

Financial Performance

2020

A SURVEY OF TIMESHARE & VACATION OWNERSHIP COMPANIES



2020 EDITION
PREPARED BY

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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 2020: 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.

According to the Federal Open Market Committee press release dated March 15, 2020:

“Information received since the Federal Open Market Committee met in January indicates that the labor market remained strong through February and economic activity rose at a moderate rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low. Although household spending rose at a moderate pace, business fixed investment and exports remained weak. More recently, the energy sector has come under stress. On a 12 month basis, overall inflation and inflation for items other than food and energy are running below 2 percent. Market-based measures of inflation compensation have declined; survey-based measures of longer-term inflation expectations are little change.”¹

The market conditions discussed above are consistent with the positive performance of the timeshare industry seen during 2019. The industry saw an increase in net originated sales when comparing 2019 with 2018. Further, there are additional positive indicators in the results reported in 2019 as increases were reported in volume per guest and transaction value.

As a result of the coronavirus pandemic (COVID-19), there are various unprecedented impacts on the travel and leisure industry. Despite the anticipated length of the business disruption, there is great resilience of consumers worldwide to return to ‘life as we knew it’ after the situation stabilizes. Per the most recent Federal Open Market Committee (“FOMC”) meeting, the FOMC press release dated April 29, 2020 discusses the market conditions as a result of COVID-19:

“The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. The virus and the measures taken to protect public health are inducing sharp declines in economic activity and a surge in job losses. Weaker demand and significantly lower oil prices are holding down consumer price inflation. The disruptions to economic activity here and abroad have significantly affected financial conditions and have impaired the flow of credit to U.S. households and businesses. The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term.”²

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 (2020, March) <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315a.htm>

² Federal Open Market Committee (FOMC) Press Releases (2020, April) <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200429a.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 that³:

- 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. This update was implemented by seven companies previously in 2018. Four out of the remaining nine participating companies provided ASC 606 data and adopted the standard in 2019. Most of them utilized the Full Retrospective adoption method, meaning they applied the new standard to the beginning of the reporting periods presented including restating prior period amounts. Only three of the total eleven companies used the Modified Retrospective method, which would be to implement the update on all new contract after the adoption date.

³ 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

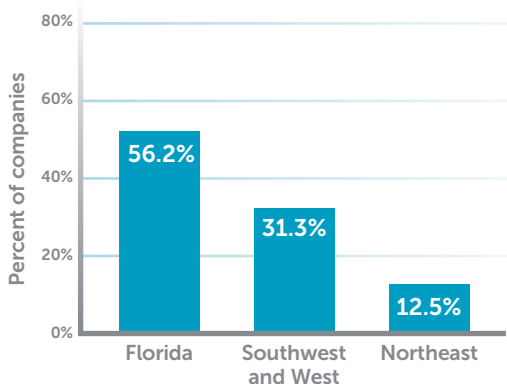
The Financial Performance Survey reflects a broad base of respondents and provides information in a consistent format, maintaining benchmarks that may be easily referenced. The questions within the survey were developed based on input from:

- 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 13, 2020. The survey response deadline was extended to April 13, 2020. 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, 2019



Source: Deloitte & Touche LLP based on 16 company survey responses.

Respondents

As of April 13, 2020, 16 companies, or approximately six percent of those surveyed, had responded. This set encompassed 399 resorts that were open and in active sales during 2019. The source line under each graph in the report shows the 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 16 survey respondents, seven companies are publicly-traded companies and nine are privately-held. Of the seven public company respondents, three represent individual subsidiaries of a single public company. These respondents have consolidated over the last two years, but have not fully integrated their total company data in order to provide responses on an overall basis. Because these companies still provide responses at the individual subsidiary level, we treat them as their own respondents and consider the total number of public company respondents to be seven instead of five. The seven public companies that provided sales information accounted for 68.6 percent of net originated U.S. sales in 2019, as reported by the 16 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 16 of the respondents are U.S. companies. Nine of the respondents are based in Florida, while companies in the Northeast, and Southwest and West regions also responded.⁴ No respondents were based in other Southeast states (besides Florida) or the Midwest.

⁴ 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

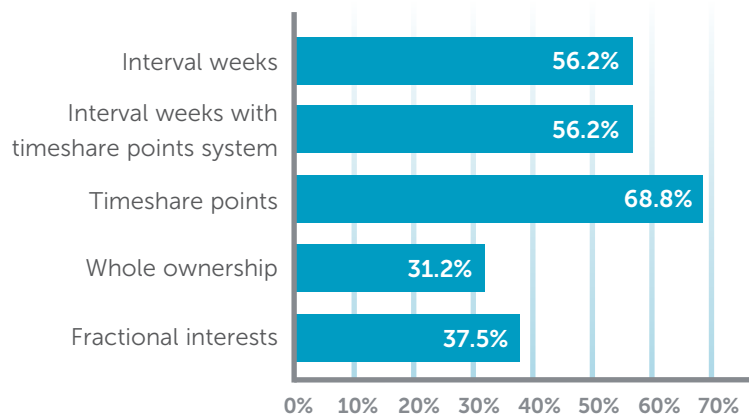
An ownership interest system that is either a shared equity or club interest representing a time period of not fewer than two weeks, but usually three weeks or more.

5 Whole ownership

Vacation product in which each unit has one owner.

Timeshare points were offered by 68.8 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. Six respondents reported offering fractional interest products, and five 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).⁵

FIGURE 2
PRODUCT OFFERING BY % OF COMPANIES, 2019

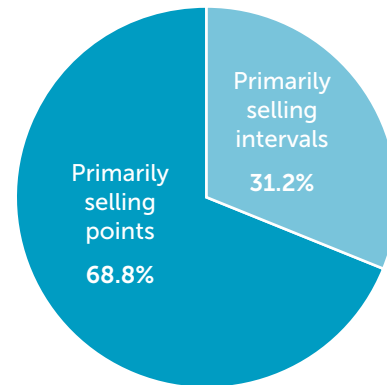


Note: Some respondents offer multiple product types. Source: Deloitte & Touche LLP based on 16 company survey responses.

⁵ 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 16 companies that responded to this question, five reported selling only intervals, nine companies reported selling only points, and the remaining two companies reported selling a mixture of both interval weeks and points. Both of these companies primarily sold points and were therefore categorized as points companies. As a result of this categorization process, as shown in Figure 3, 68.8 percent of the respondents were categorized as point companies and 31.2 percent of the respondents were categorized as interval companies.⁶

FIGURE 3
SEGMENTATION OF COMPANIES
BY PRODUCT OFFERING



Source: Deloitte & Touche LLP based on 16 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 companies that participated in this edition are not identical to those that participated in prior 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 2018 and 2019 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 2018 and 2019, 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.

⁶ 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 increased 4.9 percent, while net originated sales including fee-for-service increased 3.7 percent** (Page 13). In total, the 16 respondents that provided sales information reported \$7.176 billion in net originated timeshare sales excluding fee-for-service in 2019 (Page 13). Total net originated sales including fee-for-service arrangements increased 3.7 percent from 2018 to 2019, increasing from \$7.869 billion to \$8.161 billion (Page 13). Note: Each of the respondents provided results for both 2018 and 2019 for these metrics, therefore the comparisons between 2018 and 2019 for net originated sales including and excluding fee-for-service are appropriate.
- **Four out of fourteen companies who responded with details around ASC 606 had adopted ASC 606 during 2019.** Seven companies already adopted the standard in 2018. Of the companies who adopted ASC 606 during 2019, 50% used the Full Retrospective adoption method (Page 14).
- **Points sales represented 80.9 percent of the \$7.176 billion of net originated sales excluding fee-for-service** (Page 14). Of the \$7.176 billion of net originated sales reported by 16 companies in 2019, \$5.808 billion (80.9 percent) was classified as points sales, while \$1.368 billion (19.1 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 4.2 percent from \$1,029.2 million in 2018 to \$985.7 million in 2019** (Page 15).
- **Net originated sales at U.S. locations averaged \$38.4 million per resort in active sales** (Page 20).
- **Capital expenditures related to completed timeshare inventory increased by 10.6 percent from 2018 to 2019** (Page 24). Total capital expenditures related to completed timeshare inventory increased from \$472.4 million in 2018 to \$521.8 million in 2019 (Page 24).
- **The average yield per week increased 11.4 percent in 2019, with a weighted average yield of \$34,040** (Page 26).
- **Sales tours, volume per guest, and average transaction value increased and net close rate decreased slightly from 2018 to 2019** (Pages 28 to 31). In 2019, respondents reported hosting 2.66 million sales tours, compared to 2.59 million sales tours in the previous year (Page 28). Respondents achieved a weighted average net closing rate of 14.5 percent, which decreased from the 14.7 percent reported for 2018 (Page 29). During the year, weighted average volume per guest increased from \$3,000 in 2018 to \$3,036 in 2019 (Page 30), and weighted average transaction value increased from \$20,962 to \$21,538, respectively (Page 31).
- **Average transaction value for new owner sales and for existing owner sales both increased from 2018 to 2019** (Page 31). Respondents reported that the average transaction value for new owner sales increased from \$19,973 in 2018 to \$20,558 in 2019, while the weighted average transaction value for existing owner sales increased from \$22,237 in 2018 to \$23,035 in 2019⁷ (Page 31).
- **Rescissions, as a portion of gross sales, increased 0.6 percentage points in 2019** (Page 34). Respondents reported an increase of gross sales rescissions, which averaged 16.6 percent in 2018 compared to 17.2 percent in 2019 (Page 34).

⁷ 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.

Key ratios

- **Estimated uncollectible sales, as a portion of net originated sales, averaged 18.6 percent in 2019** (Page 36).
- **Product costs, as a portion of net originated sales, averaged 13.5 percent in 2019** (Page 39).
- **General and administrative costs, as a portion of net originated sales, averaged 8.3 percent in 2019** (Page 43).
- **Homeowners association (HOA) subsidies and maintenance fees for unsold units net of rental revenues, as a portion of net originated sales, averaged 1.4 percent in 2019** (Page 44).
- **Operating profit margin on timeshare sales operations averaged 14.7 percent in 2019** (Page 45).
- **Respondents reported that 55.7 percent of timeshare sales, by dollar value, in 2019 were to buyers who already owned at least one timeshare interest at the company, on a weighted average basis** (Page 47).

Hypothecation of receivables

- **The average interest rate decreased and the advance rate increased when compared to 2018** (Page 48). Seven respondents provided information on hypothecations of receivables that occurred during 2019, totaling 453.6 million (Page 48). The average interest rate decreased from 4.9 percent in 2018 to 4.7 percent in 2019 (Page 48). The average advance rate increased from 81.7 percent in 2018 to 86.4 percent in 2019 (Page 48).

Portfolio sales and securitizations

- **For respondents who reported securitizations in both 2018 and 2019, both the average transaction size of securitizations and interest rates decreased while the average advance rates increased** (Page 50). For those respondents that reported securitizations in both 2018 and 2019, the average transaction size of reported securitizations decreased 27.8 percent from \$370.4 million to \$267.6 million (Page 50); the average interest rate decreased 0.6 percentage points from 3.8 percent to 3.2 percent (Page 50); and the average advance rate increased 3.7 percentage points from 93.0 percent to 96.7 percent (Page 50). The eleven separate securitization transactions reported by survey respondents in 2019 represented a total value of \$2.943 billion, measured as the gross value of the sales contracts securitized (Page 50).

Consumer financing and receivables portfolio performance

- **Of the \$6.181 billion of net originated timeshare sales in which respondents provided financing information, \$3.718 billion were financed** (Page 51). Approximately 60.2 percent of the dollar value of net originated timeshare sales were financed in 2019 (Page 51). Ten respondents reported that in 2019, the weighted average interest rate on new loans to consumers including servicing fees was 14.1 percent and the weighted average interest rate on new loans to consumers excluding servicing fees for those same respondents was 14.0 percent (Page 52). The weighted average down payment associated with non-upgrade sales was 17.8 percent of the contract price (Page 52), and the average down payment associated with upgrade sales, including the equity in their existing vacation ownership interest, was 39.9 percent of the contract price (Page 53).
- **Current receivables decreased by 1.8 percentage points from 2018 to 2019, while those more than 120 days delinquent increased by 1.5 percentage points** (Page 56). The share of current receivables (current or fewer than 31 days delinquent) was 87.8 percent in 2019 (Page 56), while the share of receivables more than 60 days delinquent was 10.2 percent (Page 56).
- **Gross defaults, as a portion of the gross outstanding portfolio balance at year-end, averaged 9.9 percent in 2019, which is an increase of 1.9 percentage points as compared to 2018** (Page 58).
- **The weighted average allowance for uncollectible accounts, as a portion of gross outstanding portfolio balance at year-end, was 17.9 percent in 2019** (Page 59). This was a decrease of 0.2 percentage points as compared to 2018.
- **The weighted average interest rate exclusive of servicing fees and inclusive of servicing fees on loans held in portfolios increased from 2018 to 2019. The average remaining term increased from 2018 to 2019** (Page 61). The weighted average interest rate on timeshare consumer loans held in portfolios at year-end was 13.8 percent in 2019 exclusive of servicing fees and 13.6 percent in 2019 inclusive of servicing fees (Page 60). The weighted average term to maturity for loans held was 103.0 months (Page 61).
- **The weighted average general and administrative costs of financing operations, as a portion of outstanding portfolio balance, was 1.4 percent in 2019, consistent with 2018.** (Page 62).

FICO scores

- **The use of FICO scoring as an underwriting component in 2019 is consistent with 2018.** (Page 63). A majority of the respondents, 93.3 percent, reported that they utilize FICO scoring in their underwriting criteria in 2019, which is consistent with 2018 as reported by the same survey respondents (Page 63).
- **Average FICO scores on loans held in receivable portfolios decreased in 2019 as compared to 2018** (Page 64). The weighted average FICO score on loans held in receivables portfolios at year-end, as reported by respondents, decreased 2 points from 706 in 2018 to 704 in 2019 (Page 64).
- **The weighted average FICO scores on new financings in 2019 is consistent with 2018** (Page 65). FICO scores on new financings ranged from 670 to 750 in 2019 (Page 65). Additionally, the weighted average FICO score on new financings of 725 in 2019 is consistent with 2018 (Page 65).
- **The weighted average static pool default rate increased 0.6 percentage points to 19.6 percent in 2019, as reported by thirteen respondents** (Page 66).
- **The static pool default rate by FICO score (the static pool default percentages by FICO score range at the time the loan was made to purchasers) decreased across several bands from 2018 to 2019** (Page 66). The static pool default rate⁸ by FICO score decreased for most bands, except the band categories from 300 to 499, 750 to 799, 800 to 850, and those with No FICO score from 2018 to 2019 (Page 66).

