Awards under the Interval Leisure Group, Inc. 2013 Stock and Incentive Compensation Plan* | | 10-Q(2) | 10.1 | 5/8/2014 |
| 10.46 | Form of Terms and Conditions for Adjusted EBITDA Performance RSU Awards under the Interval Leisure Group, Inc. 2013 Stock and Incentive Compensation Plan* | | 10-Q(2) | 10.2 | 5/8/2014 |

| Exhibit Number | Description | Filed Herewith | Incorporation By Reference From | | |
|---|---|---|---|---|---|
| | | | Form | Exhibit | Date Filed |
| 10.47 | Form of Terms and Conditions for TSR-Based Performance RSU Awards under the Interval Leisure Group, Inc. 2013 Stock and Incentive Compensation Plan* | | 10-Q[(2)] | 10.3 | 5/8/2014 |
| 10.48 | Employee Matters Agreement, dated as of October 27, 2015 among Interval Leisure Group, Inc., Starwood Hotels & Resorts Worldwide, Inc. and Vistana Signature Experiences, Inc., as amended | | 8-K[(2)] | 10.6 | 5/12/2016 |
| 10.49 | License, Services and Development Agreement, dated as of May 11, 2016, among Interval Leisure Group, Inc., Starwood Hotels & Resorts Worldwide, Inc. and Vistana Signature Experiences, Inc. | | 8-K[(2)] | 10.1 | 5/12/2016 |
| 10.50 | Tax Matters Agreement, dated as of May 11, 2016, among Interval Leisure Group, Inc., Starwood Hotels & Resorts Worldwide, Inc. and Vistana Signature Experiences, Inc. | | 8-K[(2)] | 10.3 | 5/12/2016 |
| 10.51 | Starwood Preferred Guest Affiliation Agreement, dated as of May 11, 2016, among Starwood Hotels & Resorts Worldwide, Inc., Preferred Guest, Inc. and Vistana Signature Experiences, Inc. | | 8-K[(2)] | 10.5 | 5/12/2016 |
| 10.52 | Termination of Noncompetition Agreement, effective September 1, 2018, between Starwood Hotels & Resorts Worldwide, LLC (formerly Starwood Hotels & Resorts Worldwide, Inc.) and Vistana Signatures Experiences, Inc. | | 8-K | 10.2 | 9/20/2018 |
| 10.53 | Letter of Agreement, effective September 1, 2018, among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., Vistana Signatures Experiences, Inc., ILG, LLC, Marriott International, Inc., Marriott Worldwide Corporation, Marriott Rewards, LLC and Starwood Hotels & Resorts Worldwide, LLC | | 8-K | 10.1 | 9/20/2018 |
| 10.54 | Amendment No. 2 to the Interval Leisure Group, Inc. 2013 Stock and Incentive Compensation Plan, dated February 25, 2018* | | 10-Q[(2)] | 10.2 | 5/4/2018 |
| 10.55 | Amended and Restated Employment Agreement between ILG, Inc. and Jeanette E. Marbert, dated as of March 24, 2017* | | 10-Q[(2)] | 10.2 | 5/5/2017 |
| 10.56 | Amendment dated March 28, 2018 to Amended and Restated Employment Agreement between ILG, Inc. and Jeanette E. Marbert* | | 10-Q[(2)] | 10.1 | 5/4/2018 |
| 10.57 | Marriott Vacations Worldwide Corporation 2020 Equity Incentive Plan* | | DEF 14A | Appendix A | 3/30/2020 |
| 10.58 | Form of Call Option Transaction Confirmation | | 8-K | 10.1 | 2/3/2021 |
| 10.59 | Form of Warrant Confirmation | | 8-K | 10.2 | 2/3/2021 |
| 21.1 | Subsidiaries of Marriott Vacations Worldwide Corporation | X | | | |
| 22.1 | List of the Issuer and its Guarantor Subsidiaries | | 10-Q | 22.1 | 11/5/2020 |
| 23.1 | Consent of Ernst & Young LLP | X | | | |
| 24.1 | Powers of Attorney (included on the signature pages hereto) | X | | | |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 | X | | | |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 | X | | | |
| 32.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished | | | |
| 32.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished | | | |
| 101 | The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline XBRL: (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Shareholders' Equity, and (vi) Notes to Consolidated Financial Statements | | | | |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) | | | | |

* Management contract or compensatory plan or arrangement.

