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## Marriott Vacations Worldwide Reports Third Quarter Financial Results

**ORLANDO, Fla. – October 13, 2016** – [Marriott Vacations Worldwide Corporation](#) (NYSE: VAC) today reported third quarter financial results and updated its guidance for the full year 2016.

“We continued to execute our growth strategy in the third quarter. Contract sales in our key North America and Asia Pacific segments were up 8.3 percent in the quarter, an acceleration of the year-over-year growth that began near the end of the second quarter. Our sales growth in the quarter came not only from the continued ramp-up of sales at our new North America and Asia Pacific sales centers, but also from sales improvement at our existing sites,” said Stephen P. Weisz, president and chief executive officer. “With the momentum we have seen in our new sales centers during the third quarter and our fourth quarter tour activations well ahead of this time last year, we remain confident in our growth strategy and the solid foundation we are building for continued sales growth going into 2017.”

### Third quarter 2016 highlights:

- Net income was \$26.8 million, or \$0.97 fully diluted earnings per share (EPS), compared to net income of \$21.6 million, or \$0.67 fully diluted EPS, in the third quarter of 2015, an increase of 24.4 percent and 44.8 percent, respectively.
  - Adjusted EBITDA totaled \$50.6 million, a decrease of \$4.1 million year-over-year, as the quarter was impacted by \$12.4 million of lower revenue reportability, the majority of which should benefit the fourth quarter. Adjusting for the timing impact of revenue reportability, 2016 Adjusted EBITDA would have been \$63.0 million, an increase of \$1.3 million over 2015.
  - Adjusted fully diluted EPS was \$0.96 compared to \$0.82 in the third quarter of 2015, an increase of 17.1 percent.
- Total company vacation ownership contract sales (which exclude residential sales) were \$169.8 million, \$10.1 million, or 6.3 percent, ahead of the prior year period. Contract sales in our key North America and Asia Pacific segments were \$12.5 million, or 8.3 percent, ahead of the prior year period.
- Company development margin percentage was 13.1 percent compared to 17.8 percent in the third quarter of 2015. Company adjusted development margin percentage was 19.7 percent compared to 21.2 percent in the third quarter of 2015.
- Resort management and other services revenues net of expenses were \$30.1 million, an increase of \$3.7 million, or 13.9 percent, compared to the third quarter of 2015.
- Financing revenues net of expenses and consumer financing interest expense were \$18.9 million, an increase of \$1.3 million, or 7.6 percent, compared to the third quarter of 2015.
- In August 2016, the company completed a securitization of \$259 million of vacation ownership notes receivable at a blended borrowing rate of 2.28 percent, generating total gross proceeds of \$250 million.

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Non-GAAP financial measures, such as adjusted EBITDA, adjusted fully diluted earnings per share, and adjusted development margin are reconciled and adjustments are shown and described in further detail on pages A-10 and A-11 of the Financial Schedules that follow.

### Third quarter 2016 Results

#### *Company Results*

Third quarter 2016 company net income was \$26.8 million, a \$5.3 million increase from the third quarter of 2015. These results were driven mainly by \$5.1 million of lower acquisition related transaction costs, \$3.7 million of higher resort management and other services revenues net of expenses, \$1.6 million of lower general and administrative costs, \$1.3 million of higher financing revenues net of expenses, \$0.6 million of lower interest expense, and \$0.5 million of higher gains and other income due to a change in the estimated costs associated with the disposition of the portion of the Surfers Paradise, Australia property that the company did not convert to vacation ownership inventory. These increases were partially offset by \$7.2 million of lower development margin, of which \$5.4 million related to the timing of revenue reportability year-over-year, and \$0.7 million of lower rental revenues net of expenses.

Total company vacation ownership contract sales were \$169.8 million, \$10.1 million, or 6.3 percent, higher than the third quarter of last year. These results were driven by \$8.2 million of higher contract sales in the company's North America segment and \$4.3 million of higher contract sales in the company's Asia Pacific segment, partially offset by \$2.4 million of lower contract sales in the company's Europe segment as it continues to sell through the remaining developer inventory.

Development margin was \$17.2 million, a \$7.2 million decrease from the third quarter of 2015. Development margin percentage was 13.1 percent compared to 17.8 percent in the prior year quarter. The decline in development margin reflected \$5.4 million related to the timing of revenue reportability year-over-year, \$4.0 million from higher sales reserve activity mainly associated with a 19 percent, or 10.1 percentage point, increase in financing propensity as well as higher Latin America default activity, \$3.4 million of higher marketing and sales costs from ramp-up costs associated with the company's new sales distributions, and \$1.3 million related mainly to higher usage of plus points for sales incentives. These changes were offset partially by \$5.1 million of lower product costs, and \$1.8 million from higher contract sales volumes net of expenses. Adjusted development margin percentage, which excludes the impact of revenue reportability year-over-year, was 19.7 percent in the third quarter of 2016 compared to 21.2 percent in the third quarter of 2015.