⁸ 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.

Companies were asked to provide data on major financial indicators for 2018 and 2019. 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

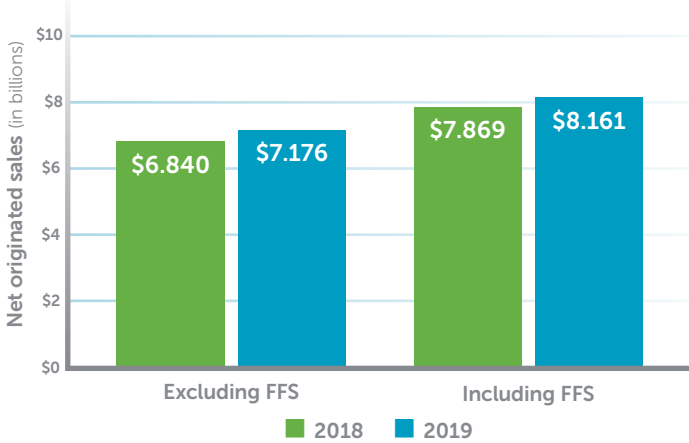
The concept of net originated timeshare sales as reported in this survey is gross sales revenues net of rescissions, but before reduction of revenue for uncollectible accounts and deferrals. Therefore, net originated timeshare sales is an operational or managerial measure of sales volume and does not 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 16 respondents that provided sales information reported \$7.176 billion in net originated timeshare sales in 2019. The overall percentage change in net originated timeshare sales between 2018 and 2019 was an increase of 4.9 percent as shown in Figure 4.¹⁰ Net originated sales inclusive of inventory sold under fee-for-service arrangements increased by 3.7 percent to \$8.161 billion as reported by 16 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. Despite the expansion evidenced over the past decade, the industry is expected to be impacted as a result of COVID-19 as evidenced by the aforementioned market conditions discussed in the April 29, 2020 FOMC press release.

⁹ Sales of fractional ownership interests and whole ownership are not included in the Financial Performance Survey.

¹⁰ 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.

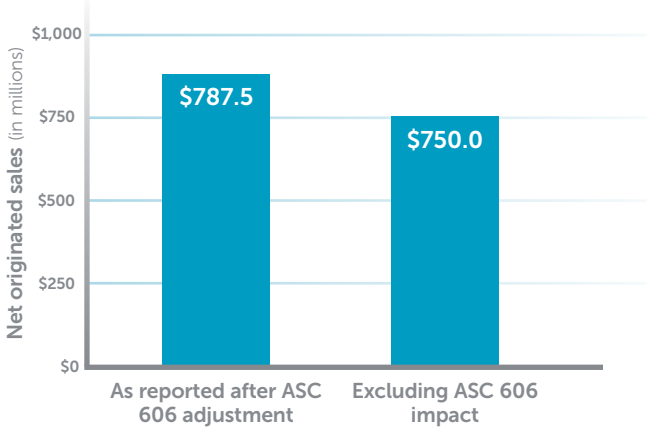
FIGURE 4
NET ORIGINATED TIMESHARE SALES 2018 AND 2019



Source: Deloitte & Touche LLP based on 16 company survey responses for net originated sales, 4 company survey responses providing fee-for-service.

Fourteen companies responded to whether they adopted ASC 606. Out of the fourteen respondents, four companies had adopted ASC 606 in 2019 and seven companies adopted ASC 606 in 2018. Of the companies who adopted ASC 606 in 2019, two used the full retrospective method and two used the modified retrospective adoption method. Two of the four companies who adopted ASC 606 in 2019 provided the dollar value impact the implementation had on net originated sales. In Figure 4a, we analyzed the net originated sales for the two companies who reported a dollar value impact. The two respondents reported a 5.0% increase in net originated sales as adjusted for ASC 606.

FIGURE 4a
NET ORIGINATED SALES WITH THE IMPACT OF ASC 606 REMOVED



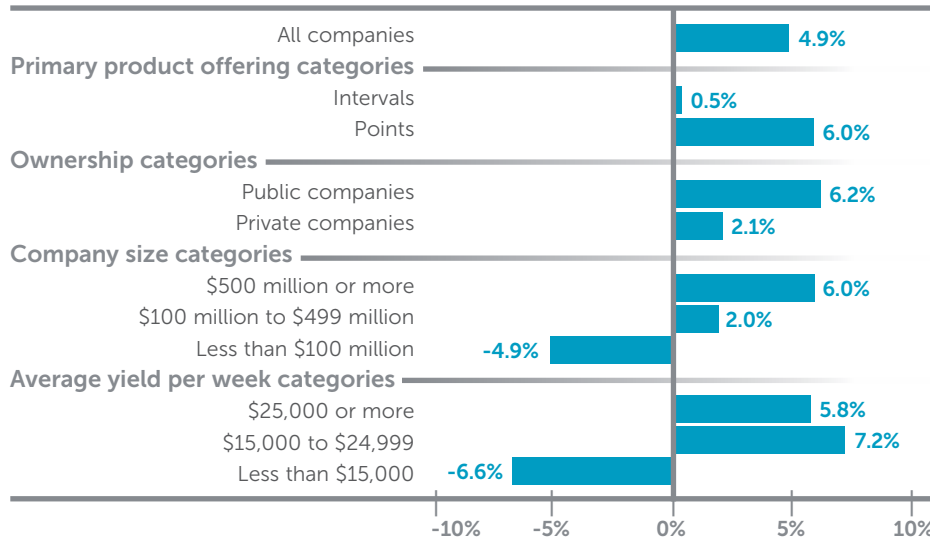
Source: Deloitte & Touche LLP based on 2 company survey responses.

Of the 16 companies that reported net originated sales information, 7 companies, or 43.7 percent of the respondents, reported sales increases, while the remaining 9 companies, or 56.3 percent, reported sales decreases. Public companies experienced a simple average increase of 6.2 percent and private companies experienced a simple average increase of 2.1 percent. Companies with \$500 million or more in net originated sales experienced a simple average increase of 6.0 percent, companies with between \$100 million and \$499 million in net originated sales experienced a simple average increase of 2.0 percent, and companies with less than \$100 million in net originated sales experienced a simple average decrease of 4.9 percent (Figure 5).

Points companies reported a simple average increase of 6.0 percent from 2018 to 2019, compared to a 0.5 percent increase for interval companies. Among these respondent companies that provided sales information, 31.2 percent were categorized as interval companies and 68.8 percent were categorized as points companies. Of the \$7.176 billion of net originated U.S. timeshare sales in 2019, \$1.368 billion (19.1 percent) was classified as interval sales, while \$5.808 billion (80.9 percent) was classified as points sales.¹¹

¹¹ 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 GROWTH FROM 2018 TO 2019 BY COMPANY CATEGORY



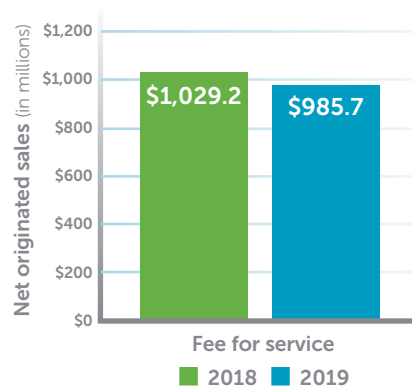
Source: Deloitte & Touche LLP based on a minimum of 15 company survey responses.

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 growth increase based on current year sales is 5.2 percent compared to 2018.

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 represents 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 2020 survey were posed related to fee-for-service arrangements. Of the 16 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 2018. The overall percentage change in net originated sales under fee-for-service arrangements between 2018 and 2019 was a decrease of 4.2 percent. Figure 6 reflects the amount of timeshare sold on behalf of others for the four respondents.

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

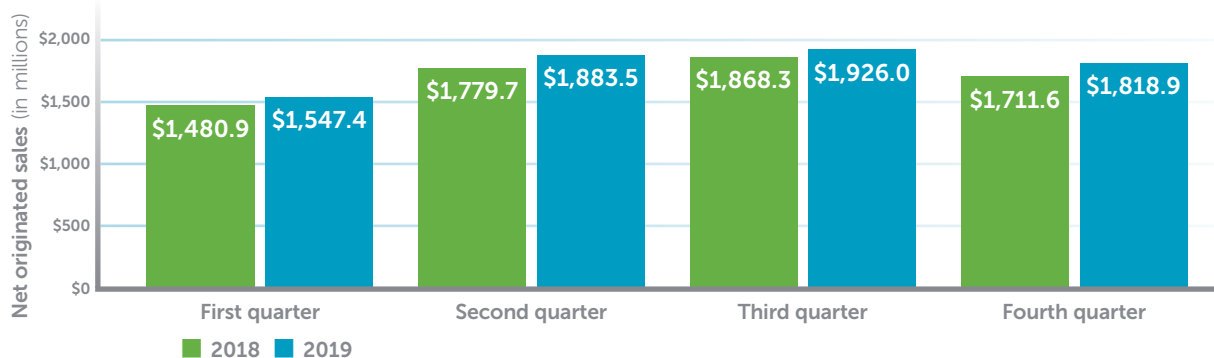


Source: Deloitte & Touche LLP based on 4 company survey responses.

Quarterly timeshare sales

Timeshare sales in many locations exhibit seasonal patterns, as popular vacation periods correspond to heightened sales activity. During 2019, timeshare sales were highest in the third quarter of the year and lowest in the first quarter, based on the responses of 16 companies (Figure 7). Net originated sales were higher, on average, for each quarter of 2019 compared to the same quarter in 2018 (Figure 7). This resulted in an overall increase from 2018 to 2019 of 4.9 percent.

FIGURE 7
QUARTERLY NET ORIGINATED TIMESHARE SALES, 2018 AND 2019, U.S.



Source: Deloitte & Touche LLP based on 16 company survey responses.

Number of locations

The Financial Performance Survey is conducted at the company level, with most companies representing multiple resorts. Of the 526 U.S. resorts represented by respondents in 2019, 399 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 (127 resorts).

FIGURE 8
DISTRIBUTION OF RESORTS AND SALES CENTERS BY TYPE, U.S.

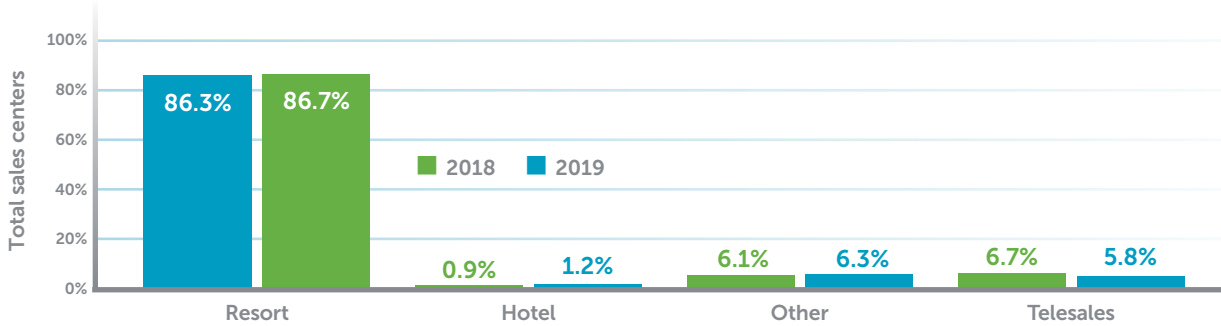
Resorts	2018	2019	Percent change
Open, in active sales	391	399	2.0%
In active pre-sales	2	2	0.0%
Not in active sales	121	125	3.3%
Total resorts	514	526	2.3%
Sales centers			
At a resort	295	301	2.0%
At a hotel	3	4	33.3%
Not at a resort or a hotel	21	22	4.8%
Telesales	23	20	-13.0%
Total sales centers	342	347	1.5%

Source: Deloitte & Touche LLP based on 16 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 (301 sales centers), respondents also reported 4 sales centers at a hotel, 22 off-site sales centers that were neither at a resort nor at a hotel, and 20 telesales centers.

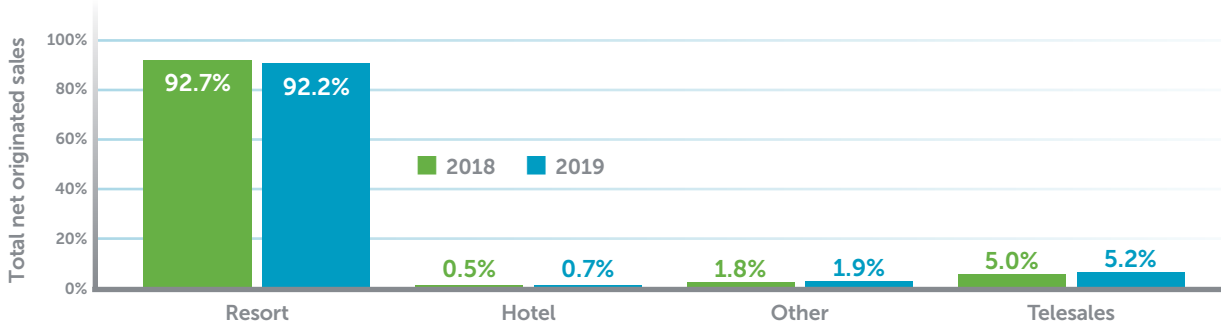
Sales centers at resorts accounted for 86.7 percent of the overall sales centers reported in 2019 and 86.3 percent of net originated sales among the respondent companies (Figure 9 and Figure 10). Conversely, sales centers not located at a resort accounted for 13.3 percent of total sales centers, but only 7.8 percent of net originated sales in 2019.

FIGURE 9
DISTRIBUTION OF SALES CENTERS BY TYPE: 2018 AND 2019, U.S.



Source: Deloitte & Touche LLP based on 16 company survey responses.

FIGURE 10
NET ORIGINATED SALES DISTRIBUTION BY SALES CENTER TYPE: 2018 AND 2019, U.S.

