

Financial Performance

2021

A SURVEY OF TIMESHARE & VACATION OWNERSHIP COMPANIES



2021 EDITION
PREPARED BY

Deloitte.



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Financial Performance

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FOREWORD

On behalf of ARDA International Foundation, Deloitte & Touche LLP (Deloitte & Touche) has conducted this edition of the *Financial Performance 2021: A Survey of Timeshare & Vacation Ownership Resort Companies* ("Financial Performance Survey"). ARDA International Foundation has collected similar timeshare data since 1991. Through the years, the survey tool and breadth of analysis have evolved in consideration of industry trends, interest in new topics, regulatory changes, and other factors impacting the vacation timeshare industry.

As a result of the coronavirus pandemic (COVID-19), there were several unprecedented impacts on the travel and leisure industry. The industry has shown great resilience as resorts continue to reopen and travel restrictions loosen allowing for pent up demand to unfold. According to the Federal Open Market Committee press release dated March 17, 2021:

"The COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world. Following a moderation in the pace of the recovery, indicators of economic activity and employment have turned up recently, although the sectors most adversely affected by the pandemic remain weak. Inflation continues to run below 2 percent. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses."¹

The market conditions discussed above are consistent with the performance of the timeshare industry seen during 2020. The industry saw a decrease in net originated sales when comparing 2020 with 2019, however, the industry has seen a slow recovery as evidenced in the respondents' performance reflected in the released 2020 Pulse Surveys, specifically in the second half of the year.

This study is an estimate of key metrics that provide an overview of the vacation timeshare industry in the United States. It is not a comment on any individual company, whose performance may vary from the information included in this study.

¹ Federal Open Market Committee (FOMC) Press Releases (2021, March)
<https://www.federalreserve.gov/newsevents/pressreleases/monetary20210317a.htm>

Survey purpose

The goal of the survey is to compile accurate historical data and to provide a comprehensive perspective on the timeshare industry's financial performance. By conducting the Financial Performance Survey annually, the ARDA International Foundation provides:

- 1 Timely information that permits companies to compare operations to industry benchmarks;
- 2 A reference for tracking industry trends; and
- 3 A resource for potential entrants to the industry and others seeking to better understand the vacation timeshare industry.

Consistency with current financial accounting standards

The effects of important changes to accounting standards for companies developing and selling vacation ownership interests were first included in the 2007 edition of the Financial Performance Survey. This year's report continues the form of questions established in the previous years. It is important to recognize that the set of companies responding to the survey in each edition of the Financial Performance Survey also changes, and therefore, results from this edition should not be compared to the results of previous editions.

The following provides a summary of that guidance for reference in reading the report.

Accounting Standards Codification (ASC) 978 Real Estate — Time-Sharing Activities, is the authoritative literature for accounting for time-sharing transactions.

ASC 978 instructs that²:

- Costs incurred to sell timeshare units generally be charged to expense as incurred, including indirect sales and marketing expenses;
- Estimated uncollectible financed sales be presented as reductions of revenue;
- Uncollectible financed sales be estimated based on actual receivables collection experience and other considerations;
- The fair value of certain incentives provided to the timeshare buyer be considered when assessing the adequacy of the buyer's initial investment;
- Changes to inventory cost estimates be reflected in each period on a retrospective basis using a current period adjustment; and,
- Rental and other operations during holding periods should be accounted for as incidental operations, which requires that any excess of revenue over costs be recorded as a reduction of inventory costs.

In May 2014, the Financial Accounting Standards Board (FASB) issued its final standard on revenue, Accounting Standards Update (ASU) 2014-09, which is codified in ASC 606 Revenue From Contracts With Customers (ASC 606). ASC 606 standardizes the revenue recognition process throughout all industries.

² This summary, and other statements related to accounting standards and company practices, in this report are general observations based on publicly available information, information reported in the survey responses, and conversations with representatives of selected companies. They do not represent accounting guidance of Deloitte & Touche LLP.

Survey design and administration

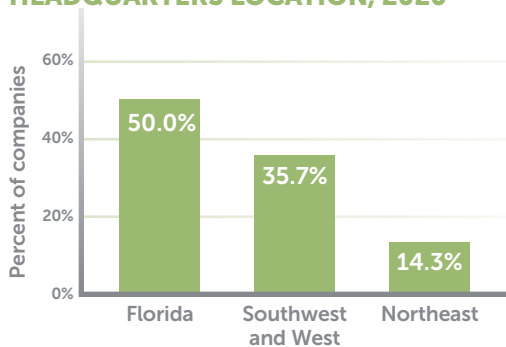
The Financial Performance Survey reflects a broad base of respondents and provides information in a consistent format, maintaining benchmarks that may be easily referenced. The questions within the survey were developed based on input from:

- Previous and current survey respondents
- Readers of previous editions of the report
- Members of the ARDA International Foundation Research Committee and CFO Council
- A task force commissioned by the ARDA International Foundation to help improve the survey
- Staff of the ARDA International Foundation and Deloitte & Touche

Continuing the format established in the Financial Performance Survey 2004 Edition, the survey focuses on timeshare sales activity and excludes sales of fractional ownership interests including Private Residence Clubs (PRCs) and non-equity destination clubs from all results. As such, fractional and whole-ownership sales and receivables are not included in the survey results. A copy of the survey form used in this edition is included in the Appendix.

Deloitte & Touche distributed the survey directly to 255 timeshare and vacation ownership resort development companies on January 18, 2021. The survey response deadline was extended to April 1, 2021. During the data analysis phase, Deloitte & Touche contacted some of the respondents with follow-up questions regarding specific responses provided.

FIGURE 1
DISTRIBUTION OF COMPANIES BY HEADQUARTERS LOCATION, 2020



Source: Deloitte & Touche LLP based on 14 company survey responses.

Respondents

As of April 1, 2021, 14 companies, or approximately six percent of those surveyed, had responded. This set encompassed 389 resorts that were open and in active sales during 2020. The source line under each graph in the report shows the number of (or minimum number of) respondents to the related question. In those graphs in which the companies are segmented into groups by product offering, ownership, company size by sales volume, and weighted average yield per timeshare week, there are, in some instances, fewer respondents in one particular category than the total respondents shown in the source line. This is because some companies did not provide sufficient information to segment them within that category.

In past surveys, we included data related to the Core Companies. This group provided year-in and year-out results that yield a stable perspective on industry trends. We chose to exclude this analysis in the current year survey because all respondents have consistently participated the past few years.

Of the 14 survey respondents, five companies are publicly-traded companies and nine are privately-held. The amount of responding companies decreased by two from the 2020 Financial Performance Survey due to the consolidation of three of the responding companies. The three respondents have consolidated over the last two years but had not previously fully integrated their total company data in order to provide responses on an overall basis. As their responses were provided at the consolidated level for the 2021 Financial Performance Survey, we treated them as one respondent herein. The five public companies that provided sales information accounted for 63.0 percent of net originated U.S. sales in 2020, as reported by the 14 survey respondents that reported net originated U.S. sales data.

The survey is focused on the United States due to the location of the companies' headquarters, which provides an indication of the geographic regions represented by the response base. By the location of their headquarters, all 14 of the respondents are U.S. companies. Seven of the respondents are based in Florida, while companies in the Northeast, and Southwest and West regions also responded.³ No respondents were based in other Southeast states (besides Florida), Midwest, or Canada.

³ Regional definitions: Florida; Northeast (CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT); Midwest (IA, IL, IN, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI, WV); Other Southeast (AL, AR, GA, LA, MS, NC, SC, TN); and Southwest and West (AK, AZ, CA, CO, HI, ID, MT, NM, NV, OK, OR, TX, UT, WA, WY).

Product offering

The timeshare industry model is fundamentally based on the sale and use of time based resort real estate interests. Within the shared ownership umbrella, there are a variety of product types, the most popular of which may be organized in five categories:

1 Interval weeks

The consumer has purchased a specific type of week at a specific resort. This week may then be exchanged through internal or external exchange systems, either for an interval week-based vacation or in some cases redeemed for points, such as in a hotel brand frequent guest program.

2 Interval weeks with the ability to use through a timeshare points system

The consumer has purchased into a points system or vacation club backed by an interval weeks interest. The legal structure of the consumer's purchase is supported by a deeded week or other week-based interest (including right-to-use, beneficial interest associated with trust based vehicles, or other non-deeded week-based interest), but the consumer has the ability to use the interest at its "home resort" or directly through a points-based system.

3 Timeshare points

The consumer has purchased points or credits backed by a usage right to a resort or a system supporting an internal network of resorts.

4 Fractional interests

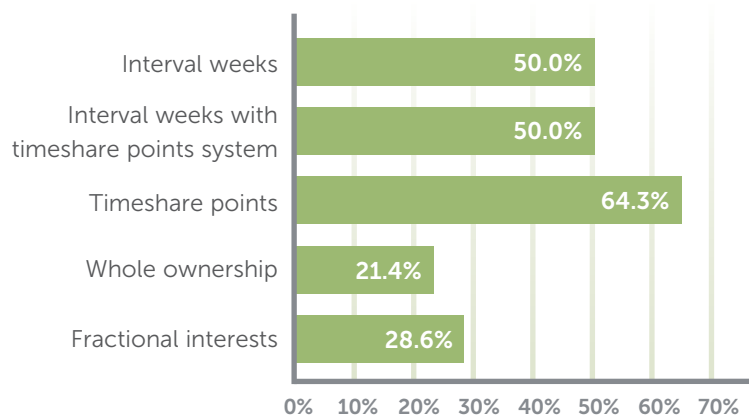
An ownership interest system that is either a shared equity or club interest representing a time period of not fewer than two weeks, but usually three weeks or more.

5 Whole ownership

Vacation product in which each unit has one owner.

Timeshare points were offered by 64.3 percent of respondents, making them the most frequently offered product types in the response set, as shown in Figure 2. Many of these respondents reported also offering other types of products, for example, by offering an interval weeks product at some resorts and a timeshare points product at other resorts, so the totals in Figure 2 sum to more than 100 percent. Four respondents reported offering fractional interest products, and three respondents also reported offering whole ownership products. Net originated sales reported in this study include any type of timeshare interest in the first three categories and exclude the last two categories (fractional interests and whole ownership).⁴

FIGURE 2
PRODUCT OFFERING BY % OF COMPANIES, 2020

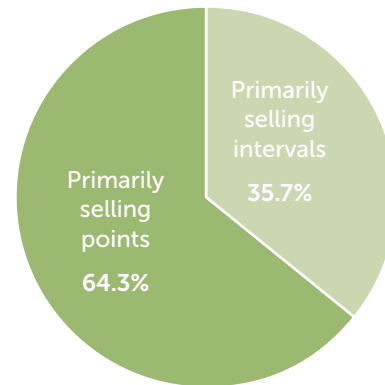


*Note: Some respondents offer multiple product types.
Source: Deloitte & Touche LLP based on 14 company survey responses.*

⁴ Information on the share of respondents offering fractional interests and whole ownership interests was collected as background information to help show the different types of products being offered. The survey focuses on timeshare sales activity and excludes sales of fractional ownership and whole ownership interests from all other results. Non-equity club programs, such as destination clubs, are excluded from the shared ownership concepts covered in this study.

For the purpose of comparisons in this report, Deloitte & Touche has categorized each company as either primarily an interval company or primarily a points company. Of the 14 companies that responded to this question, five reported selling only intervals, seven companies reported selling only points, and the remaining two companies reported selling a mixture of both interval weeks and points. These two companies primarily sold points and were therefore categorized as points companies. As a result of this categorization process, as shown in Figure 3, 64.3 percent of the respondents were categorized as point companies and 35.7 percent of the respondents were categorized as interval companies.⁵

FIGURE 3
SEGMENTATION OF COMPANIES
BY PRODUCT OFFERING



Source: Deloitte & Touche LLP based on 14 company survey responses.

Interpretation of results

To effectively interpret the survey results, it is important to understand that the survey is not a projection as it is not based on a random sample of companies, nor is it a census of all companies. That said, the survey is based on responses from participating companies that account for a predominance of industry sales, and this is one of the reasons it is seen as a valuable resource.

The company participants are not identical across all editions. Due to the relatively large size of some of the companies participating, the changing composition of the response base can materially impact the results reported from one year to another. It is not accurate to compare the 2019 and 2020 results presented in this edition with results shown in reports of earlier years without understanding that the response base has changed.

Wherever results are shown in this study for both 2019 and 2020, a consistent set of respondents was used for both years. Nevertheless, some changes from year to year may be the result of acquisitions or divestitures.

Because the focus of this report is on the U.S., only the U.S. geographic region is analyzed in this report. Therefore, all sales data provided by respondents is for U.S. sales locations (50 states) only.

Unless otherwise noted specifically as simple averages, all averages in this report are weighted averages. For example, responses to questions related to sales topics, such as sales costs as a percentage of sales, are weighted by net originated sales volume.

⁵ The percentage distributions shown here are for respondent companies, as categorized by primarily selling interval or points product. This distribution is different from the distribution of intervals and points product sales by dollar volume among respondent companies, which is reported on page 14.

10 Summary of Results

The following summarizes key results of the study which are further discussed at the referenced page numbers below:

CHAPTER TWO

Sales activity

- **Net originated sales excluding fee-for-service decreased 54.4 percent, while net originated sales including fee-for-service decreased 55.1 percent** (Page 13). In total, the 14 respondents that provided sales information reported \$3.278 billion in net originated timeshare sales excluding fee-for-service in 2020 (Page 13). Total net originated sales including fee-for-service arrangements decreased 55.1 percent from 2019 to 2020, decreasing from \$8.176 billion to \$3.672 billion (Page 14). Note: Each of the respondents provided results for both 2019 and 2020 for these metrics, therefore the comparisons between 2019 and 2020 for net originated sales including and excluding fee-for-service are appropriate.
- **Points sales represented 79.1 percent of the \$3.278 billion of net originated sales excluding fee-for-service** (Page 14). Of the \$3.278 billion of net originated sales reported by 14 companies in 2020, \$2.591 billion (79.1 percent) was classified as points sales, while \$0.687 billion (20.9 percent) was classified as interval sales (Page 14).
- **The amount of U.S. net originated sales that were sold on behalf of others under fee-for-service arrangements decreased 60.0 percent from \$985.7 million in 2019 to \$394.5 million in 2020** (Page 15).
- **Net originated sales at U.S. locations averaged \$18.0 million per resort in active sales** (Page 20).
- **Total capital expenditures decreased by 28.1 percent from 2019 to 2020 while capital expenditures related to completed timeshare inventory increased by 14.7 percent from 2019 to 2020** (Page 24). Total capital expenditures decreased from \$737.1 million to \$529.9 million from 2019 to 2020, respectively. Total capital expenditures related to completed timeshare inventory increased from \$222.5 million in 2019 to \$255.1 million in 2020 (Page 24).
- **The average yield per week decreased 6.7 percent in 2020, with a weighted average yield of \$32,026** (Page 26).
- **Sales tours and weighted average transaction value decreased while volume per guest and net close rate increased from 2019 to 2020** (Pages 28 to 31). In 2020, respondents reported hosting 0.98 million sales tours, compared to 2.66 million sales tours in the previous year (Page 28). Respondents achieved a weighted average net closing rate of 17.3 percent, which increased from the 14.3 percent reported for 2019 (Page 29). During the year, weighted average volume per guest increased from \$3,022 in 2019 to \$3,411 in 2020 (Page 30), and weighted average transaction value decreased from \$21,801 to \$20,661, respectively (Page 31).
- **Average transaction value for new owner sales and for existing owner sales both decreased from 2019 to 2020** (Page 31). Respondents reported that the average transaction value for new owner sales decreased from \$20,667 in 2019 to \$18,531 in 2020, while the weighted average transaction value for existing owner sales decreased from \$23,418 in 2019 to \$22,593 in 2020⁶ (Page 31).
- **Rescissions, as a portion of gross sales, increased 1.0 percentage points in 2020** (Page 34). Respondents reported an increase of gross sales rescissions, which averaged 16.6 percent in 2019 compared to 17.6 percent in 2020 (Page 34).

Key ratios

- **Estimated uncollectible sales, as a portion of net originated sales, averaged 33.2 percent in 2020** (Page 36).
- **Product costs, as a portion of net originated sales, averaged 10.2 percent in 2020** (Page 36).
- **Sales commissions, as a portion of net originates sales, averaged 18.2 percent in 2020** (Page 36).
- **Other sales and marketing costs, as a portion of net originated sales, averaged 31.1 percent in 2020** (Page 36).
- **General and administrative costs, as a portion of net originated sales, averaged 14.0 percent in 2020** (Page 36).
- **Homeowners association (HOA) subsidies and maintenance fees for unsold units net of rental revenues, as a portion of net originated sales, averaged 8.9 percent in 2020** (Page 36).
- **Operating profit margin on timeshare sales operations averaged negative 15.6 percent in 2020** (Page 36).
- **Respondents reported that 66.7 percent of timeshare sales, by dollar value, in 2020 were to buyers who already owned at least one timeshare interest at the company, on a weighted average basis** (Page 46).

⁶ Note: The average transaction values for existing owner sales and new owner sales are based on figures provided by respondents who provided detailed information on existing owner sales and new owner sales and may not correspond to weighted average figures provided in other sections.

Hypothecation of receivables

- **The average interest rate and the advance rate decreased when compared to 2019** (Page 48). Six respondents provided information on hypothecations of receivables that occurred during 2020, totaling 337.0 million (Page 48). The average interest rate decreased from 4.7 percent in 2019 to 3.0 percent in 2020 (Page 48). The average advance rate decreased from 86.4 percent in 2019 to 70.9 percent in 2020 (Page 48).

Portfolio sales and securitizations

- **For respondents who reported securitizations in both 2019 and 2020, both the average transaction size of securitizations and interest rates increased while the average advance rates decreased** (Page 50). For those respondents that reported securitizations in both 2019 and 2020, the average transaction size of reported securitizations increased 9.8 percent from \$355.4 million to \$390.3 million (Page 50); the average interest rate increased 0.1 percentage points from 3.9 percent to 4.0 percent (Page 50); and the average advance rate decreased 6.2 percentage points from 97.0 percent to 90.8 percent (Page 50). The five separate securitization transactions reported by survey respondents in 2020 represented a total value of \$1,951.4 million, measured as the gross value of the sales contracts securitized (Page 50). This reflects a decrease from the seven separate securitization transactions in 2019 with a total value of \$2,487.9 million (Page 50).

Consumer financing and receivables portfolio performance

- **Of the \$2.644 billion of net originated timeshare sales in which respondents provided financing information, \$1.496 billion were financed** (Page 51). Approximately 56.6 percent of the dollar value of net originated timeshare sales were financed in 2020 (Page 51). Nine respondents reported that in 2020, the weighted average interest rate on new loans to consumers including servicing fees was 14.2 percent and the weighted average interest rate on new loans to consumers excluding servicing fees for those same respondents was 13.9 percent (Page 52). The weighted average down payment associated with non-upgrade sales was 19.7 percent of the contract price (Page 55), and the average down payment associated with upgrade sales, including the equity in their existing vacation ownership interest, was 40.3 percent of the contract price (Page 55).
- **Current receivables decreased by 3.2 percentage points from 2019 to 2020, while those more than 120 days delinquent increased by 3.7 percentage points** (Page 56). The share of current receivables (current or fewer than 31 days delinquent) was 86.2 percent in 2020 (Page 56), while the share of receivables more than 60 days delinquent was 11.9 percent (Page 56).
- **Gross defaults, as a portion of the gross outstanding portfolio balance at year-end, averaged 12.5 percent in 2020, which is an increase of 2.0 percentage points as compared to 2019** (Page 58).
- **The weighted average allowance for uncollectible accounts, as a portion of gross outstanding portfolio balance at year-end, was 20.4 percent in 2020** (Page 59). This was an increase of 4.1 percentage points as compared to 2019.
- **The weighted average interest rate exclusive of servicing fees and inclusive of servicing fees on loans held in portfolios increased from 2019 to 2020. The average remaining term decreased from 2019 to 2020** (Page 60-61). The weighted average interest rate on timeshare consumer loans held in portfolios at year-end was 13.9 percent in 2020 exclusive of servicing fees and 14.0 percent in 2020 inclusive of servicing fees (Page 60). The weighted average term to maturity for loans held was 101.5 months (Page 61).
- **The weighted average general and administrative costs of financing operations, as a portion of outstanding portfolio balance, was 1.5 percent in 2020, which was 0.1 percentage points higher than in 2019** (Page 62).

FICO scores

- **The use of FICO scoring as an underwriting component in 2020 is consistent with 2019** (Page 63). A majority of the respondents, 92.3 percent, reported that they utilize FICO scoring in their underwriting criteria in 2020, which is consistent with 2019 as reported by the same survey respondents (Page 63).
- **Average FICO scores on loans held in receivable portfolios increased in 2020 as compared to 2019** (Page 64). The weighted average FICO score on loans held in receivables portfolios at year-end, as reported by respondents, increased one point from 713 in 2019 to 714 in 2020 (Page 64).
- **The weighted average FICO scores on new financings in 2020 decreased as compared to 2019** (Page 65). FICO scores on new financings ranged from 672 to 747 in 2020 (Page 65). Additionally, the weighted average FICO score on new financings of 724 in 2020 is two points lower than 726 in 2019 (Page 65).
- **The weighted average static pool default rate increased 2.9 percentage points to 22.5 percent in 2020, as reported by 11 respondents** (Page 66).
- **The static pool default rate⁷ by FICO score (the static pool default percentages by FICO score range at the time the loan was made to purchasers) increased across several bands from 2019 to 2020** (Page 66). The static pool default rate by FICO score increased for most bands, except the band category from 300 to 499 from 2019 to 2020 (Page 66).
- **Weighted average originations as a percentage of gross sales and as a percentage of net sales increased 2.1 percentage points and 1.9 percentage points, respectively, from 2019 to 2020** (Page 67).

Impact of COVID-19

- **Approximately 92.3 percent of respondents reported that they offered a mortgage deferment program to owners due to the impacts of COVID-19** (Page 68). Of the respondents that provided mortgage deferment information, approximately 58.3 percent of respondents reported that less than two percent of timeshare owners deferred mortgage payments (Page 68). Further, 16.7 percent reported that the deferred mortgage payments comprised of less than two percent of the total portfolio balance (Page 68). The simple average number of owners who took advantage of the program as a percentage of total owners for all respondents was 2.6 percent, while the simple average dollar value impact of the deferment program as a percentage of the total portfolio was 3.9 percent in 2020.
- **Of the 10 respondents who provided information on the impact of COVID-19 on allowance for loan loss, 30.0 percent of respondents reported no additional allowance was taken** (Page 69). The weighted average of additional allowance for loan losses recorded due to COVID-19 as a percentage of total allowance was 17.3 percent in 2020 (Page 69).

⁷ Static pool analysis is used to measure the performance of a grouping, or pool, of receivables. For this survey, the static pool default rate is calculated as cumulative actual and projected future capital losses net of reinstatements, divided by the original principal balance.

CHAPTER THREE

Companies were asked to provide data on major financial indicators for 2019 and 2020. Information on sales has been analyzed in two ways. The first approach is an analysis of net originated timeshare sales, the operational or managerial measure that is generally used in the industry. The second is an analysis of sales revenue in accordance with accounting principles generally accepted in the United States of America (GAAP), which is addressed in the section titled “Revenue Recognition.”

Net originated timeshare sales

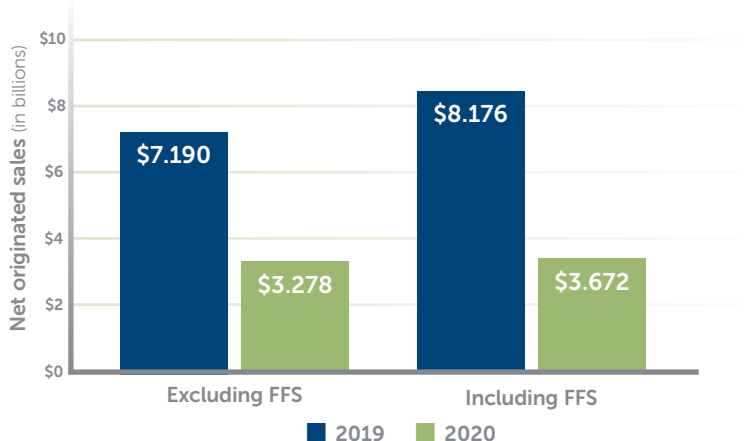
The concept of net originated timeshare sales as reported in this survey is gross sales revenues net of rescissions, but before reduction of revenue for uncollectible accounts and deferrals. Therefore, net originated timeshare sales is an operational or managerial measure of sales volume and does not reflect certain adjustments required for financial reporting according to GAAP. For example, it is not impacted by percentage-of-completion accounting, which reflects the period over which construction occurs rather than sales pace. The survey reports net originated sales inclusive of timeshare inventory sold under fee-for-service (FFS) arrangements, as well as net originated sales exclusive of these arrangements. Unless specifically stated, the term net originated sales within this report refers to sales of owned inventory which excludes fee-for-service arrangements.

In total, the 14 respondents that provided sales information reported \$3.278 billion in net originated timeshare sales in 2020. The overall percentage change in net originated timeshare sales between 2019 and 2020 was a decrease of 54.4 percent as shown in Figure 4.⁹ Net originated sales inclusive of inventory sold under fee-for-service arrangements decreased by 55.1 percent to \$3.672 billion as reported by 14 respondents, of which four respondents were providing fee-for-service activities. This year-over-year change in sales includes the impact of sales at newly opened or acquired resorts. For this analysis, sales volume is reported by location at which the sale occurred rather than the location of the inventory. The significant decrease in sales is primarily attributed to the impacts of COVID-19 on the timeshare industry. See summary of COVID-19 impacts on the timeshare industry at the COVID-19 Considerations section.

⁸ Sales of fractional ownership interests and whole ownership are not included in the Financial Performance Survey.

⁹ Net originated sales represent completed or closed sales where all documentation has been executed and includes contracts whereby the rescission period, on a look-back method, has expired and for which the developer has received good cash funds of at least 10 percent of the sales price. Sales may be included in net originated sales even if the unit has not yet been fully constructed. Temporary sales such as trial memberships, exit programs, and sample programs are not included in net originated sales as these program types are generally considered as sales promotion programs and as such net costs are atypically included in the cost of timeshare sales.

FIGURE 4
NET ORIGINATED TIMESHARE SALES 2019 AND 2020



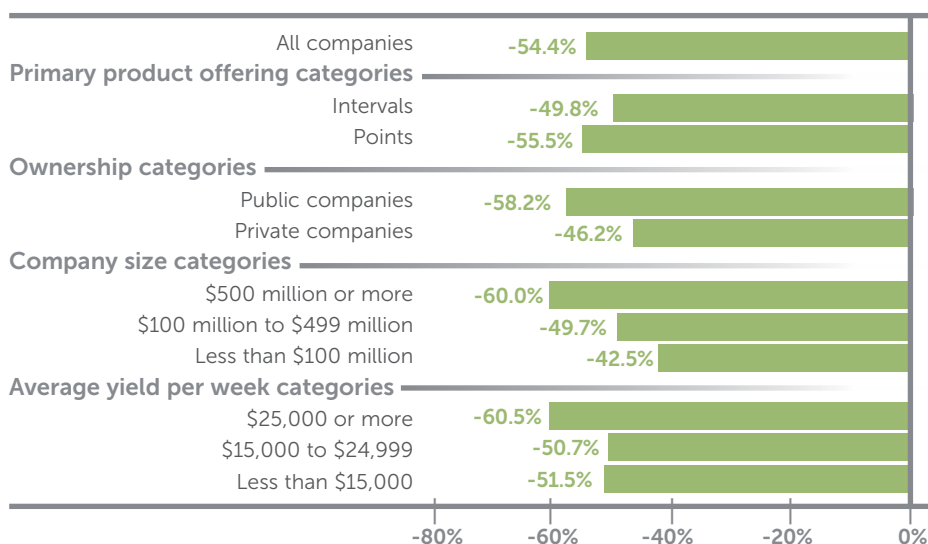
Source: Deloitte & Touche LLP based on 14 company survey responses for net originated sales, 4 company survey responses providing fee-for-service.

All 14 companies that reported net originated sales information reported sales decreases. Public companies experienced a simple average decrease of 58.2 percent and private companies experienced a simple average decrease of 46.2 percent. Companies with \$500 million or more in net originated sales experienced a simple average decrease of 60.0 percent, companies with between \$100 million and \$499 million in net originated sales experienced a simple average decrease of 49.7 percent, and companies with less than \$100 million in net originated sales experienced a simple average decrease of 42.5 percent (Figure 5).

Points companies reported a simple average decrease of 55.5 percent from 2019 to 2020, compared to a 49.8 percent decrease for interval companies. Of the \$3.278 billion of net originated U.S. timeshare sales in 2020, \$0.687 billion (20.9 percent) was classified as interval sales, while \$2.591 billion (79.1 percent) was classified as points sales.¹⁰

¹⁰ In considering this split of sales volume, it is useful to consider that interval week programs that offer a timeshare points system that is backed by a deeded week or other week-based interest are classified as interval week sales.

FIGURE 5
NET ORIGINATED SALES DECLINE FROM
2019 TO 2020 BY COMPANY CATEGORY



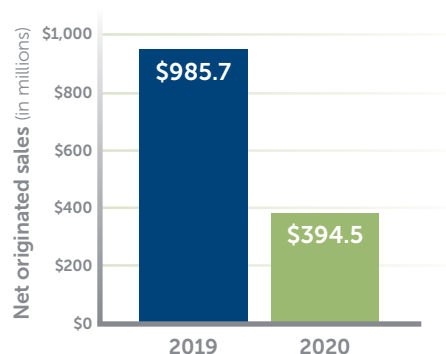
Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

In this report, averages are typically presented as weighted by net originated sales volume. However, the percentages in the graph above are not calculated using a weighted average. The weighted average decline rate based on current year sales is 52.2 percent compared to 2019.

Fee-for-service arrangements

Services related to sales and marketing arrangements in the form of sale of timeshare interests on behalf of other developers have become an established feature within the industry over the last decade. These fee-for-service arrangements for purposes of this survey represent sales of inventory owned by other developers for which only sales and marketing services are performed on behalf of that developer. Several questions within the 2021 survey were posed related to fee-for-service arrangements. Of the 14 respondents, four companies are selling and marketing timeshare on behalf of other developers, while one of the respondent companies is outsourcing their selling and marketing of timeshare. Of the four respondents providing fee-for-service, one company had an increase in fee-for-service revenues and three companies had a decrease in fee-for-service revenues compared to 2019. The overall percentage change in net originated sales under fee-for-service arrangements between 2019 and 2020 was a decrease of 60.0 percent. The below chart reflects the amount of timeshare sold on behalf of others for the four respondents.