Rental revenues totaled \$73.8 million, a \$2.3 million decrease from the third quarter of 2015. Results reflected \$1.9 million of lower revenue from our San Diego property during its conversion from an operating property to vacation ownership inventory, \$0.8 million of lower revenue due to the disposition of the portion of the Surfers Paradise, Australia property, and \$0.6 million of lower plus points revenues, partially offset by \$1.0 million from increases in transient and preview keys rented. Rental revenues net of expenses were \$12.8 million, a \$0.7 million, or 4.9 percent, decrease from the third quarter of 2015, primarily reflecting the lower plus points revenues in the quarter.

Resort management and other services revenues totaled \$75.5 million, a \$1.7 million increase from the third quarter of 2015. Resort management and other services revenues, net of expenses, totaled \$30.1 million, a \$3.7 million, or 13.9 percent, increase from the third quarter of 2015.

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Financing revenues totaled \$29.1 million, a \$0.8 million increase from the third quarter of 2015. Financing revenues, net of expenses and consumer financing interest expense, were \$18.9 million, a \$1.3 million, or 7.6 percent, increase from the third quarter of 2015.

Net income was \$26.8 million, compared to net income of \$21.6 million in the third quarter of 2015, an increase of \$5.3 million, or 24.4 percent. Adjusted EBITDA was \$50.6 million in the third quarter of 2016, a \$4.1 million, or 7.6 percent, decrease from \$54.7 million in the third quarter of 2015.

### *Segment Results*

#### North America

North America vacation ownership contract sales were \$151.0 million in the third quarter of 2016, an increase of \$8.2 million, or 5.7 percent, from the prior year period, reflecting higher sales from existing sales centers, driven by the success of our new marketing programs, as well as the ramp-up of new sales centers. Total tours in the third quarter of 2016 increased 9.1 percent, driven by an increase in first time buyer and owner tours of 12 percent and 7 percent, respectively. VPG decreased \$57 to \$3,371 in the third quarter of 2016 from the third quarter of 2015.

Third quarter 2016 North America segment financial results were \$82.0 million, a decrease of \$3.4 million from the third quarter of 2015. The decrease was driven primarily by \$6.1 million of lower development margin, of which \$4.7 million related to the timing of revenue reportability year-over-year, \$1.1 million of lower rental revenues net of expense, and \$0.6 million of higher royalty expenses. These decreases were offset by \$3.5 million of higher resort management and other services revenues net of expenses, and \$1.0 million of higher financing revenues.

Development margin was \$18.4 million, a \$6.1 million decrease from the third quarter of 2015. Development margin percentage was 15.8 percent compared to 20.0 percent in the prior year quarter. The decline in development margin reflected \$4.7 million related to the timing of revenue reportability year-over-year, \$3.9 million from higher sales reserve activity mainly associated with an 18 percent, or 9.7 percentage point, increase in financing propensity as well as higher Latin America default activity, \$2.3 million of higher marketing and sales costs from ramp-up costs associated with the company's new sales distributions, and \$1.3 million related mainly to higher usage of plus points for sales incentives. These decreases were offset partially by \$4.2 million of lower product costs, and \$1.9 million from higher contract sales volumes net of expenses. Adjusted development margin, which excludes the impact of revenue reportability year-over-year, was \$29.2 million, a \$1.4 million decrease from the prior year quarter. Adjusted development margin percentage was 22.0 percent in the third quarter of 2016 compared to 23.1 percent in the third quarter of 2015.

#### Asia Pacific

Total vacation ownership contract sales in the segment were \$11.2 million, an increase of \$4.3 million, or 62.4 percent, from the third quarter of 2015. Segment financial results were \$1.3 million, a \$5.3 million increase from the third quarter of 2015, driven by \$4.1 million of lower acquisition related transaction costs in the current year, \$0.6 million of higher rental revenues net of expenses, \$0.5 million of higher gains and other income due to a change in the estimated costs associated with the disposition of the portion of the Surfers Paradise, Australia property, and \$0.3 million of higher development margin.

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### Europe

Third quarter 2016 contract sales were \$7.7 million, a decrease of \$2.4 million from the third quarter of 2015. Segment financial results were \$4.5 million, a \$1.6 million decrease from the third quarter of 2015, driven by \$1.5 million of lower development margin.

### **Share Repurchase Program and Dividends**

The company did not repurchase any shares of its common stock in the third quarter due to limitations resulting from the accelerated share repurchase (ASR) arrangement entered into during the second quarter, which effectively accelerated third quarter repurchases. The ASR arrangement closed out after the end of the third quarter, at which time the company received 17,511 additional shares, bringing the total number of shares received under the ASR arrangement to 1,186,428 at a cost of \$85.0 million.