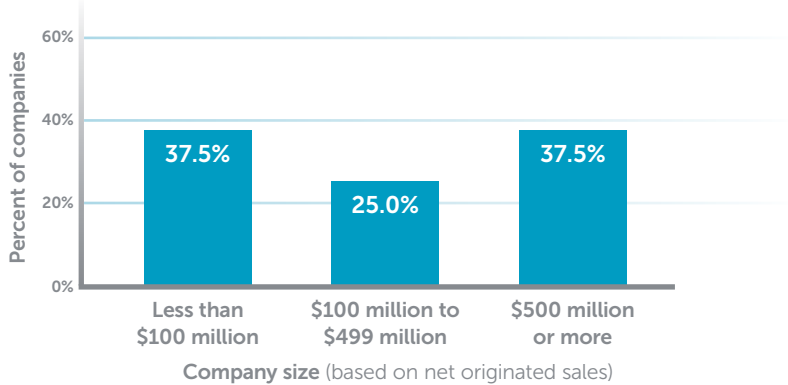


Source: Deloitte & Touche LLP based on 16 company survey responses.

Company size

Annual net originated sales for the respondent companies ranged from \$2.4 million to \$2.2 billion 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 2019 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.

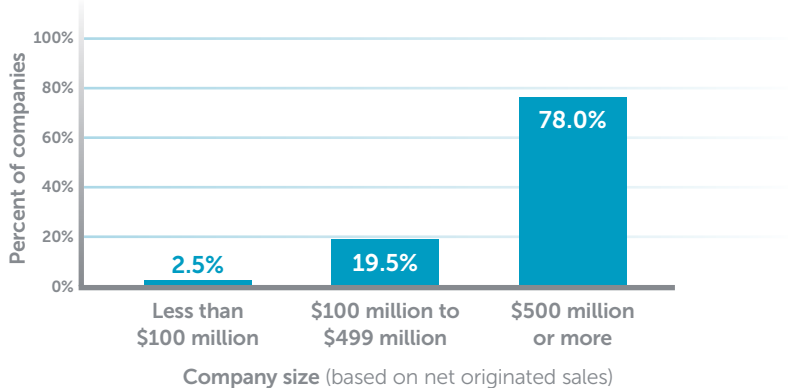
**FIGURE 11
DISTRIBUTION OF COMPANIES BY
COMPANY SIZE CATEGORY, 2019**



Source: Deloitte & Touche LLP based on 16 company survey responses.

Because the larger companies have substantial operations, the six companies in the largest size category (\$500 million or more) accounted for 78.0 percent of total net originated sales (Figure 12). In 2019, companies with sales between \$100 million and \$499 million represented 25.0 percent of the response base, yet accounted for 19.5 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.

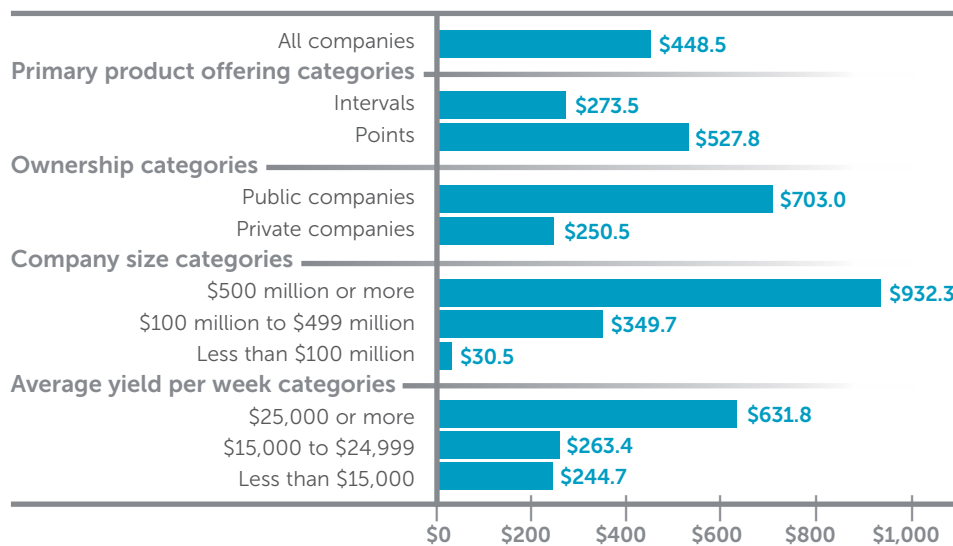
**FIGURE 12
DISTRIBUTION OF TOTAL NET ORIGINATED
SALES BY COMPANY SIZE CATEGORY, 2019, U.S.**



Source: Deloitte & Touche LLP based on 16 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 6.82 percent of the total net originated sales. 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.

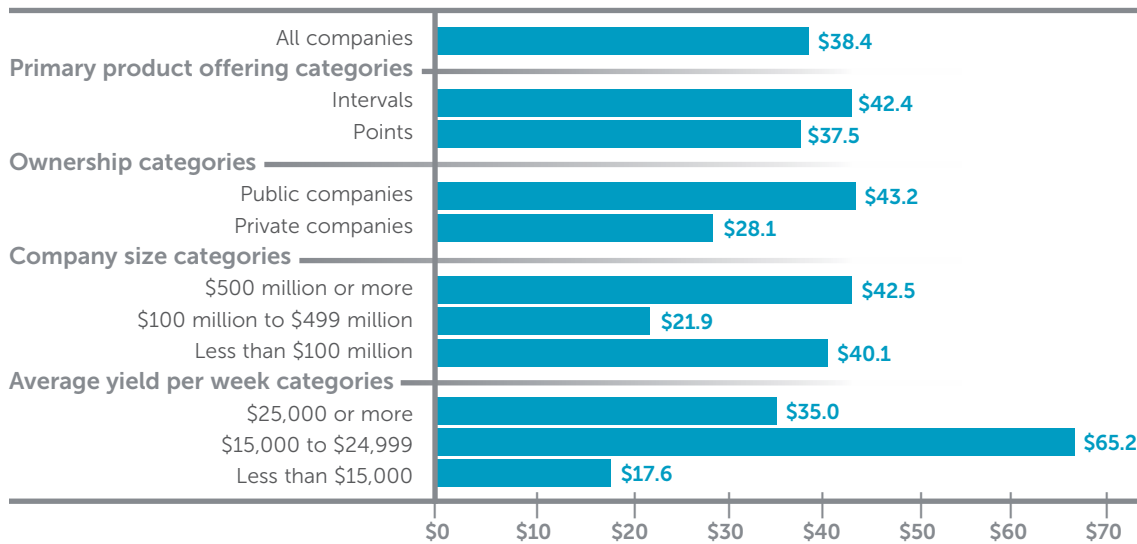
FIGURE 13
SIMPLE AVERAGE NET ORIGINATED SALES (IN MILLIONS)
PER COMPANY BY COMPANY CATEGORY, 2019, U.S.



Source: Deloitte & Touche LLP based on a minimum of 15 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 \$38.4 million in 2019 (Figure 14). Companies primarily selling intervals reported average sales of \$42.4 million per resort in active sales, while points companies reported average sales of \$37.5 million per resort in active sales. Respondents with an average yield per week between \$15,000 and \$24,999 achieved the highest results with an average of \$65.2 million per resort in active sales.

FIGURE 14
WEIGHTED AVERAGE NET ORIGINATED SALES PER RESORT IN
ACTIVE SALES BY COMPANY CATEGORY (IN MILLIONS), 2019, U.S.



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

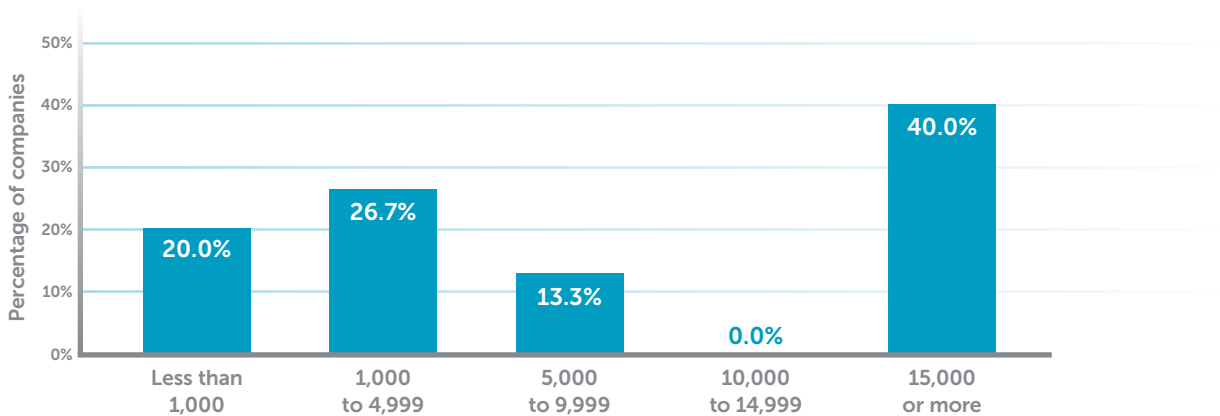
Timeshare sales measured in weeks

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 239,253 weeks of annual use were sold at U.S. sales locations in 2019 by the 15 companies that responded to this question. This represented a decrease of 6.0 percent from the 254,523 weeks of annual use in 2018 as reported by the same survey respondents. Approximately 53.3 percent of the respondents sold 5,000 or more timeshare weeks during 2019 (Figure 15).

FIGURE 15

DISTRIBUTION OF COMPANIES BY ANNUAL NUMBER OF WEEKS SOLD, 2019, U.S.

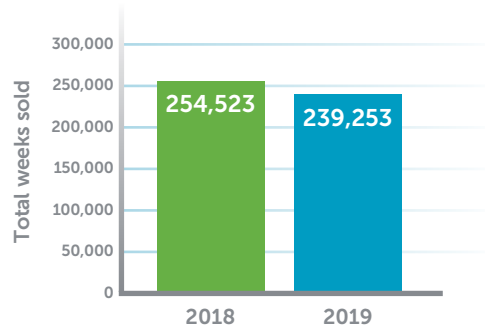


Source: Deloitte & Touche LLP based on 15 company survey responses.

The total of 15 respondents for this question, reported sales of 239,253 timeshare weeks in 2019, which was a 6.0 percent decrease in the number of weeks sold compared to 2018 (Figure 15a).

FIGURE 15a

TOTAL WEEKS SOLD, 2018 AND 2019, U.S.



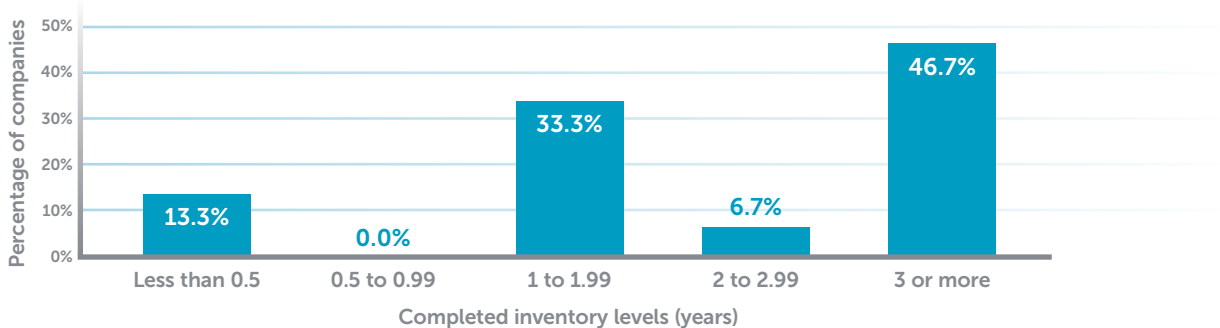
Source: Deloitte & Touche LLP based on 15 company survey responses.

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 16 respondent companies, there were a total of 561,584 weeks of completed inventory as of December 31, 2019. 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 2019 sales pace. Completed inventory levels are calculated by taking the reported inventory and dividing it by the total number of weeks sold in 2019. For example, a company that had 5,000 unsold weeks of inventory at year-end 2019 after selling 2,500 weeks during 2019 would be counted as having an inventory level of two years (5,000 divided by 2,500).

In 2019, 53.4 percent of the 15 companies that responded to this question held at least two years of completed inventory (Figure 16). Years of completed inventory ranged from less than one year to almost 11 years. The weighted average inventory levels of all respondents increased by 0.49 years from 2.22 years to 2.71 years from 2018 to 2019.

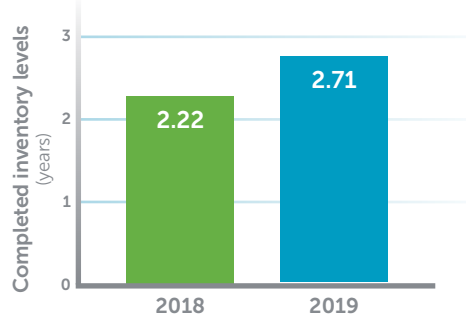
FIGURE 16
DISTRIBUTION OF COMPANIES BY COMPLETED INVENTORY LEVELS (YEARS), 2019, U.S.



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

Years of completed inventory increased from 2.22 to 2.71 from 2018 to 2019 (Figure 16a). The calculation for the analysis presented below utilizes equivalent weeks sold in 2019.

FIGURE 16a
COMPLETED INVENTORY LEVELS, 2018 AND 2019, U.S.