† Portions of this exhibit were redacted pursuant to a confidential treatment request filed with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. The redacted portions of this exhibit have been filed with the Securities and Exchange Commission.

(1) Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplemental copies to the SEC of any omitted schedule upon request by the SEC.

(2) Filing made by ILG, LLC under SEC File No. 001-34062.

**Item 16. Form 10-K Summary**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this Form 10-K to be signed on our behalf by the undersigned, thereunto duly authorized, on this 1st day of March, 2021.

MARRIOTT VACATIONS WORLDWIDE CORPORATION

By: /s/ Stephen P. Weisz
Stephen P. Weisz
Chief Executive Officer

## POWER OF ATTORNEY

KNOW BY ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints jointly and severally, Stephen P. Weisz, John E. Geller, Jr. and James H Hunter, IV, and each one of them, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed by the following persons on our behalf in the capacities and on the date indicated above.

**Principal Executive Officer:**

| | |
|---|---|
| /s/ Stephen P. Weisz<br>Stephen P. Weisz | Chief Executive Officer and Director |

**Principal Financial Officer:**

| | |
|---|---|
| /s/ John E. Geller, Jr.<br>John E. Geller, Jr. | President and Chief Financial Officer |

**Principal Accounting Officer:**

| | |
|---|---|
| /s/ Laurie A. Sullivan<br>Laurie A. Sullivan | Senior Vice President, Corporate Controller and Chief Accounting Officer |

**Directors:**

| | |
|---|---|
| /s/ William J. Shaw<br>William J. Shaw, Chairman | /s/ Melquiades R. Martinez<br>Melquiades R. Martinez, Director |
| /s/ C.E. Andrews<br>C.E. Andrews, Director | /s/ William W. McCarten<br>William W. McCarten, Director |
| /s/ Lizanne Galbreath<br>Lizanne Galbreath, Director | /s/ Dianna F. Morgan<br>Dianna F. Morgan, Director |
| /s/ Raymond L. Gellein, Jr.<br>Raymond L. Gellein, Jr., Director | /s/ Stephen R. Quazzo<br>Stephen R. Quazzo, Director |
| /s/ Thomas J. Hutchison III<br>Thomas J. Hutchison III, Director | |

**EXECUTION VERSION**

# AMENDED AND RESTATED WAIVER TO CREDIT AGREEMENT

THIS AMENDED AND RESTATED WAIVER TO CREDIT AGREEMENT, dated as of February 16, 2021 (this "Waiver"), to that certain Credit Agreement, dated as of August 31, 2018 (as amended by that certain Amendment No. 1 to Credit Agreement, dated as of December 3, 2019 and as amended, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement") by and among MARRIOTT VACATIONS WORLDWIDE CORPORATION, a Delaware corporation ("MVWC"), MARRIOTT OWNERSHIP RESORTS, INC., a Delaware corporation (the "MVW Borrower" or the "Borrower Representative"), the Lenders and other parties party thereto, and JPMORGAN CHASE BANK, N.A., as administrative agent and collateral agent (in such capacities, the "Administrative Agent"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

PRELIMINARY STATEMENTS:

WHEREAS, the Borrower Representative, the Required Revolving Credit Lenders and the Administrative Agent are party to that certain Waiver to Credit Agreement, dated as of May 14, 2020 (the "Existing Waiver");

WHEREAS, this Waiver amends and restates in its entirety the Existing Waiver;

WHEREAS, the Borrower Representative has requested that the Required Revolving Credit Lenders consent to waive the requirements of Section 7.09 of the Credit Agreement for the fiscal quarters ending June 30, 2020 through December 31, 2021, and the Required Revolving Credit Lenders are willing to consent to such waiver on the terms and subject to the conditions set forth in this Waiver; and

WHEREAS, the Borrower Representative, the Required Revolving Credit Lenders and the Administrative Agent are willing to agree to this Waiver on the terms set forth herein.

