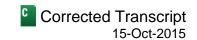


15-Oct-2015

Marriott Vacations Worldwide Corp. (VAC)

Q3 2015 Earnings Call



CORPORATE PARTICIPANTS

Jeff Hansen

Vice President-Investor Relations

Stephen P. Weisz

President, Chief Executive Officer & Director

John E. Geller

Chief Financial Officer & Executive Vice President

OTHER PARTICIPANTS

Patrick Scholes

SunTrust Robinson Humphrey, Inc.

Christopher Agnew

MKM Partners LLC

Steven E. Kent Goldman Sachs & Co.

Robert A. LaFleur

JMP Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the Marriott Vacations Third Quarter 2015 Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

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

Jeff Hansen

Vice President-Investor Relations

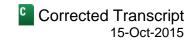
Thank you, Rob, and welcome everyone to the Marriott Vacations Worldwide third quarter 2015 earnings conference call. I'm joined today by Steve Weisz, President and CEO; and John Geller, Executive Vice President and CFO.

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

Forward-looking statements in the press release that we issued this morning, along with our comments on this call, are effective only today, October 15, 2015 and will not be updated as actual events unfold. Throughout the call, we will make references to non-GAAP financial information. You can find a reconciliation of non-GAAP financial measures referred to in our remarks in the schedules attached to our press release, as well as the Investor Relations page on our website at ir.mvwc.com.

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

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Stephen P. Weisz

President, Chief Executive Officer & Director

Thanks, Jeff. Good morning everyone, and thank you for joining our third quarter earnings call.

Adjusted EBITDA was \$52 million in the quarter, \$2 million below the third quarter of last year. However, excluding the impact of revenue reportability in the quarter, adjusted EBITDA would have been nearly \$59 million. While contract sales were negatively impacted by a stronger U.S. dollar, that affected certain sales locations, our third quarter performance highlights the strength of our diverse lines of business.

Results in our resort management business were up over \$3 million, compared to last year, and our rental business improved by more than \$2 million year-over-year. However, this performance was offset by \$9 million of lower development margin, stemming from unfavorable revenue reportability, all of which we expect to turnaround in the fourth quarter. In addition, results reflect lower contract sales volumes and higher marketing and sales program costs.

Let me take a few moments to provide some insights into our third quarter results, and I will then turn the call over to John to provide more detail into our performance. We'll then take your questions.

Total company contract sales, excluding residential were \$160 million, a \$7 million decrease from last year. This consisted of decreases of \$1 million in each of our Europe and Asia Pacific segments and \$5 million in our North American segment. In North America, VPG was down roughly 1% to \$3,428 and tours were also down about 1%. However, these headlines do not tell the full story.

To better understand the drivers of our performance, let me go a little deeper into the North America segment where, in several markets, primarily in Latin America, as well as sales to Japanese customers at a resort on Oahu, we've seen the impact of weakening foreign currencies against the U.S. dollar.

In fact, contract sales through these channels were down by over \$7 million in the quarter, primarily in our Latin America sales channels. While the results from these channels are impacting year-over-year comparisons, our Latin American sales channels in total represents less than 10% of our annual sales volumes.

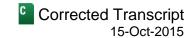
Looking at our remaining North American business, if you exclude the channels specifically impacted by the stronger U.S. dollar, contract sales improved \$2 million and VPG improved 1.9% year-over-year. Further, while not easily quantifiable, we also experienced headwinds associated with hurricane activity in certain locations, as well as overall stock market fluctuations.

Now let me spend a moment to update you on our longer term strategies to grow contract sales. We view this as a two-pronged approach. First, to grow tours through the ramp up of certain marketing programs and second to grow our top line sales through new sales locations and exciting new destinations.

As it relates to our new marketing efforts, early last year, we began a deliberate and focused effort to invest in new programs as well as enhancement to existing programs that are targeted at building our pipeline of tours. Such programs include our call transfer program with Marriott International and our enhanced Encore program, both of which I described last quarter.

We are very optimistic about these programs given the tremendous growth we have seen in our tour pipeline since these efforts began. Our pipeline of tours through these two new programs alone has grown by almost 20,000

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packages when compared to the same time last year. Based on our current VPG of approximately \$3,400, this pipeline represents over \$60 million in potential future contract sales volumes.