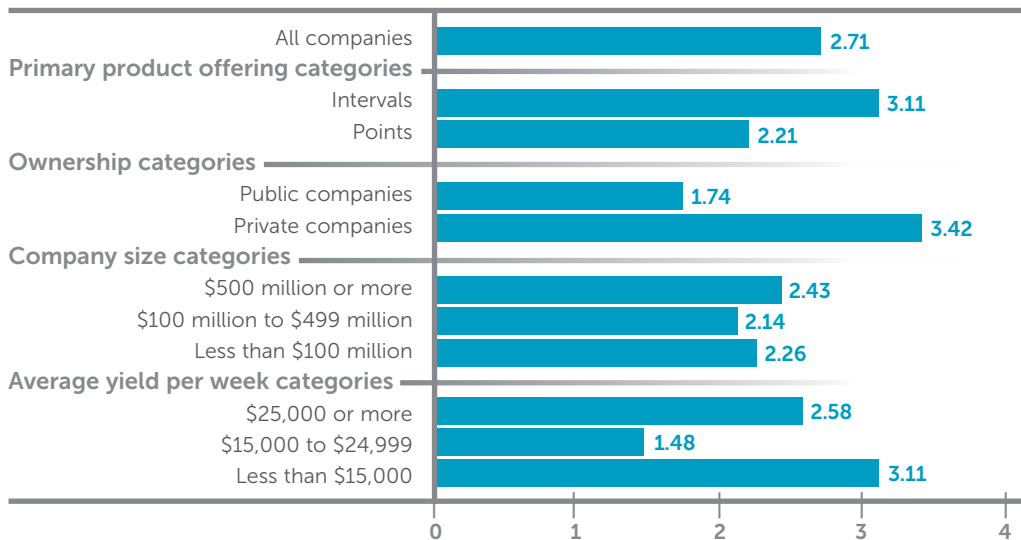


Source: Deloitte & Touche LLP based on 15 company survey responses.

Overall, the 15 companies that provided information showed an average of 2.71 years of completed inventory available for sale, on a weighted average basis.¹² Completed inventory levels varied across categories (Figure 17).

FIGURE 17

COMPLETED INVENTORY LEVELS BY COMPANY CATEGORY, 2019, (IN YEARS)

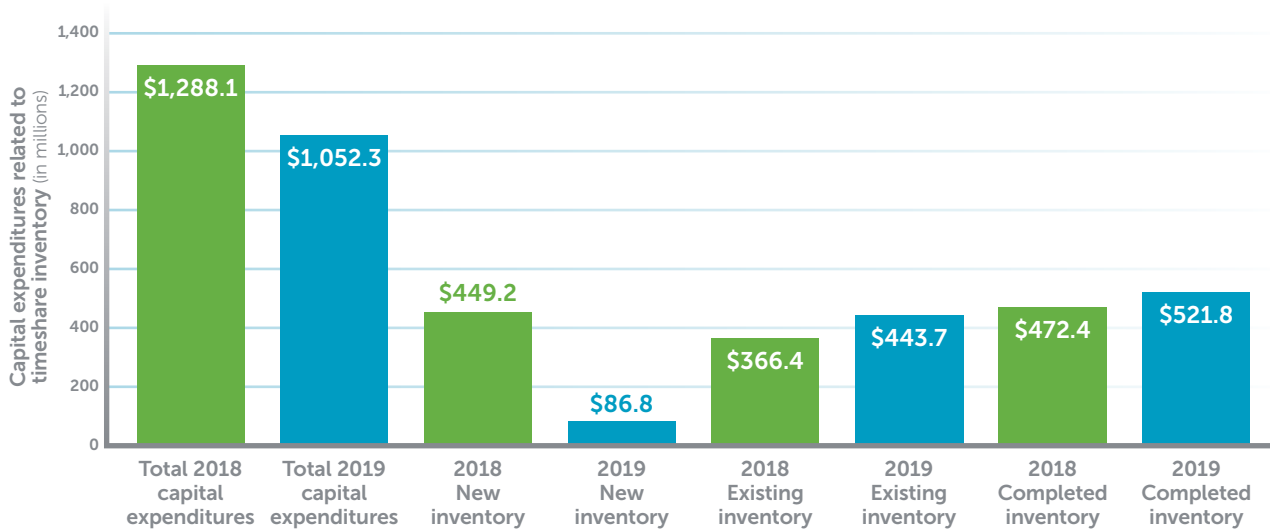


Source: Deloitte & Touche LLP based on 15 company survey responses.

¹² The weighted average inventory level is based on the average 2019 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 2019 sales pace would imply an average inventory level equal to 2.0 years of sales; similarly a sales pace 30 percent below the 2019 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 2019 survey regarding capital expenditures related to the development of timeshare inventory for both 2018 and 2019. Of the 13 respondents, 5, or 38.5 percent, increased capital expenditures related to the development of timeshare inventory, and 8 respondents, or 61.5 percent, decreased capital expenditures related to the development of timeshare inventory. Capital expenditures related to the development of new timeshare inventory decreased from \$449.2 million in 2018 to \$86.8 million in 2019. Capital expenditures related to the development of timeshare inventory that began construction in prior years increased from \$366.4 million in 2018 to \$443.7 million in 2019. (Figure 18).

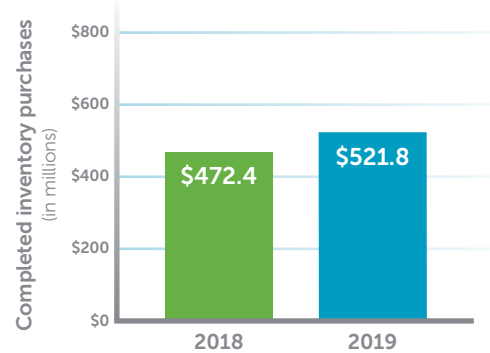
FIGURE 18
CAPITAL EXPENDITURES (IN MILLIONS)



Source: Deloitte & Touche LLP based on a minimum of 6 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). Nine respondent companies reported \$521.8 million in capital expenditures of completed inventory in 2019, which was an increase of 10.6 percent compared to the \$472.4 million in capital expenditures of completed inventory in 2018 (Figure 19). Five respondent companies reported increases in capital expenditures of completed inventory, five companies reported a decrease, and six respondent companies did not report capital expenditures of completed inventory for 2018 or 2019. Capital expenditures of completed inventory represented approximately 49.6 percent of total capital expenditures related to timeshare inventory in 2019, compared to approximately 36.7 percent of total capital expenditures related to timeshare inventory in 2018 (Figure 19). In total, capital expenditures related to timeshare inventory decreased by 18.3 percent from 2018 to 2019.

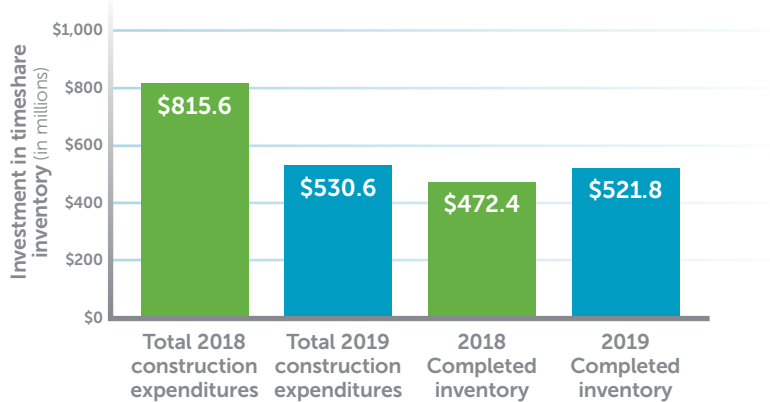
FIGURE 19
CAPITAL EXPENDITURES RELATED TO COMPLETED TIMESHARE INVENTORY (IN MILLIONS)



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

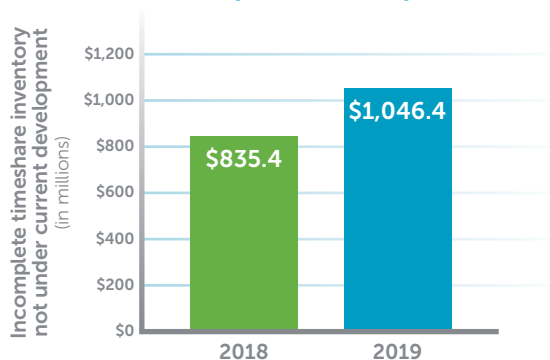
Respondents were also asked to report construction costs and undeveloped land included in inventory, but not under current development (i.e. inventory developments where construction has been placed on hold or is inactive). The nine respondent companies reported \$1.05 billion and \$835.4 million of construction costs and undeveloped land included in inventory, but not under current construction for 2019 and 2018, respectively, representing an increase of 25.3 percent (Figure 21). Six companies reported an increase and three companies reported a decrease from 2018 to 2019.

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



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

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



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

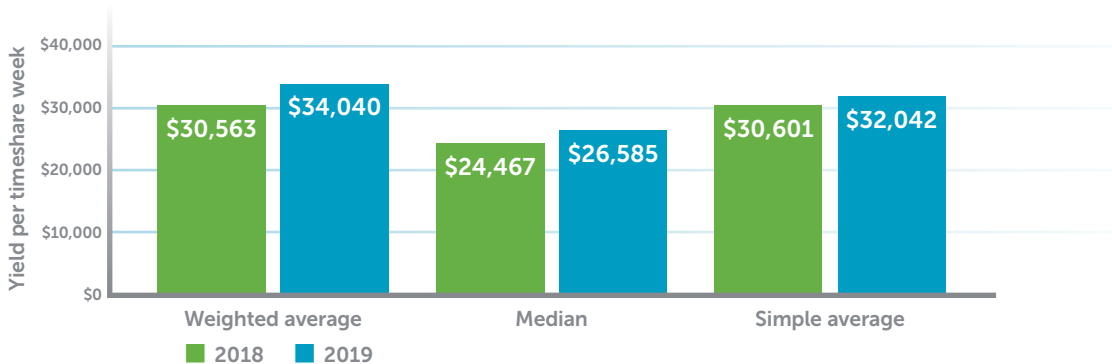
Average yield of a timeshare week

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 in an upgrade, for example, of a consumer 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, 2018 AND 2019, U.S.



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

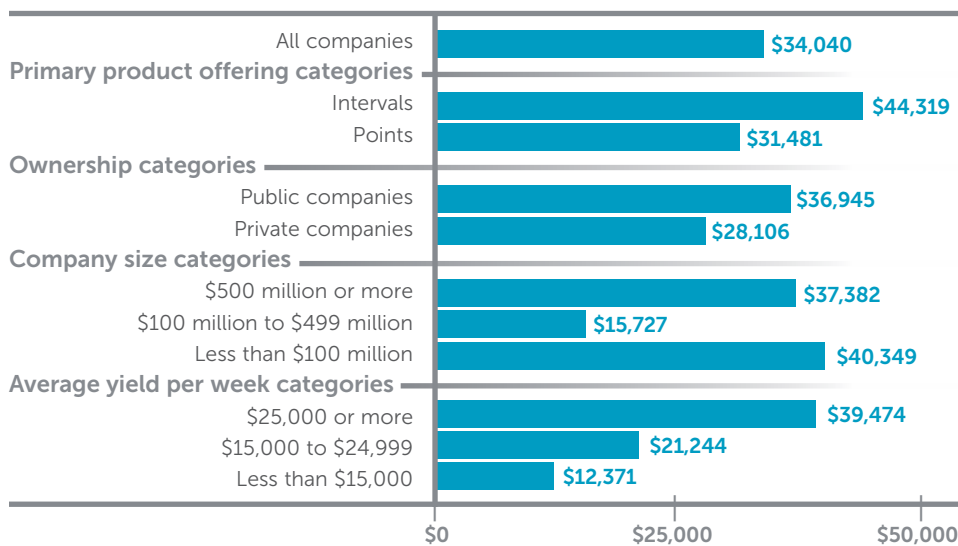
Overall, the different methods of comparing yields show that the typical yield of a U.S. timeshare week in 2019 was between \$26,585 and \$34,040. The broadest measure of yield, the weighted average yield, was \$34,040 per week sold in 2019 as compared to \$30,563 per week sold in 2018, an increase of 11.4 percent.

The various categories of development companies exhibit different weighted average yields per week. Overall, interval companies, public companies, large companies and small companies showed higher average yields per week, while points companies, private companies, and medium sized 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 \$44,319 in 2019, compared to \$31,481 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 \$500 million or more company size category was \$37,382 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.

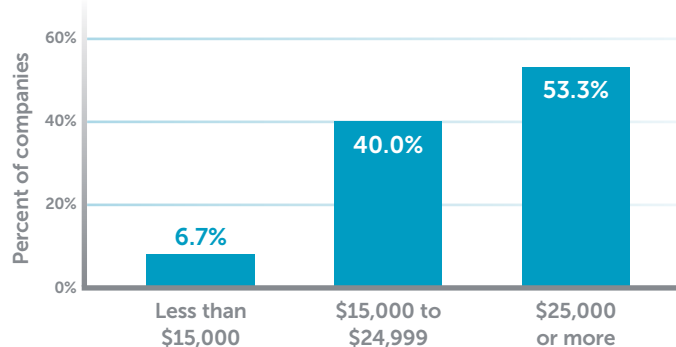
FIGURE 23
WEIGHTED AVERAGE YIELD PER WEEK BY COMPANY CATEGORY, 2019, U.S.



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

The average yield per week in 2019 ranged from less than \$13,000 to over \$76,000. Approximately 93.3 percent of all respondents reported weighted average yields per week of \$15,000 or more during 2019 (Figure 24).

FIGURE 24
DISTRIBUTION OF COMPANIES BY WEIGHTED AVERAGE YIELD PER WEEK, 2019, U.S.



Source: Deloitte & Touche LLP based on 15 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 2019, respondents reported approximately 2.66 million tours, compared to 2.59 million tours in the previous year. Fifteen of the respondents, who conducted a total of 2.57 million tours in 2019, also reported tours by existing and non-existing owners. Of the 2.57 million tours, non-existing owners count for 59.6%, or 1.53 million tours; while existing owners count for 40.4%, or 1.04 million tours. There were 377,044 sales transactions reported in 2019, yielding an average net close rate of 14.5 percent (Figure 25). The average transaction value was \$21,538¹³ and the average volume per guest was \$3,036. 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 \$7.734 billion in 2019. These same respondents reported total net originated sales including telesales of \$8.161 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. 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 2019, which are 14.2 percent, \$2,913 and \$20,511, respectively.

FIGURE 25
SALES TOURS METRICS BY COMPANY CATEGORY, 2019, U.S.