NOW, THEREFORE, pursuant to Section 10.01 of the Credit Agreement, the parties hereto hereby agree as follows:

Section 1. Definitions.

As used in this Waiver, the terms listed in this Section 1 shall have the respective meanings set forth in this Section 1:

"Covenant Suspension Period" means the period commencing on the Waiver Effective Date through (but not including) the Covenant Suspension Period Termination Date.

"Covenant Suspension Period Termination Certificate" means an irrevocable certificate of an Authorized Officer of the Borrower Representative (similar in form to a Compliance Certificate) (i) stating that such certificate is a Covenant Suspension Period Termination Certificate and (ii) certifying compliance with the Financial Covenant (without giving effect to Section 2 hereof) for the most recently ended Test Period and demonstrating such compliance in reasonable detail.

"Covenant Suspension Period Termination Date" means the earlier of (x) the date of delivery of the Compliance Certificate pursuant to Section 6.02 of the Credit Agreement for the fiscal quarter ending March 31, 2022 demonstrating compliance with the Financial Covenant and (y) the date on which the Borrower Representative delivers to the Administrative Agent a

Covenant Suspension Period Termination Certificate; provided, that the Borrower Representative may only deliver a Covenant Suspension Period Termination Certificate once, on which date the waiver and agreements contained in Section 2 of this Waiver shall terminate.

"Modified Test Period" means (x) the Test Periods ending March 31, 2022, June 30, 2022 and September 30, 2022 or (y) if the Borrower Representative has delivered a Covenant Suspension Period Termination Certificate, the Test Period to which such Covenant Suspension Period Termination Certificate applies and the following two Test Periods.

"Waiver Effective Date" has the meaning specified in Section 4 hereof.

Section 2. Waiver.

(a) Each Lender party hereto (which Lenders collectively constitute the Required Revolving Credit Lenders) hereby agrees (x) to waive compliance with the Financial Covenant for the fiscal quarters ending June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021, June 30, 2021, September 30, 2021 and December 31, 2021 and (y) that the Compliance Certificates delivered for such fiscal quarters shall be revised to reflect such waiver; provided that without the consent of the Required Revolving Credit Lenders during the Covenant Suspension Period, MVWC and the Borrower Representative shall not, and shall not permit any of the Restricted Subsidiaries to, directly or indirectly:

(i) permit the sum of (x) the aggregate amount of cash and Cash Equivalents of MVWC and its Restricted Subsidiaries and (y) the aggregate available Revolving Credit Commitments as of the last day of each fiscal month of MVWC to be less than $300,000,000, and the Borrower Representative shall deliver a certificate to the Administrative Agent within five (5) Business Days following the end of each such fiscal month demonstrating compliance in reasonable detail (the "Minimum Liquidity Covenant");

(ii) make any Restricted Payments pursuant to Section 7.06(f) in excess of $15,000,000 in the aggregate, or Section 7.06(j) in excess of $25,000,000 in the aggregate, or Section 7.06(k), (l)(ii), (m) or (n);

(iii) make any prepayments of Junior Debt;

(iv) make any Investments pursuant to Section 7.02(j), (t), (v) (provided that Investments in JV Entities shall be permitted in an aggregate amount, as valued at cost at the time each such Investment is made and including all related commitments for future Investments, of up to $25,000,000), (y) or (cc); and

(v) incur any Indebtedness in the form of Incremental Facilities, or Indebtedness pursuant to Section 7.03(f) (except as incurred in the ordinary course of business), (r), (t), (u) or (v), in each case that is secured by a Lien; provided that the MVW Borrower's 6.125% Senior Secured Notes due 2025 shall be permitted in any event.

(b) Commencing on the Waiver Effective Date and through the earlier of (i) the Covenant Suspension Period Termination Date and (ii) December 31, 2021, the Applicable Rate with respect to Revolving Credit Loans and the Commitment Fee Rate shall be as set forth under Level V of the Pricing Grid.