FIGURE 6
NET ORIGINATED SALES UNDER
FREE-FOR-SERVICE ARRANGEMENTS



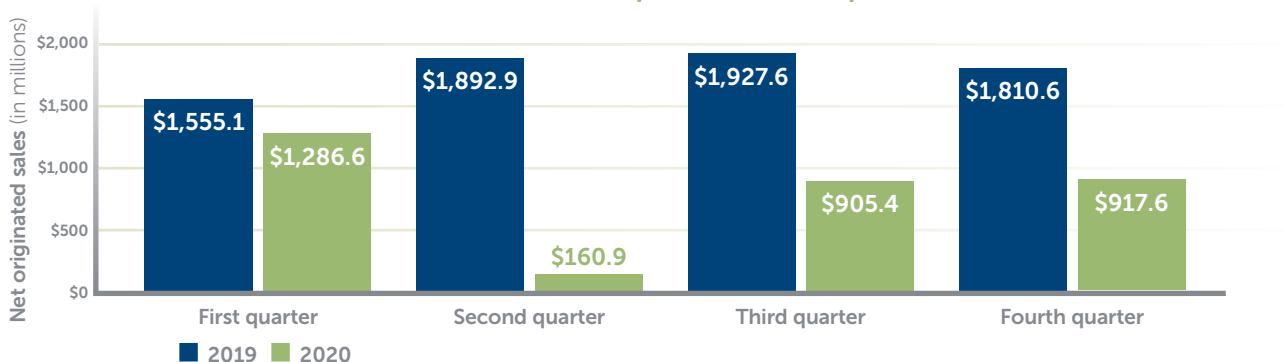
Source: Deloitte & Touche LLP based on 4 company survey responses.

Quarterly timeshare sales

Timeshare sales in many locations exhibit seasonal patterns, as popular vacation periods correspond to heightened sales activity. However, normal seasonal patterns were not observed in 2020 as a result of the COVID-19 pandemic. During 2020, timeshare sales were highest in the first quarter of the year and lowest in the second quarter, based on the responses of 12 companies (Figure 7). Net originated sales were lower for each quarter of 2020 compared to the same quarter in 2019 (Figure 7), reflecting the impacts of COVID-19. This resulted in an overall decrease from 2019 to 2020 of 54.5 percent.

FIGURE 7

QUARTERLY NET ORIGINATED TIMESHARE SALES, 2019 AND 2020, U.S.



Source: Deloitte & Touche LLP based on 12 company survey responses.

Number of locations

The Financial Performance Survey is conducted at the company level, with most companies representing multiple resorts. Of the 527 U.S. resorts represented by respondents in 2020, 389 were open and in active sales (Figure 8). Active sales resorts include resorts that did not have an on-site sales office, but which were actively sold from other sales centers. The remaining resorts were either not open but in active pre-sales or considered resorts not in active sales (138 resorts).

FIGURE 8

DISTRIBUTION OF RESORTS AND SALES CENTERS BY TYPE, U.S.

Resorts	2019	2020	Percent change
Open, in active sales	394	389	-1.3%
In active pre-sales	2	3	50.0%
Not in active sales	113	135	19.5%
Total resorts	509	527	3.5%
Sales centers			
At a resort	300	288	-4.0%
At a hotel	2	2	0%
Off-site sales centers	22	15	-31.8%
Telesales	25	26	4.0%
Total sales centers	349	331	-5.2%

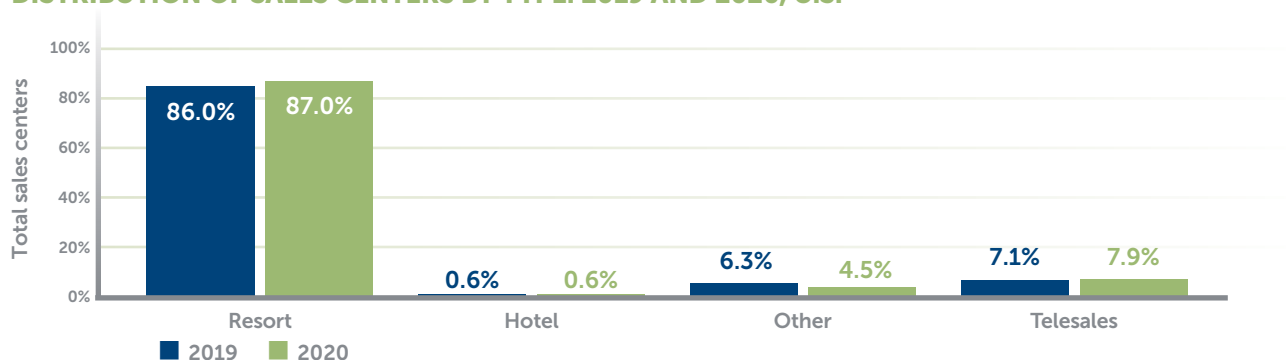
Source: Deloitte & Touche LLP based on 14 company survey responses.

Respondents to the survey were asked to provide counts of sales locations in four categories: at a resort (also referred to as on-site), at a hotel, at an off-site location not at a resort or a hotel, or at a telesales center. While most sales centers were located at a resort (288 sales centers), respondents also reported 2 sales centers at a hotel, 15 off-site sales centers that were neither at a resort nor at a hotel, and 26 telesales centers.

Sales centers at resorts accounted for 87.0 percent of the overall sales centers reported in 2020 and 92.0 percent of net originated sales among the respondent companies (Figure 9 and Figure 10, respectively). Conversely, sales centers not located at a resort accounted for 13.0 percent of total sales centers, but only 8.0 percent of net originated sales in 2020.

FIGURE 9

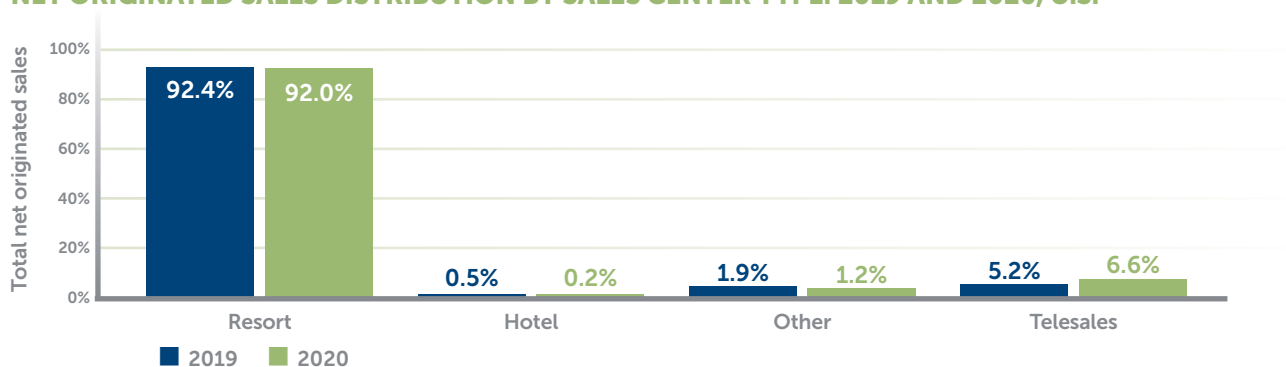
DISTRIBUTION OF SALES CENTERS BY TYPE: 2019 AND 2020, U.S.



Source: Deloitte & Touche LLP based on 14 company survey responses.

FIGURE 10

NET ORIGINATED SALES DISTRIBUTION BY SALES CENTER TYPE: 2019 AND 2020, U.S.

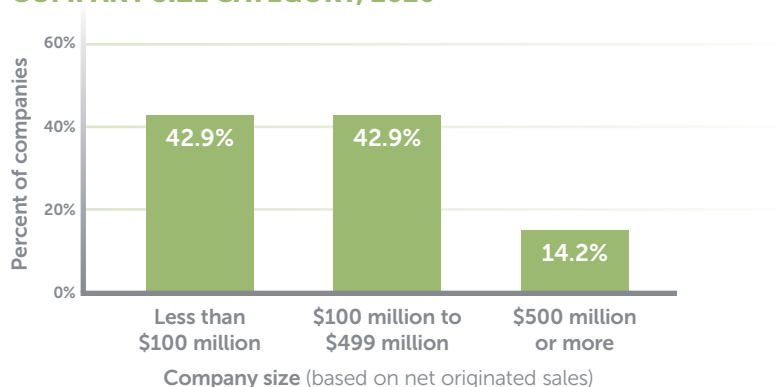


Source: Deloitte & Touche LLP based on 14 company survey responses.

Company size

Annual net originated sales for the respondent companies ranged from (\$1.1 million) to \$842.9 million per company. Given this wide range of company sizes, this report provides breakouts by company size (based on net sales volume) to give more accurate measures of small, medium, and large companies. The percentage of the total number of respondents in each size category (determined by 2020 net originated sales at U.S. locations) is shown in Figure 11. This gives an indication that the survey included respondents that were broadly distributed by company size.

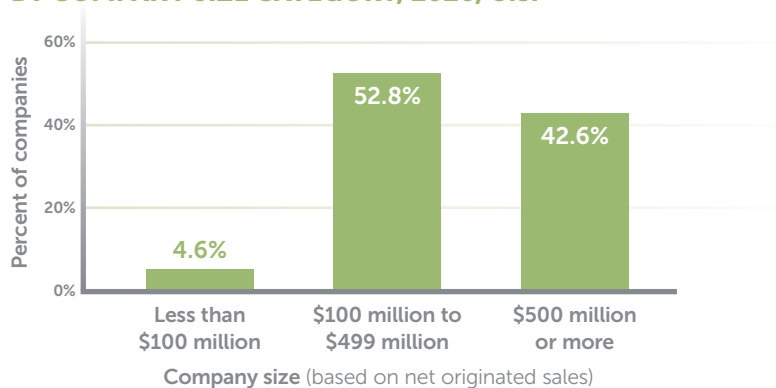
FIGURE 11
DISTRIBUTION OF COMPANIES BY
COMPANY SIZE CATEGORY, 2020



Source: Deloitte & Touche LLP based on 14 company survey responses.

Because the larger companies have substantial operations, the two companies in the largest size category (\$500 million or more) accounted for 42.6 percent of total net originated sales (Figure 12). In 2020, companies with sales between \$100 million and \$499 million represented 42.9 percent of the response base and accounted for 52.8 percent of net originated sales. Since many of the figures presented later in this study are calculated as weighted averages, it is important to keep in mind that the results of larger companies heavily influence the aggregate results presented.

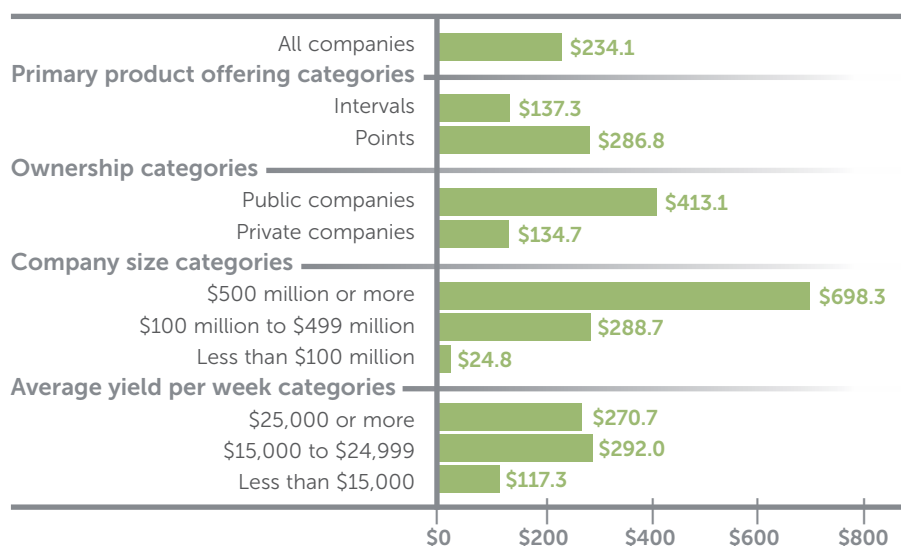
FIGURE 12
DISTRIBUTION OF TOTAL NET ORIGINATED SALES
BY COMPANY SIZE CATEGORY, 2020, U.S.



Source: Deloitte & Touche LLP based on 14 company survey responses.

Figure 13 shows the simple average of net originated sales per company (average company size) for the different company categories. Points companies averaged higher net originated sales compared to interval companies. Public companies were, on average, significantly larger than private companies. Companies that have an average yield per week of less than \$15,000 make up 7.2 percent of the total net originated sales and had the lowest net originated sales within the average yield per week categories. The average net originated sales for each of the company size categories is also provided as background information on the companies in each of those categories.

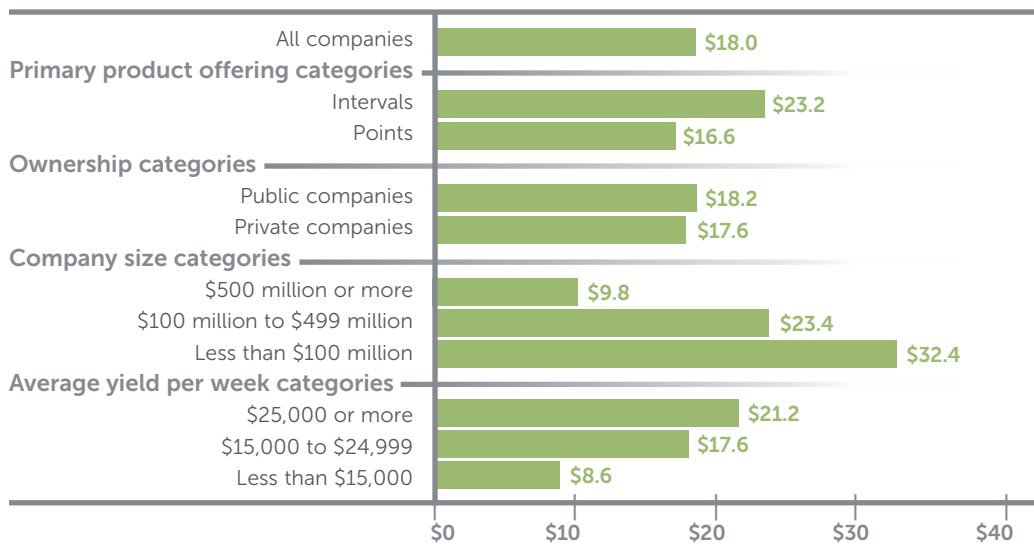
FIGURE 13
SIMPLE AVERAGE NET ORIGINATED SALES (IN MILLIONS)
PER COMPANY BY COMPANY CATEGORY, 2020, U.S.



Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses

Another way to evaluate company size and sales activity is to consider the weighted average annual net originated sales per resort in active sales. Net originated sales per resort in active sales averaged \$18.0 million in 2020 (Figure 14). Companies primarily selling intervals reported average sales of \$23.2 million per resort in active sales, while points companies reported average sales of \$16.6 million per resort in active sales. Respondents with sales of less than \$100 million achieved the highest results with an average of \$32.4 million per resort in active sales.

FIGURE 14
WEIGHTED AVERAGE NET ORIGINATED SALES PER RESORT IN
ACTIVE SALES BY COMPANY CATEGORY (IN MILLIONS), 2020, U.S.



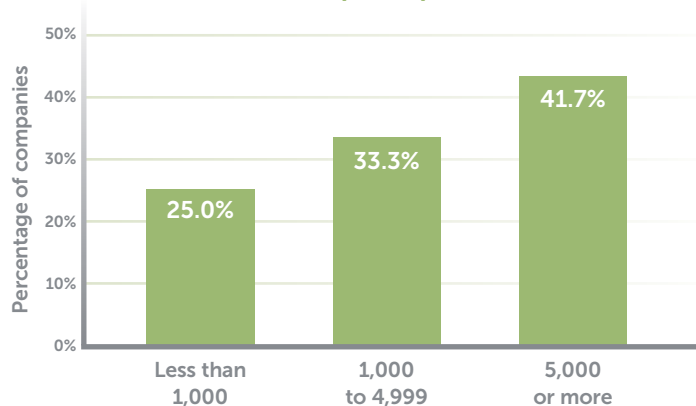
Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Timeshare sales measured in weeks

For the purpose of this study, respondent companies were asked to provide sales volume, measured in weeks of annual use, in order to create a common measurement of the amount of interests in time that were sold. On the survey form, it was suggested that companies with points-based programs calculate equivalent weeks sold using an implied interval week conversion factor based on internal measures.

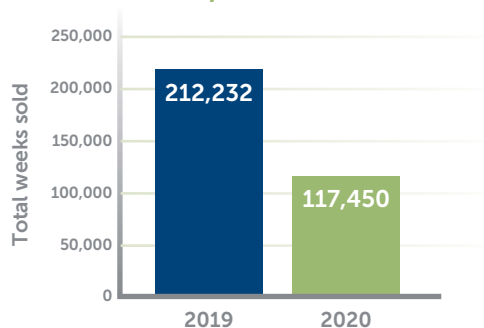
In total, approximately 117,450 weeks of annual use were sold at U.S. sales locations in 2020 by the 13 companies that responded to this question. This represented a decrease of 44.7 percent from the 212,232 of annual use in 2019 as reported by the same survey respondents (Figure 15a). Approximately 58.3 percent of the respondents sold less than 5,000 timeshare weeks during 2020 (Figure 15).

FIGURE 15
DISTRIBUTION OF COMPANIES BY ANNUAL
NUMBER OF WEEKS SOLD, 2020, U.S.



Source: Deloitte & Touche LLP based on 13 company survey responses.

FIGURE 15a
TOTAL WEEKS SOLD,
2019 AND 2020, U.S.

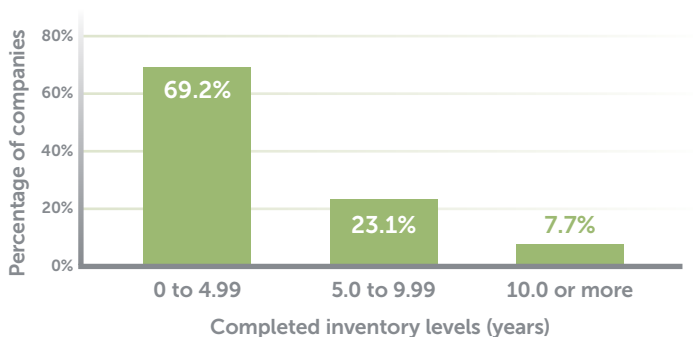


Source: Deloitte & Touche LLP based on 13 company survey responses.

Inventory levels

Completed timeshare inventory, for the purpose of this study, is defined as unsold completed weeks of inventory available for sale at resorts, including developer reacquired weeks. Based on 13 respondent companies, there were a total of 758,336 weeks of completed inventory as of December 31, 2020. Inventory levels can be evaluated by considering the amount of inventory in relation to the company's current sales pace. From the inventories indicated by respondent companies, inventory levels (measured in years) were calculated. This reflects the number of years that the company would need to sell its entire unsold, completed inventory if it were to maintain its 2020 sales pace. Completed inventory levels are calculated by taking the reported inventory and dividing it by the total number of weeks sold in 2020. For example, a company that had 5,000 unsold weeks of inventory at year-end 2020 after selling 2,500 weeks during 2020 would be counted as having an inventory level of two years (5,000 divided by 2,500).

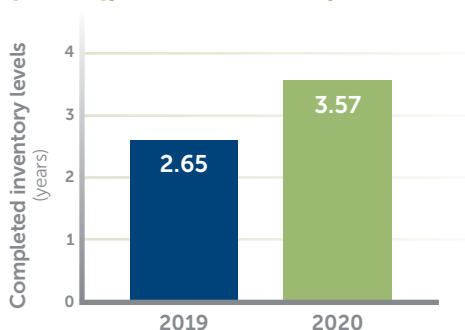
FIGURE 16
DISTRIBUTION OF COMPANIES BY COMPLETED
INVENTORY LEVELS (YEARS), 2020, U.S.



Source: Deloitte & Touche LLP based on 13 company survey responses.

In 2020, 69.2 percent of the 13 companies that responded to this question held less than five years of completed inventory (Figure 16). Years of completed inventory ranged from less than one year to almost 13 years. The weighted average inventory levels of all respondents increased by 0.92 years from 2.65 years to 3.57 years from 2019 to 2020 (Figure 16a). The calculation for the analyses presented in Figure 16, Figure 16a, and Figure 17 utilize equivalent weeks sold in 2019 to reflect an appropriate comparison given the anomaly in 2020.

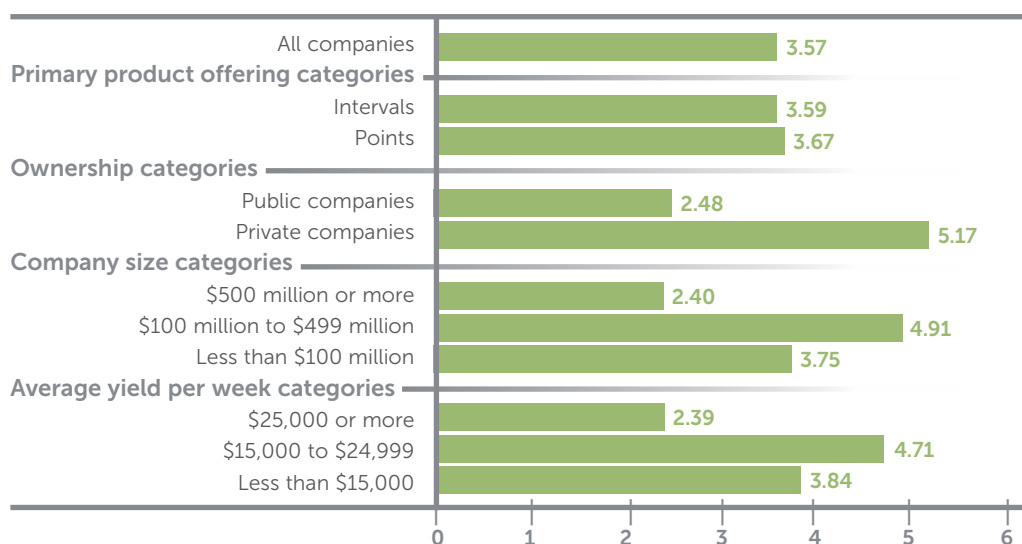
FIGURE 16a
COMPLETED INVENTORY LEVELS
(YEARS), 2019 AND 2020, U.S.



Source: Deloitte & Touche LLP based on 13 company survey responses.

Overall, the 13 companies that provided information showed an average of 3.57 years of completed inventory available for sale, on a weighted average basis.¹¹ Completed inventory levels varied across categories (Figure 17).

FIGURE 17
COMPLETED INVENTORY LEVELS BY COMPANY CATEGORY, 2020, (IN YEARS)

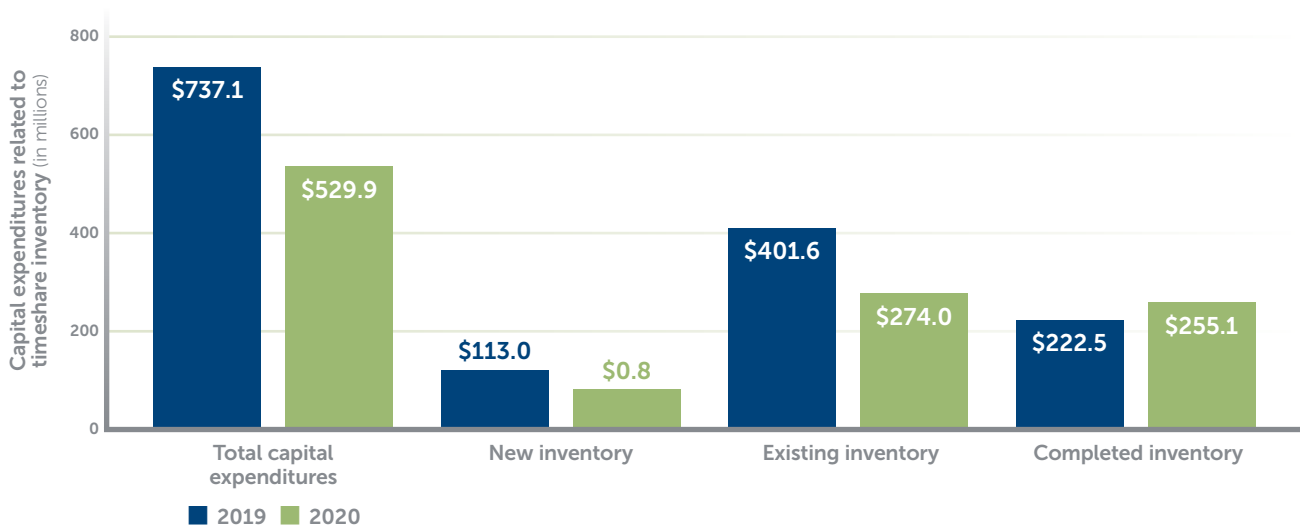


Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

¹¹ The weighted average inventory level is based on the average 2020 sales pace reported by respondents. Changes in sales pace would cause years of inventory levels to change. For example, a sales pace 15 percent below the 2020 sales pace would imply an average inventory level equal to 2.0 years of sales; similarly, a sales pace 30 percent below the 2020 sales pace would imply an average inventory level equal to 2.5 years of sales (calculations reflect rounding).

Respondents were asked a question in the 2020 survey regarding capital expenditures related to the development of timeshare inventory for both 2019 and 2020. Of the 11 respondents, 4, or 36.4 percent, increased capital expenditures related to the development of timeshare inventory, and 7 respondents, or 63.6 percent, decreased capital expenditures related to the development of timeshare inventory. Capital expenditures related to the development of new timeshare inventory decreased from \$113.0 million in 2019 to \$0.8 million in 2020. Capital expenditures related to the development of timeshare inventory that began construction in prior years decreased from \$401.6 million in 2019 to \$274.0 million in 2020 (Figure 18).

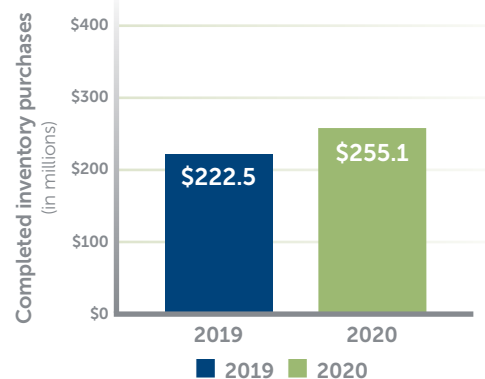
FIGURE 18
CAPITAL EXPENDITURES (IN MILLIONS)



Source: Deloitte & Touche LLP based on a minimum of 4 company survey responses.

Respondents were also asked to report capital expenditures for completed inventory (e.g. turn-key, just in time inventory purchases, buy-backs from Property Owner Associations). Four respondent companies reported \$255.1 million in capital expenditures of completed inventory in 2020, which was an increase of 14.7 percent compared to the \$222.5 million in capital expenditures of completed inventory in 2019 (Figure 19). One respondent company reported an increase in capital expenditures of completed inventory, two companies reported a decrease, one company reported no change, and ten respondent companies did not report capital expenditures of completed inventory for 2019 or 2020. Capital expenditures of completed inventory represented approximately 48.1 percent of total capital expenditures related to timeshare inventory in 2020, compared to approximately 30.2 percent of total capital expenditures related to timeshare inventory in 2019 (Figure 19). In total, capital expenditures related to timeshare inventory decreased by 28.1 percent from 2019 to 2020.

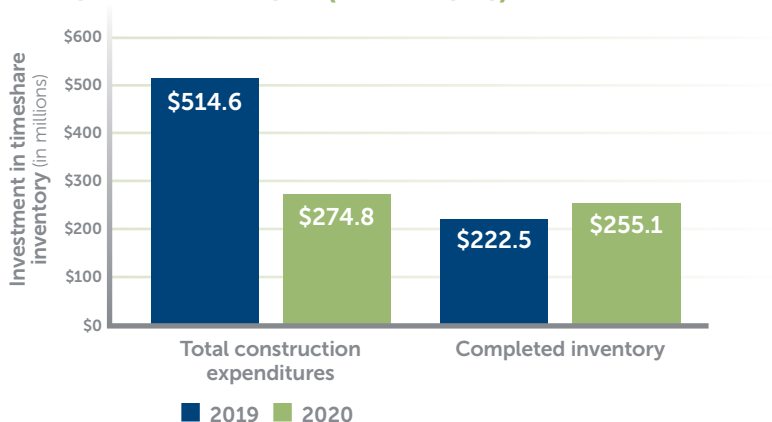
FIGURE 19
CAPITAL EXPENDITURES RELATED TO COMPLETED TIMESHARE INVENTORY (IN MILLIONS)



Source: Deloitte & Touche LLP based on 4 company survey responses.

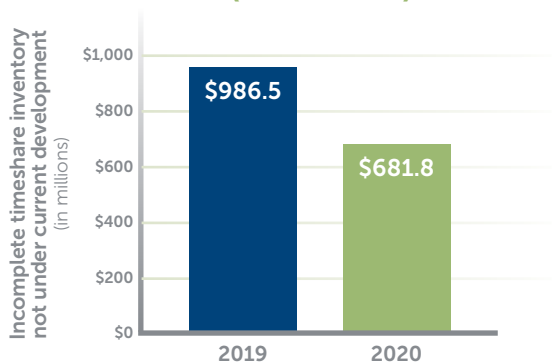
Respondents were also asked to report construction costs and undeveloped land included in inventory, but not under current development (i.e. inventory developments where construction has been placed on hold or is inactive). The six respondent companies reported \$681.8 million and \$986.5 million of construction costs and undeveloped land included in inventory, but not under current construction for 2020 and 2019, respectively, representing a decrease of 30.9 percent (Figure 21). Two companies reported an increase and four companies reported a decrease from 2019 to 2020.

FIGURE 20
CAPITAL EXPENDITURES RELATED TO
TIMESHARE INVENTORY (IN MILLIONS)



Source: Deloitte & Touche LLP based on a minimum of 4 company survey responses.

FIGURE 21
INCOMPLETE TIMESHARE
INVENTORY NOT UNDER CURRENT
CONSTRUCTION (IN MILLIONS)



Source: Deloitte & Touche LLP based on 6 company survey responses.