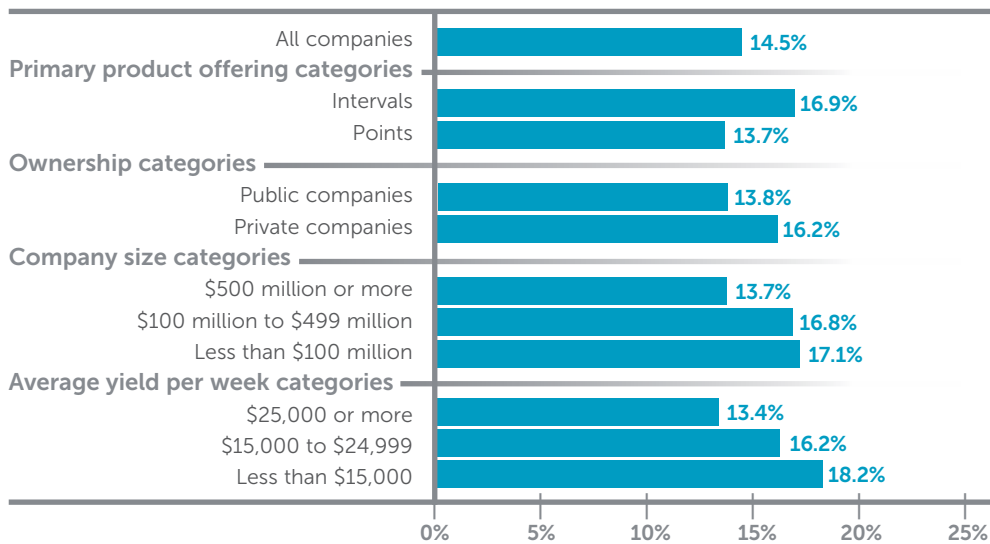
	All respondents	Company size			Average yield per week		
		\$500M or more	\$100M to \$499M	Less than \$100M	\$25,000 or more	\$15,000 to \$24,999	Less than \$15,000
Number of tours	2,655,323	1,977,555	602,993	74,775	1,857,898	376,479	185,706
Number of sales transactions	377,044	263,625	100,990	12,429	241,935	61,618	33,292
Net close rate	14.5%	13.7%	16.8%	17.1%	13.4%	16.2%	18.2%
Net originated sales excluding telesales (mill)	\$7,733.7	\$5,873.0	\$1,685.0	\$175.7	\$5,308.7	\$1,321.0	\$488.9
Weighted volume per guest ("VPG")	\$3,036	\$3,088	\$2,841	\$3,170	\$2,969	\$3,631	\$2,686
Weighted average transaction value	\$21,538	\$22,889	\$17,101	\$18,937	\$22,645	\$22,518	\$14,717

Source: Deloitte & Touche LLP Company size data based on 16 company survey responses, Average yield per week data based on 15 company survey responses.

¹³ The average transaction value of \$21,538 (based on 16 respondents) is lower than the average yield per timeshare week of \$34,040 (based on 15 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.

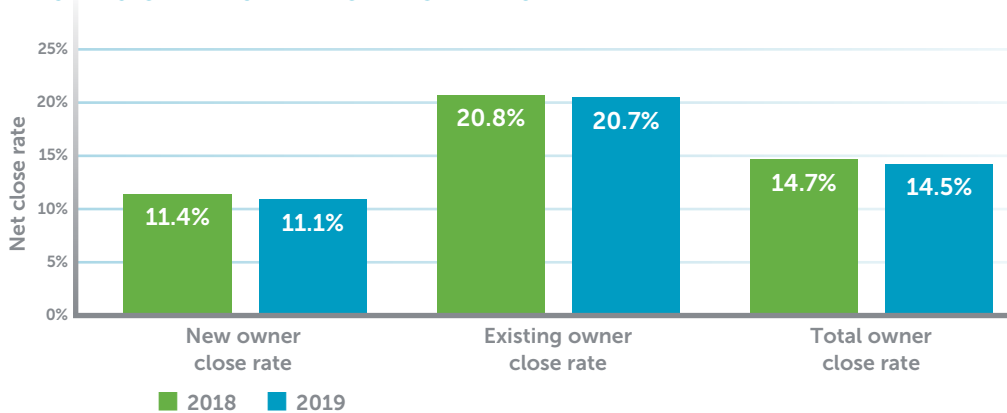
The net close rate, which refers to sales transactions (after removing rescissions and excluding telesales) generated per tour, was reported to be 14.5 percent in 2019 for all respondent companies on average, which decreased from the 14.7 percent reported in 2018 (as reported by respondents in the current survey). Private companies reported an average net close rate of 16.2 percent in 2019, compared with public companies, which reported an average net close rate of 13.8 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, fifteen respondents provided year-over-year data indicating the close rate for existing owners decreased from 20.8 percent in 2018 to 20.7 percent in 2019, while the close rate for new owners decreased from 11.4 percent in 2018 to 11.1 percent in 2019 (Figure 27).

FIGURE 26
WEIGHTED AVERAGE NET CLOSE RATE BY COMPANY CATEGORY, 2019, U.S.



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

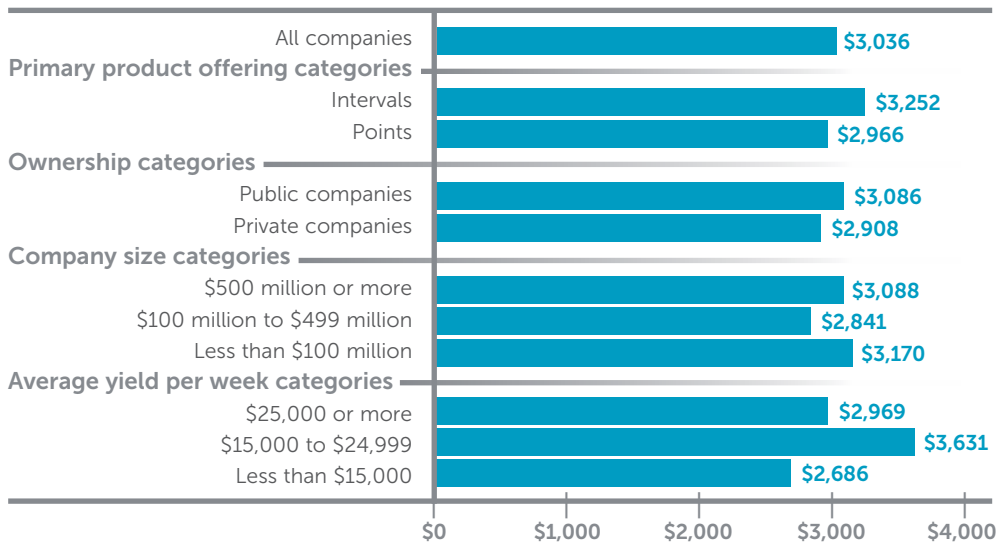
FIGURE 27
NET CLOSE RATE, 2018 AND 2019, NEW OWNERS, EXISTING OWNERS AND TOTAL OWNERS



Source: Deloitte & Touche LLP based on a minimum of 15 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 2019, 16 companies reported a weighted average VPG of \$3,036 (Figure 28) which increased from \$3,000 as reported by the same respondents for 2018.

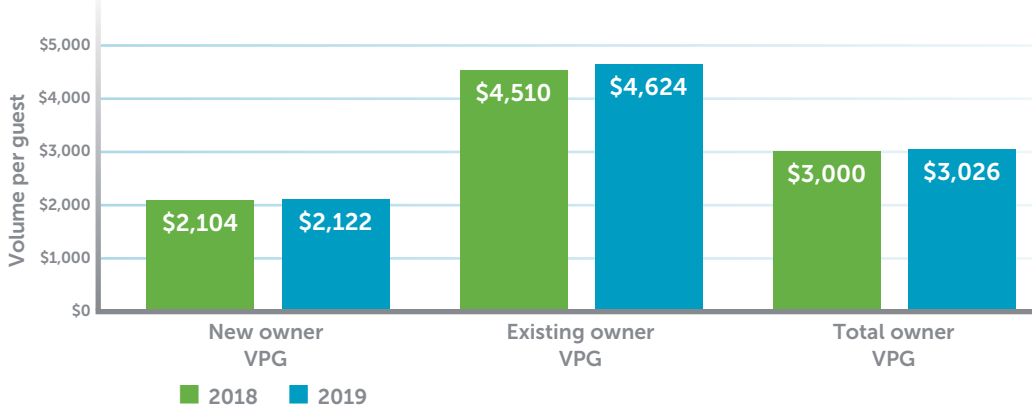
FIGURE 28
VOLUME PER GUEST BY COMPANY CATEGORY, 2019, U.S.



Source: Deloitte & Touche LLP based on a minimum of 15 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, fifteen respondents provided year-over-year data indicating the volume per guest for existing owners increased from \$4,510 in 2018 to \$4,624 in 2019, while the volume per guest for new owners increased from \$2,104 in 2018 to \$2,122 in 2019 (Figure 29).

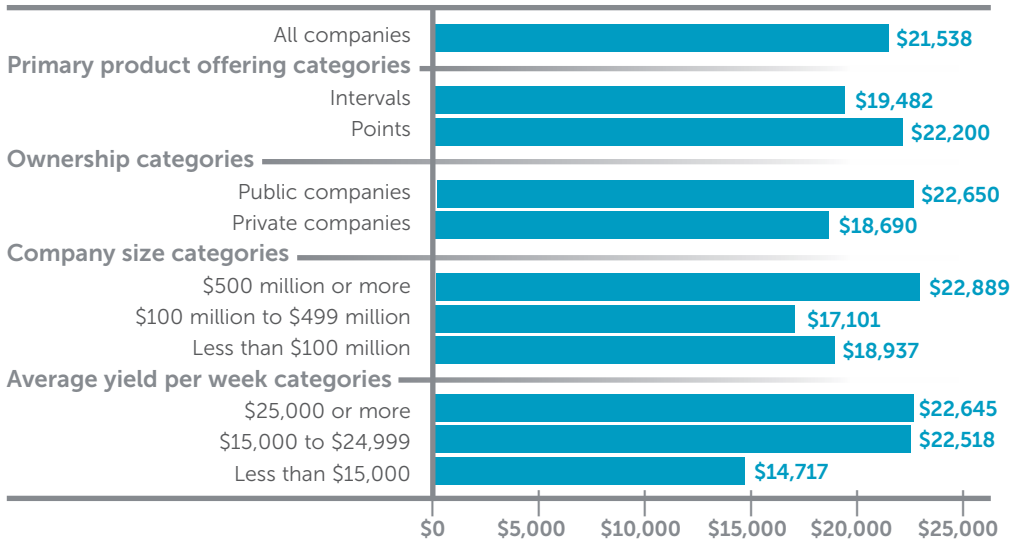
FIGURE 29
VOLUME PER GUEST, 2018 AND 2019, U.S.,
BY NEW OWNERS, EXISTING OWNERS, AND TOTAL OWNERS



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

Survey respondents reported a weighted average transaction value of \$21,538 in 2019, which increased from \$20,962 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 \$17,101 in 2019 (Figure 30). Public companies tended to have higher transaction values than private companies.

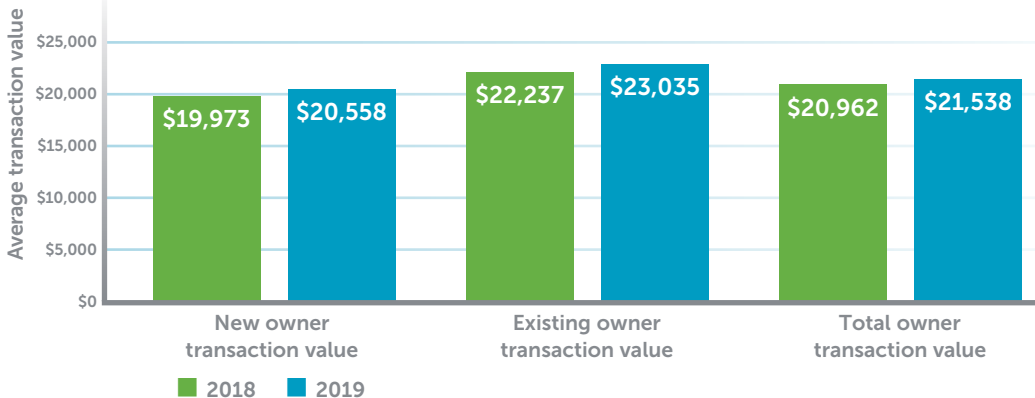
FIGURE 30
AVERAGE TRANSACTION VALUE BY COMPANY CATEGORY, 2019, U.S.



Source: Deloitte & Touche LLP based on a minimum of 15 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, 16 respondents provided year-over-year data indicating the average transaction value for new owners increased from \$19,973 in 2018 to \$20,558 in 2019, while the average transaction value for existing owners increased from \$22,237 in 2018 to \$23,035 in 2019 (Figure 31). Note the averages shown herein were calculated using a weighted average.

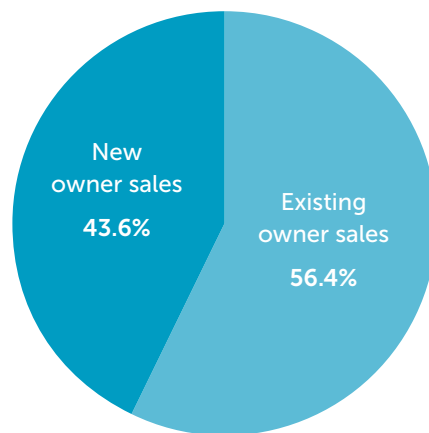
FIGURE 31
**AVERAGE TRANSACTION VALUE, 2018 AND 2019, U.S.,
NEW OWNERS, EXISTING OWNERS, AND TOTAL OWNERS**



Source: Deloitte & Touche LLP based on 16 company survey responses.

The sales mix 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, 16 respondent companies provided detailed information indicating that net originated sales volume resulting from existing owner sales decreased from 56.7 percent in 2018 to 56.4 percent 2019. Conversely, the remainder of net originated sales volume resulting from new owner sales increased from 43.3 percent in 2018 to 43.6 percent in 2019 (Figure 32).

FIGURE 32
NEW OWNER SALES AND EXISTING
OWNER SALES AS A SHARE OF NET
ORIGINATED SALES VOLUME, 2019, U.S.



Source: Deloitte & Touche LLP based on 16 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 \$17.19 in rescissions, on a weighted average basis, \$117.19 in gross sales in 2019 generated \$100.00 of net originated sales.¹⁴ From this \$100.00, an average of \$18.60 was deducted as a reduction of revenue for uncollectible accounts, \$0.18 was deducted as net deferrals for sales that had not yet cleared the rescission period, and a net amount of \$0.16 was deducted as net deferrals for buyer commitment. In total, each \$100.00 in net originated sales generated \$81.06 in sales for accounting purposes after these adjustments, which after a subtraction of \$1.14 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 \$79.92 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.