(c) Solely for purposes of any Request for Credit Extension under the Revolving Credit Facility made during the Covenant Suspension Period, the impacts of the COVID-19 pandemic on the business, result of operations or financial condition of MVWC and its Restricted Subsidiaries, taken as a whole, will be disregarded for purposes of determining the accuracy of the representation made in Section 5.05(b) of the Credit Agreement to the extent such event or circumstance has been (i) publicly disclosed by MVWC in its securities filings (including, without limitation, any Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K) prior to the Waiver Effective Date or (ii) disclosed in the "Lender Presentation" (and/or any supplements thereto) provided by MVWC in connection with this Waiver.

It is understood and agreed that (i) upon any breach by the Borrower Representative of the agreements set forth herein, the waiver set forth in clause (a) above and the agreement set forth in clause (c) above shall immediately terminate and (ii) upon delivery of a Covenant Suspension Period Termination Certificate, the waiver and agreements set forth in clauses (a), (b) and (c) above shall immediately terminate; provided, that, notwithstanding the foregoing, (1) the Minimum Liquidity Covenant shall remain in full force and effect until the fiscal month ending December 31, 2021 and (2) failure of the Borrower Representative to deliver the certificate required by Section 2(a)(i) above shall be subject to a five (5) Business Day grace period.

Section 3. Consolidated EBITDA Calculation. Upon and following the termination of the Covenant Suspension Period, and solely for the purpose of calculating the Financial Covenant, Consolidated EBITDA shall be (i) with respect to the first applicable Modified Test Period, the greater of (x) Consolidated EBITDA for such Test Period and (y) the product of (A) four and (B) Consolidated EBITDA for the most recently ended fiscal quarter of such Test Period, (ii) with respect to the second applicable Modified Test Period, the greater of (x) Consolidated EBITDA for such Test Period and (y) the product of (A) two and (B) the sum of (1) Consolidated EBITDA for the most recently ended fiscal quarter of such Test Period and (2) Consolidated EBITDA for immediately preceding fiscal quarter and (iii) with respect to the third applicable Modified Test Period, the greater of (x) Consolidated EBITDA for such Test Period and (y) the product of (A) 4/3 and (B) the sum of (1) Consolidated EBITDA for the most recently ended fiscal quarter of such Test Period and (2) the sum of Consolidated EBITDA for the two immediately preceding fiscal quarters.

Section 4. Conditions to Effectiveness. This Waiver shall become effective on the first date (the "Waiver Effective Date") when, and only when, each of the applicable conditions set forth below have been satisfied (or waived) in accordance with the terms herein:

(a) this Waiver shall have been executed and delivered by the Borrowers, MVWC, the Administrative Agent and Required Revolving Credit Lenders;

(b) (i) the representations and warranties of each Loan Party set forth in the Credit Agreement and in each other Loan Document shall be true and correct in all material respects (except that any representation and warranty that is qualified as to "materiality" or "Material Adverse Effect" shall be true and correct in all respects as so qualified) on and as of the Waiver Effective Date with the same effect as though made on and as of such date except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date; provided that (A) references to the "Closing Date" and the "Transactions" in Section 5.15 of the Credit Agreement shall be deemed to mean the "Waiver Effective Date" and the transactions contemplated by this Waiver, respectively and (B) the representation and warranty in Section 5.13 of the Credit Agreement shall apply to the written information furnished by or on behalf of a Loan Party to any Agent or Lender in connection with the transactions contemplated by this Waiver, and (ii) no Default shall exist or would result from the effectiveness of this Waiver and the consummation of the transactions contemplated by this Waiver;

(c) the Administrative Agent shall have received, for the account of each Revolving Credit Lender that submits its consent hereto, a consent fee in an amount equal to 0.05% of the Revolving Credit Commitments held by such Lender immediately prior to the Waiver Effective Date, which consent fee shall be earned, due and payable on, and subject to the occurrence of, the Waiver Effective Date; and

(d) the Administrative Agent shall have received a certificate dated as of the Waiver Effective Date and executed by a Responsible Officer of the Borrower Representative as to the matters set forth in Section 4(b) above.