As it relates to our strategy to grow contract sales through new sale centers at new destinations, in Washington, D.C., our owners are already enjoying access to our Marriott Vacation Club units at the iconic Mayflower Hotel. We are currently preparing to sell the inventory from those 71 units through our points trust and we expect the sales center at the Mayflower to open in the middle of next year.

In California, we've begun the conversion of 264 units at our operating hotel in San Diego with the first phase of these units along with the new sales center expected to be delivered in the middle of next year.

In Hawaii, we continue to have discussions for potential capital-efficient structures as we move toward closing on the purchase of 246 hotel rooms at the Waikoloa Marriott on the Big Island of Hawaii. We intend to convert these hotel rooms into 112 timeshare units and also plan to convert a portion of the hotel's meeting space into our sales center. Assuming this transaction closes as scheduled, we expect to begin sales in the first half of next year.

And in our Asia-Pacific segment, work is underway on the conversion of several floors of the Surfers Paradise Marriott Resort in Australia as well as a permanent sales center, which is expected to begin sales in the first half of next year.

Now, let me shift to the performance of our other lines of business beginning with the resort management and other services business where results improved \$3 million or 14% quarter-over-quarter to over \$26 million. These results reflect improved ancillary operations and higher fees earned from our exchange company and from managing our portfolio of resorts.

Our rental business continues to perform well as third quarter results improved more than \$2 million over \$13 million. This was due to two points of improvement in rental occupancy combined with higher number of keys available to rent.

And before I turn the call over to John, let me provide my thoughts on our outlook for the fourth quarter and then provide some key takeaways. For the fourth quarter, we do expect the headwinds created by the strong U.S. dollar to continue impacting contract sales. However, given the turnaround of the unfavorable revenue reportability from the third quarter, we expect development margin to be up year-over-year.

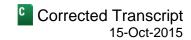
We also expect our rentals and resort management businesses to continue to outperform their prior year. And lastly, we are pleased to say that we expect to see our financing business begin growing year-over-year.

With these expectations for the business, we are optimistic for 2015's full year results, and as such we expect 2015 adjusted EBITDA to be towards the high-end of the \$222 million to \$232 million guidance range on relatively modest contract sales growth.

Looking ahead towards 2016, given the success of the marketing programs in place, the strong tour pipeline already generated and the ramp-up of the new sales distributions, we are confident as we move into the new year that we will be able to grow top line sales volumes and bottom line adjusted EBITDA as well as generate strong adjusted free cash flow. I remain optimistic in the strength of this business and look forward to closing up another successful year.

With that, I'll turn the call over to John to provide more detail around the quarter and our outlook for the remainder of the year. John?

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John E. Geller

Chief Financial Officer & Executive Vice President

Thank you, Steve, and good morning, everyone. Adjusted EBITDA totaled \$52 million, \$2 million below the third quarter of 2014. While these results are not adjusted for the impact of revenue reportability, it is important to highlight that reportability negatively impacted our adjusted EBITDA by nearly \$7 million in the third quarter, all of which we expect to turn around in the fourth quarter. Adjusting both years for the impact of revenue reportability, adjusted EBITDA would have been nearly \$59 million in the third quarter of 2015, a \$2 million or 3% increase from \$57 million in the third quarter of 2014.

For the quarter, company adjusted development margin was 21.2% and North America adjusted development margin was 23.1%. Rental margin outperformed the prior year by \$2.5 million, and our resort management and other services business improved over \$3 million as compared to last year.

Turning to our North America segment, contract sales excluding residential sales totaled \$143 million, down \$5 million from the third quarter of last year. As Steve discussed, the strong U.S. dollar unfavorably impacted sales primarily in our Latin American sales channels as well as sales to Japanese customers at our resort on Oahu.

North America adjusted development margin in the third quarter was \$31 million, the third quarter adjusted development margin percentage was once again strong at 23.1%. Excluding the impact of residential sales in the prior year, this quarter's margin percentage was down 250 basis points from the third quarter of 2014, driven by a 50 basis point increase in product cost, which was impacted by the mix of inventory sold and by a 200 basis point increase in marketing and sales costs.

As we've discussed throughout the year, we've been ramping up our investments in new programs to help generate future incremental tour volumes, particularly as it relates to new buyer tours. While many of these tours have not yet materialized on site, as Steve mentioned, our pipeline of future tours resulting from these programs has increased significantly.