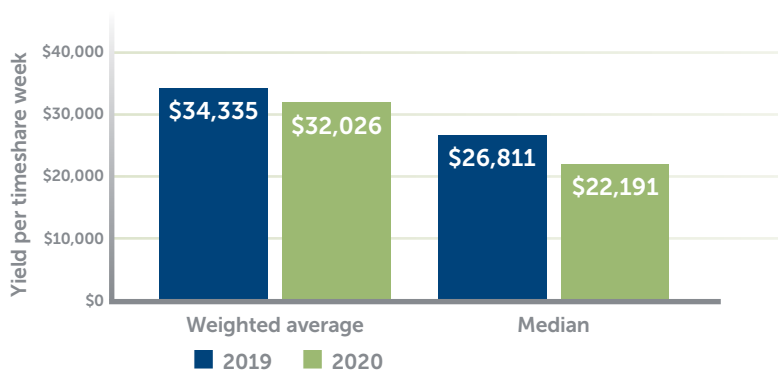
Average yield of a timeshare week

In this survey, average yield per timeshare week is used as a measure of the amount of revenue generated in relation to the amount of inventory sold. It is calculated as net originated sales volume divided by the weeks of annual use sold during the year. Yield per timeshare week can be impacted by factors other than pricing. For example, in a given year, the mix of upgrade sales or biennial sales at a company could change. Also, the mix of units sold could change, for example, as more two-bedroom units, more units in higher-priced markets, or more units in peak seasons are sold.

One example of the way that yield per timeshare week can be impacted by a factor other than changes in price relates to upgrade sales. An upgrade sale results in net originated sales value that is reflected in the numerator but does not impact the denominator. This is because no additional weeks are considered sold to a consumer in an upgrade, for example, from a one-bedroom unit to a two-bedroom unit. As a result, increased upgrade sales in one year can cause a company's yield per week to increase even if prices to consumers remain stable. Also, respondents were asked to count biennial sales, or every-other-year weeks, as half a week in the calculation of weeks sold. To the extent that biennial products achieve higher average prices per annual week sold, a shift from annual products toward biennial sales would be expected to increase the average yield of a timeshare week measure in a given year, even if the pricing of specific products did not change.

There are several different ways to analyze the average yield per timeshare week across companies: i) simple average yield, ii) weighted average yield, and iii) median yield. Each measure provides different information. The simple average yield treats each company equally, regardless of a company's contribution to aggregate net originated sales reported by survey respondents. Thus, this measure of the average yield does not distinguish between larger and smaller companies (based on net originated sales). The weighted average yield gives more weight to yields of larger companies and less weight to smaller companies. Consequently, the weighted average yield reflects sales activity and represents a measure closer to the typical yield. The median yield is that average yield per week, which is in the middle of the range, i.e., 50 percent of the companies reported average yields above the median and 50 percent reported average yields below the median. Because it is less influenced by the extremes, the median is also a useful measure to consider.

FIGURE 22
MEDIAN AND AVERAGE YIELDS PER TIMESHARE WEEK, 2019 AND 2020, U.S.



Source: Deloitte & Touche LLP based on 12 company survey responses.

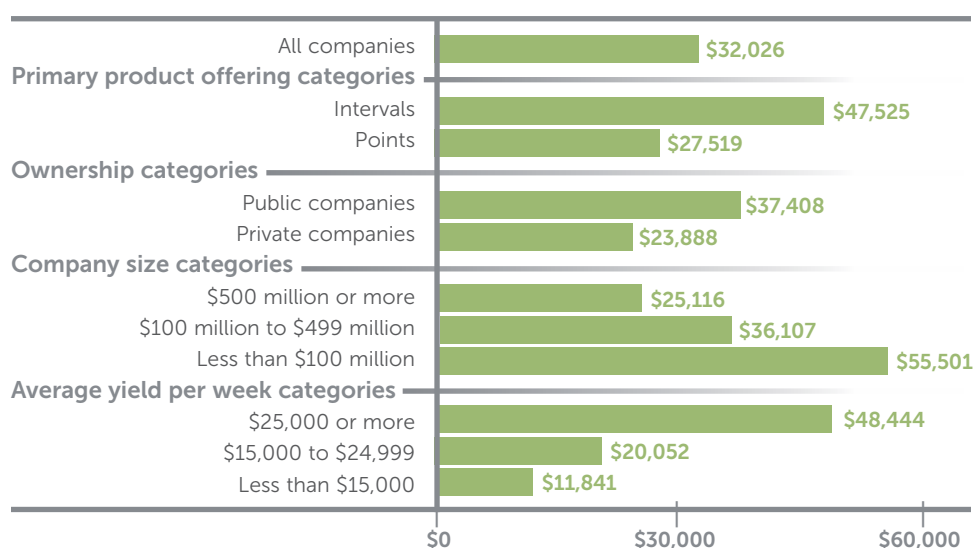
Overall, the different methods of comparing yields show that the typical yield of a U.S. timeshare week in 2020 was between \$22,191 and \$32,026. The broadest measure of yield, the weighted average yield, was \$32,026 per week sold in 2020 as compared to \$34,335 per week sold in 2019, a decrease of 6.7 percent.

The various categories of development companies exhibit different weighted average yields per week. Overall, interval companies, public companies, medium sized companies and small companies showed higher average yields per week, while points companies, private companies, and large companies showed lower average yields per week. Weighted averages for specific categories of companies are shown in Figure 23.

The weighted average yield per week for companies that primarily sold interval product was \$47,525 in 2020, compared to \$27,519 for companies that primarily sold points product. The average yield per week for points sales is based on the net originated sales for points product divided by the number of equivalent weeks sold, as reported by the respondents.

The weighted average yield per week achieved by companies in the \$100 million to \$499 million company size category was \$36,107 per week. The average yield per week in each of the yield per week categories is also shown in Figure 23 to provide background information on the companies in each of those categories.

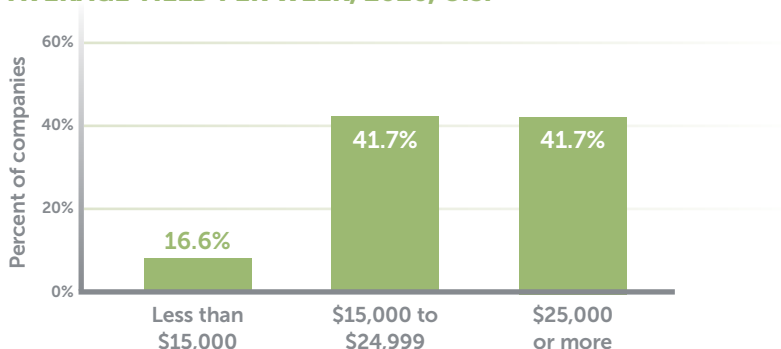
FIGURE 23
WEIGHTED AVERAGE YIELD PER WEEK BY COMPANY CATEGORY, 2020, U.S.



Source: Deloitte & Touche LLP based on a minimum of 15 company survey responses.

The average yield per week in 2020 ranged from approximately \$11,800 to \$96,700. Approximately 83.4 percent of all respondents reported weighted average yields per week of \$15,000 or more during 2020 (Figure 24).

FIGURE 24
DISTRIBUTION OF COMPANIES BY WEIGHTED AVERAGE YIELD PER WEEK, 2020, U.S.



Source: Deloitte & Touche LLP based on 12 company survey responses.

Sales tour metrics

Sales operations are a key process in the timeshare development business, and tours, which refer to sales presentations to consumers, are a fundamental step in the process. Frequently, such presentations occur on-site at a resort and include a tour of the resort units and amenities. Each sales session is counted as a tour, whether it occurs on-site at a resort or at an off-site sales center. Frequently, consumers are offered an incentive, such as a reduced-price hotel or resort stay that is contingent on completing the tour, whether or not the consumer chooses to buy. The percentage of consumers who purchase a timeshare interest, whether it is one week, two weeks, an upgrade of an existing week, or a purchase of points (excluding sampler and/or trial programs), is referred to as the net close rate or closing efficiency. The average net originated sale per transaction (purchase of a timeshare interest), not including telesales, is referred to as the average transaction value. The average net originated sale per tour is referred to as volume per guest (VPG).

In 2020, respondents reported approximately 0.98 million tours, compared to 2.66 million tours in the previous year. Twelve of the respondents, who conducted a total of 0.98 million tours in 2020, also reported tours by existing and new owners. Of the 0.98 million tours, new owners count for 49.0%, or 0.48 million tours; while existing owners count for 51.0%, or 0.50 million tours. There were 163,276 sales transactions reported in 2020, yielding an average net close rate of 17.3 percent (Figure 25). The average transaction value was \$20,661¹² and the average volume per guest was \$3,411. The net close rate, average transaction value, and volume per guest were calculated using weighted averages as opposed to simple averages to reflect the overall industry trend by survey respondents. These calculations were weighted based on net originated sales excluding telesales and including fee for service sales, which totaled \$3.429 billion in 2020. These same respondents reported total net originated sales including telesales of \$3.673 billion. The results in Figure 25 also show weighted average sales metrics for company categories by company size and average yield per week. As in other figures, the average yield per week categories refer to the overall average yield realized by the company. Note the totals of average yield per week data do not sum to the total for all respondents in Figure 25 as two companies did not provide yield data. Consistent with the amounts throughout this report, the amounts in the sales tour metrics are calculated as weighted averages. In addition, we calculated the simple averages of the close rate, volume per guest, and average transaction value for 2020, which are 16.7 percent, \$3,498 and \$21,002, respectively.

FIGURE 25
SALES TOURS METRICS BY COMPANY CATEGORY, 2020, U.S.

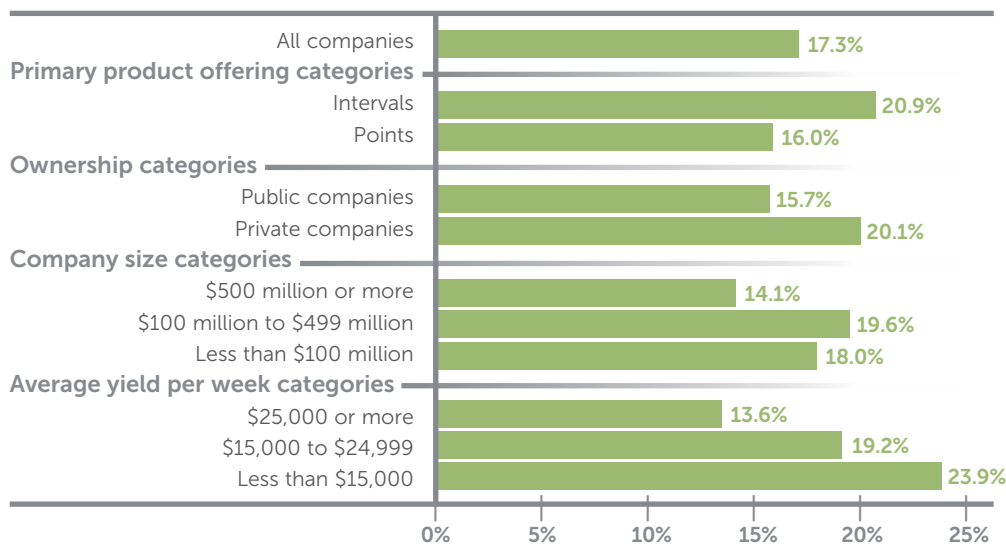
	All respondents	Company size			Average yield per week		
		\$500M or more	\$100M to \$499M	Less than \$100M	\$25,000 or more	\$15,000 to \$24,999	Less than \$15,000
Number of tours	980,200	438,186	495,908	46,106	419,759	366,052	73,948
Number of sales transactions	163,276	57,534	97,573	8,169	53,285	70,568	17,501
Net close rate	17.3%	14.1%	19.6%	18.0%	13.6%	19.2%	23.9%
Net originated sales excluding telesales (mill)	\$3,429.1	\$1,323.4	\$1,966.1	\$139.6	\$1,462.9	\$1,370.5	\$234.1
Weighted volume per guest ("VPG")	\$3,411	\$3,190	\$3,127	\$3,895	\$3,127	\$3,807	\$3,206
Weighted average transaction value	\$20,661	\$23,143	\$18,692	\$21,627	\$23,486	\$20,449	\$13,402

Source: Deloitte & Touche LLP Company size data based on 14 company survey responses, Average yield per week data based on 12 company survey responses.

¹² The average transaction value of \$20,661 (based on 14 respondents) is lower than the average yield per timeshare week of \$32,026 (based on 12 respondents). These measures refer to two different concepts, with average transaction value referring to net originated sales revenue per transaction, and yield per timeshare week referring to net originated sales divided by the number of weeks of annual use sold during the year. Because some transactions result in the sale of less than a full year of incremental annual use, for example, the sale of a biennial or the sale of an upgrade, there is generally a greater number of transactions than annual weeks of inventory sold.

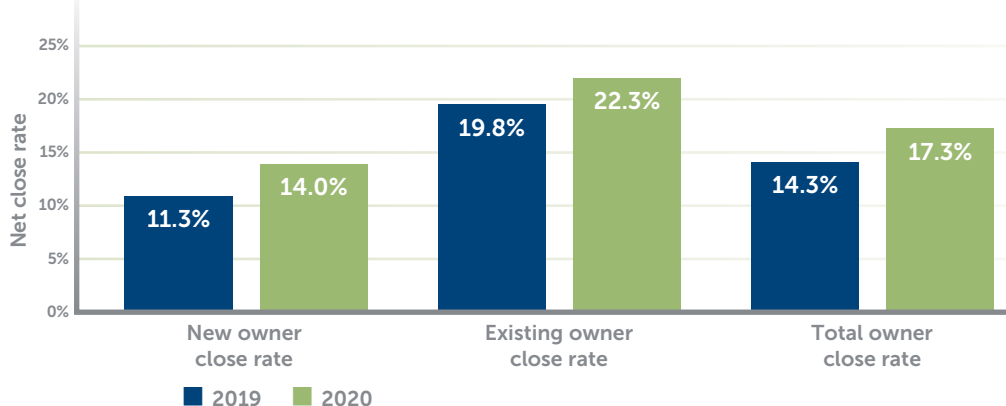
The net close rate, which refers to sales transactions (after removing rescissions and excluding telesales) generated per tour, was reported to be 17.3 percent in 2020 for all respondent companies on average, which increased from the 14.3 percent reported in 2019 (as reported by respondents in the current survey). Private companies reported an average net close rate of 20.1 percent in 2020, compared with public companies, which reported an average net close rate of 15.7 percent (Figure 26). In addition, interval companies tended to have higher net close rates than points companies, as shown below. In regard to the question asking respondents for a breakout of tours, sales transactions and net originated sales between existing owners and new owners, twelve respondents provided year-over-year data indicating the close rate for existing owners increased from 19.8 percent in 2019 to 22.3 percent in 2020, while the close rate for new owners increased from 11.3 percent in 2019 to 14.0 percent in 2020 (Figure 27).

FIGURE 26

WEIGHTED AVERAGE NET CLOSE RATE BY COMPANY CATEGORY, 2020, U.S.

Source: Deloitte & Touche LLP based on a minimum of 11 company survey responses.

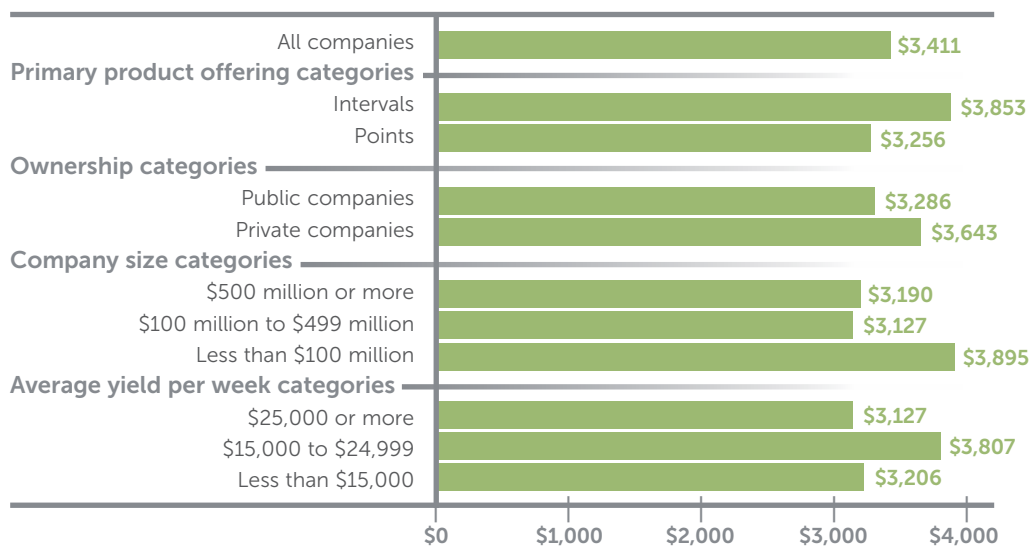
FIGURE 27

NET CLOSE RATE, 2019 AND 2020, NEW OWNERS, EXISTING OWNERS AND TOTAL OWNERS

Source: Deloitte & Touche LLP based on 12 company survey responses.

VPG represents timeshare sales revenue measured on a “per tour” basis and is calculated by dividing net originated sales, excluding telesales, by the number of tours hosted. In 2020, 12 companies reported a weighted average VPG of \$3,411 (Figure 28) which increased from \$3,022 as reported by the same respondents for 2019.

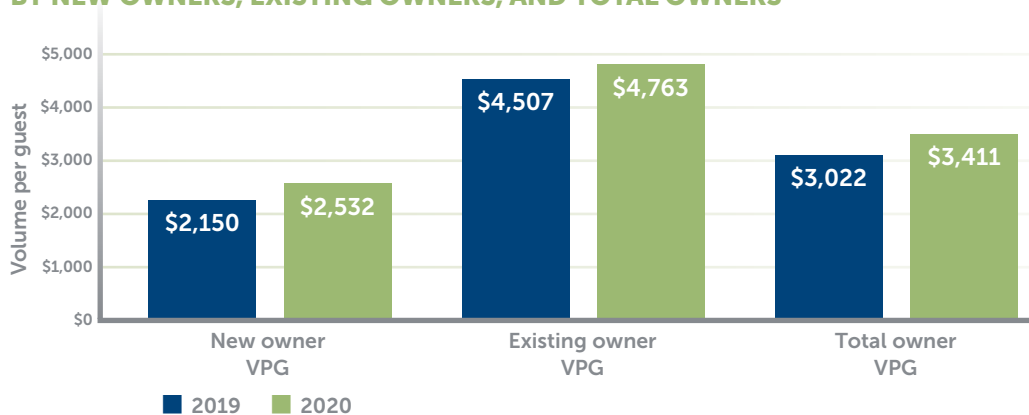
FIGURE 28
VOLUME PER GUEST BY COMPANY CATEGORY, 2020, U.S.



Source: Deloitte & Touche LLP based on a minimum of 11 company survey responses.

In regard to the question asking respondents for a breakout of tours, sales transactions and net originated sales between existing owners and new owners, twelve respondents provided year-over-year data indicating the volume per guest for existing owners increased from \$4,507 in 2019 to \$4,763 in 2020, while the volume per guest for new owners increased from \$2,150 in 2019 to \$2,532 in 2020 (Figure 29).

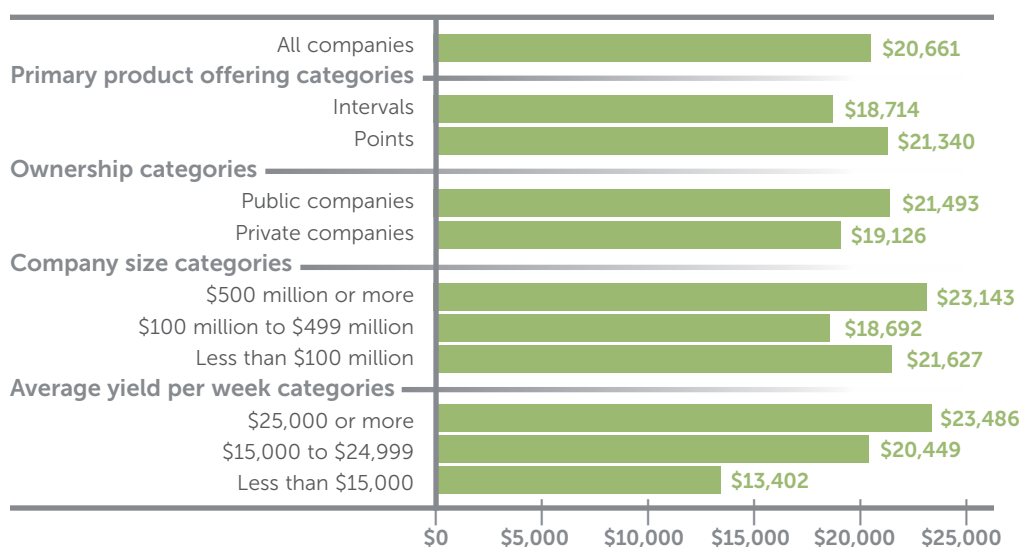
FIGURE 29
VOLUME PER GUEST, 2019 AND 2020, U.S.,
BY NEW OWNERS, EXISTING OWNERS, AND TOTAL OWNERS



Source: Deloitte & Touche LLP based on 12 company survey responses.

Survey respondents reported a weighted average transaction value of \$20,661 in 2020, which decreased from \$21,801 in the previous year. In general, small and medium sized companies reported lower transaction values than larger companies; companies with net originated sales between \$100 million and \$499 million reported the lowest average transaction value for the company size category reporting \$18,692 in 2020 (Figure 30). Public companies tended to have higher transaction values than private companies.

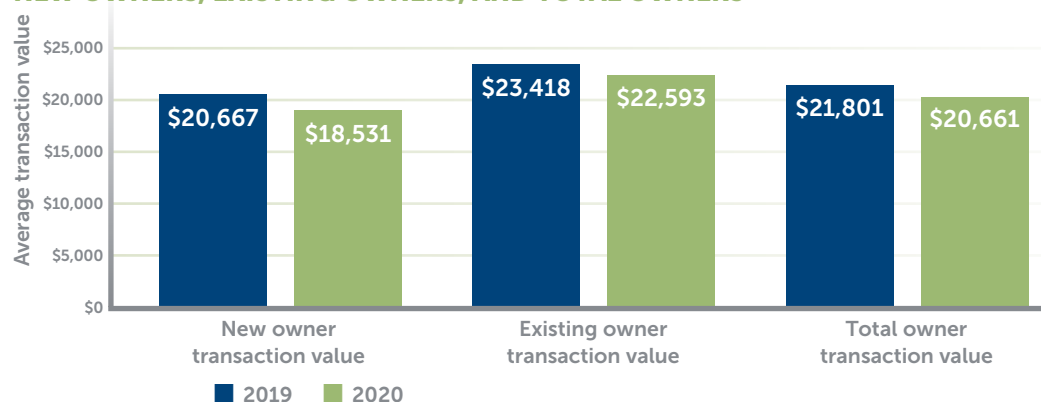
FIGURE 30
AVERAGE TRANSACTION VALUE BY COMPANY CATEGORY, 2020, U.S.



Source: Deloitte & Touche LLP based on 11 company survey responses.

In regard to the question asking respondents for a breakout of tours, sales transactions and net originated sales between existing owners and new owners, 12 respondents provided year-over-year data indicating the average transaction value for new owners decreased from \$20,667 in 2019 to \$18,531 in 2020, while the average transaction value for existing owners decreased from \$23,418 in 2019 to \$22,593 in 2020 (Figure 31). Note the averages shown herein were calculated using a weighted average.

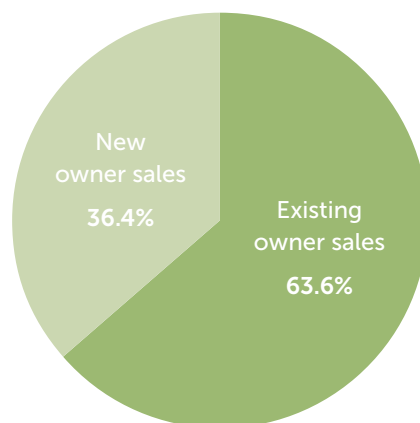
FIGURE 31
AVERAGE TRANSACTION VALUE, 2019 AND 2020, U.S.,
NEW OWNERS, EXISTING OWNERS, AND TOTAL OWNERS



Source: Deloitte & Touche LLP based on 12 company survey responses.

The sales tour metrics presented in this section are based on the total number of sales transactions and total net originated sales, which include both existing owner and new owner sales transactions as well as sales made for other developers under fee-for-service arrangements. In total, 13 respondent companies provided detailed information indicating that net originated sales volume resulting from existing owner sales increased from 56.1 percent in 2019 to 63.6 percent 2020. Conversely, the remainder of net originated sales volume resulting from new owner sales decreased from 43.9 percent in 2019 to 36.4 percent in 2020 (Figure 32).

FIGURE 32
NEW OWNER SALES AND EXISTING
OWNER SALES AS A SHARE OF NET
ORIGINATED SALES VOLUME, 2020, U.S.



Source: Deloitte & Touche LLP based on 13 company survey responses.

The standards in ASC 978 provide incremental industry specific accounting guidance for all entities that sell real estate timeshare interest.

In addition to rescissions, companies also deduct from revenue an estimated percentage of financed sales that are likely to become uncollectible. According to ASC 978, uncollectible sales occur when a receivable becomes either wholly uncollectible or is modified in some manner that results in less than 100-percent collection of the original note. Companies estimate the portion of financed sales that are expected to be uncollectible and deduct that amount from sales revenue. Estimates are based on actual receivables collection experience and other considerations. Per the Accounting Standards Update (ASU) 2014-09 codified in ASC 606 Revenue From Contracts With Customers (ASC 606), companies most likely still deduct from revenue the estimated uncollectible sales as it represents variable consideration.

This deduction for uncollectible sales, as well as three specific deferrals, affects the level of revenue recognized according to GAAP in a specific period. The deferral for rescission period results from sales that have not yet cleared the applicable statutory rescission period. The deferral for buyer commitment applies to sales on which the necessary buyer commitment has not yet been collected by the seller. Meanwhile, deferrals for percentage-of-completion occur when a portion of construction is not yet complete, as companies can only recognize sales in line with the percentage of the resort phase that has been constructed to date. For example, if the relevant resort phase is 30 percent complete, then revenues on 30 percent of the timeshare sold may be recognized, and any excess is deferred and reconsidered at the next reporting date.

Adjustments and deferrals are consistent with the principles of revenue recognition from an accounting perspective. Timeshare companies also typically use net originated sales, calculated as gross sales minus rescissions, but before reduction of revenue for uncollectible accounts and deferrals, as an important measure of the level of sales generated in a period. To provide an example of the relationship between gross sales, net originated sales, and revenue according to GAAP, the Financial Performance Survey collected relevant revenue recognition information from companies in a table format. For the purposes of discussion, these results have been calculated in relation to \$100.00 of net originated sales rather than as percentages. The aggregate results, provided in Figure 33, show that after an average of \$17.58 in rescissions, on a weighted average basis, \$117.58 in gross sales in 2020 generated \$100.00 of net originated sales.¹³ From this \$100.00, an average of \$38.51 was deducted as a reduction of revenue for uncollectible accounts, \$0.54 was added as net deferrals for sales that had not yet cleared the rescission period¹⁴, and a net amount of \$0.05 was deducted as net deferrals for buyer commitment. In total, each \$100.00 in net originated sales generated \$61.98 in sales for accounting purposes after these adjustments, which after a subtraction of \$2.55 for net sales recognized for percentage-of-completion (resulting from less sales that were deferred in the current period than were recognized from previous periods due to the timing of projects under construction), resulted in \$59.43 in sales revenue according to GAAP (some figures may not sum due to rounding). Some of the differences between net originated sales and GAAP revenue are timing differences, rather than permanent differences, as the deferrals for the rescission period and buyer commitment will eventually be recognized as GAAP revenue.

¹³ The 14 respondents shown in Figure 33 reported \$3.278 billion of net originated U.S. sales excluding sales under fee-for-service arrangements.

¹⁴ The positive amount presented is largely skewed by one respondent who reported a positive amount of net deferrals for rescission period. The positive amount reflects an adjustment made to the rescission estimate to reflect the true amount of rescissions for 2020. As there were lower sales in 2020 due to COVID-19 impacts, the rescission amount was less than estimated resulting in a positive adjustment.

FIGURE 33

TIMESHARE SALES REVENUE PER \$100 IN NET ORIGINATED SALES, 2020, U.S.

	All respondents	Public companies	Private companies
Gross Sales	\$117.58	\$119.68	\$113.75
Rescissions	(17.58)	(19.68)	(13.75)
Net originated sales	\$100.00	\$100.00	\$100.00
Reduction of revenue for uncollectible accounts	(38.51)	(32.21)	(49.23)
Net deferrals for rescission period	0.54	0.93	(0.14)
Net deferrals for buyer commitment	(0.05)	0.00	(0.07)
Sales after reduction for uncollectible accounts, and deferrals for rescission period and buyer commitment	\$61.98	\$68.72	\$50.56
Net recognized for percentage-of-completion	(2.55)	(4.04)	0.00
Sales revenue according to GAAP	\$59.43	\$64.68	\$50.56

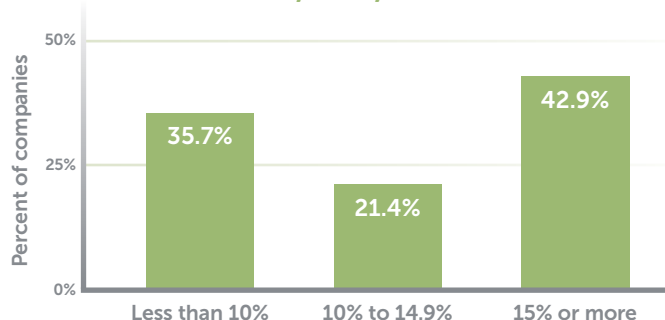
Source: Deloitte & Touche LLP based on 14 company survey responses, 5 public companies, and 9 private companies.

Rescissions¹⁵

For the 14 respondent companies that provided rescission information, the weighted average rescission rate (dollar value of rescissions as a percentage of gross sales) increased from 16.6 percent in 2019 to 17.6 percent in 2020. The rescission question excludes depositary rescissions. Depositary rescissions refer to situations in which the buyer has made a deposit but has not yet provided the down payment necessary to qualify the transaction as a contract sale. These are, therefore, not counted in gross sales, and are therefore not counted as rescissions. Rescission rates reported by companies varied across a wide range. Five companies reported rescission rates below ten percent for 2020, while six others reported rates in excess of fifteen percent (Figure 34).