¹⁴ The 16 respondents shown in Figure 33 reported \$7.176 billion of net originated U.S. sales excluding sales under fee-for-service arrangements.

FIGURE 33
TIMESHARE SALES REVENUE PER \$100 IN NET ORIGINATED SALES, 2019, U.S.

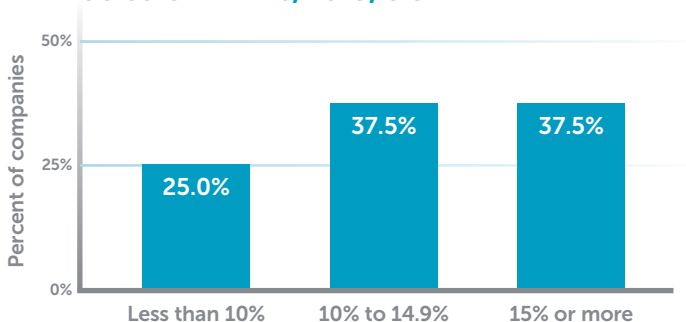
	All respondents	Public companies	Private companies
Gross Sales	\$117.19	\$117.61	\$116.25
Rescissions	(17.19)	(17.61)	(16.25)
Net originated sales	\$100.00	\$100.00	\$100.00
Reduction of revenue for uncollectible accounts	(18.60)	(15.49)	(24.69)
Net deferrals for rescission period	(0.18)	(0.07)	(0.42)
Net deferrals for buyer commitment	(0.16)	0.00	(0.23)
Sales after reduction for uncollectible accounts, and deferrals for rescission period and buyer commitment	\$81.06	\$84.44	\$74.66
Net recognized for percentage-of-completion	(1.14)	(1.66)	0.00
Sales revenue according to GAAP	\$79.92	\$82.78	\$74.66

Source: Deloitte & Touche LLP based on 16 company survey responses, 7 public companies, and 9 private companies.

Rescissions¹⁵

For the 16 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 2018 to 17.2 percent in 2019. 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. Four companies reported rescission rates below ten percent for 2019, while six others reported rates in excess of fifteen percent (Figure 34).

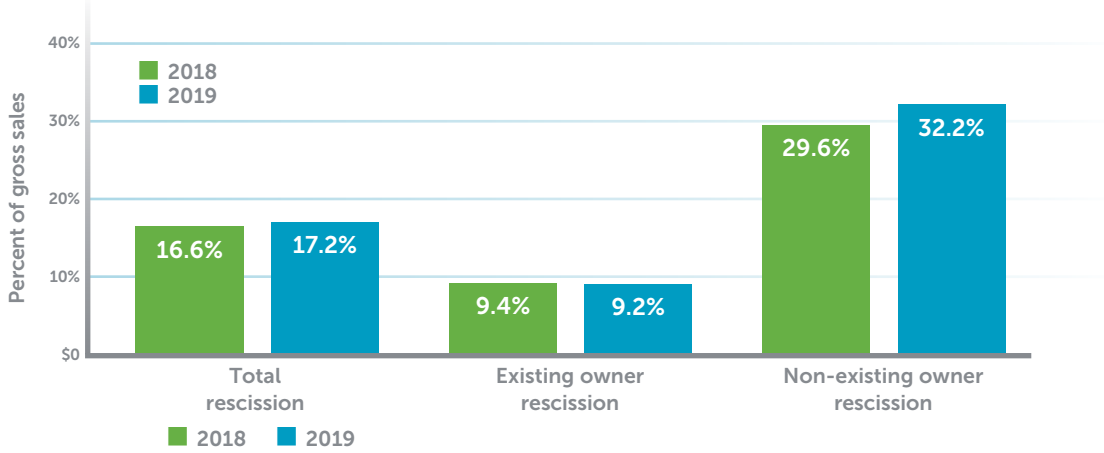
FIGURE 34
DISTRIBUTION OF COMPANIES BY RESCISSION RATES, 2019, U.S.



Source: Deloitte & Touche LLP based on 16 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.

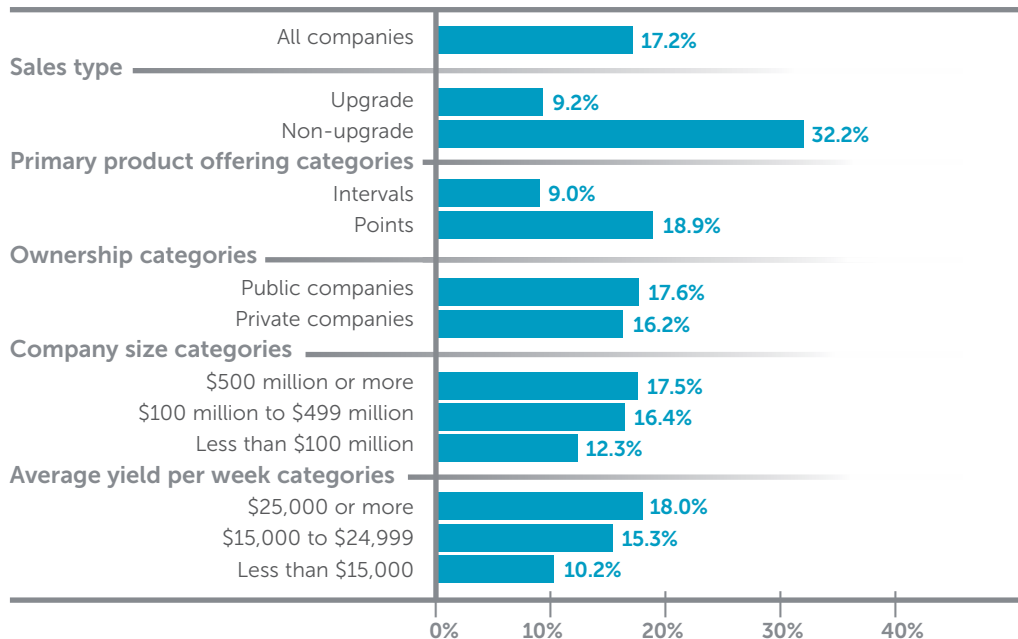
FIGURE 34a
RESCISSION RATES (AS A % OF GROSS SALES)



Source: Deloitte & Touche LLP based on 16 company survey responses.

Variations in rescission rates were observed from one company category to another in 2019. 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 17.5 percent within the category compared to the 16.4 percent reported by companies with net originated sales between \$100 million and \$499 million and the 12.3 percent reported by companies with net originated sales less than \$100 million. Existing owner sales achieved a lower average rescission rate compared to non-existing owner sales at 9.2 percent and 32.2 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), 2019, U.S.



Source: Deloitte & Touche LLP based on a minimum of 15 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 according to 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 27.7 percent of net originated sales, sales commissions at 15.8 percent and estimated uncollectible sales was 18.6 percent (Figure 36). The weighted average pre-tax margin on timeshare sales operations was 14.7 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, higher 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, 2019, U.S.

	All respondents	Interval companies	Points companies	Public companies	Private companies
Estimated uncollectible sales	18.6%	22.9%	17.5%	14.3%	27.4%
Cost of sales, (product cost)	13.5%	16.7%	12.7%	14.8%	11.0%
Sales commissions	15.8%	15.5%	15.9%	15.4%	16.7%
Other sales and marketing costs	27.7%	24.5%	28.4%	27.3%	28.5%
Sub-total: Sales commissions and other sales and marketing costs	43.5%	40.0%	44.3%	42.7%	45.2%
General and administrative costs related to timeshare sales operations	8.3%	8.3%	8.3%	6.5%	12.0%
HOA subsidies and/or maintenance fees	1.4%	0.0%	1.8%	1.8%	0.6%
Pre-tax margin of timeshare sales	14.7%	12.1%	15.4%	19.9%	3.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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

¹⁶ One company reported timeshare sales expenses in 2019 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 small companies compared to mid-sized and large companies, including small companies generally showing highest product costs, sales commissions, and G&A costs, 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, 2019, 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	19.2%	17.1%	8.2%	20.9%	7.8%	23.4%
Cost of sales, also referred to as product cost	12.8%	15.8%	20.6%	11.8%	21.0%	11.3%
Sales commissions	15.7%	16.4%	17.1%	15.6%	13.7%	24.0%
Other sales and marketing costs	26.6%	32.7%	30.6%	26.4%	34.4%	22.9%
Sub-total: Sales commissions and other sales and marketing costs	42.3%	49.1%	47.7%	42.0%	48.1%	46.9%
General and administrative costs related to timeshare sales operations	8.8%	4.4%	14.5%	10.4%	3.1%	0.2%
HOA subsidies and/or maintenance fees	1.7%	0.0%	0.0%	1.5%	1.3%	0.0%
Pre-tax margin of timeshare sales operations	15.2%	13.6%	9.0%	13.4%	18.7%	18.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

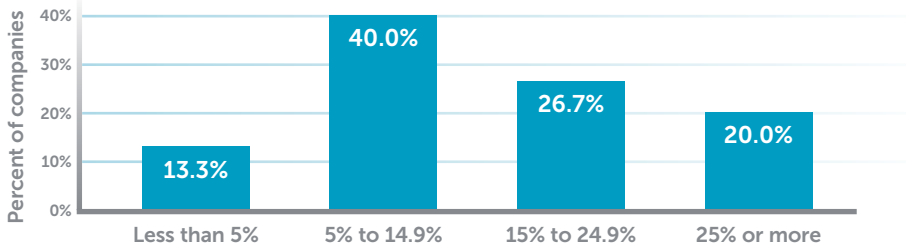
Source: Deloitte & Touche LLP based on 15 company survey responses

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), 2019, U.S.

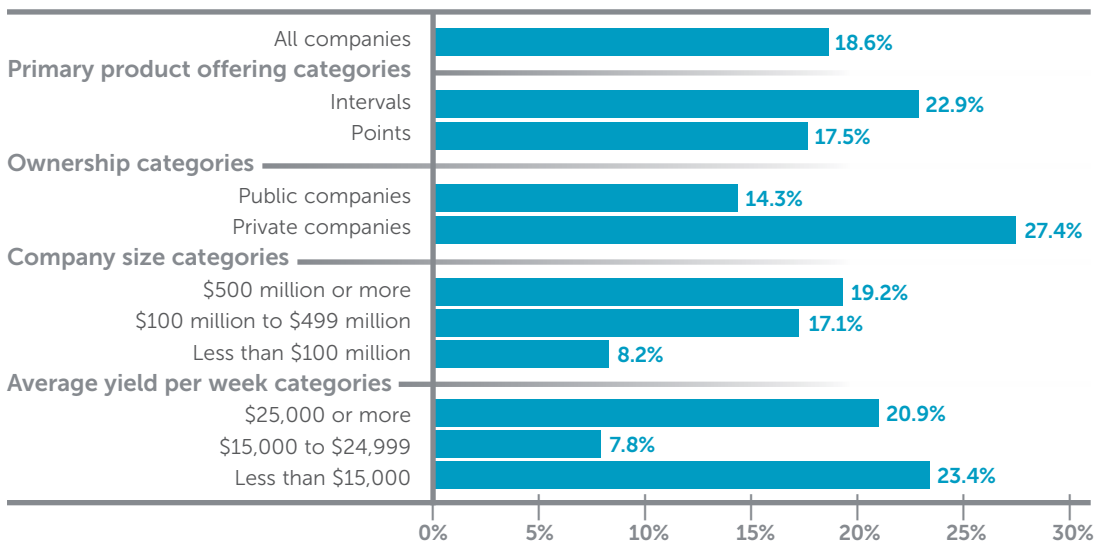


Source: Deloitte & Touche LLP based on 15 company survey responses.

Companies' estimates of uncollectible sales averaged 18.6 percent of net originated sales in 2019, on a weighted average basis. Companies reported estimates ranging from under 4 percent to over 35 percent, with 53.3 percent of companies reporting estimates less than 15 percent (Figure 38).

The weighted average estimate of uncollectible sales was lowest for points companies, public companies, companies with net originated sales of less than \$100 million, and companies with average yields per week between \$15,000 and \$24,999 (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, 2019, U.S.



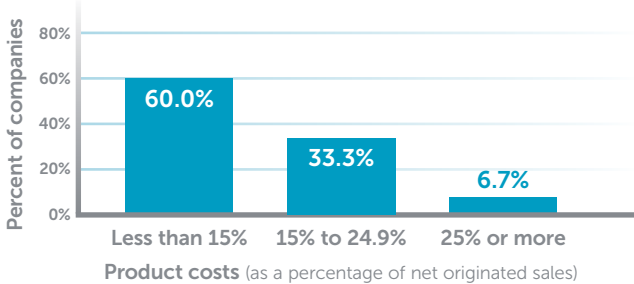
Source: Deloitte & Touche LLP based on 15 company survey responses.

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 13.5 percent in 2019. Respondents reported product costs ranging from less than zero percent to over 30 percent. Approximately 60.0 percent of respondents reported product costs of less than 15 percent and 6.7 percent of respondents reported product costs of 25 percent and greater (Figure 40).

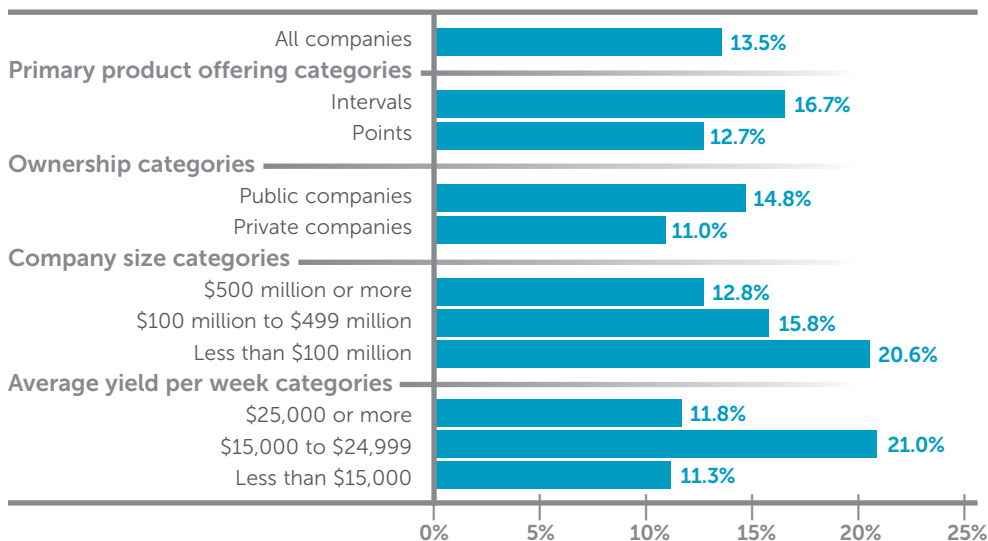
FIGURE 40
DISTRIBUTION OF COMPANIES BY PRODUCT COSTS, 2019, U.S.