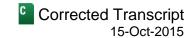
While the impact of the stronger U.S. dollar is likely to impact us in the near term, we remain confident in our longer term growth prospects, given the strength of our tour pipeline resulting from the new rollout of new marketing and sales programs this year, and the new sales distributions that we expect to open in 2016.

In the company's financing business, revenue net of related expenses was \$17.5 million, down \$1 million from the third quarter of last year. For those of you not familiar with our trends over the last several years, our financing margin has been decreasing as our notes receivable portfolio has been declining faster than we've been originating new notes. However, given the long-term profitability of this business, we've been working to identify and implement programs to help drive financing propensity higher than the 40% to 45% that we've been averaging over the last few years.

I'm happy to say that we began seeing the success of these programs in the second quarter, which has continued into the third quarter. In fact, our North America propensity reached 53%, nine points higher than the third quarter of last year. With our gross notes receivable balance increasing from the end of the second quarter, we expect that for the first time since becoming a public company, we will begin to see year-over-year growth in financing profit starting in the fourth quarter of 2015.

During the quarter, we successfully completed a \$264 million note securitization at an interest rate of 2.56% and a 96.5% advance rate. This transaction generated \$255 million of gross proceeds of which the remaining \$51 million

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is expected to be released from restricted cash in the fourth quarter as the remaining notes are sold in accordance with the terms of the securitization.

Shifting to our rental business, total company rental revenues were up \$10 million, primarily driven by a 6% increase in transient keys rented, \$4 million from revenue associated with hotels we currently own in San Diego and Australia and higher plus point revenue. Rental revenues net of expenses remain strong, up nearly \$2.5 million over last year to \$13 million.

In our resort management and other services business, company results improved \$3 million in the third quarter at \$26 million. Results reflected higher ancillary profits as well as higher fees for managing our portfolio resorts and improved exchange company activity.

In our Asia segment, adjusted results were breakeven compared to \$1 million in the prior year third quarter. We are working on the conversion of several floors of the Surfers Paradise Hotel on the Gold Coast in Australia and expect to sell the remaining portion of that downsized hotel to a third-party within the next year.

Our strategy in Asia Pacific region remains the same, to continue to apply new destinations with strong onsite sales to generate future top line growth. And as in North America, we will pursue capital-efficient transactions when appropriate.

In Europe, our strategy remains the same, to sell through our remaining developer inventory as efficiently as possible. In the third quarter, segment results were \$6 million, down \$1.5 million mainly driven by lower contract sales and development margin, not surprising given our strategy for this segment as well as the current economic climate in the region.

Shifting now to our return of capital to our shareholders, we paid our quarterly dividend on October 8th of roughly \$8 million and also repurchased roughly \$40 million of outstanding shares in the quarter. Year-to-date, we have returned \$130 million to our shareholders through \$106 million of share repurchases and \$24 million of dividends.

With respect to our share repurchase program, we have been out of the market since the middle of August. However, we intend to get back into the market next week and I'm pleased to say that our board of directors also increased our share repurchase authorization by an additional 2 million shares, bringing our total authorization to 3.6 million shares.

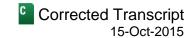
Turning to our balance sheet, from the beginning of 2015, real estate inventory balances declined \$52 million to \$716 million, including \$352 million of finished inventory, which represents less than two years of contract sales based on our current growth projections.

The company's total gross debt outstanding increased \$69 million from the end of 2014 to \$780 million, all but roughly \$3 million of which is non-recourse debt associated with securitized notes. In addition, \$40 million of mandatorily redeemable preferred stock remains outstanding.

At the end of the quarter, cash and cash equivalents totaled \$322 million. We also had roughly \$51 million of restricted cash related to our recent securitization, which we expect to be released in the fourth quarter.

So, let me close with my thoughts about the quarter and how we view our outlook for the reminder of the year. As Steve mentioned, some of the headwinds related to the stronger U.S. dollar in the third quarter are likely to continue into the fourth quarter.

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As a result, we are expecting contract sales growth to be relatively flat to slightly below prior year in the fourth quarter, bringing full year contract sales guidance to a range of flat to up 2%. Even with this lower contract sales outlook, we expect adjusted development margin percentage for 2015 to be at the lower end of the 21% to 22% guidance range previously provided.