FIGURE 34

DISTRIBUTION OF COMPANIES BY RESCISSION RATES, 2020, U.S.

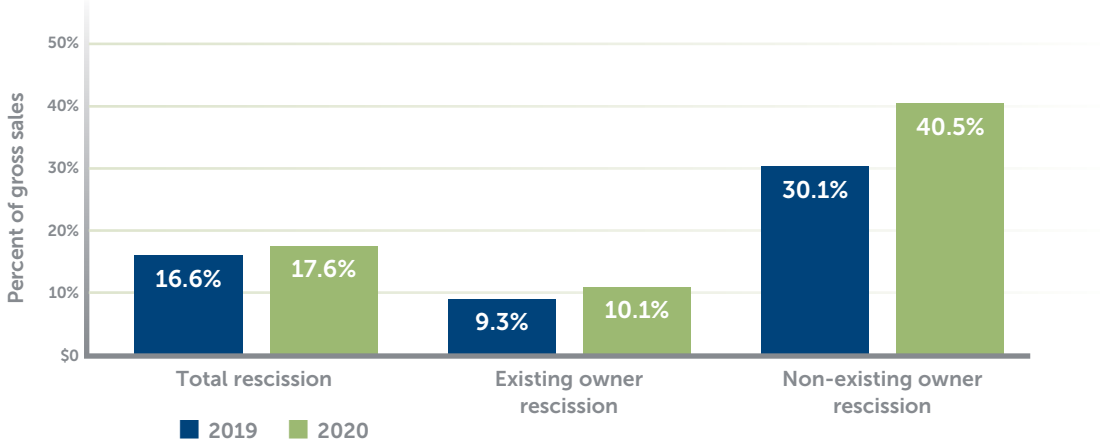


Source: Deloitte & Touche LLP based on 14 company survey responses.

¹⁵ Rescissions here refer to the statutory right of the buyer to cancel a sales contract within a certain defined time period and obtain a return of all consideration paid to the seller.

FIGURE 34a

RESCISSION RATES (AS A % OF GROSS SALES)

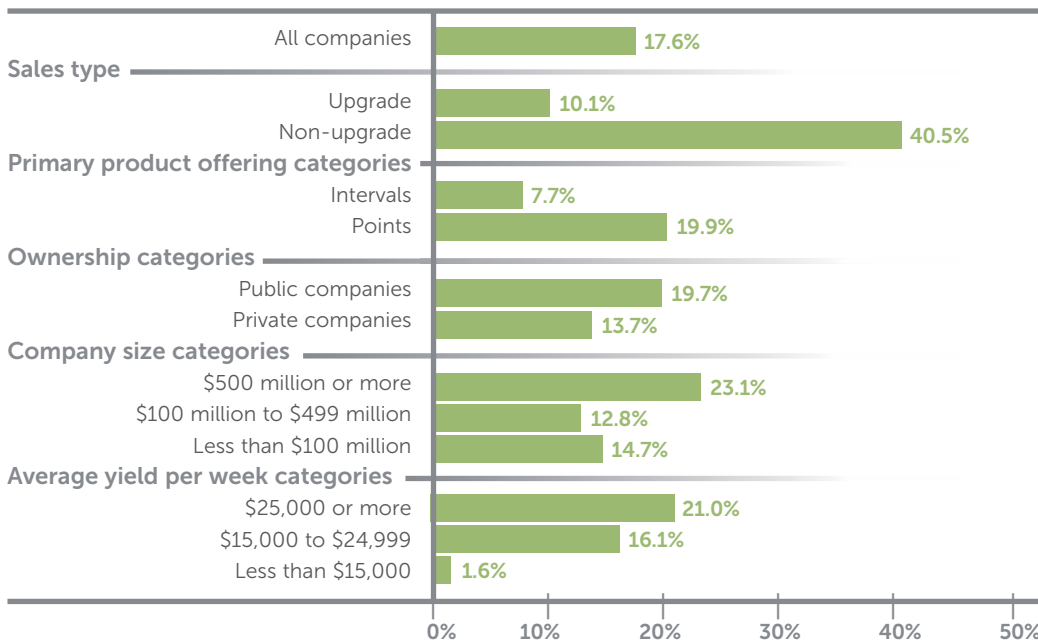


Source: Deloitte & Touche LLP based on 14 company survey responses.

Variations in rescission rates were observed from one company category to another in 2020. Differences are evident between interval and points companies, with interval companies achieving lower average rescission rates (Figure 35). Differences were also noted in the company size categories as companies with net originated sales of \$500 million or more reported the highest average rescission rate of 23.1 percent within the category compared to the 12.8 percent reported by companies with net originated sales between \$100 million and \$499 million and the 14.7 percent reported by companies with net originated sales less than \$100 million. Existing owner sales achieved a lower average rescission rate compared to new owner sales at 10.1 percent and 40.5 percent, respectively. As with other areas analyzed in this report, it is possible that differences between categories, such as differences between interval and points companies, may represent the characteristics of the specific companies responding rather than an underlying relationship based on product type.

FIGURE 35

RESCISSION RATES BY COMPANY CATEGORY (AS % OF GROSS SALES), 2020, U.S.



Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

The Financial Performance Survey collects information on expenses of timeshare sales operations to report on a set of ratios that are recognized as some of the key measures in the business.

The “key ratios” question in this year’s edition of the Financial Performance Survey follows the format established in previous years’ editions and includes:

- 1 A line for estimated uncollectible sales (as a result of consistent guidance in ASC 978 and ASC 606)
- 2 Guidance for respondents to report only general and administrative costs related to timeshare sales operations
- 3 A line for the pre-tax margin of timeshare sales operations
- 4 Guidance that the total of the seven key ratios lines is expected to sum to 100 percent
- 5 Guidance that the respondents should only report on sales related inventory owned by the developer (i.e., respondents were not to include inventory sold on behalf of others)

As in previous years, the key ratios have been calculated as percentages of net originated sales. Net originated sales was used as the denominator in calculating the ratios, rather than sales revenue in accordance with GAAP, because it is not affected by deferrals that affect the timing of GAAP sales revenue. Key ratio results are summarized in this report in table format, with separate subsections providing more in-depth analysis of each line item.

A majority of respondents completed the key ratios section of the survey. The results show that the largest line items were other sales and marketing costs at 31.1 percent of net originated sales, sales commissions at 18.2 percent and estimated uncollectible sales was 33.2 percent (Figure 36). The weighted average pre-tax margin on timeshare sales operations was negative 15.6 percent.¹⁶ Several differences were apparent between interval companies and points companies, as well as between public companies and private companies. In particular, relative to public companies, private companies reported higher estimated uncollectible sales, lower product costs, lower sales and marketing costs, higher general and administrative costs, and lower HOA subsidies and/or maintenance fees, resulting in a lower weighted average pre-tax margin.

FIGURE 36
KEY RATIOS AS A % OF NET ORIGINATED SALES VALUE, 2020, U.S.

	All respondents	Interval companies	Points companies	Public companies	Private companies
Estimated uncollectible sales	33.2%	27.3%	34.8%	31.1%	37.0%
Cost of sales, (product cost)	10.2%	15.1%	8.9%	11.5%	7.9%
Sales commissions	18.2%	16.1%	18.8%	18.6%	17.6%
Other sales and marketing costs	31.1%	28.2%	31.8%	31.1%	30.9%
Sub-total: Sales commissions and other sales and marketing costs	49.3%	44.3%	50.6%	49.7%	48.5%
General and administrative costs related to timeshare sales operations	14.0%	14.1%	13.9%	10.0%	20.8%
HOA subsidies and/or maintenance fees	8.9%	0.0%	11.4%	11.1%	5.3%
Pre-tax margin of timeshare sales	(15.6%)	(0.8%)	(19.6%)	(13.4%)	(19.5%)
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Deloitte & Touche LLP based on 14 company survey responses.

¹⁶ Seven companies reported timeshare sales expenses in 2020 that were greater than revenue, resulting in a pre-tax loss in their timeshare sales operations. This reduced the weighted average profit margin in some of the categories.

Differences were also evident in the results reported by large companies compared to mid-sized and small companies, including large companies generally showing the highest estimated uncollectible sales, the highest sales commissions and other sales and marketing costs, and the highest HOA subsidies and/or maintenance fees, resulting in low pre-tax margins (Figure 37). Due to the various inventory purchase and recapture arrangements, the product cost percentages are subject to fluctuation year over year. The following sections provide further analysis on each line item category.

FIGURE 37

KEY RATIOS AS A % OF NET ORIGINATED SALES VALUE, 2020, U.S.

	Company size			Average yield per week		
	\$500M or more	\$100M to \$499M	Less than \$100M	\$25,000 or more	\$15,000 to \$24,999	Less than \$15,000
Estimated uncollectible sales	37.2%	30.1%	9.6%	35.2%	33.9%	26.2%
Cost of sales, also referred to as product cost	8.4%	11.0%	25.1%	8.6%	12.1%	9.7%
Sales commissions	19.8%	16.8%	17.6%	18.4%	16.4%	28.6%
Other sales and marketing costs	31.8%	31.0%	21.8%	30.8%	32.3%	30.1%
Sub-total: Sales commissions and other sales and marketing costs	51.6%	47.8%	39.4%	49.2%	48.7%	58.7%
General and administrative costs related to timeshare sales operations	8.7%	18.1%	14.1%	14.9%	16.7%	0.0%
HOA subsidies and/or maintenance fees	16.4%	3.6%	1.3%	7.9%	12.7%	0.0%
Pre-tax margin of timeshare sales operations	(22.3%)	(10.6%)	10.5%	(15.8%)	(24.1%)	5.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses

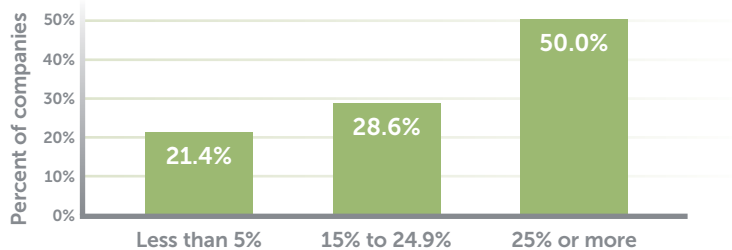
Estimated uncollectible sales

As mentioned in the section above on revenue recognition, according to ASC 978 and ASC 606, uncollectible sales occur when a receivable becomes either wholly uncollectible or is modified in some manner that results in less than 100 percent collection of the original note. Companies estimate the portion of sales that are expected to be uncollectible and deduct that amount from sales revenue. Estimates are based on actual receivables collection experience and other considerations.

At least quarterly for public companies and annually for private companies, companies evaluate their receivables, estimate the amount they expect to ultimately collect, and evaluate the adequacy of their allowance. If necessary, companies adjust their allowance through a corresponding adjustment to current-period revenue through the estimated uncollectible sales account. As a result, the amount a company calculates as a deduction for estimated uncollectible sales during a period may not only relate to sales being recognized in that period but may also include adjustments being made to the allowance for uncollectible sales made in previous periods. For the purpose of this analysis, companies were asked to exclude such retrospective adjustments being made for prior periods so as to provide a more stable measure of uncollectible sales.

FIGURE 38

DISTRIBUTION OF COMPANIES BY ESTIMATED UNCOLLECTIBLE SALES (AS A % OF NET ORIGINATED SALES), 2020, U.S.



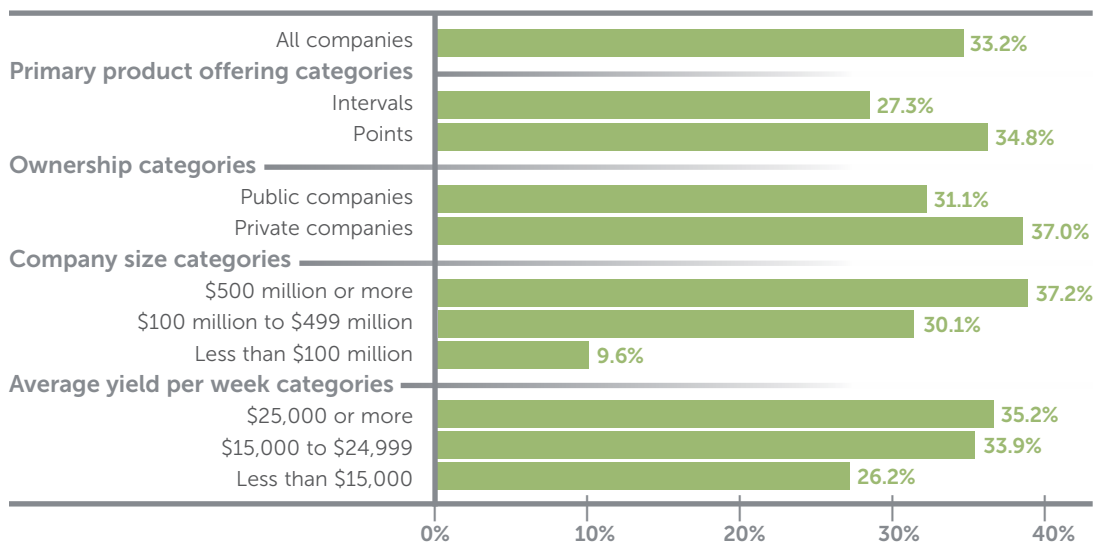
Source: Deloitte & Touche LLP based on 14 company survey responses.

Companies' estimates of uncollectible sales averaged 33.2 percent of net originated sales in 2020, on a weighted average basis. Companies reported estimates ranging from 0.0 percent to 72.7 percent, with 50.0 percent of companies reporting estimates 25 percent or more (Figure 38). The large estimates reflect the impacts from COVID-19.

The weighted average estimate of uncollectible sales was lowest for intervals companies, public companies, companies with net originated sales of less than \$100 million, and companies with average yields per week less than \$15,000 (Figure 39). Differences among companies' estimates can result from factors such as contract terms, location of the timeshare interest, collection experience, and other factors.

FIGURE 39

ESTIMATED UNCOLLECTIBLE SALES (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2020, U.S.



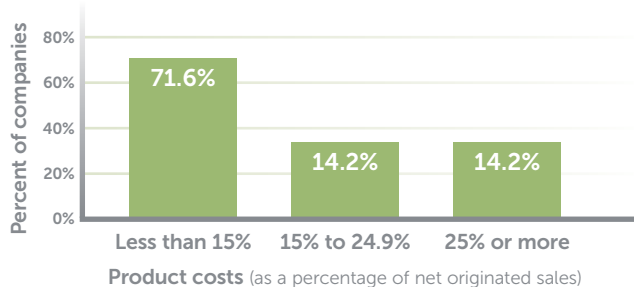
Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Product costs

Product costs, or cost of sales, include costs such as land, infrastructure, amenities, buildings, furniture, fixtures, and equipment, as well as soft costs, and capitalized interest. In allocating product costs, companies estimate the total revenue and total costs related to the resort phase, calculate a cost of sales percentage based on total costs divided by total revenue, and then apply that percentage to sales to determine cost of sales during the period. Though changes in the estimated cost of sales are accounted for in each period by applying a current-period adjustment, companies were asked to exclude such retrospective adjustments so as to provide a more stable measure of estimated product costs.

The weighted average product cost, as a percentage of net originated sales, was 10.2 percent in 2020. Respondents reported product costs ranging from negative one percent to 35.1 percent. Note the negative percent as reported by one respondent reflects a negative cost of sales primarily driven by lower sales volume in conjunction with an increase in their loan loss provision. Approximately 71.6 percent of respondents reported product costs of less than 15 percent and 14.2 percent of respondents reported product costs of 25 percent and greater (Figure 40).

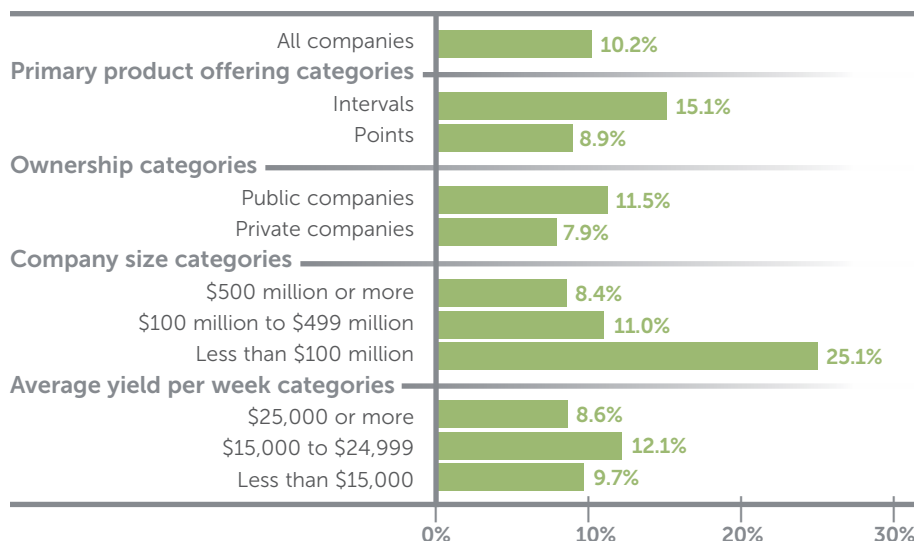
FIGURE 40
DISTRIBUTION OF COMPANIES BY PRODUCT COSTS, 2020, U.S.



Source: Deloitte & Touche LLP based on 14 company survey responses.

Product costs varied by company category. Interval companies, public companies, and companies with net originated sales less than 100 million reported higher product costs compared to points companies, private companies and other company size categories, respectively (Figure 41).

FIGURE 41
PRODUCT COSTS (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2020, U.S.



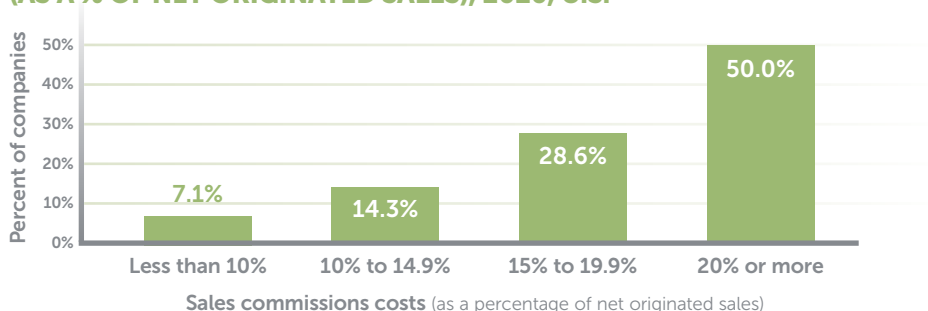
Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Sales and marketing costs

In 2020, sales commissions averaged 18.2 percent of net originated sales (Figure 43), while other sales and marketing costs averaged 31.1 percent (Figure 45), for a total of 49.3 percent (Figure 47). Other sales and marketing costs typically include, but are not limited to, the cost of marketing programs, as well as sales and marketing department-specific general and administrative expenses. The following pages provide detail on sales commissions and other sales and marketing costs, followed by summary information on both measures combined as total sales and marketing costs.

Of the 14 respondents, approximately 78.6 percent reported sales commissions of 15 percent or more of net originated sales (Figure 42).

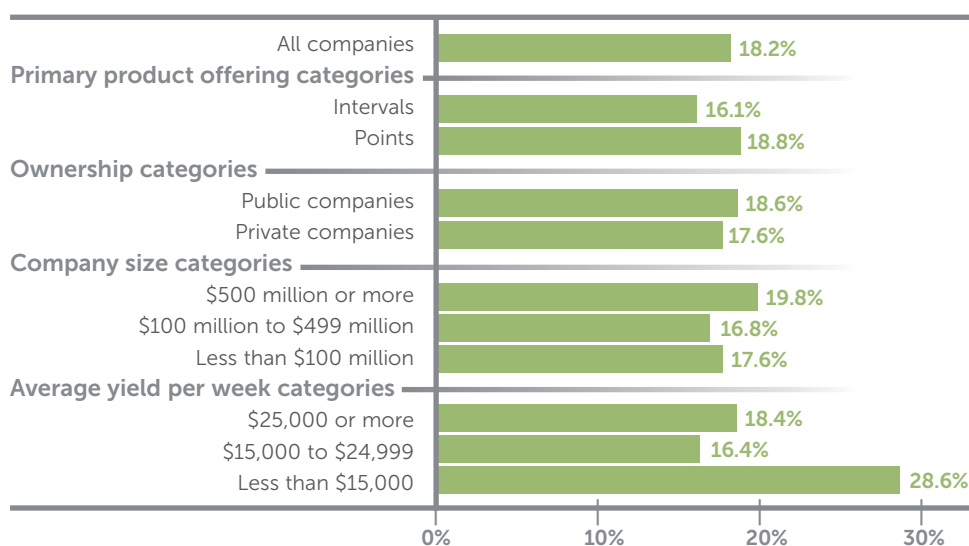
FIGURE 42
DISTRIBUTION OF COMPANIES BY SALES COMMISSIONS COSTS
(AS A % OF NET ORIGINATED SALES), 2020, U.S.



Source: Deloitte & Touche LLP based on 14 company survey responses.

Intervals companies reported lowest weighted average sales commissions percent (Figure 43). Interval companies reported sales commissions 2.7 percentage points lower than points companies.

FIGURE 43
SALES COMMISSIONS COSTS (AS A % OF NET ORIGINATED SALES)
BY COMPANY CATEGORY, 2020, U.S.

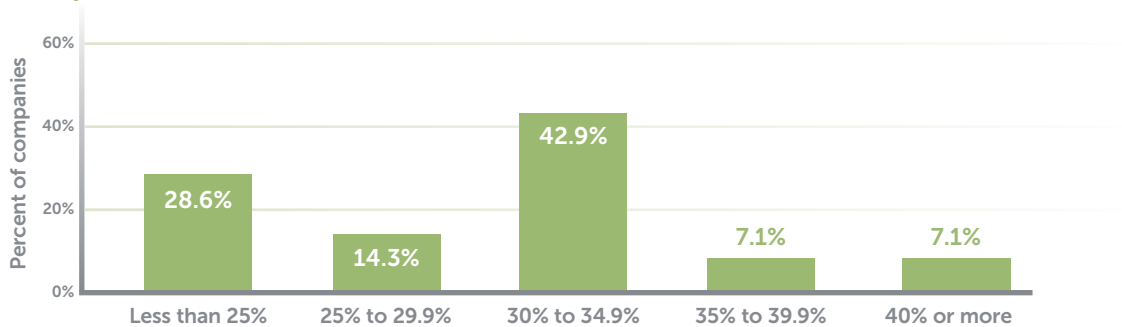


Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Approximately 85.8 percent of respondents reported other sales and marketing costs of less than 35 percent of net originated sales (Figure 44).

FIGURE 44

DISTRIBUTION OF COMPANIES BY OTHER SALES AND MARKETING COSTS, 2020, U.S.

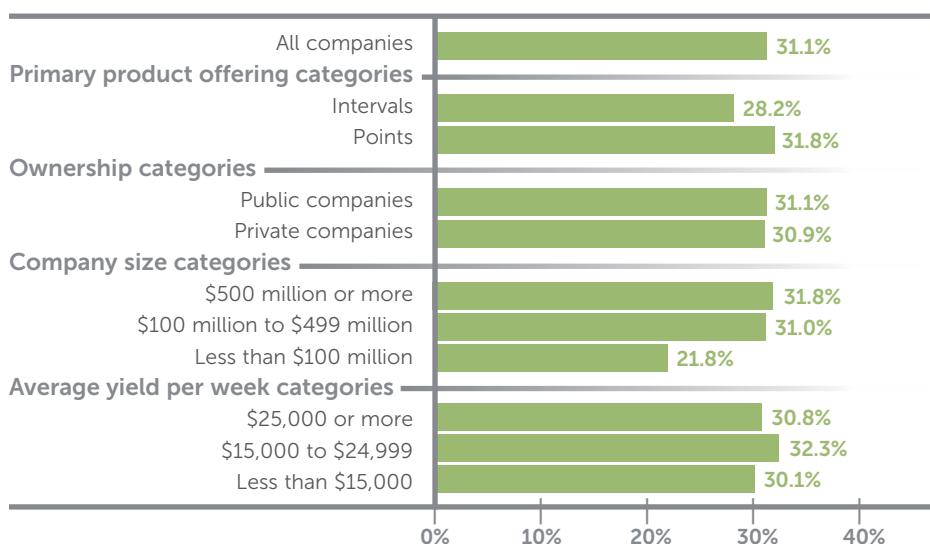


Source: Deloitte & Touche LLP based on 14 company survey responses.

Interval companies reported lower other sales and marketing costs than points companies. Public companies reported other sales and marketing costs of 31.1 percent as compared to private companies other sales and marketing costs of 30.9 percent. Companies with net originated sales less than \$100 million reported lowest other sales and marketing costs within the category (Figure 45).

FIGURE 45

OTHER SALES AND MARKETING COSTS (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2020, U.S.

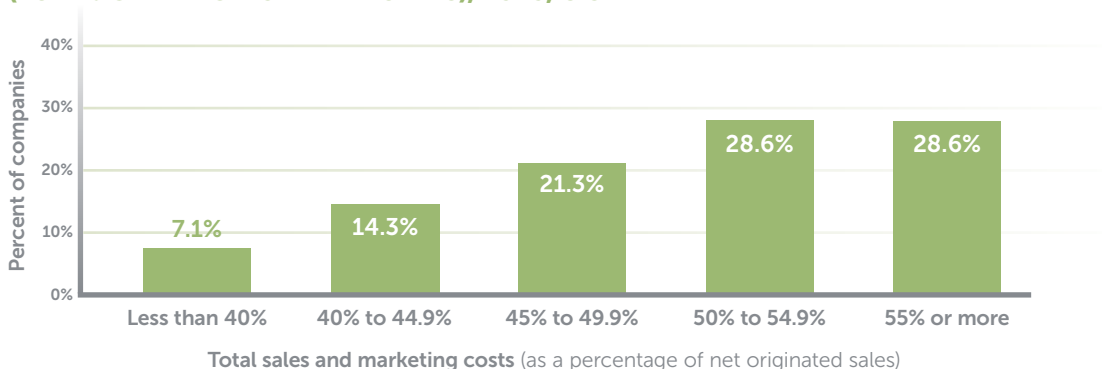


Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Total sales and marketing costs vary across development companies. Approximately 42.7 percent of companies reported total sales and marketing costs of less than 50 percent of net originated sales (Figure 46).

FIGURE 46

**DISTRIBUTION OF COMPANIES BY TOTAL SALES AND MARKETING COSTS
(AS A % OF NET ORIGINATED SALES), 2020, U.S.**

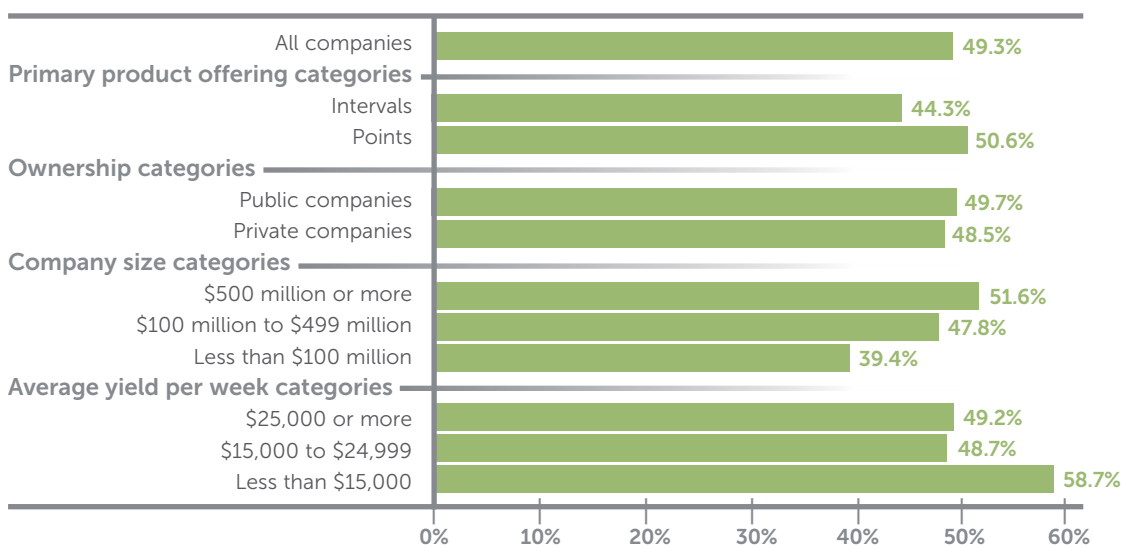


Source: Deloitte & Touche LLP based on 14 company survey responses.

The weighted average total sales and marketing costs for the respondent companies was 49.3 percent in 2020, which was higher than the 42.8 percent reported in 2019. Companies with net originated sales of \$500 million or more reported higher sales and marketing costs compared to companies with net originated sales of \$100 million to \$499 million and companies with net originated sales of less than \$100 million (Figure 47). Public companies generally reported higher sales and marketing costs than private companies.

FIGURE 47

**TOTAL SALES AND MARKETING COSTS (AS A % OF NET ORIGINATED SALES)
BY COMPANY CATEGORY, 2020, U.S.**



Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

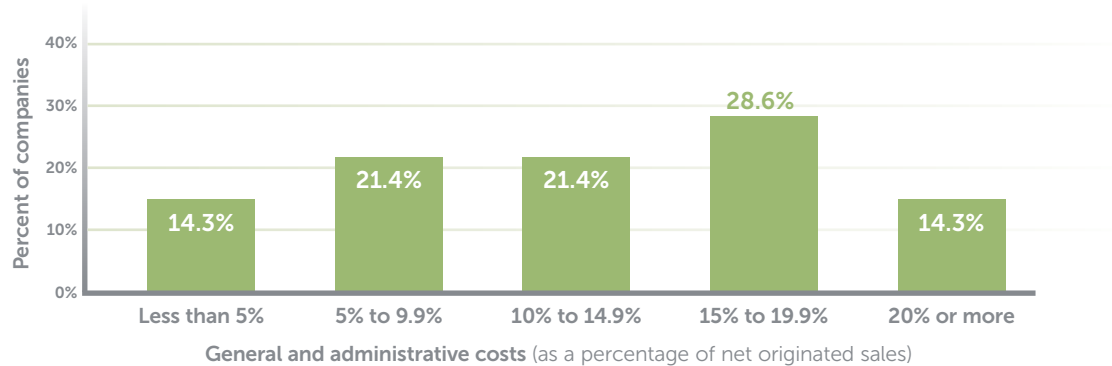
General and administrative costs

General and administrative costs include the salaries and wages of administrative personnel related to timeshare sales operations, but not directly associated with a particular revenue center. Expense items related to the management and operation of the individual properties are also allocated to this category. General and administrative costs related to financing activities, marketing costs, bad debt expenses, and HOA subsidies are excluded.