Year to date, the company returned nearly \$190 million to its shareholders through the repurchase of 2.8 million shares for \$163.4 million and more than \$26 million in dividends paid.

### **Balance Sheet and Liquidity**

On September 9, 2016, cash and cash equivalents totaled \$174.8 million. Since the beginning of the year, real estate inventory balances increased \$45.9 million to \$709.9 million, including \$319.7 million of finished goods, \$66.5 million of work-in-progress, and \$323.7 million of land and infrastructure. The company had \$815.2 million in gross debt outstanding at the end of the third quarter, an increase of \$127.1 million from year-end 2015, consisting primarily of \$806.7 million in gross non-recourse securitized notes receivable. In addition, \$40.0 million of mandatorily redeemable preferred stock of a subsidiary of the company was outstanding at the end of the third quarter of 2016. The company has notified the holders of the mandatorily redeemable preferred stock that it will redeem the preferred stock on October 26, 2016 at par plus any accrued dividends.

In August 2016, the company completed a securitization of \$259 million of vacation ownership notes receivable at a blended borrowing rate of 2.28 percent and an advance rate of 96.5 percent, generating \$250 million in gross cash proceeds. Approximately \$207 million of the vacation ownership notes receivable were purchased on August 11, 2016 by the MVW Owner Trust 2016-1 (the "2016-1 Trust"), and the company received \$200 million of the proceeds. When the remaining \$51.8 million of vacation ownership notes receivable were purchased by the 2016-1 Trust subsequent to the end of the third quarter, the remaining \$50 million of proceeds, which had been held in restricted cash, was released.

As of September 9, 2016, the company had approximately \$197 million in available capacity under its revolving credit facility after taking into account outstanding letters of credit.

### **Outlook**

Pages A-1 through A-11 of the Financial Schedules reconcile the non-GAAP financial measures set forth below to the following full year 2016 expected GAAP results:

Net income	\$133 million to \$136 million
Fully diluted EPS	\$4.69 to \$4.79
Net cash provided by operating activities	\$136 million to \$146 million

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The company is providing the following updated guidance for the full year 2016:

	<u>Current Guidance</u>	<u>Previous Guidance</u>
Adjusted net income	\$129 million to \$132 million	\$126 million to \$136 million
Adjusted fully diluted EPS	\$4.55 to \$4.65	\$4.43 to \$4.78
Adjusted EBITDA	\$261 million to \$266 million	\$261 million to \$276 million
Adjusted free cash flow	\$145 million to \$160 million	\$135 million to \$155 million
Contract sales	~4 percent	4 percent to 8 percent

### Third quarter 2016 Earnings Conference Call

The company will hold a conference call at 10:00 a.m. ET today to discuss these results and its guidance for full year 2016. Participants may access the call by dialing (877) 407-8289 or (201) 689-8341 for international callers. A live webcast of the call will also be available in the Investor Relations section of the company's website at [www.marriottvacationsworldwide.com](http://www.marriottvacationsworldwide.com).

An audio replay of the conference call will be available for seven days and can be accessed at (877) 660-6853 or (201) 612-7415 for international callers. The conference ID for the recording is 13643872. The webcast will also be available on the company's website.

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### About Marriott Vacations Worldwide Corporation

[Marriott Vacations Worldwide Corporation](http://www.marriottvacationsworldwide.com) is a leading global pure-play vacation ownership company, offering a diverse portfolio of quality products, programs and management expertise with over 60 resorts. Its brands include Marriott Vacation Club, The Ritz-Carlton Destination Club and Grand Residences by Marriott, as well as the Marriott Vacation Club Pulse<sup>SM</sup> brand extension. Since entering the industry in 1984 as part of Marriott International, Inc., the company earned its position as a leader and innovator in vacation ownership products. The company preserves high standards of excellence in serving its customers, investors and associates while maintaining a long-term relationship with Marriott International. For more information, please visit [www.marriottvacationsworldwide.com](http://www.marriottvacationsworldwide.com).

**Note on forward-looking statements:** This press release and accompanying schedules contain "forward-looking statements" within the meaning of federal securities laws, including statements about future operating results, estimates, and assumptions, and similar statements concerning anticipated future events and expectations that are not historical facts. The company cautions you that these statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including volatility in the economy and the credit markets, supply and demand changes for vacation ownership and residential products, competitive conditions, the availability of capital to finance growth, and other matters referred to under the heading "Risk Factors" contained in the company's most recent Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") and in subsequent SEC filings, any of which could cause actual results to differ materially from those expressed in or implied in this press release. These statements are made as of October 13, 2016 and the company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Financial Schedules Follow