Source: Deloitte & Touche LLP based on 15 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, 2019, U.S.



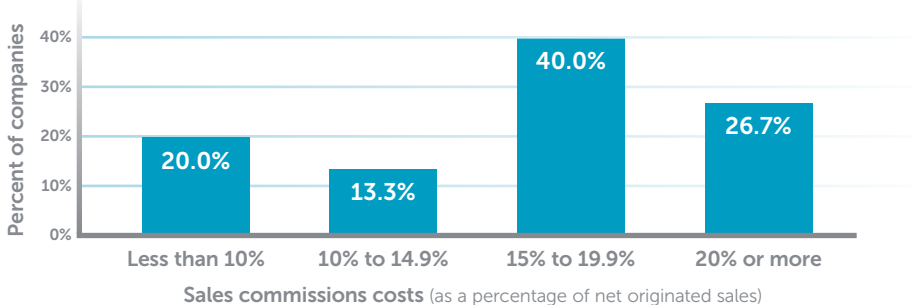
Source: Deloitte & Touche LLP based on 15 company survey responses.

Sales and marketing costs

In 2019, sales commissions averaged 15.8 percent of net originated sales (Figure 43), while other sales and marketing costs averaged 27.7 percent (Figure 45), for a total of 43.5 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 15 respondents, approximately 66.7 percent reported sales commissions of 15 percent or more of net originated sales (Figure 42).

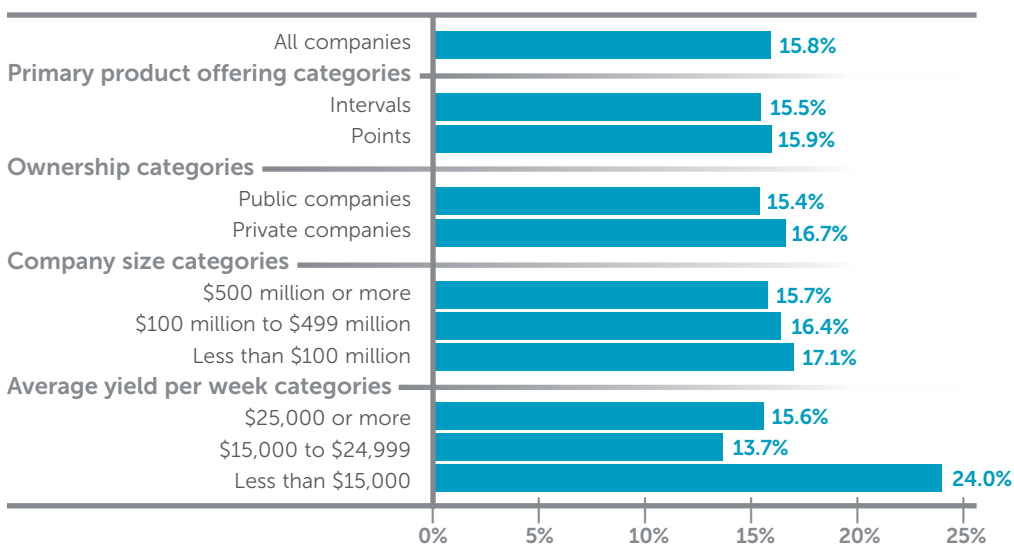
FIGURE 42
DISTRIBUTION OF COMPANIES BY SALES COMMISSIONS COSTS
(AS A % OF NET ORIGINATED SALES), 2019, U.S.



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

Respondents with average yield per week between \$15,000 to \$24,999 reported lowest weighted average sales commissions percent (Figure 43). Interval companies reported sales commissions 0.4 percentage points lower than points companies.

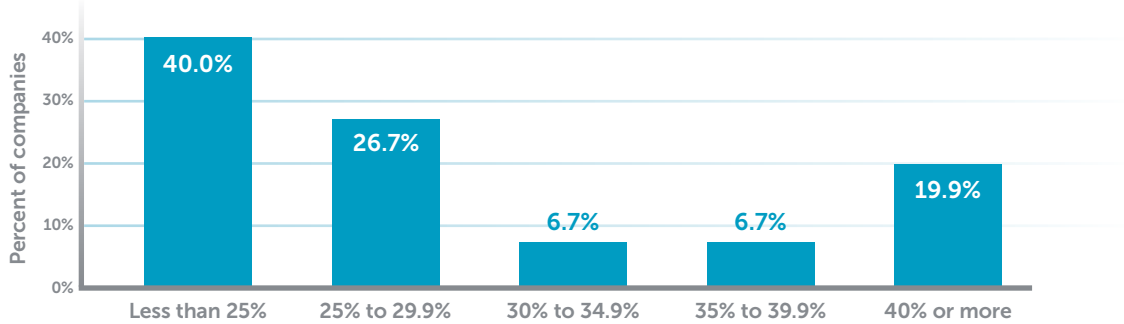
FIGURE 43
SALES COMMISSIONS COSTS (AS A % OF NET ORIGINATED SALES)
BY COMPANY CATEGORY, 2019, U.S.



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

Approximately 66.7 percent of respondents reported other sales and marketing costs of less than 30 percent of net originated sales (Figure 44).

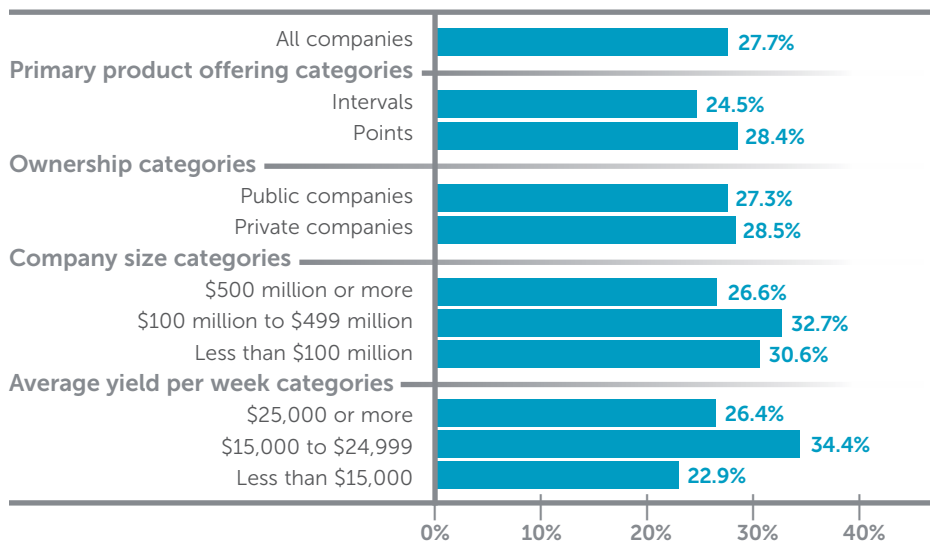
FIGURE 44
DISTRIBUTION OF COMPANIES BY OTHER SALES AND MARKETING COSTS, 2019, U.S.



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

Interval companies reported lower other sales and marketing costs than points companies. Public companies reported other sales and marketing costs of 27.3 percent as compared to private companies other sales and marketing costs of 28.5 percent. Companies with net originated sales \$500 million or more reported lowest other sales and marketing costs within the category (Figure 45).

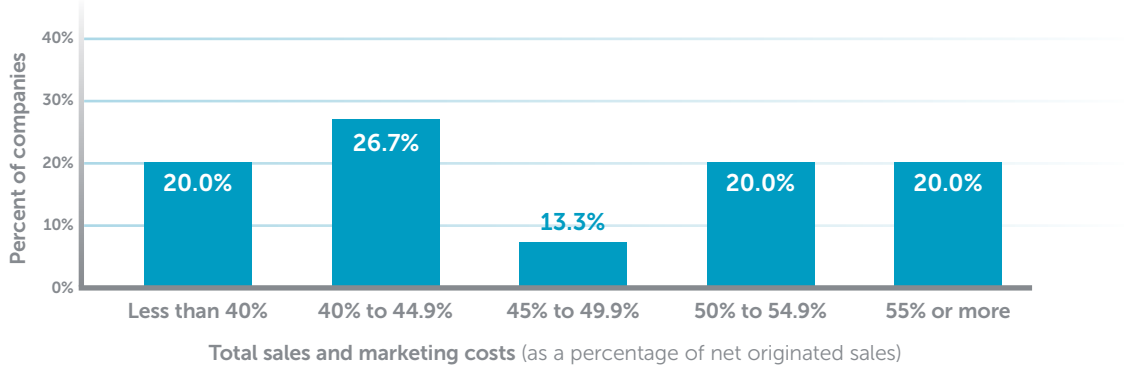
FIGURE 45
OTHER SALES AND MARKETING COSTS (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2019, U.S.



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

Total sales and marketing costs vary across development companies. Approximately 46.7 percent of companies reported total sales and marketing costs of less than 45 percent of net originated sales (Figure 46).

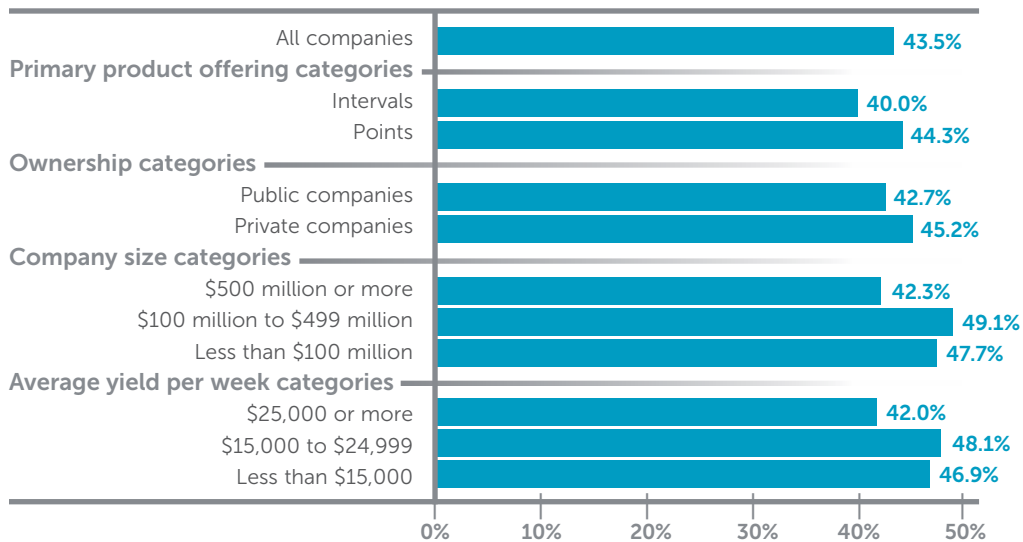
FIGURE 46
DISTRIBUTION OF COMPANIES BY TOTAL SALES AND MARKETING COSTS
(AS A % OF NET ORIGINATED SALES), 2019, U.S.



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

The weighted average total sales and marketing costs for the respondent companies was 43.5 percent in 2019, which was lower than the 44.0 percent reported in 2018. Companies with net originated sales of \$100 million to \$499 million reported higher sales and marketing costs compared to companies with net originated sales of less than \$100 million and \$500 million or more (Figure 47). Public companies generally reported lower sales and marketing costs than private companies.

FIGURE 47
TOTAL SALES AND MARKETING COSTS (AS A % OF NET ORIGINATED SALES)
BY COMPANY CATEGORY, 2019, U.S.



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

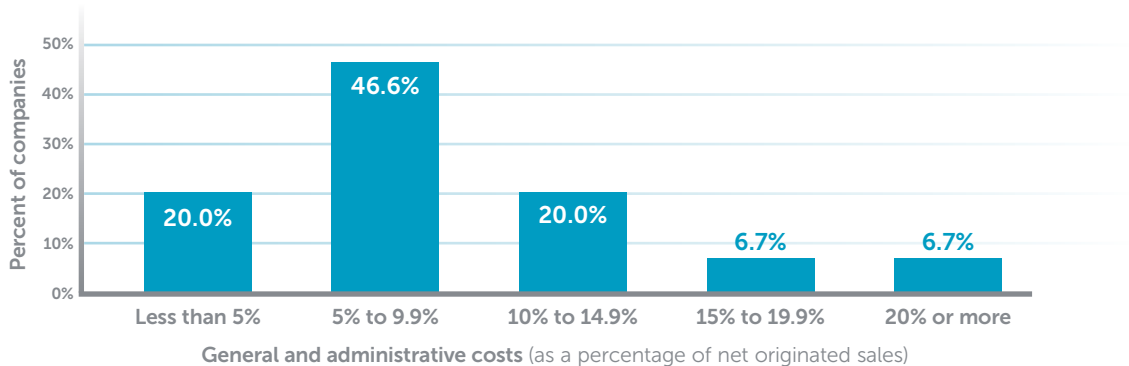
General and administrative costs

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 8.3 percent in 2019, on a weighted average basis. Overall, these costs vary widely from company to company. Approximately 66.6 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), 2019, U.S.