General and administrative costs, as a percentage of net originated sales, were 14.0 percent in 2020, on a weighted average basis. Overall, these costs vary widely from company to company. Approximately 42.8 percent of respondents reported costs between 5 and 14.9 percent (Figure 48).

FIGURE 48

DISTRIBUTION OF COMPANIES BY GENERAL AND ADMINISTRATIVE COSTS (AS A % OF NET ORIGINATED SALES), 2020, U.S.

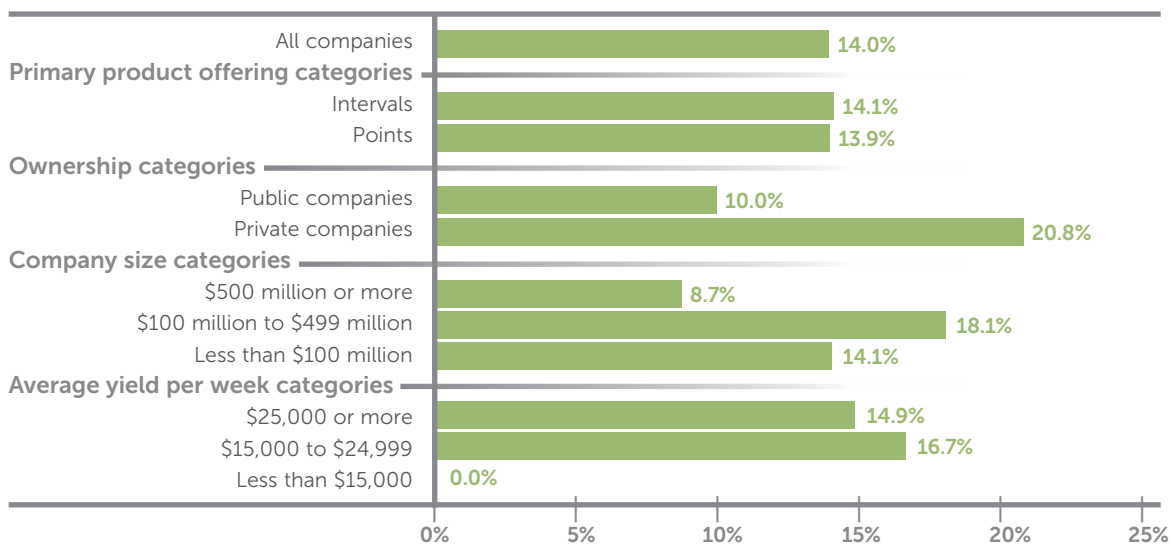


Source: Deloitte & Touche LLP based on 14 company survey responses.

Several categories of companies reported general and administrative costs higher than the average. Intervals companies, private companies, companies with net originated sales between \$100 million to \$499 million and less than \$100 million, and companies with average yields per week of \$15,000 to \$24,999 and \$25,000 or more reported costs above the average (Figure 49), on a weighted average basis.

FIGURE 49

GENERAL AND ADMINISTRATIVE COSTS (AS A % OF NET ORIGINATED SALES), 2020, U.S.

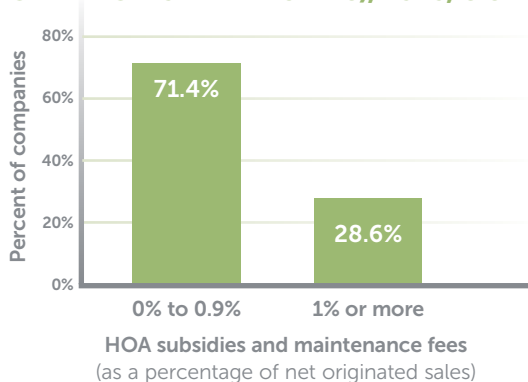


Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Home owners association subsidies and maintenance fees

HOA subsidies and maintenance fees incurred by development companies include costs (such as operating, replacement reserve, and property taxes) paid by the resort development company for units that have not sold by a specified date and, in some cases, costs on sold units that a development company may choose to pay in lieu of passing these costs on to owners. Resort development companies may generate revenue from the units that they hold by renting them to potential timeshare buyers, such that HOA subsidies and maintenance fees may be mitigated. Therefore, these HOA subsidies and maintenance fees are net of realized rental revenue.

FIGURE 50
DISTRIBUTION OF COMPANIES BY HOA SUBSIDIES AND MAINTENANCE FEES (AS A % OF NET ORIGINATED SALES), 2020, U.S.

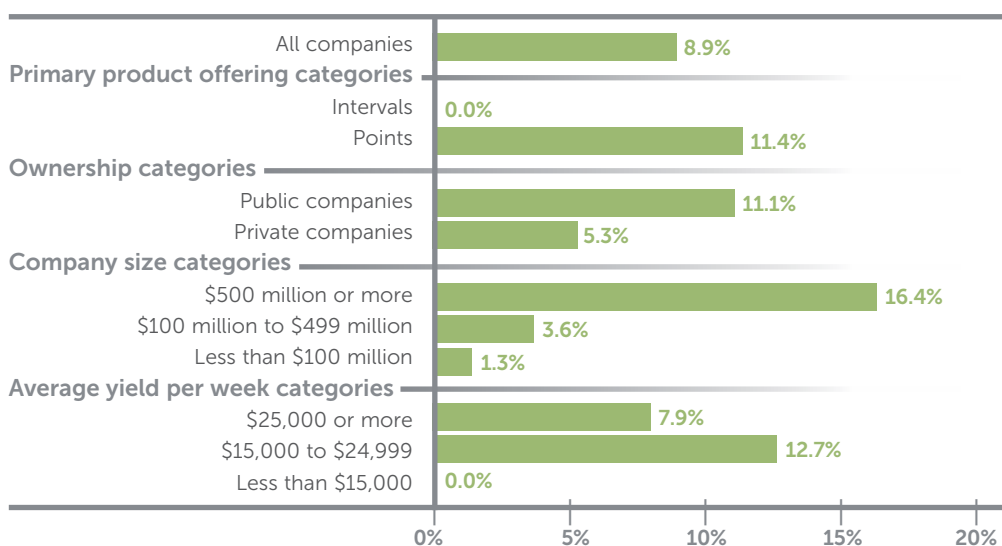


Source: Deloitte & Touche LLP based on 14 company survey responses.

HOA subsidies and maintenance fees as a percentage of net originated sales averaged 8.9 percent in 2020, on a weighted average basis. Overall, HOA subsidies and maintenance fees vary from company to company. In 2020, 71.4 percent of respondents reported HOA subsidies and maintenance fees of 0.9 percent or less, and 28.6 percent of respondents reported HOA subsidies and maintenance fees of 1 percent or more (Figure 50).

Public companies, points companies, and companies with net originated sales of \$500 million or more reported the highest average HOA subsidies and maintenance fees, on a weighted average basis (Figure 51).

FIGURE 51
HOA SUBSIDIES AND MAINTENANCE FEES (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2020, U.S.



Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

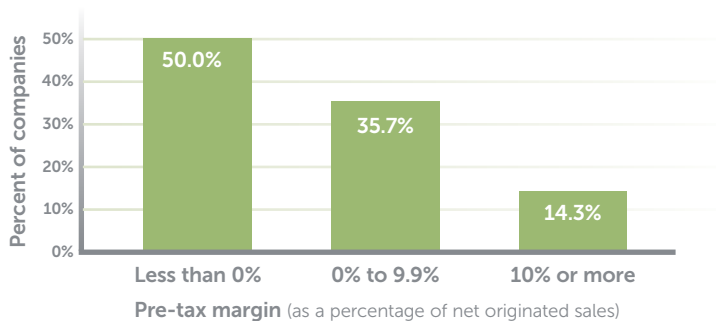
Pre-tax margin on timeshare sales operations

The key ratios section of the survey collected revenue deductions and various costs as a percentage of net originated sales, as well as an estimate of the remaining pre-tax margin. The pre-tax margin, or operating profit margin, on timeshare sales operations is calculated as pre-tax operating profit divided by net originated sales for the purpose of this analysis. This margin represents only timeshare sales operations, and excludes profit generated by the consumer financing and resort management components of many timeshare development companies.

For respondent companies, pre-tax margins were negative 15.6 percent in 2020, on a weighted average basis. In 2020, 85.7 percent of respondents reported pre-tax margins of less than 10.0 percent (Figure 52). As a measure, pre-tax margin is a snapshot of one year, so for smaller companies it may be significantly impacted by the particular timing of sales at particular resorts. Approximately 50.0 percent of respondents reported negative pre-tax margins, which may reflect impacts of COVID-19, short-term timing impacts, the impact of slowing sales pace, or other factors that do not represent the long-term stabilized pre-tax margin of the business.

FIGURE 52

DISTRIBUTION OF COMPANIES BY PRE-TAX MARGINS (AS A % OF NET ORIGINATED SALES), 2020, U.S.

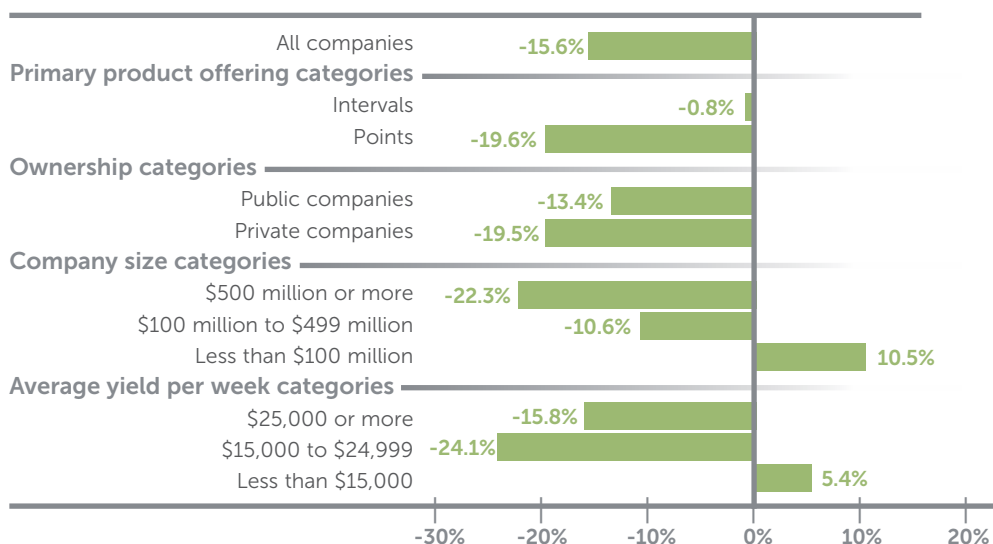


Source: Deloitte & Touche LLP based on 14 company survey responses.

Intervals companies, public companies, companies with net originated sales of \$100 million to \$499 million and less than \$100 million, and companies with average yield per week of less than \$15,000 reported higher than average pre-tax margins, on a weighted average basis (Figure 53).

FIGURE 53

PRE-TAX MARGINS (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2020, U.S.



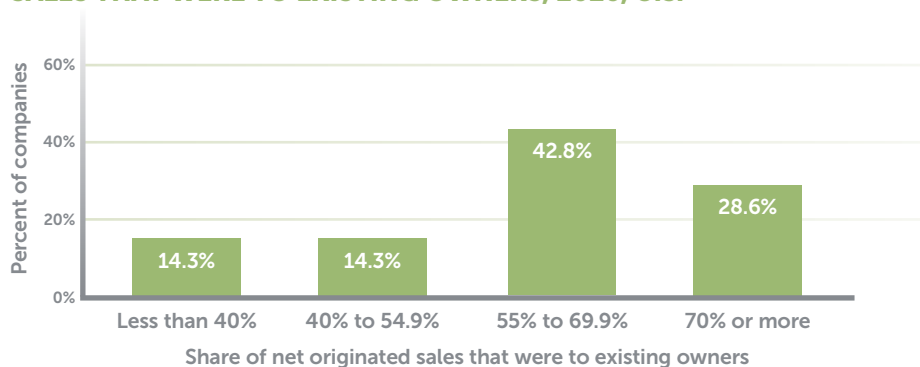
Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Sales to existing owners

Timeshare companies have traditionally recognized that existing owners who understand timeshare and who are satisfied with their timeshare purchase have a higher likelihood to purchase additional timeshare products. As a measure to track such sales, respondents provided information on the percentage of net originated sales in which the buyer was already an existing owner of one or more timeshare interests at the company. Each respondent calculated the percentage as the net originated sales to existing owners (including upgrade sales and reloads) divided by the company's total net originated sales.

Respondents reported that 66.7 percent of net originated sales were to existing owners, on a weighted average basis. This reflects the success that companies have in selling to existing owners, and included a range of responses from 30.5 percent to 80.0 percent. Approximately 71.4 percent of respondents reported that sales to existing owners were 55 percent or more of total net originated sales (Figure 54).

FIGURE 54
DISTRIBUTION OF COMPANIES BY SHARE OF NET ORIGINATED
SALES THAT WERE TO EXISTING OWNERS, 2020, U.S.

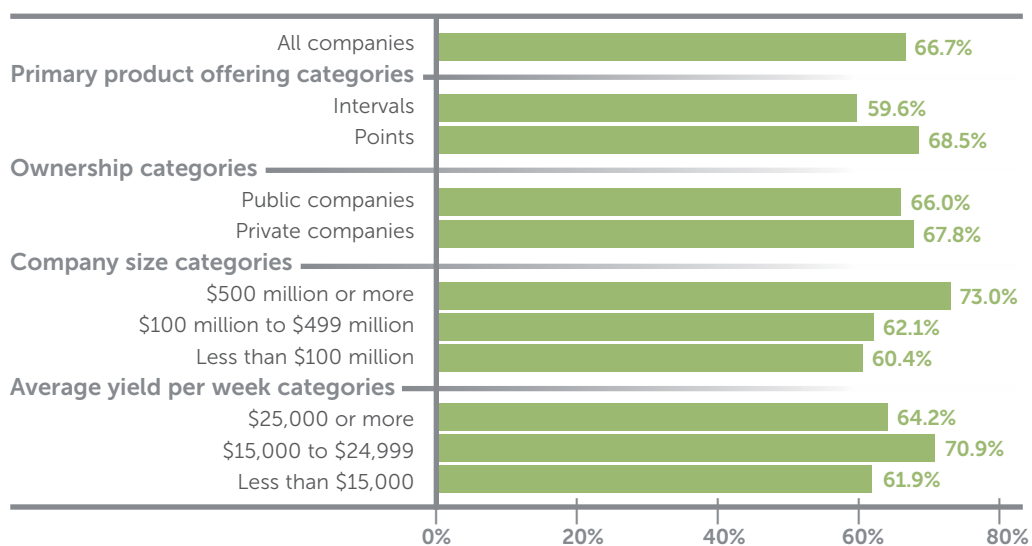


Source: Deloitte & Touche LLP based on 14 company survey responses.

Points companies, private companies, large companies and companies with average yield per week of \$15,000 to \$24,999 reported a higher percentage of net originated sales that were to existing owners, on a weighted average basis (Figure 55).

FIGURE 55

SHARE OF NET ORIGINATED SALES THAT WERE TO EXISTING OWNERS BY COMPANY CATEGORY, 2020, U.S.



Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Hypothecated receivables represent the installment sales contracts that are pledged as collateral for debt.

Six respondents provided information on hypothecations of receivables that occurred during 2020, totaling \$337.0 million, compared to \$453.6 million in 2019. Respondents that provided information on the interest rate paid reported paying a weighted average interest rate of 3.0 percent in 2020 for funds borrowed against these receivables, a decrease of 1.7 percentage points compared to the rate of 4.7 percent in 2019. For comparison, the prime rate decreased from 4.75 percent to 3.25 percent in 2020.¹⁷ Respondents reported a weighted average advance rate of 70.9 percent in 2020, which is a decrease of 15.5 percentage points compared to the advance rate of 86.4 percent for 2019. In addition, the average remaining term to maturity reported by respondents decreased from 103.6 months in 2019 to 101.4 months in 2020, a 2.2% (2.2 month) decrease.

FIGURE 56

HYPOTHECATIONS, 2019 AND 2020, ALL GEOGRAPHIES

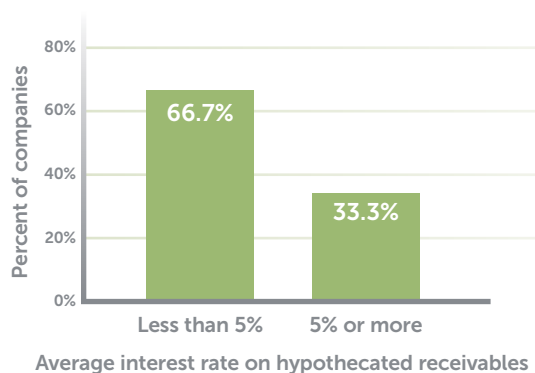
	2019	2020
Value of total fundings (millions)	\$453.6	\$337.0
Average interest rate paid	4.7%	3.0%
Average advance rate	86.4%	70.9%
Average remaining term to maturity	103.6 months	101.4 months

Source: Deloitte & Touche LLP based on 6 company survey responses.

In 2020, 66.7 percent of respondents reported an average interest rate below 5.0 percent paid and 33.3 percent of respondents reported an average interest rate above 6.0 percent funds borrowed by hypothecating receivables (Figure 57).

FIGURE 57

DISTRIBUTION OF COMPANIES BY AVERAGE INTEREST RATE ON HYPOTHECATED RECEIVABLES, 2020, ALL GEOGRAPHIES



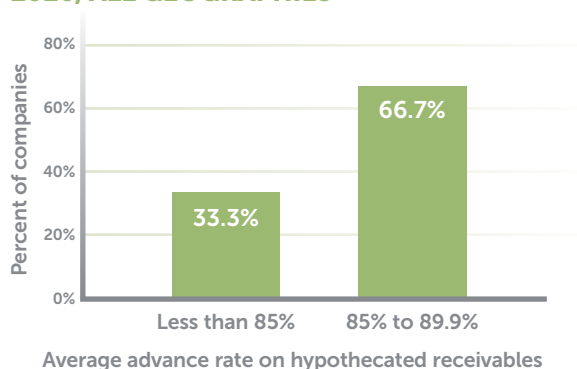
Source: Deloitte & Touche LLP based on 6 company survey responses.

¹⁷ Average majority prime rate charged by banks on short-term loans to business, quoted on an investment basis. Bank prime loan rate historical data obtained from the Board of Governors of the Federal Reserve System.

To manage risk in hypothecations, lenders typically advance only a portion of the principal balance of the portfolio. The percentage of the principal balance of the hypothecated receivables funded in cash is referred to as the advance rate. In 2020, four out of six respondents reported average advance rates of 85 to 89.9 percent and no respondents reported an average advance rate of over 90 percent (Figure 58). Two respondents reported average advance rates of less than 85 percent. The weighted average advance rate calculated for companies with an average advance rate over 80 percent was 86.5 percent for 2020 and 86.4 percent for 2019.

FIGURE 58

**DISTRIBUTION OF COMPANIES BY AVERAGE
ADVANCE RATE ON HYPOTHECATED RECEIVABLES,
2020, ALL GEOGRAPHIES**

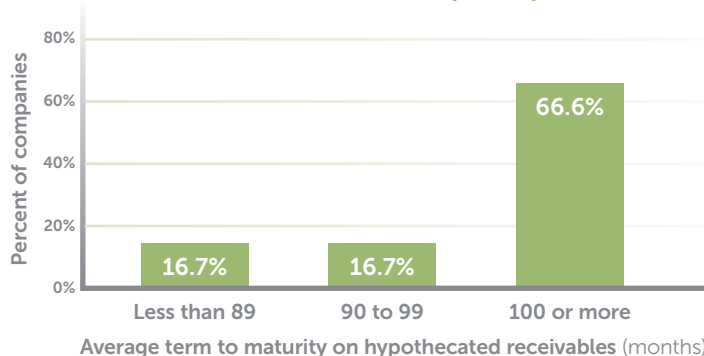


Source: Deloitte & Touche LLP based on 6 company survey responses.

Six companies reported average remaining term to maturity on hypothecated receivables at the point of hypothecation for 2020. Four of the respondents (66.6 percent) reported average remaining terms to maturity of 100 months or more in 2020 (Figure 59). The weighted average remaining term to maturity, as reported by six company survey responses, decreased from 103.6 months in 2019 to 101.4 months in 2020.

FIGURE 59

**DISTRIBUTION OF COMPANIES BY AVERAGE TERM TO MATURITY
ON HYPOTHECATED RECEIVABLES, 2020, ALL GEOGRAPHIES**



Source: Deloitte & Touche LLP based on 6 company survey responses.

Companies can raise cash by selling or securitizing consumer receivables. For the purpose of this study, information was collected on two categories of receivables transactions: portfolio sales in which the transaction occurs with recourse and securitizations in which the transaction occurs without recourse. The data collected related to portfolio sales was not sufficient for accurate analysis; therefore, this section will focus on the analysis of securitization information reported. The six separate securitization transactions reported by five survey respondents in 2020 represented a total value of \$2.100 billion, measured as the gross value of the sales contracts securitized.¹⁸ This compares to 10 separate transactions in 2019 reported by six survey respondents in 2019, with a total value of \$3.096 billion.

Among the securitization transactions reported by the survey respondents, several key changes were evident between 2019 and 2020.

- The total value of funding decreased from 2019 to 2020 by approximately 32.2 percent.
- Two companies conducted securitizations in 2019 but not in 2020, while one company conducted a securitization in 2020 that did not report a securitization in 2019.
- Average transaction size of securitizations increased from 2019 to 2020 by approximately 13.1 percent for all respondents.
- Average advance rates for all respondents decreased from 2019 to 2020 by 6.2 percentage points.
- The interest rate paid by the development company increased from 2019 to 2020 by 0.5 percentage points¹⁹ for all securitization transactions, on a weighted average basis.

For comparison purposes, the companies that reported securitizations in both 2019 and 2020 have been analyzed below (Figure 60). The five securitizations in 2020, conducted by four respondents, represented a total value of \$1,951.4 million, compared to seven securitizations in 2019 with a total value of \$2,487.9 million conducted by four respondents.²⁰ The simple average transaction size increased 9.8 percent from \$355.4 million in 2019 to \$390.3 million in 2020. The weighted average advance rate on securitizations which occurred in 2020, as reported by the same respondents, was 90.8 percent, down from 97.0 percent as reported by the same respondents in 2019.²¹ The weighted average interest rate paid by the development company, was 4.0 percent in 2020, up from 3.9 percent in 2019.

FIGURE 60
SECURITIZATIONS, 2019 AND 2020, ALL GEOGRAPHIES

	2019	2020
Total value of securitizations (millions)	\$2,487.9	\$1,951.4
Number of transactions	7	5
Average transaction size (millions)	\$355.4	\$390.3
Average advance rate	97.0%	90.8%
Average interest rate paid	3.9%	4.0%

Source: Deloitte & Touche LLP based on 4 company survey responses.

¹⁸ The gross value of the contracts sold or securitized was further defined as the collateral value or outstanding principal balance on the survey form.

¹⁹ Change in interest rates may not be comparable to changes in market interest rate indexes, such as LIBOR, since information was not available indicating when in the year each portfolio transaction occurred.

²⁰ Respondents were asked to report on original sales only, thereby excluding securities that had been previously sold, repurchased, and sold again.

²¹ Weighted average advance rate calculated as net value of sales or proceeds received for sale divided by gross value of sales contracts sold.

Companies typically provide financing to a majority of consumers purchasing vacation ownership interests. The survey collected information on the characteristics of new loans (mortgages) and on the performance of companies' outstanding consumer receivables portfolios.

Consumer financing

Companies reported providing financing for \$1.496 billion (56.6 percent) of the \$2.644 billion in net originated sales in 2020, as reported by 13 respondents. The remainder of sales represent cash or cash-out within the first 90 days²², plus cash down payments. The financed value represents the face value of consumer loans written and is presented as a share of net originated sales. A comparison between 2019 and 2020 is shown in Figure 61 below.

FIGURE 61

PORTION OF NET ORIGINATED SALES THAT WERE FINANCED BY CONSUMERS, 2020, U.S.

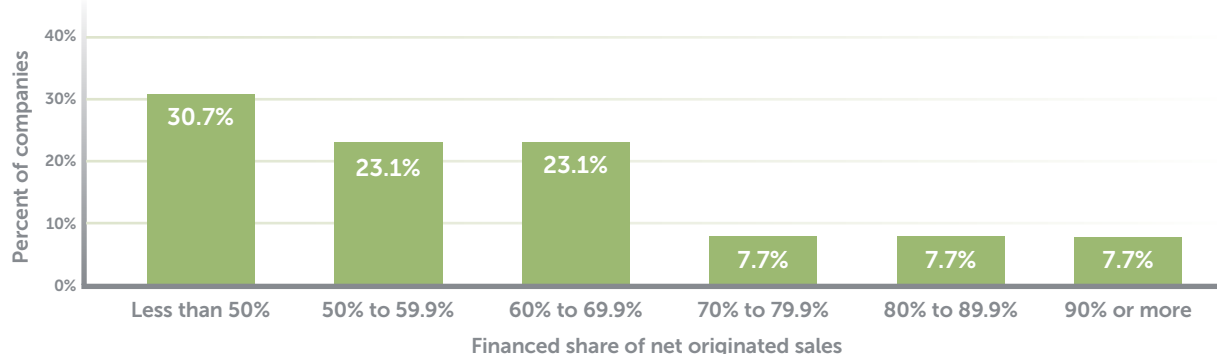
	2019	2020
Cash or cash-out within first 90 days	24.9%	28.5%
Cash down payment	15.7%	14.9%
Financed value	59.4%	56.6%
Total	100.0%	100.0%

Source: Deloitte & Touche LLP based on 13 company survey responses.

A majority of respondents (53.8 percent) reported that their financed share of net originated sales was less than 60.0 percent in 2020 (Figure 62). The amount financed in 2020 by the 13 respondents totaled \$1.496 billion.

FIGURE 62

DISTRIBUTION OF COMPANIES BY FINANCED SHARE OF NET ORIGINATED SALES, 2020, U.S.

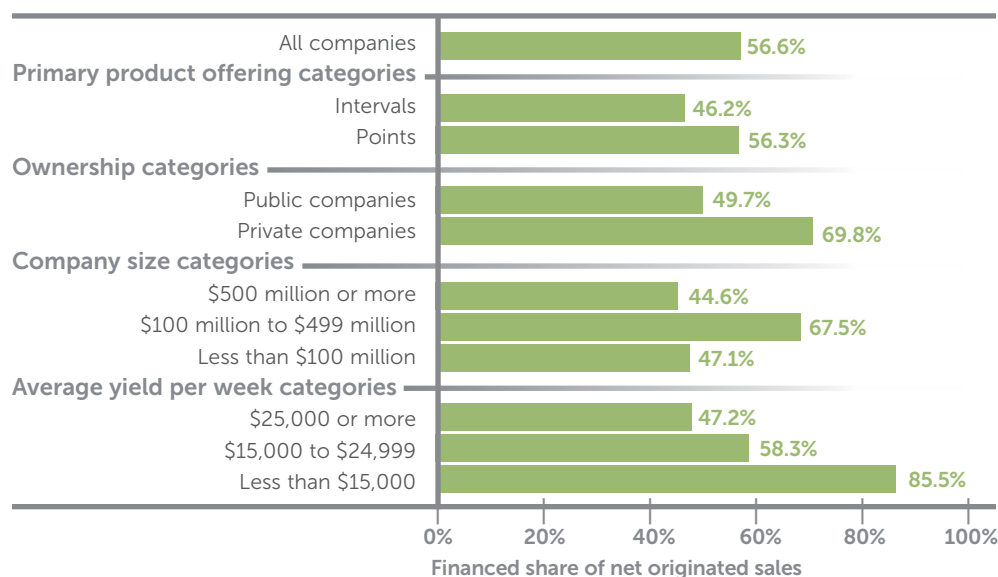


Source: Deloitte & Touche LLP based on 13 company survey responses.

²² Industry participants report that a share of consumers pay off timeshare loans within the first 90 days, using financing as a short-term option. This share is not included in the financed share of net originated sales because it is considered near cash equivalent.

As shown in Figure 63, points companies reported a higher financed share of net originated sales than interval companies. In addition, companies with net originated sales between \$100 million and \$499 million reported a higher (67.5 percent) financed share than companies in the other revenue categories. Additionally, private companies reported a significantly higher (69.8 percent) financed share than public companies (49.7 percent). Companies with an average yield per week of less than \$15,000 reported the highest financed share of net originated sales (85.5 percent) out of all categories.

FIGURE 63
FINANCED SHARE OF NET ORIGINATED SALES BY COMPANY CATEGORY,
2020, U.S.



Source: Deloitte & Touche LLP based on a minimum of 11 company survey responses.

Survey respondents provided information about the characteristics of new consumer loans; the averages, weighted by net originated sales, are shown in Figure 64. The average consumer loan terms reported ranged from a low of 89.3 months to a high of 135.0 months in 2020, for an overall weighted average term of 117.9 months. The average consumer loan interest rates reported, exclusive of servicing fees, ranged from 12.0 percent to 17.9 percent, for an overall weighted average of 13.9 percent. The average consumer loan interest rates reported, inclusive of servicing fees, ranged from 12.6 percent to 17.9 percent, for an overall weighted average of 14.2 percent. Of the 12 respondents, nine respondents charge a servicing fee on financed receivables. Average down payments associated with non-upgrade financed sales reported by respondents ranged from 10.0 percent to 25.4 percent, for an overall weighted average of 19.7 percent in 2020.

FIGURE 64
CHARACTERISTICS OF NEW CONSUMER LOANS,
2020, U.S.