As it relates to our fourth quarter EBITDA, we expect development margin to outperform prior year given the turnaround of revenue reportability from the third quarter. In addition, we expect our other lines of business to contribute to year-over-year growth as well.

In our rental business, we expect to continue to grow the top line and effectively manage cos. In our resort management business, we expect that our stable recurring fee stream will continue to provide year-over-year growth, and we expect our financing business, which has declined over the past few years, to stabilize and begin growing in the fourth quarter.

For all these reasons, we are confident that, for the full year, we will deliver adjusted EBITDA toward the higher end of our guidance range. Regarding adjusted free cash flow, we are on target to generate \$175 million to \$200 million of adjusted free cash flow in 2015. Please note that this guidance includes approximately \$20 million of unidentified inventory spending. However, depending on the timing of executing potential new deals, this spending maybe deferred into 2016.

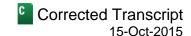
I'm proud of what we've accomplished to-date and I look forward to wrapping up another strong year. As always, we appreciate your interest in Marriott Vacations Worldwide. And with that, we will open up the call for Q&A. Rob?

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time we'll be conducting a question-and-answer session. [Operator Instructions] One moment please while we poll for questions. Our first question comes from the line of Patrick Scholes with SunTrust. Please proceed with your question.

Patrick Scholes SunTrust Robinson Humphrey, Inc.	Q
Hi. Good morning.	
Stephen P. Weisz President, Chief Executive Officer & Director	Α
Hi, how are you?	
Patrick Scholes SunTrust Robinson Humphrey, Inc.	Q
Good. Good morning. Can you hear me okay?	
Stephen P. Weisz President, Chief Executive Officer & Director	A

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Yeah, certainly can.

Patrick Scholes

SunTrust Robinson Humphrey, Inc.

Yeah, just one question, I'm a little confused on -- or one area excuse me, I'm confused on -- is reconciling taking down your contract sales, I would say quite significantly, yet EBITDA is going to be a bit higher. Is there VPG – changes to your VPG – I'm sorry -- changes to your – sorry, your loan provision impacting why that may be?

John E. Geller

Chief Financial Officer & Executive Vice President

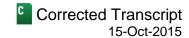
No. Loan loss provision I think was fairly flat on a gross dollar basis year-over-year. Really, what you're seeing is, as we talked through the other lines of business, Patrick, outside of the development margin continued outperformance. Rentals did well, the management business. And as I talked about and we talked about this briefly I think in the second quarter, we had rolled out some revised financing programs, and we have seen a pickup a little bit sooner than we expected in some of the financing propensity, which now we expect financing profit which had been negative every quarter, really, since we've been a public company to really start to turn and provide some upside as we start to move into the fourth quarter.

So I think when you have the outperformance in the third quarter, continued outperformance in those other lines of business in the fourth, even with some of the softness that we talked about in the Latin sales channel which was most of the impact -- and there you saw, I mean, if you look at just in the third quarter, if you go back and look at currencies in both Mexico, Colombia as well as Brazil, you saw a decline against U.S. dollar in those currencies of anywhere between 15% and 40% in the quarter.

So that was a little bit of a surprise. I mean, obviously, we deal with foreign currency all the time. That had some real near-term impact. As we said, we think that will have some impact as we move into the fourth quarter. But over time that become – if it doesn't move back the other way and I think in the fourth quarter, we've seen it come back the other way slightly from a currency – it hasn't made up where it's at, but that becomes a little bit of the new normal and that will stabilize at some point here too. So that's really the nearer-term impact.

Patrick Scholes SunTrust Robinson Humphrey, Inc.	Q
Okay. Thank you. That's it.	
Stephen P. Weisz President, Chief Executive Officer & Director	Α
Thank you.	
Operator : Our next question comes from Chris Agnew with MKN	И Partners. Please proceed with your question.
Stephen P. Weisz President, Chief Executive Officer & Director	A
Hi, Chris.	
Christopher Agnew	Q

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Thanks very much. Good morning.

John E. Geller

Chief Financial Officer & Executive Vice President

Α

Morning.

Christopher Agnew

MKM Partners LLC

Maybe a little bit of follow-up to that. I think you said, I just want to confirm that [indiscernible] (21:54) 10% of sales were from Latin America. If you include Japan, what's the mix?