Section 5. Acknowledgment and Confirmation. MVWC and each of the Borrowers hereby confirm and agree, on behalf of each of the Loan Parties, with respect to each Loan Document to which such Loan Parties are party to, that (i) all of their obligations, liabilities and indebtedness under such Loan Document shall remain in full force and effect on a continuous basis regardless of the effectiveness of this Waiver and (ii) all of the Liens and security interests created and arising under such Loan Document remain in full force and effect on a continuous basis, and the perfected status and priority of each such Lien and security interest continues in full force and effect on a continuous basis, unimpaired, uninterrupted and undischarged, regardless of the effectiveness of this Waiver, as collateral security for its obligations, liabilities and indebtedness under the Credit Agreement and related guarantees.

Section 6. Expenses. Each of the Loan Parties hereby reconfirms its respective obligations pursuant to Section 10.04 of the Credit Agreement to pay all reasonable and documented or invoiced out-of-pocket costs and expenses incurred by the Administrative Agent in connection with this Waiver.

Section 7. Amendment, Modification and Waiver. This Waiver may not be amended, modified or waived except in accordance with Section 10.01 of the Credit Agreement.

Section 8. Entire Agreement. This Waiver, the Credit Agreement, as waived hereby, and the other Loan Documents constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties hereto with respect to the subject matter hereof and thereof. Except as expressly set forth herein, this Waiver shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of any party under, the Credit Agreement, nor alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. It is understood and agreed that each reference in each Loan Document to the Credit Agreement, whether direct or indirect, shall hereafter be deemed to be a reference to the Credit Agreement as waived hereby. This Waiver shall not constitute a novation of any amount owing under the Credit Agreement and all amounts owing in respect of principal, interest, fees and other amounts pursuant to the Credit Agreement and the other Loan Documents shall, to the extent not paid or exchanged on or prior to the Waiver Effective Date, shall continue to be owing under the Credit Agreement or such other Loan Documents until paid in accordance therewith. This Waiver is a “Loan Document” for all purposes under Credit Agreement and the other Loan Documents, and the terms and provisions of the Credit Agreement relating to Loan Documents shall apply hereto.

Section 9. GOVERNING LAW. THIS WAIVER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. SECTIONS 10.14 AND 10.15 OF THE CREDIT AGREEMENT ARE HEREBY INCORPORATED BY REFERENCE INTO THIS WAIVER MUTATIS MUTANDIS AND SHALL APPLY HERETO.

Section 10. Severability. In the event any one or more of the provisions contained in this Waiver should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein, to the fullest extent permitted by applicable law, shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions

Section 11. Counterparts and Electronic Signatures. This Waiver may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Waiver by facsimile transmission or other customary means of electronic transmission (e.g., "pdf") shall be as effective as delivery of an originally signed counterpart of this Waiver. The words "delivery", "execute," "execution," "signed," "signature," and words of like import in this Waiver and any document executed in connection herewith shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that upon the request of any party, any electronic signature shall be promptly followed by such manually executed counterpart.

[*Remainder of Page Intentionally Blank*]

IN WITNESS WHEREOF, each of the undersigned has caused its duly authorized officer to execute and deliver this Waiver as of the date first written above.

**MARRIOTT VACATIONS WORLDWIDE CORPORATION**

By: /s/ Joseph J. Bramuchi
Name: Joseph J. Bramuchi
Title: Vice President

**MARRIOTT OWNERSHIP RESORTS, INC.,**
**as the MVW Borrower**

By: /s/ Joseph J. Bramuchi
Name: Joseph J. Bramuchi
Title: Vice President

[Signature page to Waiver to Credit Agreement]

**JPMORGAN CHASE BANK, N.A.,**
**as Administrative Agent and a Revolving Credit Lender**

By: /s/ Jeffrey Miller

Name: Jeffrey Miller

Title: Executive Director

[Signature page to Waiver to Credit Agreement]

**BANK OF AMERICA, N.A.,**
**as a Revolving Credit Lender**

By: /s/ Suzanne E. Pickett
Name: Suzanne E. Pickett
Title: Senior Vice President

[Signature page to Waiver to Credit Agreement]

**HSBC BANK USA, N.A.,**
**as a Revolving Credit Lender**

By: /s/ Jay Fort

Name: Jay Fort

Title: Senior Vice President

[Signature page to Waiver to Credit Agreement]

**City National Bank of Florida,**
**as a Revolving Credit Lender**

By: /s/ Erik Weiner

Name: Erik Weiner

Title: Market President Central Florida

[Signature page to Waiver to Credit Agreement]