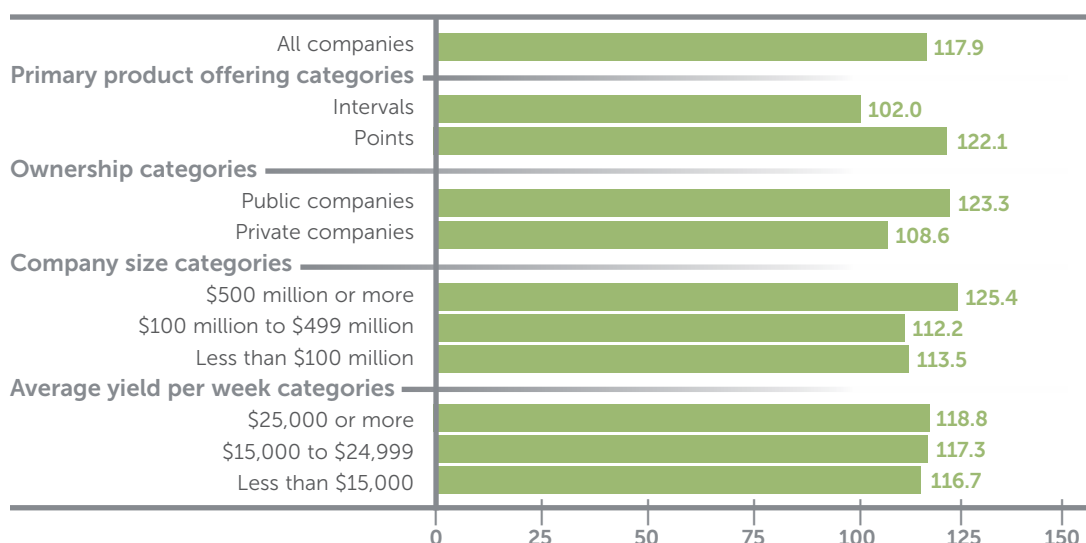
	2019	2020
Term (in months)	119.1	117.9
Interest rate (exclusive of servicing fee)	14.1%	13.9%
Interest rate (inclusive of servicing fee)	14.1%	14.2%
Down payment (as a percent of contract price)		
non-upgrade sales	18.9%	19.7%
upgrade sales	42.9%	40.3%

Source: Deloitte & Touche LLP based on 9 survey responses for interest rates including servicing fees and 12 respondents that reported interest rates exclusive of servicing fees

Respondents were asked to provide the average down payment on upgrade sales separate from non-upgrade sales (Note: as indicated in the questionnaire at Appendix B, respondents were instructed to exclude sales from trial programs from their reported upgrade sales amounts). This is because purchasers of upgrades can frequently count the equity in their existing vacation ownership interest toward the down payment that they are making on the upgrade interest. As a result, down payments on upgrade sales are typically higher than on non-upgrade sales. The average down payment associated with upgrade financed sales reported by respondents ranged from 18.3 percent to 70.3 percent, for an overall weighted average of 40.3 percent in 2020.

FIGURE 65

AVERAGE TERM ON NEW CONSUMER LOANS (IN MONTHS) BY COMPANY CATEGORY, 2020, U.S.



Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

The weighted average term on new consumer loans, measured in months, varied across company categories (Figure 65). Points companies, public companies, large companies, and companies with average yields of \$25,000 or more per week showed longer average terms.

Companies reported that weighted average interest rates on new consumer loans are lower for public companies as compared to private companies (Figure 66). Further, companies with an average yield per week of \$25,000 or more tended to offer lower average interest rates on consumer loans. Interest rates below are presented separately between those inclusive and exclusive of servicing fees. Due to the difference in the number of respondents between these categories (12 respondents provided interest rates exclusive of servicing fees while nine respondents provided interest rates inclusive of servicing fees) the weighted average rates may possibly decrease within each category when including the servicing fee. The weighted average interest rate exclusive of servicing fees for only the nine respondents that provided interest rates inclusive of servicing fees is 11.1 percent.

FIGURE 66
AVERAGE INTEREST RATE ON NEW CONSUMER LOANS
BY COMPANY CATEGORY, 2020, U.S.

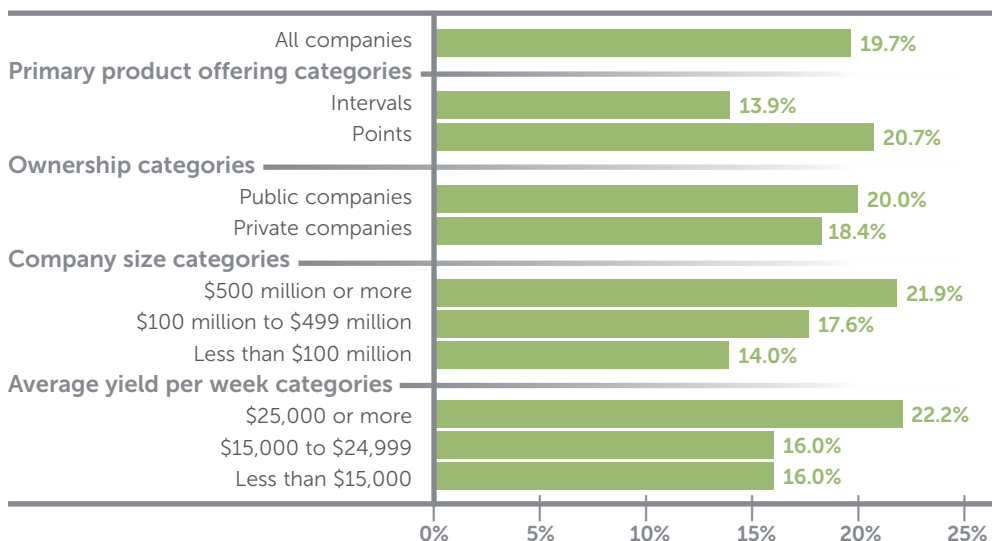
	Average interest rate	
	Excluding servicing fee	Including servicing fee
	2020	2020
All companies	13.9%	14.2%
Primary product offering categories		
Intervals	12.8%	14.3%
Points	14.1%	14.2%
Ownership categories		
Public companies	13.6%	13.4%
Private companies	14.8%	14.9%
Company size categories		
\$500 million or more	14.0%	13.1%
\$100 million to \$499 million	13.8%	14.7%
Less than \$100 million	13.8%	14.1%
Average yield per week categories		
\$25,000 or more	13.9%	12.8%
\$15,000 to \$24,999	14.0%	14.3%
Less than \$15,000	14.5%	14.5%

Source: Deloitte & Touche LLP based on a minimum of 9 company survey responses.

The survey results showed higher than average down payments for non-upgrade sales for public companies, large companies, and companies with an average yield per week of \$25,000 or more (Figure 67). Similarly, points companies, public companies, large companies, and companies with an average yield per week of \$25,000 or more showed higher than average down payments for upgrade sales (Figure 68).

FIGURE 67

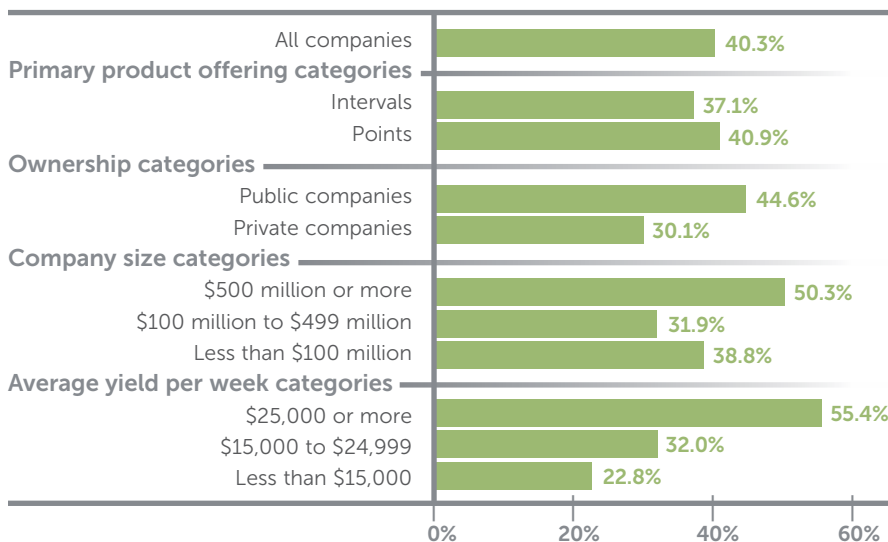
AVERAGE DOWN PAYMENT ON NON-UPGRADE SALES BY COMPANY CATEGORY, 2020, U.S.



Source: Deloitte & Touche LLP based on a minimum of 10 company survey responses.

FIGURE 68

AVERAGE DOWN PAYMENT ON UPGRADE SALES BY COMPANY CATEGORY, 2020, U.S.



Source: Deloitte & Touche LLP based on a minimum of 10 company survey responses.

Receivables portfolio performance

For the purposes of this report, the receivables portfolio has been defined as the total year-end portfolio of consumer loans held by the company, including securitized and hypothecated receivables. Companies were asked to report the percentages, by dollar value, of their total receivables portfolio that were:

- a) Current (current or fewer than 31 days delinquent)
- b) Between 31 and 60 days delinquent
- c) Between 61 and 90 days delinquent
- d) Between 91 and 120 days delinquent
- e) More than 120 days delinquent

In total, 14 survey respondents reported aggregate receivables of \$12.406 billion in 2020, showing a 12.3 percent decrease from the aggregate receivables amount of \$14.146 billion reported by the same respondents at year-end 2019.

Respondents reported that payments for 86.2 percent of the dollar value of their receivables were current (current or fewer than 31 days delinquent) at year-end 2020, a decrease of 3.2 percentage points compared to the percentage of current receivables as of the year-end 2019, which was 89.4 percent (Figure 69). On average, 1.9 percent of the receivables were 31 to 60 days delinquent, and 11.9 percent were over 60 days delinquent at year-end 2020, on a weighted average basis.

FIGURE 69
PERFORMANCE OF CONSUMER RECEIVABLES
PORTFOLIOS AT YEAR-END, 2019 AND 2020,
ALL GEOGRAPHIES

	2019	2020
Current	89.4%	86.2%
31 to 60 days	2.1%	1.9%
61 to 90 days	1.5%	1.3%
91 to 120 days	1.5%	1.4%
More than 120 days	5.5%	9.2%
	100.0%	100.0%

Source: Deloitte & Touche LLP based on 14 company survey responses.

Nine of 13 respondents, or 69.2 percent, reported that they write-off receivables when they reach 120 days delinquent. Assuming that all respondents write-off receivables at over 120 days delinquent, it would be appropriate to look at receivables currency excluding receivables that are over 120 days delinquent. As not all companies responded to this question, and only 69.2 percent of the respondents had the same write-off criteria, the currency amounts in this report do not exclude receivables over 120 days delinquent.

FIGURE 70

PERFORMANCE OF CONSUMER RECEIVABLES PORTFOLIOS AT YEAR-END BY COMPANY CATEGORY, 2020, ALL GEOGRAPHIES

Companies in certain categories revealed trends in the performance of their receivables portfolios at year end 2020. For example, private companies reported higher average portions of their receivables portfolios as current (Figure 70).

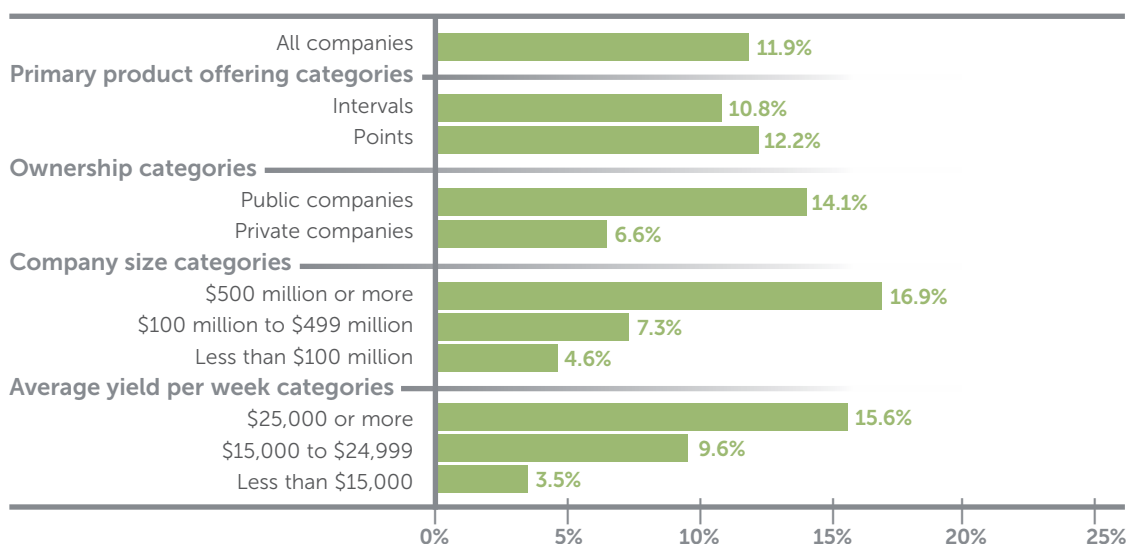
	Current	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days
All companies	86.2%	1.9%	1.3%	1.4%	9.2%
Primary product offering categories					
Intervals	86.7%	2.5%	1.7%	1.4%	7.7%
Points	86.0%	1.8%	1.2%	1.4%	9.6%
Ownership categories					
Public companies	84.3%	1.6%	1.0%	1.1%	12.0%
Private companies	90.6%	2.8%	2.0%	1.8%	2.8%
Company size categories					
\$500 million or more	81.4%	1.7%	1.1%	1.1%	14.7%
\$100 million to \$499 million	90.5%	2.2%	1.5%	1.8%	4.0%
Less than \$100 million	93.8%	1.6%	1.2%	0.9%	2.5%
Average yield per week categories					
\$25,000 or more	82.9%	1.5%	1.1%	1.0%	13.5%
\$15,000 to \$24,999	87.8%	2.6%	1.6%	1.4%	6.6%
Less than \$15,000	94.0%	2.5%	1.8%	1.7%	0.0%

Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Another measure of receivables portfolio performance is the share of the portfolio that is more than 60 days delinquent. Of the portfolios held by survey respondents, 11.9 percent of receivables were more than 60 days delinquent at year-end 2020 (Figure 71). This is 3.4 percentage points higher than the percentage reported in 2019. Public companies showed a higher percentage of receivables over 60 days delinquent (14.1 percent) than private companies (6.6 percent). Points companies showed higher percentages of receivables more than 60 days delinquent (12.2 percent) compared to intervals companies (10.8 percent). Companies with average yields per week of \$25,000 or more reported the highest percentage of receivables portfolio that was over 60 days delinquent (15.6 percent) within the yield categories. Large companies reported the highest percentage of receivables portfolio that was over 60 days delinquent (16.9 percent) out of all categories.

FIGURE 71

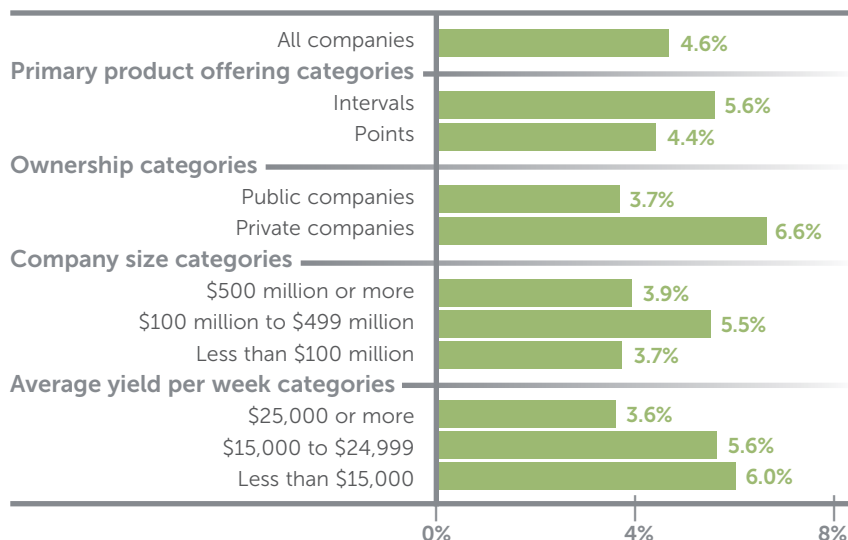
PORTION OF RECEIVABLES PORTFOLIO THAT WAS OVER 60 DAYS DELINQUENT BY COMPANY CATEGORY, 2020, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Another measure of receivables portfolio performance may be calculated by looking at the share of receivables between 31 and 120 days delinquent. This measure is useful because it is largely free of the specific charge-off policies within many companies. Among the respondents, the weighted average share of receivables portfolios that was between 31 and 120 days delinquent at year-end 2020 was 4.6 percent (Figure 72), which decreased from 5.0 percent reported in 2019.

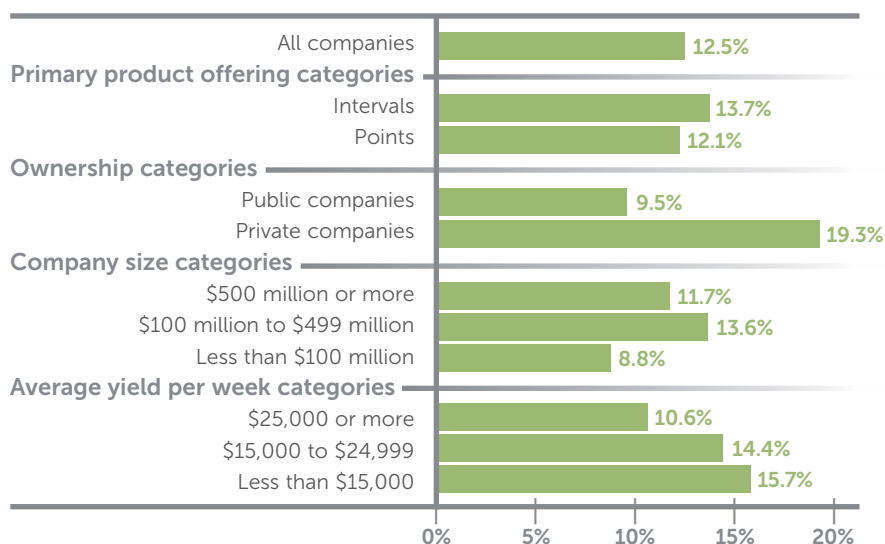
FIGURE 72
PORTION OF RECEIVABLES PORTFOLIO THAT WAS BETWEEN 31 AND 120 DAYS DELINQUENT BY COMPANY CATEGORY, 2020, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

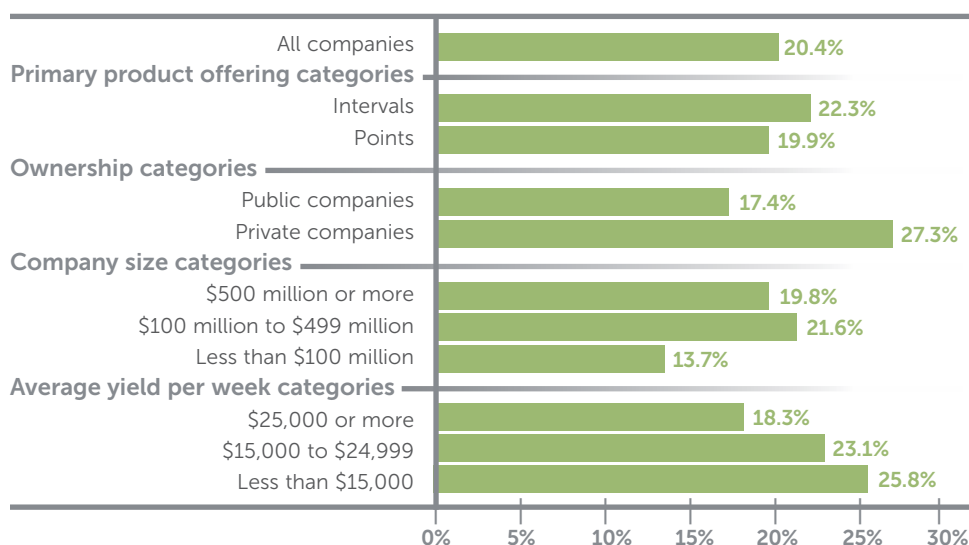
Timeshare companies have different methods of accounting for loan losses. Measuring defaults is one method of comparison, though companies with portfolios composed of relatively mature receivables may experience lower default rates than other companies. Gross defaults, defined as the total amount charged against the allowance for uncollectible accounts, as a percentage of the gross outstanding portfolio balance at year-end, averaged 12.5 percent in 2020 (Figure 73), which is an increase of 2.0 percentage points from the 2019 average of 10.5 percent. Companies with net originated sales of \$100 million to \$499 million, companies with average yield per week of \$15,000 to \$24,999 and less than \$15,000, private companies, and interval companies reported higher than average levels (greater than 12.5 percent) of gross defaults.

FIGURE 73
GROSS DEFAULTS AS A % OF GROSS OUTSTANDING PORTFOLIO BALANCE BY COMPANY CATEGORY, 2020, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

FIGURE 74

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS AS A % OF GROSS OUTSTANDING PORTFOLIO BALANCE BY COMPANY CATEGORY, 2020, ALL GEOGRAPHIES


Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

The weighted average allowance for uncollectible accounts as a share of gross outstanding portfolio balance at year-end averaged 20.4 percent in 2020 (Figure 74), which was an increase of 4.1 percentage points from 2019. Individual responses ranged from 4.1 percent to 36.0 percent. Companies primarily selling intervals reported higher allowances than companies primarily selling points. Private companies, interval companies, companies with \$100 million to \$499 million in net originated sales, and companies with average yield per week of less than \$15,000 and \$15,000 to \$24,999 reported higher allowances for uncollectible accounts than the average.

The weighted average interest rate on the loans held in the receivables portfolio at year-end was 13.9 percent (exclusive of servicing fees) in 2020, an increase of 0.1 percentage points when compared with 2019, and 14.0 percent (inclusive of servicing fees) in 2020, an increase of 0.1 percentage points, when compared with the weighted average interest rate on the loans held in the receivables portfolio in 2019 (Figure 77). Public companies showed a lower average interest rate for both categories (13.5 percent and 13.3 percent) than private companies (15.1 percent and 15.3 percent).

FIGURE 75
AVERAGE INTEREST RATE ON RECEIVABLES PORTFOLIO
BY COMPANY CATEGORY, 2020, ALL GEOGRAPHIES

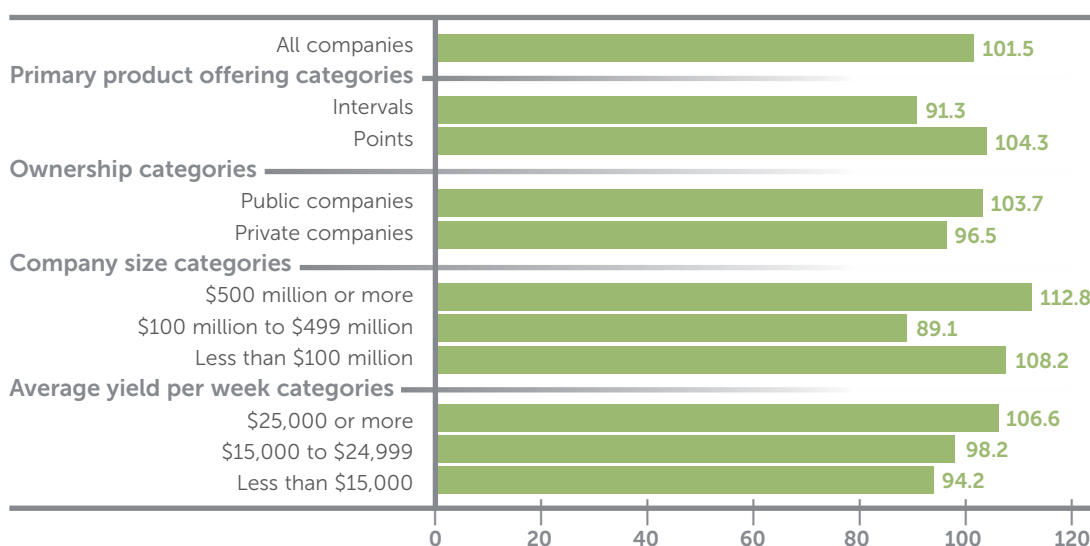
	Average interest rate	
	Excluding servicing fee 2020	Including servicing fee 2020
All companies	13.9%	14.0%
Primary product offering categories		
Intervals	12.9%	13.1%
Points	14.0%	14.3%
Ownership categories		
Public companies	13.5%	13.3%
Private companies	15.1%	15.3%
Company size categories		
\$500 million or more	13.9%	12.8%
\$100 million to \$499 million	13.8%	14.7%
Less than \$100 million	14.4%	14.9%
Average yield per week categories		
\$25,000 or more	13.8%	13.1%
\$15,000 to \$24,999	13.6%	13.8%
Less than \$15,000	15.3%	15.3%

Source: Deloitte & Touche LLP based on a minimum of 9 company survey responses for interest rates including servicing fees and a minimum of 12 responses for interest rates excluding servicing fees

The weighted average term to maturity on loans held in the receivables portfolios was 101.5 months in 2020, which is 1.2 months shorter than the previous year (Figure 76 and 77). Companies with less than \$500 million in net originated sales, interval companies, private companies, and companies with an average yield per week of less than \$25,000 had lower weighted average terms on receivables held in their portfolios. Among all responses, average terms ranged from 67.6 months to 122.0 months.

FIGURE 76

AVERAGE TERM ON RECEIVABLES PORTFOLIO BY COMPANY CATEGORY, 2020, ALL GEOGRAPHIES (IN MONTHS)



Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

FIGURE 77

CHARACTERISTICS OF RECEIVABLES PORTFOLIO, 2019 AND 2020, ALL GEOGRAPHIES

	2019	2020	Change
Gross defaults	10.5%	12.5%	2.0%
Allowance for uncollectible accounts	16.3%	20.4%	4.1%
Average interest rate (excluding service fee)	13.8%	13.9%	0.1%
Average interest rate (including service fee)	13.9%	14.0%	0.1%
Average term (months)	102.7	101.5	-1.2 months

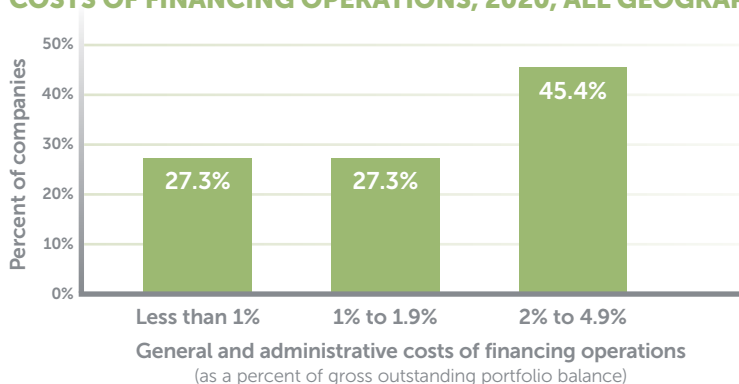
Source: Deloitte & Touche LLP based on a minimum of 9 company survey responses.

General and administrative costs of financing operations

General and administrative costs of financing operations include costs, such as treasury, consumer loan servicing, and collection costs, which are directly related to managing the company's receivables portfolio. Company receivable balances, referred to as portfolio balances, varied widely among the respondents, ranging from \$0 to over \$3 billion at calendar year-end 2020.

The weighted average general and administrative costs of financing operations for all companies in 2020 was 1.5 percent of gross outstanding portfolio balance, which was 0.1 percentage points higher than in 2019. Responses showed that such costs vary across companies, with 27.3 percent of companies reporting costs less than one percent of gross outstanding portfolio balance, and 72.7 percent reporting costs between one percent and 4.9 percent (Figure 78).

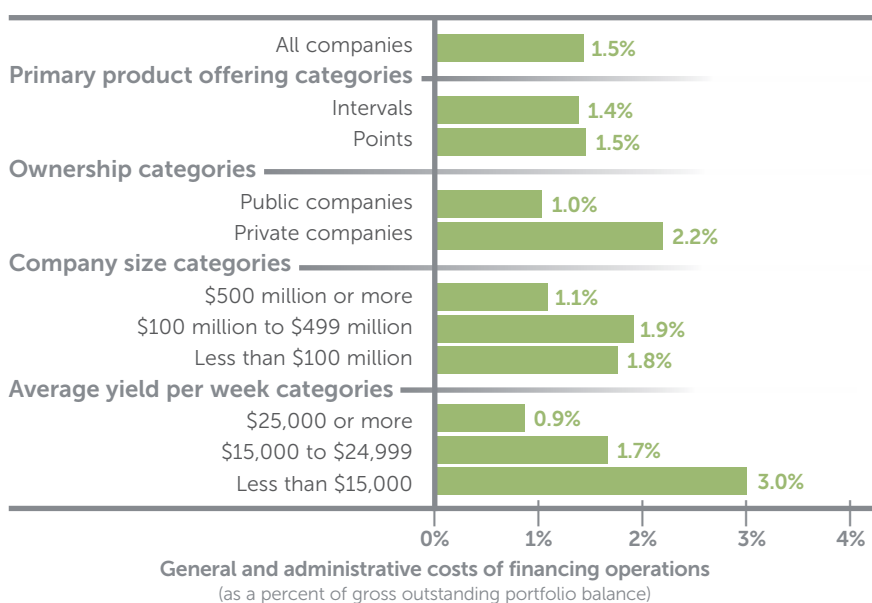
FIGURE 78
DISTRIBUTION OF COMPANIES BY GENERAL AND ADMINISTRATIVE COSTS OF FINANCING OPERATIONS, 2020, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on 11 company survey responses.

Intervals companies reported slightly lower general and administrative costs of financing operations as compared to points companies (1.4% compared to 1.5%, Figure 79). Public companies reported lower costs than private companies, and companies with net originated sales of \$500 million or more reported lower costs than companies with net originated sales less than \$500 million.

FIGURE 79
GENERAL AND ADMINISTRATIVE COSTS OF FINANCING OPERATIONS, 2020, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on a minimum of 11 company survey responses.