And then maybe you said Mexico, Colombia, Brazil. Is that in order the source of demand from Latin America? And the third one on the same topic, headwind continues into fourth quarter, but presumably it'll also continue into 2016 as Brazil in particular, economy is challenged as well as currency impacts. What are your thoughts around offsetting that weakness in demand? Can you do that from domestically and what are you trying to do to mitigate some of that weakness? Thanks.

John E. Geller

Chief Financial Officer & Executive Vice President

Α

Yeah. A lot of stuff in there. So, let me try and hit on some of these. Yeah, I think the devaluation of the yen was really — I mean, we've had some headwinds all year on that because that — you haven't seen that move is much here this year, it was really in the fourth quarter of last year. So, that was a couple million dollars probably, Patrick, in the quarter. I don't have the overall piece of that. We did say Latin, historically, it's been about 10% of our sales. I think that's two of them. What was the question...

Christopher Agnew

MKM Partners LLC



Just if could maybe the sources of demand from Latin America, you'd mentioned Mexico, Colombia, Brazil, I was just wondering if it was that in order of [indiscernible] (23:29)

Stephen P. Weisz

President, Chief Executive Officer & Director

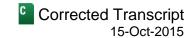


It would be predominantly Mexico, Brazil and then Columbia in that order of those three. Those are not the only three markets that we participated in Latin America. Those are the ones that have the biggest fluctuations in terms of local currency versus the U.S. dollar. And it depends on market. For instance, Brazil has a huge sales market in the Central Florida area as an example. So, it does vary. But again, I think the other question was, well, what are you going to do to offset some of those shortfalls assuming that the currency situation doesn't correct itself in the short term?

And the simple answer there is, obviously, as we've talked about by dialing up things on tour generation for first-time buyers through our call transfer program with Marriott, the increased success of our Encore program, our Universal Encore program, those are both very positive trends going forward for new tour generation, throw on top of that, as we open up these new sales centers, they will be generating new demand, new source markets that we've not been in before.

So, that's what gives us confidence going forward. Clearly, while we would certainly like to wave a magic wand to be able to correct the currency problems that exist in the Latin countries or even in Japan, which is to a much

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lesser degree, what we experienced in Latin America. And we can't do that. So, how do we turn on some other channels, how do we stimulate growth in other areas to offset that, that is the goal.

Christopher Agnew MKM Partners LLC

Got you. And then maybe just thinking about 2016, will tour flow in VPG be challenged as long as LatAm remains a headwind, if I'm thinking about first half of 2016? Is that something we should be prepared for?

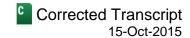
Stephen P. Weisz President, Chief Executive Officer & Director

Well, we obviously haven't gotten around to providing 2016 guidance yet. I would expect that what we will guide will be that our top line sales volume and contract sales will go up. I would expect that our VPG will go up and we'll get that from a couple of different places.

Clearly, same store volume just by virtue of price increases, we should get in since what we talking about in our Investor Day, I should go up and call it roughly inflation. The additional tours that we have been loading in throughout the course of this year and we'll continue to do so between now and the end of the year for 2016 will certainly help. And then you start to bring on the new sales distribution centers in the early to middle of next year. I think all those things kind of come together to give you a confidence that our top line sales volumes in terms of contract sales will continue to go up.

President, Chief Executive Officer & Director Yes, absolutely.	A
Stephen P. Weisz	Λ
Hi. Good morning. Can you hear me okay?	
Steven E. Kent Goldman Sachs & Co.	Q
Good morning, Steve.	
Stephen P. Weisz President, Chief Executive Officer & Director	A
Operator : Our next question comes from the line of Steven Kent with G question.	Goldman Sachs. Please proceed with your
Thank you.	
Stephen P. Weisz President, Chief Executive Officer & Director	A
Great. Thank you. That was helpful. Thanks.	
MKM Partners LLC	Q

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Steven E. Kent

Goldman Sachs & Co.

Okay. So, just a couple of things. Maybe you could give us an update on a couple of the new marketing programs that you were rolling out in past couple of quarters, which ones have worked the best and which ones do you need to maybe take another look at. And then, just new versus existing, can you give us a sense for how those sales either new customers or existing customers are applying out?

Stephen P. Weisz

President, Chief Executive Officer & Director

Sure. So, I would say, pretty much on an equal basis, both our call transfer program with Marriott and our new enhanced Universal Encore program have both contributed very meaningfully to that 20,000 tour increase over what we saw same time last year. When you think about where those customers come from? Clearly from the call transfer program, can't say 100%, but I would say a vast majority of those customers will be first time buyers. They will be new to us, people we haven't talked to before that will come through and take a tour and, hopefully, make a purchase.