**TRUIST SECURITIES, INC.**
**as a Revolving Credit Lender**

By: /s/ J. Matthew Rowand

Name: J. Matthew Rowand

Title: Director

[Signature page to Waiver to Credit Agreement]

**U.S. Bank National Association,**
**as a Revolving Credit Lender**

By: /s/ Steven L Sawyer

Name: Steven L. Sawyer

Title: Senior Vice President

[Signature page to Waiver to Credit Agreement]

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,**
**as a Revolving Credit Lender**

By: /s/ William O'Day
Name: William O'Day
Title: Authorized Signatory

By: /s/ D. Andrew Maletta
Name: D. Andrew Maletta
Title: Authorized Signatory

[Signature page to Waiver to Credit Agreement]

**First Hawaiian Bank,**
**as a Revolving Credit Lender**

By: /s/ Derek Chang

Name: Derek Chang

Title: Senior Vice President

[Signature page to Waiver to Credit Agreement]

**DEUTSCHE BANK AG NEW YORK BRANCH,**
**as a Revolving Credit Lender**

By: /s/ Michael Strobel
Name: Michael Strobel
Title: Vice President
michael-p.strobel@db.com
212-250-0939

By: /s/ Philip Tancorra
Name: Philip Tancorra
Title: Vice President
philip.tancorra@db.com
212-250-6576

[Signature page to Waiver to Credit Agreement]

**BANK OF HAWAII,**
**as a Revolving Credit Lender**

By: /s/ Terri L. Okada
Name: Terri L. Okada
Title: Senior Vice President

[Signature page to Waiver to Credit Agreement]

**Fifth Third Bank, N.A.,**
**as a Revolving Credit Lender**

By: /s/ Andy Tessema

Name: Andy Tessema

Title: Vice President

[Signature page to Waiver to Credit Agreement]

**Synovus Bank,**
**as a Revolving Credit Lender**

By: /s/ Michael Sawicki
Name: Michael Sawicki
Title: Director

[Signature page to Waiver to Credit Agreement]

**THE BANK OF NEW YORK MELLON,**
**as a Revolving Credit Lender**

By: /s/ Rick Laudisi
Name: Rick Laudisi
Title: Managing Director

[Signature page to Waiver to Credit Agreement]

**MUFG Union Bank, N.A.,**
**as a Revolving Credit Lender**

By: /s/ Deborah L. White

Name: Deborah L. White

Title: Director

[Signature page to Waiver to Credit Agreement]

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**
**as a Revolving Credit Lender**

By: /s/ Denis Waltrich

Name: Denis Waltrich

Title: Director

[Signature page to Waiver to Credit Agreement]

**Exhibit 21.1**

**MARRIOTT VACATIONS WORLDWIDE CORPORATION**
**SIGNIFICANT SUBSIDIARIES**
(as of December 31, 2020)

| Subsidiaries Organized in the United States | Jurisdiction of Organization |
|---|---|
| Aqua-Aston Hospitality LLC | Delaware |
| Flex Collection LLC | Florida |
| IIC Holdings Incorporated | Delaware |
| ILG Management, LLC | Florida |
| ILG Shared Ownership, Inc. | Delaware |
| Interval Holdings, Inc. | Delaware |
| Interval International, Inc. | Florida |
| Marriott Ownership Resorts, Inc. | Delaware |

Entity also does business under the names:

- Deck 12
- Declan
- Grande Pines Golf Club
- Grand Residence by Marriott
- Grand Residences by Marriott
- Horizons by Marriott Vacation Club
- International Golf Club
- Marriott Golf Academy
- Marriott Vacation Club
- Marriott Vacation Club International
- Marriott Vacation Club International Corp.
- Marriott Vacation Club International, Corp.
- Marriott's Custom House
- Marriott’s Mountainside Resort
- Marriott’s Summit Watch
- Marriott’s Waiohai Beach Resort
- The Declan Suites
- The Declan Suites San Diego
- The Marketplace
- The Pool Patio and Grill

| | |
|---|---|
| Marriott Resorts Hospitality Corporation | South Carolina |

Entity also does business under the names:

- Horizons by Marriott Vacation Club
- Marriott Vacation Club International
- Marriott Vacation Club International Inc.
- Marriott Vacation Club, New York City
- Marriott Vacation Club, South Beach
- Marriott Vacation Club Pulse, New York City

| Subsidiaries Organized in the United States | Jurisdiction of Organization |
|---|---|
| • Marriott's Custom House<br>• Marriott's Legends Edge at Bay Point<br>• Marriott's Oceana Palms<br>• Marriott's Villas at Doral<br>• Marriott's Willow Ridge Lodge<br>• Reflections<br>• Strand Bistro<br>• The Market Place<br>• Tidewater's Sweets and Sundries<br>• Top of the Strand | |
| MORI SPC Series Corp. | Delaware |
| MVCO Series LLC | Delaware |
| MVW 2019-1 LLC | Delaware |
| MVW SSC, Inc. | Delaware |
| MVW US Holdings, Inc. | Delaware |
| MVW US Services, LLC | Delaware |
| MVW Vacations LLC | Delaware |
| Sheraton Flex Vacations, LLC | Florida |
| Vistana Acceptance Corp. | Florida |
| Vistana Hawaii Management, Inc. | Hawaii |
| Vistana Management, Inc.<br>Entity also does business under the name:<br>• Vistana Management, Ltd. | Florida |
| Vistana Signature Experiences, Inc. | Delaware |
| Vistana Signature Network, Inc. | Delaware |
| Vistana Vacation Ownership, Inc. | Florida |
| Volt Merger Sub, LLC | Delaware |

| Subsidiaries Organized Outside the United States | Jurisdiction of Organization |
|---|---|
| MVW International Holding Company S.à r.l. | Luxembourg |

**Exhibit 23.1**

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1) Registration Statement (Form S-8 No. 333-177798) pertaining to the Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan,

2) Registration Statement (Form S-8 No. 333-205808) pertaining to the Marriott Vacations Worldwide Corporation Employee Stock Purchase Plan,

3) Registration Statement (Form S-8 No. 333-211037) pertaining to the Marriott Vacations Worldwide Corporation Deferred Compensation Plan,

4) Registration Statement (Form S-8 No. 333-227187) pertaining to the Amended and Restated Interval Leisure Group, Inc. 2013 Stock and Incentive Compensation Plan, and

5) Registration Statement (Form S-8 No. 333-239368) pertaining to the Marriott Vacations Worldwide Corporation 2020 Equity Incentive Plan;

of our reports dated March 1, 2021, with respect to the consolidated financial statements of Marriott Vacations Worldwide Corporation and the effectiveness of internal control over financial reporting of Marriott Vacations Worldwide Corporation included in this Annual Report (Form 10-K) of Marriott Vacations Worldwide Corporation for the fiscal year ended December 31, 2020.

/s/ Ernst & Young LLP

Orlando, Florida
March 1, 2021

**Exhibit 31.1**

**Certificate of Chief Executive Officer**
**Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Stephen P. Weisz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Marriott Vacations Worldwide Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

/s/ Stephen P. Weisz

Stephen P. Weisz
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**Certificate of Chief Financial Officer**
**Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, John E. Geller, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Marriott Vacations Worldwide Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

/s/ John E. Geller, Jr.

John E. Geller, Jr.
President and Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**Certification**
**Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002**
**(18 U.S.C. Sections 1350(a) and (b))**

I, Stephen P. Weisz, Chief Executive Officer of Marriott Vacations Worldwide Corporation (the “Company”) certify that:

1. the Annual Report on Form 10-K of the Company for the period ended December 31, 2020 (the “Annual Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2021

/s/ Stephen P. Weisz

Stephen P. Weisz
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 32.2**

**Certification**
**Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002**
**(18 U.S.C. Sections 1350(a) and (b))**

I, John E. Geller, Jr., President and Chief Financial Officer of Marriott Vacations Worldwide Corporation (the “Company”) certify that:

1. the Annual Report on Form 10-K of the Company for the period ended December 31, 2020 (the “Annual Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2021

/s/ John E. Geller, Jr.
John E. Geller, Jr.
President and Chief Financial Officer
(Principal Financial Officer)