FIGURE 80
AVERAGE PORTFOLIO BALANCE,
2020, ALL GEOGRAPHIES

	Average portfolio balance (in millions)
All companies	\$886.2
Primary product offering categories	
Intervals	521.1
Points	1,089.0
Ownership categories	
Public companies	1,735.1
Private companies	414.5
Company size categories	
\$500 million or more	3,048.7
\$100 million to \$499 million	966.3
Less than \$100 million	85.2
Average yield per week categories	
\$25,000 or more	1,208.9
\$15,000 to \$24,999	955.2
Less than \$15,000	343.0

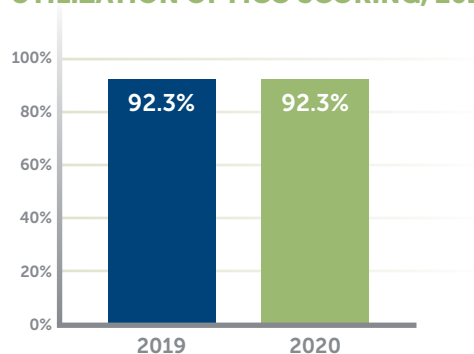
Source: Deloitte & Touche LLP based on a minimum of 11 company survey responses. The results above were calculated using a simple average.

FICO scores

Credit risk scores are widely used by major financial service and credit issuing organizations, such as mortgage and auto loan originators and timeshare companies, as one input in making consumer credit decisions. The most widely used credit risk score is the FICO score, which is a three-digit score calculated on a consumer's credit history to rank that consumer on the likelihood that their credit obligations will be paid as expected.

Participants of the survey were asked to indicate whether FICO scoring is a component of their underwriting criteria. A majority of the respondents, 92.3 percent, reported that they utilize FICO scoring, which is consistent with 2019 (Figure 81).

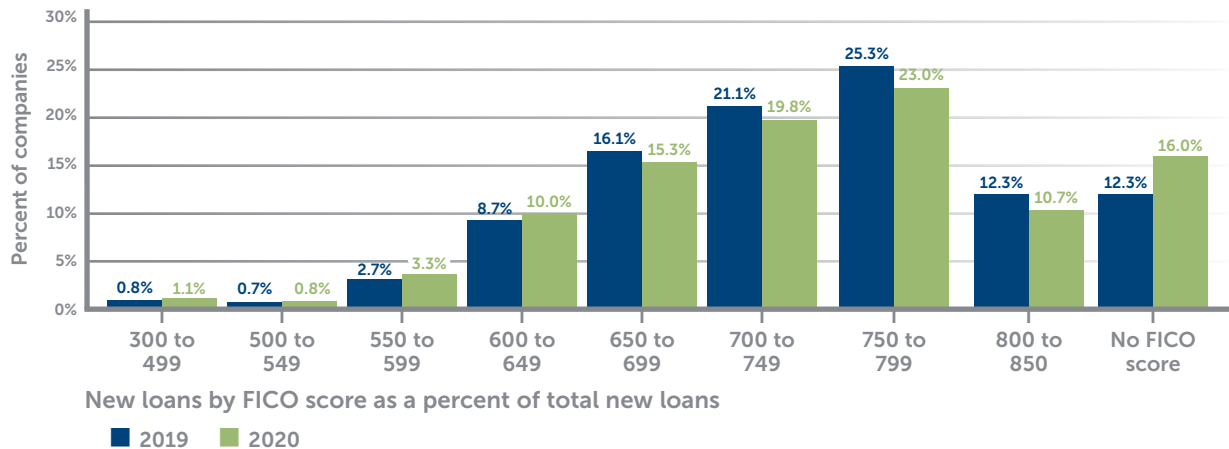
FIGURE 81
UTILIZATION OF FICO SCORING, 2020



Source: Deloitte & Touche LLP based on 13 company survey responses.

FICO scores are calculated in a range from 300 to 850, with higher scores calculated to represent lower risk. Approximately 58.1 percent of loans issued by respondent companies were reported to be offered to consumers with FICO scores between 650 and 799 in 2020. With the exception of FICO scores within the 650 to 850 range, the majority of categories show increases as compared to 2019. (Figure 82)

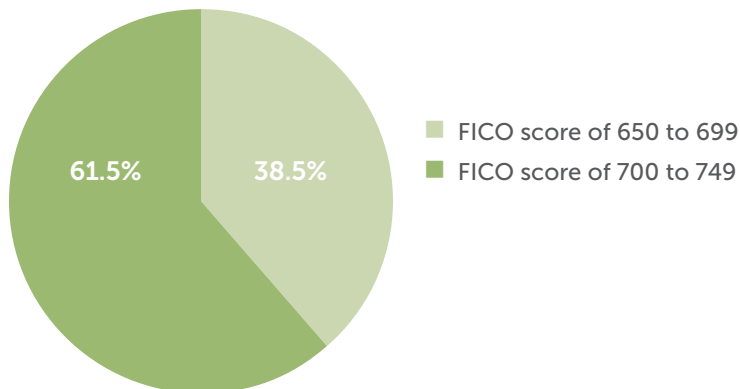
FIGURE 82
DISTRIBUTION OF NEW LOANS BY FICO SCORE, 2020, U.S.



Source: Deloitte & Touche LLP based on 13 company survey responses.

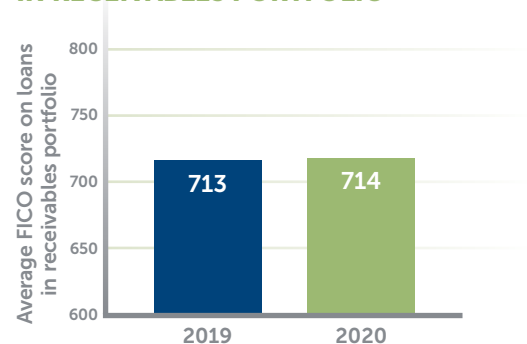
Thirteen survey respondents reported a weighted average FICO score between 650 and 749 on loans held in their receivables portfolios at calendar year end 2020 (Figure 83).²³ At the portfolio level, high FICO scores average against low FICO scores. None of the thirteen respondents reported holding a portfolio with a weighted average FICO score below 664 or above 739. Overall, weighted average FICO scores increased from 2019 to 2020 by one point from 713 to 714.

FIGURE 83
DISTRIBUTION OF COMPANIES BY WEIGHTED AVERAGE FICO SCORE ON LOANS IN RECEIVABLES PORTFOLIO, 2020, U.S.



Source: Deloitte & Touche LLP based on 13 company survey responses.

FIGURE 83a
AVERAGE FICO SCORE ON LOANS IN RECEIVABLES PORTFOLIO

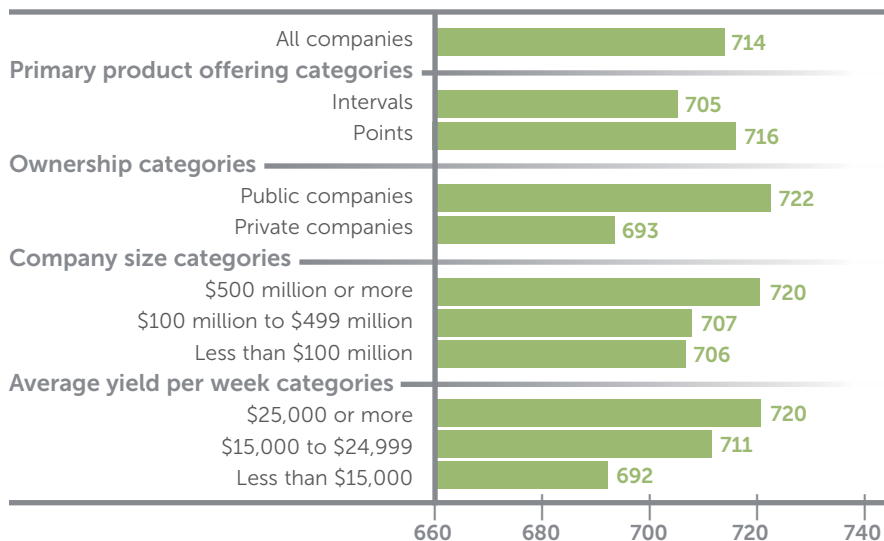


Source: Deloitte & Touche LLP based on 13 company survey responses.

²³ The FICO score information for loans in companies' receivables portfolios refers to FICO scores at the point of loan origination.

FIGURE 84

AVERAGE FICO SCORE ON LOANS IN RECEIVABLES PORTFOLIO BY COMPANY CATEGORY, 2020, U.S.

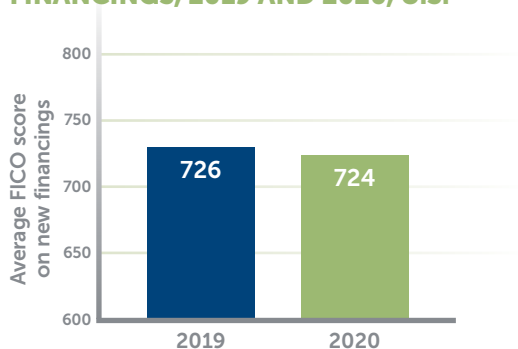


Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

Survey respondents revealed different average FICO scores on loans held in their receivables portfolios according to company category. Public companies, points companies, companies with more than \$500 million net originated sales, and companies with an average yield per week of \$25,000 or more reported weighted average FICO scores on loans held in their receivables portfolios higher than the average (Figure 84).

FIGURE 85

AVERAGE FICO SCORE ON NEW FINANCINGS, 2019 AND 2020, U.S.



Source: Deloitte & Touche LLP based on 13 company survey responses.

For the 13 respondent companies, the FICO score on new financings ranged from 672 to 747 in 2020, which resulted in a weighted average FICO score on new financings of 724 in 2020 (Figure 85). This was a decrease of two points as compared to 2019.

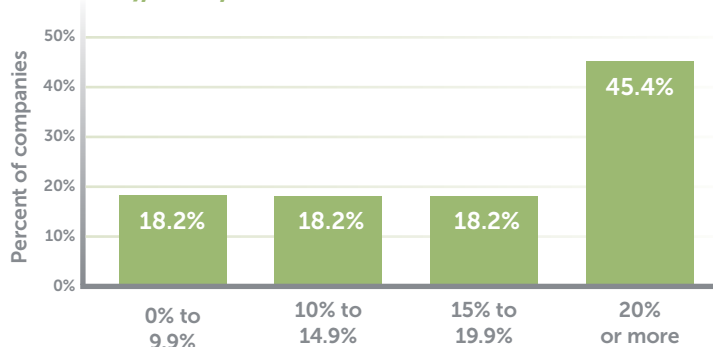
Static pool default rate

Static pool analyses assist management and underwriters to assess the quality of a company's receivables by providing historical information on default rates of consumer loans. When performing a static pool analysis, a company separates its collectibles into one or more groups or "pools," which share common traits, such as all receivables originated in a specific time period. The pools are considered "static" in the sense that the set of receivables tracked by a pool is kept constant. For example, the set of loans made during the first quarter of 2010 is tracked as a pool so that the company can measure the number of these specific loans that default in each of the quarters through the term of the loans.

Tracking historical performance in this manner can be useful in forming estimates of future default rates. In the survey, companies were asked to provide an estimate of the cumulative principal losses they expect on their receivables portfolio based on static pool analyses that they had conducted. More specifically, the survey asked companies to report the pro forma static pool default rate estimated as the cumulative actual and projected future defaults net of reinstatements, divided by the original principal balance.

In total, 11 respondents reported static pool default rates for 2020. The reported rates ranged from 7.2 percent to 48.9 percent, with a weighted average of 22.5 percent. This is a 2.9 percentage point increase compared to the amount reported in 2019. This indicates that respondents expected cumulative principal losses on the loans in their receivables portfolios to total approximately 22.5 percent, including losses that had already occurred and losses expected to occur in the future. Over half of the respondents reported static pool default rates of 15 percent or greater and less than half reported static pool default rates of less than 15 percent (Figure 86).

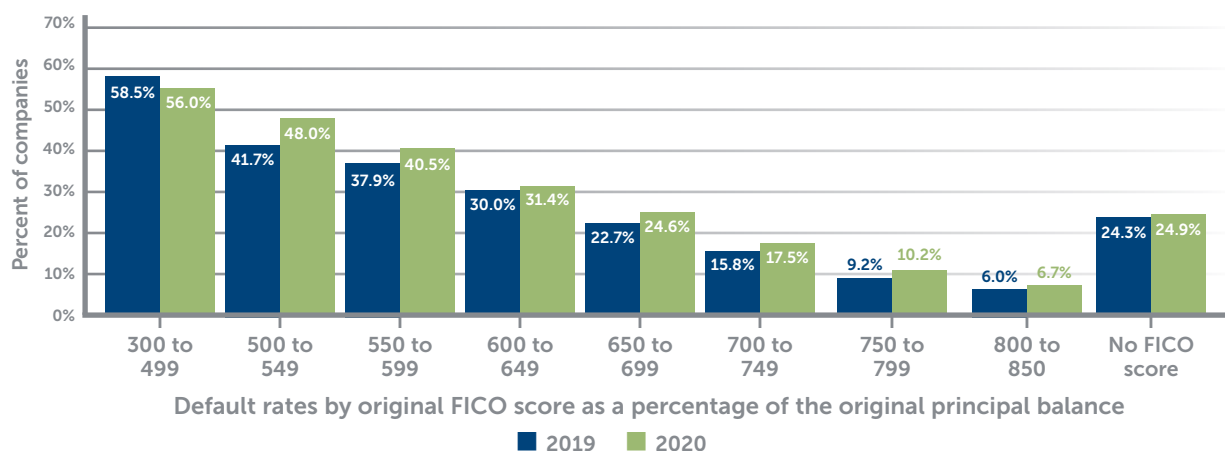
FIGURE 86
DISTRIBUTION OF COMPANIES BY STATIC POOL
DEFAULT RATE (AS A % OF ORIGINAL PRINCIPAL
BALANCE), 2020, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on 11 company survey responses.

Respondents were asked to provide static pool default percentages by certain FICO score range at the time the loan was made to the timeshare purchasers. The static pool default rate by FICO score increased for most bands, except the band category from 300 to 499 from 2019 to 2020. As the FICO score range increases over 700, there is a significant drop in default rates (Figure 87).

FIGURE 87
STATIC POOL DEFAULT RATE DISTRIBUTION BY ORIGINAL FICO SCORE, 2020, U.S.



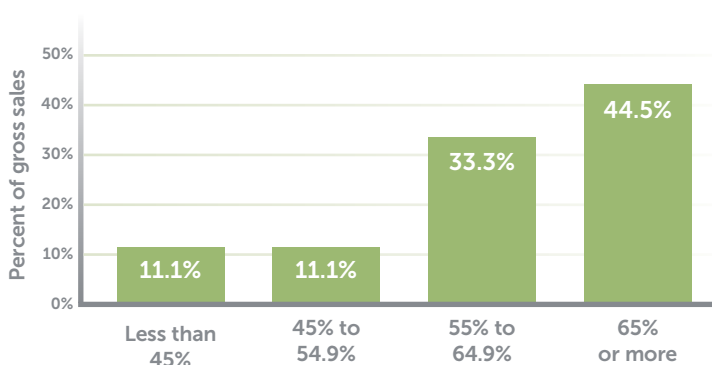
Source: Deloitte & Touche LLP based on 6 company survey responses.

Originations

Respondents were asked to provide origination data related to all inventory that is owned by the developer both as a percentage of gross sales and net sales. Gross sales for the purposes of the survey question is inclusive of upgrade contract selling prices while net sales are equal to gross sales less upgrade contract selling prices. Weighted average originations as a percentage of gross sales increased 2.1 percentage points from 76.4 percent in 2019 to 78.5 percent in 2020, while weighted average originations as a percentage of net sales increased 1.9 percentage points from 78.6 percent in 2019 to 80.5 percent in 2020. Responses show that origination data varies across companies as 55.5 percent of respondents reported originations were less than 65 percent of gross sales in 2020 (Figure 88) and 60.0 percent reported originations were less than 80 percent of net sales in 2020 (Figure 89).

FIGURE 88

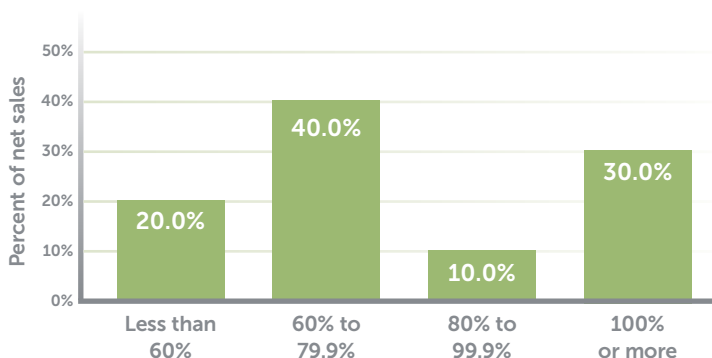
ORIGINATIONS AS A PERCENTAGE OF GROSS SALES, 2020, U.S.



Source: Deloitte & Touche LLP based on 9 company survey responses.

FIGURE 89

ORIGINATIONS AS A PERCENTAGE OF NET SALES, 2020, U.S.

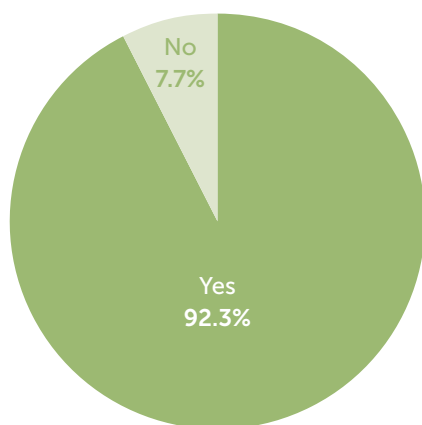


Source: Deloitte & Touche LLP based on 10 company survey responses.

Respondents were asked specific questions related to the impact of COVID-19 on the Company in 2020, which included questions around mortgage deferment programs and the allowance for loan loss. We will continue to assess the COVID-19 impacts on the timeshare industry in future surveys.

Approximately 92.3 percent of the thirteen respondents that provided mortgage deferment information reported that they offered a mortgage deferment program to owners due to the impacts of COVID-19 in 2020. Nine companies had a similar program in which they offered owners a payment deferral up to three months. Specific repayment terms varied by company, for example, some programs deferred the payments to the end of the loan while other programs increased the owner's monthly payment after the deferment period in order to catch up on the loan.

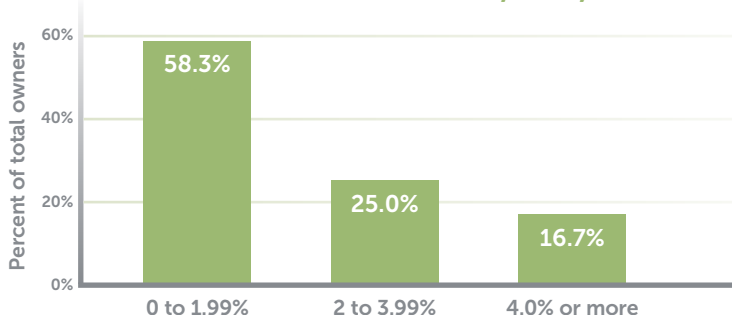
FIGURE 90
MORTGAGE DEFERMENT
OFFERED TO OWNERS DUE
TO COVID-19, 2020, U.S.



Source: Deloitte & Touche LLP based on 13 company survey responses.

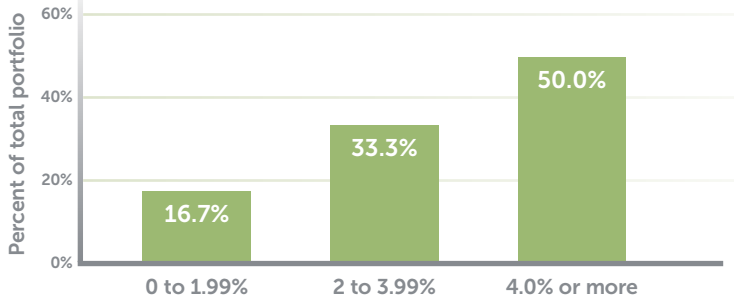
As reported by twelve companies, only a small percentage of owners took advantage of the mortgage deferment programs. Approximately 58.3 percent of respondents reported that less than two percent of timeshare owners deferred mortgage payments while 16.7 percent reported that four percent or more of timeshare owners deferred mortgage payments (Figure 91). Consequentially, only a small portion of the total portfolio balance was impacted by mortgage deferral programs as well. Of the twelve companies that responded, 16.7 percent reported that the deferred mortgage payments comprised of less than two percent of the total portfolio balance (Figure 92). The simple average number of owners who took advantage of the program as a percentage of total owners for all respondents was 2.6 percent, while the simple average dollar value impact of the deferment program as a percentage of the total portfolio was 3.9 percent in 2020.

FIGURE 91
OWNERS WHO TOOK ADVANTAGE OF THE PROGRAM
AS A PERCENTAGE OF TOTAL OWNERS, 2020, U.S.



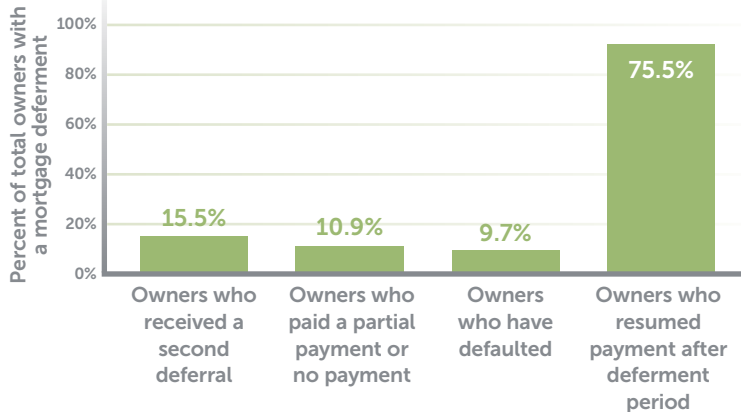
Source: Deloitte & Touche LLP based on 12 company survey responses.

FIGURE 92
DOLLAR VALUE IMPACT OF THE DEFERMENT PROGRAM
AS A PERCENTAGE OF TOTAL PORTFOLIO, 2020, U.S.



Source: Deloitte & Touche LLP based on 12 company survey responses.

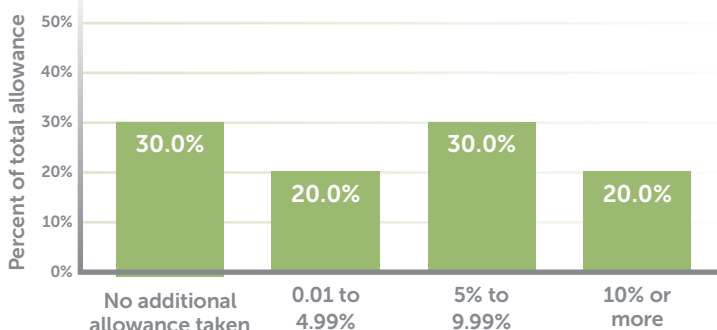
FIGURE 93
SIMPLE AVERAGE OF OWNERS AS A PERCENTAGE
OF TOTAL OWNERS WITH A MORTGAGE DEFERRMENT,
2020, U.S.



Source: Deloitte & Touche LLP based on 11 company survey responses.

Of the companies who offered owners a mortgage deferral program, we gathered further data on the owners who took advantage of the mortgage deferral program as seen in Figure 93. On average, 15.5 percent of owners who took advantage of the mortgage deferral program received a second deferral, 10.9 percent paid a partial payment or no payment, 9.7 percent have defaulted, and 75.5 percent have resumed payment after the deferral period. Note the percentages sum to greater than 100 percent as owners may fall into more than one category.

FIGURE 94
ADDITIONAL ALLOWANCE FOR LOAN LOSSES
RECORDED DUE TO COVID-19 AS A PERCENTAGE
OF TOTAL ALLOWANCE, 2020, U.S.



Source: Deloitte & Touche LLP based on 10 company survey responses.

Of the 10 companies who responded to the impact of COVID-19 on the Allowance for Loan Losses, 30 percent reported no additional allowance was taken while 20 percent reported that the impact was greater than zero and less than five percent of the total allowance balance. The weighted average of additional allowance for loan losses recorded due to COVID-19 as a percentage of total allowance for all respondents was 17.3 percent in 2020. Note two respondents within the 10 percent or more category contribute to the higher calculated weighted average as a result of percentages reported of up to 75.4 percent.

Summary Results and Statistics

FIGURE 95

SELECTED SALES METRICS

	Minimum	Maximum	Simple average	Weighted average	Median
Close Rate	9.5%	25.9%	16.7%	17.3%	18.5%
Existing Owner Close Rate	8.2%	37.1%	19.6%	22.3%	24.3%
New Owner Close Rate	7.9%	20.7%	13.6%	14.0%	13.2%
Volume Per Guest	\$680	\$5,815	\$3,498	\$3,411	\$3,114
Existing Owner VPG	\$1,254	\$7,586	\$4,105	\$4,763	\$3,941
New Owner VPG	\$567	\$4,076	\$2,404	\$2,532	\$2,221
Average Transaction Value	\$6,754	\$29,264	\$21,002	\$20,661	\$17,615
Existing Owner Average Transaction Value	\$5,127	\$30,145	\$20,925	\$22,593	\$18,110
New Owner Average Transaction Value	\$7,169	\$34,449	\$17,640	\$18,531	\$15,098

Source: Deloitte & Touche LLP based on a minimum of 12 company survey responses.

FIGURE 96

PORTFOLIO PERFORMANCE

	Minimum	Maximum	Simple average	Weighted average	Median
Portfolio Size	\$6,683,409	\$3,887,576,821	\$886,161,948	N/A	\$696,370,167
Currency	78.4%	97.0%	84.6%	86.2%	92.4%
Gross Defaults	1.1%	23.6%	9.7%	12.5%	8.1%
Allowance for Uncollectibles	4.1%	36.0%	17.5%	20.4%	17.1%
Interest Rate (Excluding Service Fee)	12.0%	17.5%	13.1%	13.9%	14.0%
Interest Rate (Including Service Fee)	12.5%	17.5%	13.1%	14.0%	15.2%
Term to Maturity (Months)	67.6	122.0	94.7	101.5	90.3
Weighted Average FICO Score	664	739	707	714	713
Static Pool Default Rate	7.2%	48.9%	19.5%	22.5%	18.8%

Source: Deloitte & Touche LLP based on a minimum of 9 company survey responses.

FIGURE 97

PORTFOLIO PERFORMANCE — NEW FINANCINGS

	Minimum	Maximum	Simple average	Weighted average	Median
Financed Value	43.4%	90.6%	55.3%	56.6%	59.7%
Term (Months)	89.3	135.0	113.9	117.9	117.2
Interest Rate (Excluding Service Fee)	12.0%	17.9%	14.1%	13.9%	13.7%
Interest Rate (Including Service Fee)	12.6%	17.9%	14.5%	14.2%	14.5%
Non-Upgrade Down Payment	10.0%	25.4%	16.8%	19.7%	15.6%
Upgrade Down Payment	18.3%	70.3%	37.2%	40.3%	33.6%
Weighted Average FICO Score	672	747	717	724	730

Source: Deloitte & Touche LLP based on a minimum of 9 company survey responses.

Part I - 2021

ARDA International Foundation - Financial Performance Survey

Timeshare company:

Address:

Person coordinating survey response:

Name:

Title:

Phone:

E-mail:

Please return completed survey to: ARDASurvey@deloitte.com

This is Part I of a two-part survey form. Part II is on the next tab of this workbook. The following questions refer to the entire timeshare organization, including all resorts, without separating by geographic region. Please answer all monetary questions in U.S. dollars. Provide data for calendar years 2019 and 2020 in the columns provided. Exclude fractionals, private residence clubs ("PRC's") and whole-ownership units from all parts of the survey. Definitions are provided on the last tab in this workbook.

Note: Many questions require answers to be based on financial statements prepared in accordance with Accounting Standards Codification 606 or 978 (formerly known as Statement of Financial Accounting Standards No. 152 Accounting for Real Estate Time-Sharing Transactions).

General Characteristics

Entire company, all geographies, calendar years
2019 2020

1. Ownership status at year-end (public or private)
2. Location of headquarters (city, state, and country)
3. Did you complete any acquisitions during the current year? (Business Combinations) (yes or no)
4. What type of products did the company offer during 2019 and 2020? (Note: Interval week programs have been separated into two categories in this question, an additional description has been provided on each timeshare category.)

- a. **Traditional interval weeks** (yes or no) Refers to ownership of traditional interval weeks. The consumer has purchased a specific type of week at a specific resort. This week may then be exchanged through internal or external exchange systems, either for an interval week-based vacation or in some cases transferred for points, such as in a hotel brand frequent guest program.
- b. **Interval weeks with the ability to use through a timeshare points system** (yes or no) Refers to a points system or vacation club backed by an interval week interest. The legal structure of the consumer's purchase is supported by a deeded week or week-based ownership interest (including right-to-use, beneficial interest associated with trust based vehicles, or other non-deeded week-based interest), but the consumer has the ability to use the interest at its "home resort" or directly through a timeshare points-based system.
- c. **Timeshare points** (yes or no) Refers to pure points systems. The consumer has purchased points or credits backed by a usage right to a club's internal network of resorts.
- d. **Fractionals** (yes or no) Exclude fractional sales and receivables from all questions in this survey.
- e. **Whole-ownership** (yes or no) Exclude whole-ownership sales and receivables from all questions in this survey.
- f. **Exclusive of the categories in questions 4a-4c**, (are you providing leased or term timeshare products (yes or no)?)

f.1 If yes to question f, please provide the sales dollar value

- 5a. Are you performing sales and marketing services on behalf of another developer for a fee ("fee-for-service")? (yes or no)
- 5b. Are fee-for-service activities being provided by another developer on your behalf? (yes or no)

Receivables Portfolio

6. The following questions refer to the portfolio of receivables (including securitized and/or hypothecated receivables), including receivables for sales made in earlier years.

Note: All responses related to receivables in the survey must relate to those receivables reported on the developer's financial statements. Do not include receivables that you are servicing for other developers.

- a. Gross outstanding portfolio balance, at December 31 (in dollars)
- b. At December 31, on a contractual basis what percentage of the dollar amount of this portfolio was:
 - Current (current or fewer than 31 days delinquent)
 - Between 31 to 60 days delinquent
 - Between 61 to 90 days delinquent
 - Between 91 to 120 days delinquent
 - More than 120 days delinquent

Total should equal 100%
- c. After how many days delinquent do you write-off receivables? (i.e., 120)
- d. Gross defaults (total amount charged against the allowance for uncollectible accounts as a percentage of gross outstanding portfolio balance, at December 31. Excludes foreclosure costs, which are included in Question 6e.)
- e. Allowance for uncollectible accounts as a percentage of gross outstanding portfolio balance, at December 31.
- f. General and administrative costs of financing operations (including financial costs such as treasury and consumer loan servicing, collection costs, and foreclosure costs) (report dollar value)
- g. Pro forma static pool default rate. Calculated as cumulative actual and projected future defaults net of reinstatements, divided by original principal balance. Reinstatements refer to receivables that had previously been deemed a credit loss, but which were later deemed to be collectable. Assume no inventory recovery.