On the Universal Encore program, I think that will be a mix between first time buyers that came through and decided not to buy on their tour, but want to come back and take another bite of the apple and some existing customers that, for whatever reason, are owners that say, yeah, I want to buy some more, I just don't want to buy some more right now. So, that would be the balance that I would see. But I would tell you both of those programs that we began to work on late last year have really performed very well for us.

Having said that, we continue to look at other things as we always do as ways to continue to grow more contracts sales, more tour flow and more top line and we'll continue to tinker around with some stuff. But as far as those two programs are concerned, we're very pleased with how they're operating today.

John E. Geller

Chief Financial Officer & Executive Vice President

And I think, Steve, the other question, the mix, it still hasn't moved too much. It's still about 60-40 first time – excuse me, existing owners versus first time buyers. As Steve mentioned as more of those tour, that tour pipeline we talked about 20,000 plus as I've start to show up, we'll continue to expect that trend to get close – start moving towards the 50-50.

Steven E. Kent

Goldman Sachs & Co.

Okay. Thanks.

Stephen P. Weisz

President, Chief Executive Officer & Director

Thank you.

Operator: Next question comes from the line of Bob LaFleur with JMP Securities. Please proceed with your question.

John E. Geller

Chief Financial Officer & Executive Vice President

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Corrected Transcript
15-Oct-2015

Hi, Bob.

Robert A. LaFleur

JMP Securities LLC

Hi, guys. Could you talk a little bit about the reportability issue, why the number was so high this quarter? What specific type of reportability issue is that? So I'll start with that one.

John E. Geller

Chief Financial Officer & Executive Vice President

So that's primarily incentivizing people to take financing as opposed to incentivizing people to make the purchase of the timeshare itself.

John E. Geller

Chief Financial Officer & Executive Vice President

Yeah. I mean, we tried to — without getting into the details of our program, we've just tried to make it a little bit more favorable in terms of the financing options we offer, so we're seeing a pickup in that. Now, at the end of the day, is that a deciding factor in terms of sales? It's hard to put a direct correlation on that. But we have been obviously in the overall sales, even pulling out the foreign currency, the third quarter sales were up, as Steve mentioned, couple million bucks; most of that was on VPG. And we expect as we look at the fourth quarter, similar type impact.

I think the core North America sales centers will show higher VPG, hopefully slightly better on the tour side. And we'll do our best to manage the Latin and some of the downside there, but that's going to be some of that headwind and Steve hit on that. But I think, like I tried to say in my earlier comments, I think even if foreign currency doesn't move back the other way dramatically, it does become a little bit of a new normal over time and that becomes what people [ph] in Latin share are going to (32:32) have to live with in terms of buying. So hopefully, that gives you a little bit more color there.

John E. Geller

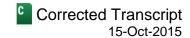
Chief Financial Officer & Executive Vice President

Hey, Bob. Just certainly back on the reportability thing. Think of the – think of it as a two-step dance. We talk to someone about purchasing with us, signing a contract to purchase points from us. Now there are certain incentives associated with that. Then, we talked to them about how they want to pay for it, whether they want to pay in cash and, as I think you know, our customer demographic is pretty well equipped to be able to make a cash purchase.

We do in fact and we spent time earlier this year designing some incentive programs to get people to take our financing, which as you know is fairly lucrative for the business. And that's [ph] what we put away. (33:20) So there is really two different incentives, one from the sale, one from the financing. At the end of the day, obviously, we believe that it's right for the business in terms of the bottom line to approach it in both of those fashions.

And again, reportability is a tough thing. I certainly understand that. I think the takeaway should be that the sales are going to be there. The financially reported sales are going to be there. It's just when do they report. In this case, they didn't show up in three, they'll show up in four, and that's again one of the things that leads us to be very confident in coming out and saying that we think that we're going to end the year at the upper end of our guidance from a [indiscernible] (34:02) standpoint.

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Robert A. LaFleur

JMP Securities LLC

So, with the typical financing incentive package, what's the typical lag between closing the sales then and recording the sales? Do they need to make one mortgage payment, three mortgage payments? What kind of a lag period are we talking here?