Receivables Portfolio — *continued*

- h. Does the Company charge monthly servicing fees on financed receivables? (yes or no)
- i. What is the average monthly servicing fee?
- j. Average interest rate exclusive of monthly servicing fee (on the timeshare consumer loans in the portfolio at year-end, weighted by outstanding principal balance)
- k. Average interest rate inclusive of monthly servicing fee (on the timeshare consumer loans in the portfolio at year-end, weighted by outstanding principal balance)
- l. Weighted average maturity in months (average remaining months to maturity of loans in the portfolio at year-end, weighted by outstanding principal balance)
- m. Average FICO score (on loans in the portfolio at year-end, weighted by outstanding principal balance)
- n. Does the Company utilize FICO scoring in your receivables underwriting criteria? (yes or no)

Entire company, all geographies, calendar years
2019 2020

Hypothecation of Receivables During Year

7. The following questions refer to hypothecations of consumer receivables during 2019 and 2020.
- a. Value of total fundings (in dollars)
- b. Weighted average advance rate (percentage advanced to developer)
- c. Weighted average interest rate paid by developer for hypothecation loan
- d. Weighted average remaining term to maturity on consumer loans (at point of hypothecation, in months)

Entire company, all geographies, calendar years
2019 2020

Receivable Portfolio Transactions without Recourse During Year (Securitizations)

8. The following items refer to securitizations of consumer receivables during 2019 and 2020. Original sales only (exclude securities that had been previously sold, repurchased, and sold again).
- a. Number of separate securitization transactions
- b. Gross value of sales contracts securitized (reported as collateral value or outstanding principal balance) (in dollars)
- c. Weighted average advance rate (calculated as net value of sales or proceeds received for sale divided by gross value of sales contracts sold).
- Weighted average interest rate paid by timeshare company
- d. Weighted average benchmark rate (e.g., 5.2%)
- e. Weighted average spread (e.g., 0.6%)
- f. Total weighted average interest rate (combination of d and e; e.g., 5.8%) (calculated based on formula)
- g. Weighted average expected annual prepayment rate (including upgrades, excluding defaults)

Entire company, all geographies, calendar years
2019 2020

* Indicates a new question or questions that reflect changed wording from the 2020 survey form.

Part II - 2021**ARDA International Foundation - Financial Performance Survey**

The following questions require information for U.S. operations only. Please answer all monetary questions in U.S. dollars. Provide data for calendar years 2019 and 2020 in the columns provided. Definitions are provided on the last tab in this workbook. Note: Many questions require answers to be based on financial statements prepared in accordance with Accounting Standards Codification 606 or 978 (formerly known as Statement of Financial Accounting Standards No. 152 Accounting for Real Estate Time-Sharing Transactions).

Number of Resorts

9. Number of timeshare resorts. Exclude resorts that offer only fractional, private residence club, and/or whole-ownership product. It is expected that all resorts will be categorized in one of the following three categories. Multiple resort phases at a single location would typically be counted as a single resort. Note: Resorts in the survey must relate to inventory that is owned by the developer.
- a. Resorts that were open and in active sales. Include resorts that were in active sales at any point during the year, including resorts that did not have an on-site or proximate sales center, but which were actively sold from other sales centers. Proximate refers to situations in which the timeshare resort is near the sales center, such that buyers can easily visit and/or tour the resort site.
- b. Resorts that were not open but were in active pre-sales at any point during the year. Include resorts that did not have an on-site or proximate sales center but were actively sold from other sales centers.
- c. Resorts not in active sales at any point during the year.

U.S. sales locations (50 states), calendar years
2019 2020

Number of sales centers and sales activity by sales center typeU.S. sales locations (50 states), calendar years
2019 2020

10. Number of active sales centers and sales volume by sales center type. Exclude sales centers that sell only fractional, private residence club and/or whole-ownership product. Report the dollar value of net originated sales, which should be consistent with the total reported in Question 12c if you are not participating in fee-for-service arrangements. Enter "0" rather than "N/A" if answer is zero. Include sales to existing owners and other in-house guests.

Note: All sales data reported in this question must relate to all inventory that is sold by the developer including inventory sold on behalf of others under fee-for-service agreements. Do not report sales data related to inventory that is sold by other developers on your behalf.

- a. Sales centers located at, or proximate to, one of the respondent company's timeshare resorts that is either open or in pre-sales. Include sales centers that were in active sales at any point during the year.

a1. Number of centers

a2. Net originated sales (in dollars)

- b. Sales centers that are located in a hotel but not located at, or proximate to, one of the respondent company's timeshare resorts that is either open or in pre-sales. Include sales centers that were in active sales at any point during the year.

b1. Number of centers

b2. Net originated sales (in dollars)

- c. Sales centers that are neither located at, or proximate to, one of the respondent company's timeshare resorts or at a hotel. Excluding telesales.

c1. Number of centers

c2. Net originated sales (in dollars)

- d. Centers that conduct telesales activity (completing timeshare sales without hosting customers at a sales center).

d1. Number of centers conducting telesales

d2. Net originated sales by telesales (in dollars)

d2a. Telesales that were not to existing owners (in dollars)

d2b. Telesales that were to existing owners (in dollars)

- e. Total of four categories above (calculated based on formula)

e1. Total number of sales centers

e2. Total net originated sales (in dollars)

- f. Total net originated sales for non-owned timeshare inventory sold under fee-for-service agreements. (This is the total net originated sales of timeshare inventory sold on behalf of others under fee-for-service agreements)

0	0
\$0	\$0

Selected sales metricsU.S. sales locations (50 states), calendar years
2019 2020

11. Sales metrics. Exclude telesales from the following responses. Include sales to existing owners and other in-house guests.

Note: All sales data reported in this question must relate to all inventory that is sold by the developer including inventory sold on behalf of others under fee-for-service agreements. Do not report sales data related to inventory that is sold by other developers on your behalf.

- a. Number of tours. Represents the number of tours taken by guests in the company's efforts to sell timeshares. Include all tours of sales prospects, whether they occur on-site or at an off-site sales center.

a1. Number of owner tours

a2. Number of non-owner tours

- b. Number of sales transactions (exclude rescissions) (Transactions should include: week sales, EOY sales, multiple-week sales, upgrades (that count as zero weeks), points sales, reloads (which should be part of all categories above, except upgrades). Transactions should not include sales of trial membership programs.)

b1. Number of sales transactions that were not to existing owners

b2. Number of sales transactions that were to existing owners

- c. Close rate (excludes sales that are canceled through rescission, calculated based on formula)

- d. Net originated sales excluding telesales (expected to be the same as Question 10e2 minus telesales)

d1. Net originated sales that were not to existing owners

d2. Net originated sales that were to existing owners

- e. Volume per guest ("VPG"). Represents timeshare sales revenue per guest and is calculated by dividing net originated sales, excluding telesales, by the number of tours. (calculated based on formula)

- f. Average transaction value (this is calculated based on net originated sales and excludes any charges not reflected in net originated sales, such as closing costs)

Sales revenue

12. Annual timeshare sales information (in dollars). Include interval week and points sales. Show items that reduce revenue in a given period, such as rescissions, as negative values.

U.S. sales locations (50 states), calendar years
2019 2020

Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

- a. Gross sales (Sales value before rescissions. Sales value should approximate the amount at which a timeshare interest would be sold in an all-cash sale, without financing or incentives, e.g. net of the fair value of any incentives received by the buyer. Exclude temporary sales such as trial memberships, exit programs and samplers. Include the incremental dollar value of upgrade sales and reloads, regardless whether the sale represents incremental ownership of time. For example, include the dollar value of upgrades from a biennial to an annual interval, as well as an upgrade from a shoulder season to peak season or an upgrade from a one-bedroom to a two-bedroom.)

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Sales revenue — *continued*

- b. Rescissions (Typically this is a negative number that reduces gross sales to a lower value for net originated sales. Depository rescissions, which are situations in which the buyer has made a deposit but hasn't yet provided the down payment necessary to qualify the transaction as a contract sale, are not counted in gross sales and are therefore not counted as rescissions.)
- b1. Rescissions that were new owners
- b2. Rescissions that were existing owners
- c. Net originated sales (sub-total of a plus b)
- d. Reduction of revenue for uncollectible accounts
- e. Net deferrals for rescission period
- f. Net deferrals for buyer commitment
- g. Sales after reduction for uncollectibles accounts, and deferrals for rescission period and buyer commitment (sub-total of c plus d, e, and f)
- h. Net deferral for percentage-of-completion
- i. Sales revenue according to U.S. GAAP (total of g plus h)
- j. Total net originated sales for owned timeshare inventory sold under fee-for-service agreements. (This is the total net originated sales of timeshare inventory owned by you and sold by others under fee-for-service agreements)

U.S. sales locations (50 states), calendar years
2019 2020

For the following questions, please provide information on the company's interval week sales in Questions 13 to 15, and points sales in Questions 16 to 18.

- These two categories (points and interval weeks) are intended to be consistent with Question 4 in Part I, with Interval Sales referring to products that fit in categories 4a and 4b (traditional interval weeks and interval weeks with the ability to use through a timeshare points system) and Points Sales referring to products in 4c (pure timeshare points systems).
- These two categories are not intended to overlap, and the combined totals should represent the company's net originated sales reported in Question 13c.
- Exclude fractional, private residence club and whole-ownership sales.

Interval sales

13. Annual net originated timeshare sales of intervals (in dollars). (Consistent with definition of net originated sales used for Question 12c).

Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

14. Quarterly net originated timeshare sales of intervals (in dollars). The total of the four quarters of each year should match the total reported in Question 13.

Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

- a. 2019
- b. 2020

U.S. sales locations (50 states), calendar years
2019 2020

U.S. sales locations (50 states),
calendar year quarters

Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)

15. Number of equivalent weeks sold as interval week product. Include reloads and the incremental annual weeks of use associated with upgrade sales that result in incremental ownership of time, such as an upgrade from a biennial to an annual interval, but exclude upgrades that are only a change in unit type, resort, or season, such as one-bedroom to a two-bedroom. For example, the sale of one upgrade from a biennial to an annual interval would count as 0.5 equivalent weeks sold, while an upgrade from a shoulder season to a peak season or an upgrade from a one-bedroom to a two-bedroom would count as zero equivalent weeks sold. The answers to this question will be used to measure sample set sales volume in weeks, and to calculate yield per interval week based on response to Question 13 above (see "Definitions" tab for explanation of yield per week). Therefore, the figure should be prior to percentage-of-completion adjustment.

Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

U.S. sales locations (50 states), calendar years
2019 2020

Points sales

16. Annual net originated timeshare sales of points product (in dollars). (Consistent with definition of net originated sales used for Question 12c).

Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

17. Quarterly net originated timeshare sales of points product (in dollars). The total of the four quarters of each year should match the total reported in Question 16. Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

- a. 2019
b. 2020

18. Number of equivalent weeks sold as points product (calculate weeks sold on an implied interval week conversion factor based on internal measures, see "Definitions" tab). Include the incremental annual equivalent weeks of use associated with purchases of additional points by existing owners. The answers to this question will be used to measure sample set sales volume in weeks, and to calculate yield per equivalent week based on response to Question 15 above (see "Definitions" tab for explanation of yield per week). Therefore, the figure should be prior to percentage-of-completion adjustment.

Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

Check on totals

19. The following are calculations based on the answers provided above.
- Total net originated sales of interval weeks
 - Total net originated sales of points
 - Implied yield per week on interval week sales
 - Implied yield per week on points sales
 - Total weeks and points sales
 - Total net originated sales (should match the amount shown for 12c)
- Check on totals (is the sum of Q13 and Q16 equal to Q12c)

U.S. sales locations (50 states), calendar years
2019 2020

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U.S. sales locations (50 states),
calendar year quarters

Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)

U.S. sales locations (50 states), calendar years
2019 2020

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\$0	\$0
\$0	\$0
no interval weeks sold	no interval weeks sold
no points sold	no points sold
\$0	\$0
\$0	\$0
Yes, totals match	Yes, totals match

Inventory

20. Inventory that is currently available for sale. Defined as number of unsold weeks of inventory available for sale at resorts on December 31 (equivalent weeks of unsold inventory of units, including points and interval week products).

Note: The inventory data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory to be sold on behalf of others.

- a. Existing completed inventory available for sale. (Unsold inventory of completed units ready for intended use, including reacquired and unsold product. Units that are ready for intended use but do not yet have a certificate of occupancy should be included in the response to this question as completed inventory.)

21. Capital expenditures related to timeshare inventory:

- a. Capital expenditures related to the development of timeshare inventory that began construction in prior years. (For 2019, total capital expenditures during the year ended December 31, 2019 to develop timeshare inventory started prior to January 1, 2019. For 2020, total capital expenditures during the year ended December 31, 2020 to develop timeshare inventory started prior to January 1, 2020.)

- b. Capital expenditures related to timeshare inventory that began construction in the current year (new timeshare projects). (For 2019, total capital expenditures during the year ended December 31, 2019 related to timeshare inventory that was started between January 1, 2019, and December 31, 2019. For 2020, total capital expenditures during the year ended December 31, 2020 related to timeshare inventory that was started between January 1, 2020, and December 31, 2020.)

- c. Capital expenditures related to fully completed inventory for the year ended December 31, 2019 and 2020 (e.g. turn-key, Just In Time inventory purchases, buy-backs from Property Owner Associations)

Note: Do not include buyback purchases of developer inventory from owners or owner associations.

- d. Capital expenditures related to buy-backs from owners or Property Owner Associations for the year ended December 31, 2019 and 2020*

22. Dollar value of construction costs and undeveloped land included in inventory, but not under current development as of December 31, 2019 and 2020 (i.e. inventory developments where construction has been placed on hold or is inactive).

U.S. sales locations (50 states), calendar years
2019 2020

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Key Ratios

23. Express responses to the following items as percentages of net originated timeshare sales during the year as reported in Question 12c. .

- Because these amounts are being shown as a percentage of net originated sales, they should be before percentage-of-completion adjustment.
- Costs should be as applied for the current period, and exclude any retrospective adjustments being made for prior periods.
- Report the costs that correspond to sales that occurred at U.S. sales locations (e.g., sales office in the U.S.) in the U.S. sales locations columns, regardless of where the costs occurred (e.g., the product cost of inventory located in the Caribbean but sold through a sales office located in the U.S. should be reported in the U.S. sales locations columns).

Note: All sales data reported in this question must relate to inventory that is owned by the developer. Do not include inventory sold on behalf of others for the responses to this question.

- a. Estimated uncollectable sales (expected to be consistent with the value shown in Question 12d). Note the amounts are treated as variable consideration for those that adopted ASC 606.
- b. Cost of sales, also referred to as product cost (including land, infrastructure, amenities, buildings, FF&E, soft costs, capitalized interest, capitalized maintenance fees, etc.) using the relative sales value method. As with the other items in this question, express as a percentage of net originated sales.
- c. Sales commissions (gross, including taxes, benefits)
- d. Other sales and marketing costs to sell timeshare intervals or points. Include general and administrative costs associated with sales and marketing, and include closing cost expenses.
- e. General and administrative costs related to timeshare sales operations (excluding marketing, bad debt, HOA subsidies and G&A costs of financing operations, which are covered in Question 6f). Overall general and administrative costs should be allocated across the various revenue centers so that only the approximate portion of general and administrative costs related to timeshare sales operations are reported in this line. The method used to allocate G&A costs should be determined by the respondent. One example would be to allocate by revenue share, so that if timeshare sales operations account for 80 percent of total revenue, 80 percent of G&A costs would be allocated to this line.
- f. HOA subsidies and/or maintenance fees (operating, replacement reserve, and property taxes) paid by development company (including costs that the development company elected not to pass on as increased costs to owners in a given year), net of realized rental revenue.
- g. Pre-tax margin of timeshare sales operations

Total (it is expected that this total will equal 100%)

24. Percentage of net originated timeshare sales in which the buyer was already an existing owner of one or more timeshare interests at the company at the time of sale (do not count ownership of a trial membership as ownership of a timeshare interest at the company). Calculate as the dollar value net originated timeshare sales to existing owners (including upgrade sales and reloads) divided by the total dollar value of net originated timeshare sales reported in Question 12c.

Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

U.S. sales locations (50 states), calendar years
2019 2020

[illegible]

Consumer Financing

25. The following items refer to new financing provided to consumers at the point of sale during the period. Include telesales in the following responses. For upgrade sales, use the characteristics of the new loan. For example, if an owner with \$4,000 of equity and \$6,000 principal balance outstanding on an existing loan purchases an upgrade vacation ownership interest with a stated sales price of \$20,000, and uses the equity in their existing interval as the down payment, resulting in a new loan with a principal balance of \$16,000, use the interest rate and term of that \$16,000 loan.

Note: All responses related to receivables in the survey must relate to those receivables reported on the developer's financial statements. Do not include receivables that you are servicing for other developers.

- a. Ratios to total originated sales value plus closing costs. Consider the following example: 100 sales occur at an average price of \$10,000 and average closing costs of \$200 (\$1,020,000 of total originated sales value plus closing costs); 10 were cash or cash-out within the first 90 days (\$102,000 cash), 10 were upgrade sales for incremental sales revenue of \$10,000 and closing costs of \$200 in which there was no cash down payment (\$102,000 financed), while \$9,190 was financed on each of the other 80 sales (\$81,600 cash down payment, \$734,400 financed). In this example, a1 would be 10.0 percent (\$102,000/\$1,020,000), a2 would be 8.0 percent (\$81,600/\$1,020,000), and a3 would be 82.0 percent $((\$102,000 + \$734,400)/\$1,020,000)$.

- a1. Cash or cash-out within first 90 days

- a2. Cash down payment

Sub-total (a1+a2): Cash sales and down payments

- a3. Financed value

Total should equal 100%

- b. Average interest rate exclusive of servicing fee. Calculate as the weighted average provided on financed sales each year, using the stated interest rate on the notes. For example, if 10 loans with an original principal balance of \$9,000 carried a stated interest rate of 15 percent, and 20 loans with an original principal balance of \$8,000 carried a stated interest rate of 13 percent, the weighted average would be 13.7 percent.

U.S. sales locations (50 states), calendar years
2019 2020

100.0%	100.0%

Consumer Financing — continued

U.S. sales locations (50 states), calendar years
2019 2020

- c. Average interest rate inclusive of servicing fee, also known as Annual Percentage Rate ("APR"). Calculate as the weighted average provided on financed sales each year, using the APR on the notes. For example, if 10 loans with an original principal balance of \$9,000 carried an APR of 15 percent, and 20 loans with an original principal balance of \$8,000 carried an APR of 13 percent, the weighted average would be 13.7 percent.

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- d. Average term (in months). Calculate the weighted average on financed sales following the example for Question 25b. Exclude sales that are cash or cash-out.

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- e. Average down payment (as a percentage of stated sales price on financed sales). Calculate the weighted average for financed sales only. For example, if 100 sales occurred at an average price of \$10,000, and 10 were cash or cash-out within the first 90 days, 80 were financed with a \$1,000 down payment (\$80,000 down on \$800,000 of sales) and 10 were financed with a \$1,500 down payment (\$15,000 down on \$100,000 of sales), then the average down payment was 10.6 percent of the stated sales price on financed sales (\$95,000 down on \$900,000 of sales). Exclude sales that are cash or cash-out.

e1. Average down payment on non-upgrade sales (as a percentage of stated sales price on financed sales)

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e2. Average down payment on upgrade sales (In calculating the down payment on those sales that were upgrade sales, calculate the down payment as any cash down payment plus the amount of equity in the owner's existing vacation ownership interest, as a percentage of the stated sales price of the new (upgrade) vacation ownership interest.)

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- f. Distribution of new loans by FICO score (not weighted, simply the percentage of total new loans made to buyers in each FICO score range)

f1. 300 to 499

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f2. 500 to 549

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f3. 550 to 599

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f4. 600 to 649

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f5. 650 to 699

--	--

f6. 700 to 749

--	--

f7. 750 to 799

--	--

f8. 800 to 850

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f9. No FICO score

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Total (calculated based on formula, should equal 100%)

100.0%

100.0%

- g. Weighted average FICO score (on new loans, weighted by original principal balance, exclude buyers without FICO scores)

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- h. The Pro forma static pool default rate by FICO band. Calculated as cumulative actual and projected future defaults net of reinstatements, divided by original principal balance. Reinstatements refer to receivables that had previously been deemed a credit loss, but which were later deemed to be collectable. Assume no inventory recovery. The figure should NOT total to 100%.

h1. 300 to 499

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h2. 500 to 549

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h3. 550 to 599

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h4. 600 to 649

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h5. 650 to 699

--	--

h6. 700 to 749

--	--

h7. 750 to 799

--	--

h8. 800 to 850

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h9. No FICO score

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Total

0.0%

0.0%

26. Originations calculated as a **percentage of sales**.*

Note: All sales and origination data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

- a. Originations as a percentage of gross sales.

The gross sales amount inclusive of upgrade contract selling prices.

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- b. Originations as a percentage of net sales.

The net sales should equal gross sales less upgrade contract selling prices.

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The following questions require information for U.S. operations only. Please answer all monetary questions in U.S. dollars. Provide data for calendar year 2020 in the columns provided. Definitions are provided on the last tab in this workbook.

Impact of COVID-19U.S. sales locations (50 states), calendar year
2020

27. Was a mortgage deferment program offered to owners due to COVID-19? (yes/no) *

If yes, please provide the following information:

a. A description of the program

b. The number of owners who took advantage of the program as a percentage of total owners.

c. The dollar value impact of the deferment program as a percentage of total portfolio.

28. Please report the following data as a percentage of total owners who took advantage of a mortgage deferment program.*

a. Percentage of owners who received a second deferral

b. Percentage of owners who paid a partial payment or no payment

c. Percentage of owners who have defaulted

d. Percentage of owners who resumed payment after deferment period

29. Additional Allowance for Loan Losses recorded due to COVID-19 as a percentage of total Allowance recorded*

Glossary

Terms defined in ASC 978 (SOP 04-2)

The following are terms that are used in this survey that have the same meaning as defined in the FASB Accounting Standards Codification (ASC) 978 Real Estate – Time-Sharing Activities. The definitions provided below are abbreviated from ASC 978 for the purpose of this definitions page and do not represent guidance by Deloitte for any other purpose. Readers should refer to the full ASC 978 for reference.

Downgrade

A transaction under which, as a result of credit concerns, the holder of a timeshare interval returns it to the seller in exchange for a lower-valued interval.

Full accrual method

A method of recognizing profit for timeshare transactions under which profit is recognized in full provided the applicable criteria are met.

Percentage-of-completion method

A method of recognizing profit for time-sharing transactions under which the amount of revenue recognized (based on the sales value) at the time a sale is recognized is measured by the relationship of costs already incurred to the total costs already incurred and future costs expected to be incurred.

Recourse

The right of a transferee of receivables to receive payment from the transferor of those receivables for (1) failure of debtors to pay when due, (2) the effects of prepayments, or (3) adjustments resulting from defects in the eligibility of the transferred receivables.

Reload

A transaction whereby a customer obtains a second interval from the same seller but does not relinquish the right to the first, for example, obtaining an additional unit, an additional interval, or additional points.

Rescission

Statutory right of the buyer to cancel a sales contract within a certain defined time period and obtain a return of all consideration paid to the seller.

Relative sales value method

A method of allocating inventory cost and determining cost of sales in conjunction with a timeshare sale. Cost of sales is calculated as a percentage of net sales by applying a cost-of-sales percentage, determined as the ratio of inventory cost to total remaining estimated timeshare revenue to be collected from sales of the inventory.

Sales value

A calculated amount that approximates the amount at which a timeshare interval would be sold in an all-cash sale, without financing or incentives. Sales value is determined by adjusting the stated sales price to the present value of the receivable, adding fees paid by the buyer that are unrelated to financing, and subtracting the value of incentives and services provided to the buyer (to the extent the fair value of the incentives or services exceeds the amount the buyer pays for the incentives or services).

Trial membership program

A marketing program under which a timeshare developer offers a customer, who has previously toured one of the development company's projects, a stay at one or more of the development company's projects for an upfront fee that reflects a reduced rate. In exchange, the customer agrees to take another, subsequent tour under the trial membership program during the customer's stay at that project. If the subsequent tour results in a sale, the developer may allow the customer to apply some or all of the amount paid for the trial membership toward the purchase of a timeshare, and/or as a part of the down payment. Also referred to as an exit program or sampler.

Upgrade

A transaction whereby a customer relinquishes the right to a currently held timeshare interval and obtains a higher-priced timeshare interval from the same seller.

Terms defined in ASC 606

The following are terms that are used in this survey that have the same meaning as defined in the FASB Accounting Standards Codification (ASC) 606 Revenue from Contracts with Customers. The definitions provided below are abbreviated from ASC 606 for the purpose of this definitions page and do not represent guidance by Deloitte for any other purpose. Readers should refer to the full ASC 606 for reference.

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

Performance Obligation

A promise in a contract with a customer to transfer to the customer either:

- a. A good or service (or a bundle of goods or services) that is distinct
- b. A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Revenue

Revenue earned by an entity from its direct distribution, exploitation, or licensing of a film, before deduction for any of the entity's direct costs of distribution. For markets and territories in which an entity's fully or jointly-owned films are distributed by third parties, revenue is the net amounts payable to the entity by third party distributors. Revenue is reduced by appropriate allowances, estimated returns, price concessions, or similar adjustments, as applicable.

Probable

The future event or events are likely to occur.

Transaction Price

The amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties

Variable Consideration

If the consideration promised in a contract includes a variable amount, an entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer.

An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties, or other similar items. The promised consideration also can vary if an entity's entitlement to the consideration is contingent on the occurrence or nonoccurrence of a future event. For example, an amount of consideration would be variable if either a product was sold with a right of return or a fixed amount is promised as a performance bonus on achievement of a specified milestone

Terms not defined in SOP 04-2 or ASC 606

The following are terms that are not defined in SOP 04-2 or ASC 606 and are provided here for reference in completing the survey.

Default

Occurs when a loan is declared in default or when payments are more than 120 days delinquent.

Delinquent receivable

Results when a defined payment has not been received as specified by the loan documents. The delinquency period is defined as the number of days subsequent to the prescribed payment due date.

Discount rate

The interest rate used as one of the key assumptions in the valuation model to value the retained interest in a securitization transaction.

FAS 152 (ASC 978)

Statement of Financial Accounting Standards No. 152, *Accounting for Real Estate Time-Sharing Transactions* an amendment of FASB Statements No. 66 and 67. Accounting Standards Codification (ASC) 978, *Real Estate—Timesharing Activities*.

Fractionals

Ownership interest that is either a shared equity or club interest representing a time period of not fewer than two weeks but usually three weeks or more. Fractional ownership typically offers additional services, amenities, and flexibility relative to timeshare, so that a bundle of timeshare weeks would not be considered a fractional interest. Fractional sales and financed notes should be excluded from totals and averages reported in this survey.

Hypothecated receivables

Represents the installment sales contracts which are pledged as collateral for debt.

Interval week conversion factor

Points-based developers may calculate weeks sold on an implied interval week conversion factor based on internal measures. For example, one approach may be to divide the number of points redeemed during the year by the number of unit weeks occupied. Or, developers that assign point values to unit inventory may calculate the implied interval week conversion factor for the system overall.

Rescissions

Sales contracts that are executed and for which the timeshare company has received valid funds in accordance with the sales contracts, but which do not close escrow within 30 days. Contracts that fail to have adequate funds should be viewed as pending contracts and should not be recognized as either gross sales or rescissions. Deeds in lieu of foreclosure and/or contracts obtained by the developer through foreclosure proceedings should not be reflected in the rescission amounts. Depositary rescissions, which are situations in which the buyer has made a deposit but hasn't yet provided the down payment necessary to qualify the transaction as a contract sale, are not counted as part of gross sales, and therefore are not counted as rescissions.

Prepayment rate

The rate at which loans are paid off before the end of the note term. This is a key assumption used in the valuation model used to value the retained interest in a securitization model.

Securitization

The obtaining of funds through the issuance of securities backed by a pool of mortgages or mortgage-related securities without recourse.

Static pool default analysis

Static pool analysis is used to measure the performance of a grouping, or pool, of receivables. This method analyzes performance by tracking credit losses or other variables throughout the duration of the pool. For this survey, the static pool default rate is calculated as cumulative actual and projected future capital losses net of reinstatements, divided by the original principal balance.

Whole ownership

Vacation product in which each unit has one owner. Whole ownership sales and financed notes should be excluded from the totals and averages reported in this survey.

Yield per week

Net originated sales divided by number of equivalent weeks sold. It is the same concept as the average price per week measure that was calculated in previous editions of the Financial Performance Survey, but has been relabeled to reflect that upgrade sales revenue is included in the numerator of the calculation even though upgrade sales do not result in the net absorption of an additional equivalent week and therefore do not impact the denominator.

Terms defined in ASC 805 (FAS 141(r))

The following are terms that are used in this survey that have the same meaning as defined in the FASB Accounting Standards Codification (ASC) 805 Business Combinations. The definitions provided below are abbreviated from ASC 805 for the purpose of this definitions page and do not represent guidance by Deloitte for any other purpose. Readers should refer to the full ASC 805 for reference.

Acquirer

The entity that obtains control of the acquiree. However, in a business combination in which a variable interest entity (VIE) is acquired, the primary beneficiary of that entity always is the acquirer.

Business

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.

A self-sustaining integrated set of activities and assets conducted and managed for the purpose of providing a return to investors. A business consists of all of the following:

1. Inputs
2. Processes applied to those inputs
3. Resulting outputs that are used to generate revenues

For a set of activities and assets to be a business, it must contain all of the inputs and processes necessary for it to conduct normal operations, which include the ability to sustain a revenue stream by providing its outputs to customers.

Business Combination

A transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as true mergers or mergers of equals also are business combinations.



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1201 15th Street NW, Suite 400
Washington, DC 20015
(202) 371-6700
(202) 289-8544 fax

State Government Affairs Office

Landmark Center Two
225 E. Robinson Street, Suite 545
Orlando, FL 32801
(407) 245-7601
(407) 872-0771 fax

www.arda.org



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