John E. Geller

Chief Financial Officer & Executive Vice President

Obviously, it depends. The goal is that it's not more than a couple of payments, Bob. The sale closes and then once again, we can — we got to work on tweaking the down payment requirements. Ultimately, the goal would be that there would be very little impact or no payments, but you're always going to have a little bit of fluctuation in terms of that, but it's not a lot.

Robert A. LaFleur

JMP Securities LLC

Okay. And on a different topic, you said you were out of the repurchase market since mid-August. Is that your typical blackout window or is there something else that had you out of the market?

John E. Geller

Chief Financial Officer & Executive Vice President

No, our typical blackout period would be when our quarter closes. So, it was a little bit earlier than that. Obviously, I'm not going to get into specifics, but I can give you the generic. Obviously, there's all business and other legal reasons that we always look at our repurchase program and when we can and cannot be in the market. But as I mentioned on the call, we'll be back in – we expect to be back in early next week.

Robert A. LaFleur

JMP Securities LLC

Okay. And then my last question, which I guess is sort of a bigger picture question, obviously the stocks doing very poorly today. And there is a lot of focus about sort of the sustainability of consumer demand for timeshare. Will consumers keep buying timeshare, given other alternatives that are available to them? And it always seems like in the space there's either problem with tours, there's a problem with VPG.

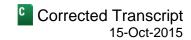
How do you convince people that this 20,000 extra tours you've put into your pipeline, they're going to have a good propensity to buy timeshare and that this is a long-term viable consumer product as opposed to something where we're constantly struggling to get these things sold every quarter. And always for the second quarter in the row we're dealing with sort of a post-earning selloff related to perceive softness and consumer demand for timeshare. It's a big question.

Stephen P. Weisz

President, Chief Executive Officer & Director

Let me see if I can address them [indiscernible] (36:23) I'll remind you by the way that our third quarter 2014 comparable was a 6.9% increase in VPG. So it wasn't like we were up again some sort of soft comp. But having said all that, our Universal Encore program generates a very high VPG and closing rate higher than our numerical average. So we feel very good about that. And while still relatively young, our call transfer program towards those few that have come through the house, we're also very encouraged by what we see there.

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So I would say to you that, I mean, you heard us say we're relatively bullish about what those 20,000 tours mean for us going forward. I would say to you that we wouldn't just throw that out in a cavalier fashion. We were very thoughtful about that, because we believe that, in fact, they will be a substantial impetus for top-line growth for next year.

John E. Geller

Chief Financial Officer & Executive Vice President

A

The other point I would just make to add to Steve's is, closing efficiency actually was up year-over-year. So, we still see the folks that were getting in there, the likelihood of buying out obviously is a little bit better than it was last year. So, the trends are right. The underlying business performed okay in the third quarter as we talked about in North America with sales up a couple of million dollars and that's the core part of the business.

So, as Steve has talked about, we've got confidence in growing the tour pipeline with new sales centers as well as the programs. We feel very confident in terms of the longer growth prospects and the top line growth and it was really as we talked about lot of the foreign currency impact during the near-term in the quarter.

Robert A. LaFleur

JMP Securities LLC

Okay. Thank you.

Stephen P. Weisz

President, Chief Executive Officer & Director

A

Thank you.

Operator: There are no further questions at this time. I'd like to turn the call back over to Steve Weisz for closing comments.

Stephen P. Weisz

President, Chief Executive Officer & Director

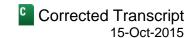
Thank you very much, Rob. I'm pleased to say that we're poised to produce our strongest earnings year yet. I'm excited about what lies ahead. Despite near-term headwinds from the stronger U.S. dollar, our development margin remains strong. Our rentals and resort management businesses are performing at a high level. Our financing business is beginning to grow and we have a growing tour pipeline generated from the strength of our new marketing programs.

In 2016, we will begin to experience growth from new sales centers and we continue to search for even more new distributions in wonderful new locations in North America and in the Asia Pacific region. I look forward to reporting on strong final quarter 2015 to you and more of what you can expect from us in the future.

Thank you for your participation on our call today and your continued interest in Marriott Vacations Worldwide. And finally, to everyone on the call and your families, enjoy your next vacation.

Operator: This concludes today's teleconference. We thank you for your participation. You may disconnect your lines at this time and have a great day.

Q3 2015 Earnings Call



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