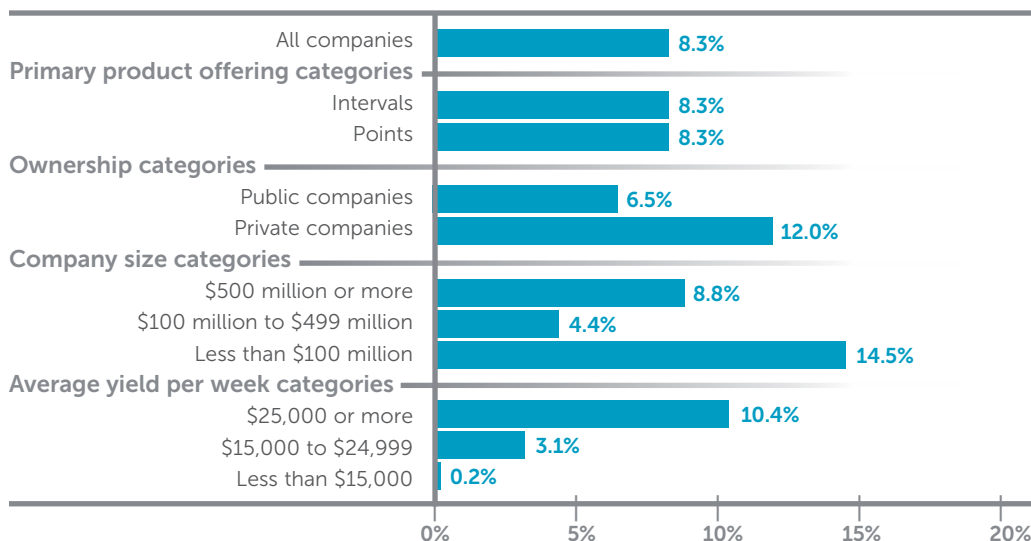


Source: Deloitte & Touche LLP based on 15 company survey responses.

Several categories of companies reported general and administrative costs lower than the average. However, private companies, companies with net originated sales less than \$100 million and \$500 million or more, and companies with average yields per week of \$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), 2019, U.S.



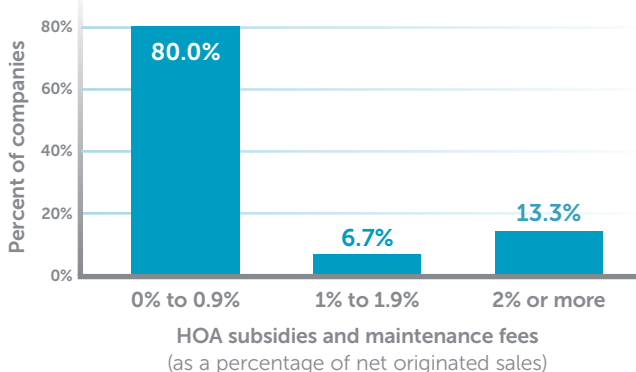
Source: Deloitte & Touche LLP based on 15 company survey responses.

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.

HOA subsidies and maintenance fees as a percentage of net originated sales averaged 1.4 percent in 2019, on a weighted average basis. Overall, HOA subsidies and maintenance fees vary from company to company. In 2019, 86.7 percent of respondents reported HOA subsidies and maintenance fees of 1.9 percent or less, and 13.3 percent of respondents reported HOA subsidies and maintenance fees between 2 and 2.9 percent (Figure 50).

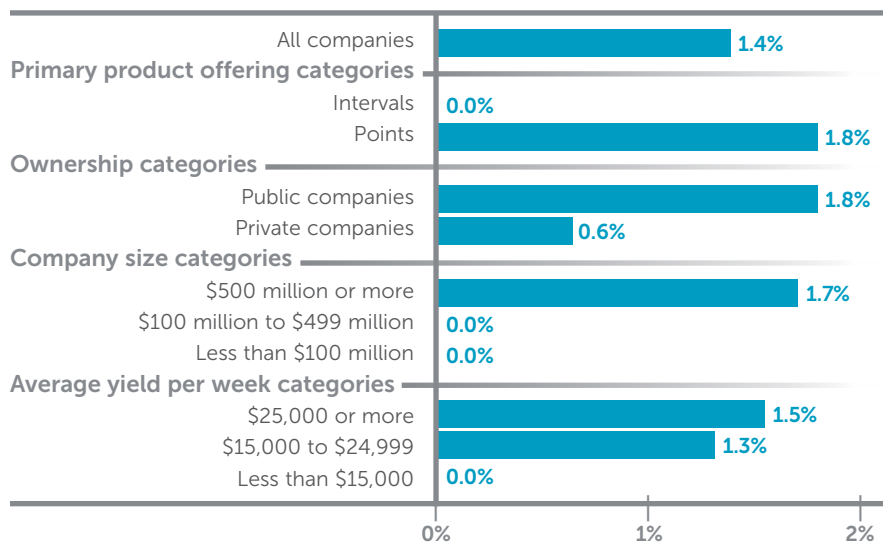
FIGURE 50
DISTRIBUTION OF COMPANIES BY HOA SUBSIDIES AND MAINTENANCE FEES (AS A % OF NET ORIGINATED SALES), 2019, U.S.



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

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, 2019, U.S.



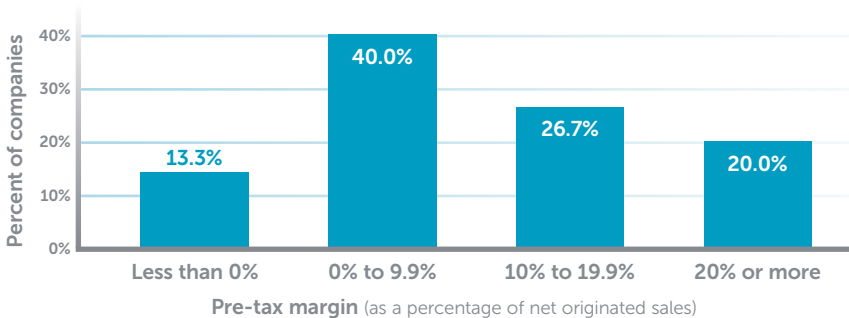
Source: Deloitte & Touche LLP based on 15 company survey responses.

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 14.7 percent in 2019, on a weighted average basis. In 2019, 46.7 percent of respondents reported pre-tax margins of 10.0 percent or greater (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 13.3 percent of respondents reported negative pre-tax margins, which may reflect 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.

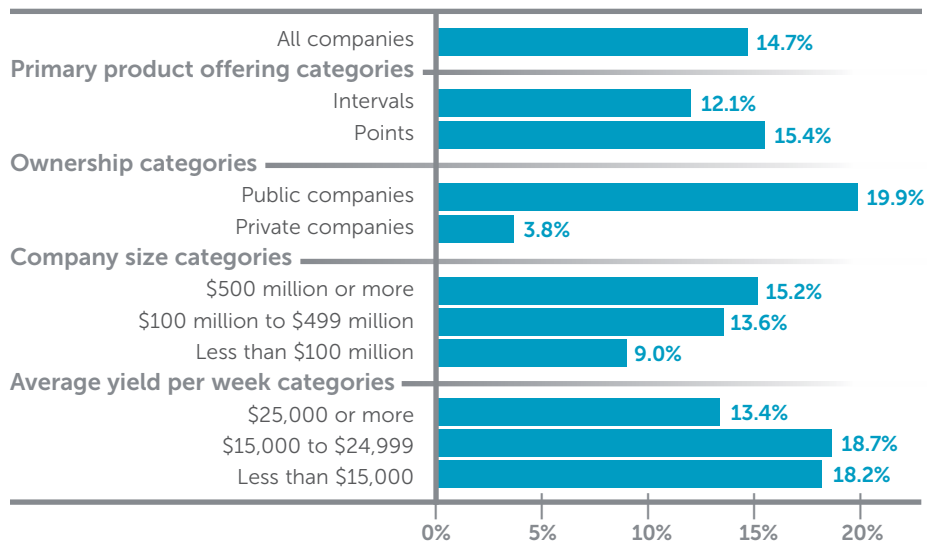
FIGURE 52
DISTRIBUTION OF COMPANIES BY PRE-TAX MARGINS
(AS A % OF NET ORIGINATED SALES), 2019, U.S.



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

Points companies, public companies, companies with net originated sales of \$500 million or more, and companies with average yield per week of less than \$25,000 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, 2019, U.S.



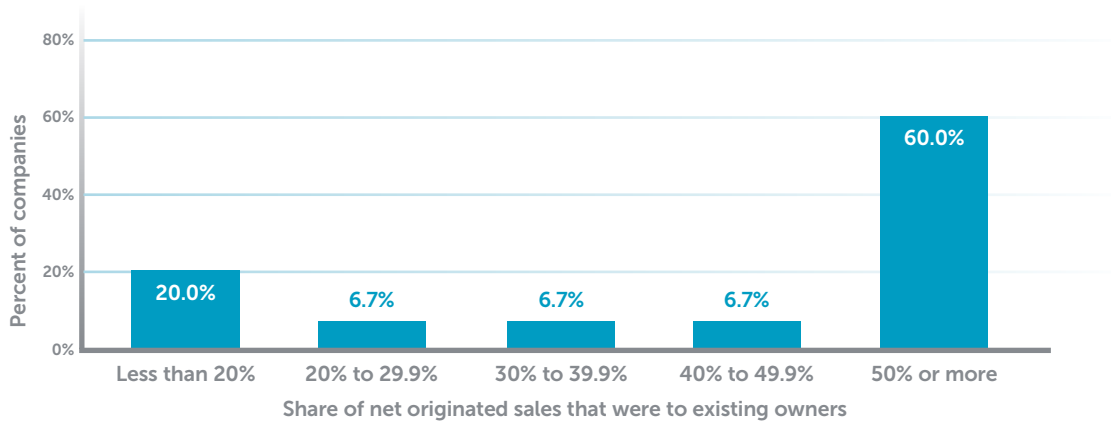
Source: Deloitte & Touche LLP based on 15 company survey responses.

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 55.7 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 under 26.8 percent to over 76.7 percent. Approximately 66.7 percent of respondents reported that sales to existing owners were 40 percent or more of total net originated sales (Figure 54). It is noted that the sum of the percentages in Figure 54 is greater than 100% due to the specific number of respondents within each category.

FIGURE 54
DISTRIBUTION OF COMPANIES BY SHARE OF NET ORIGINATED SALES THAT WERE TO EXISTING OWNERS, 2019, U.S.

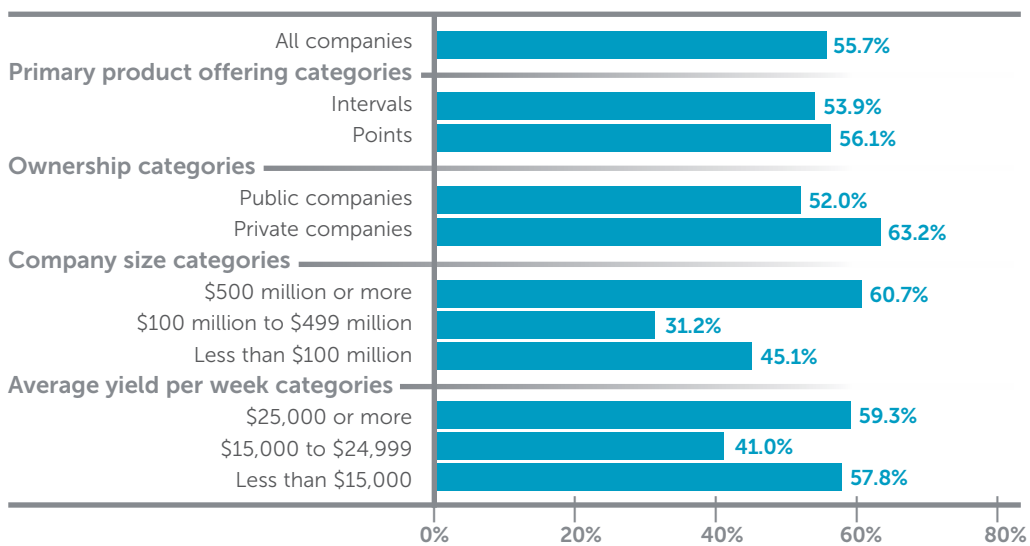


Source: Deloitte & Touche LLP based on 15 company survey responses.

Points companies, private companies, large companies and companies with average yield per week of \$25,000 or more 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, 2019, U.S.



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

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

Seven respondents provided information on hypothecations of receivables that occurred during 2019, totaling \$453.6 million, compared to \$831.1 million in 2018. Respondents that provided information on the interest rate paid reported paying a weighted average interest rate of 4.7 percent in 2019 for funds borrowed against these receivables, a decrease of 0.2 percentage points compared to the rate of 4.9 percent in 2018. For comparison, the prime rate decreased from 5.50 percent to 4.75 percent in 2019.¹⁷ Respondents reported a weighted average advance rate of 86.4 percent in 2019, which is an increase of 4.7 percentage points compared to the advance rate of 81.7 percent for 2018. In addition, the average remaining term to maturity reported by respondents decreased from 104.7 months in 2018 to 103.6 months in 2019, a 1.1% (1.1 month) decrease.

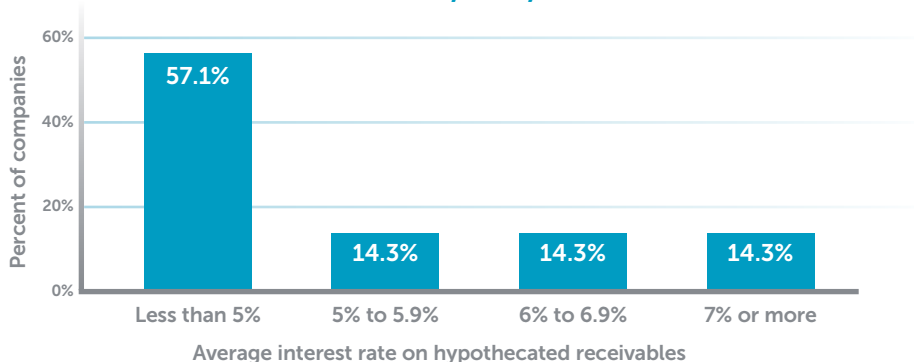
FIGURE 56
HYPOTHECATIONS, 2018 AND 2019, ALL GEOGRAPHIES

	2018	2019
Value of total fundings (millions)	\$831.1	\$453.6
Average interest rate paid	4.9%	4.7%
Average advance rate	81.7%	86.4%
Average remaining term to maturity	104.7 months	103.6 months

Source: Deloitte & Touche LLP based on 7 company survey responses.

In 2019, 57.1 percent of respondents reported an average interest rate below 5.0 percent paid and 14.3 percent of respondents reported an average interest rate between 5.0 and 5.9 percent for funds borrowed by hypothecating receivables (Figure 57).

FIGURE 57
DISTRIBUTION OF COMPANIES BY AVERAGE INTEREST RATE ON HYPOTHECATED RECEIVABLES, 2019, ALL GEOGRAPHIES

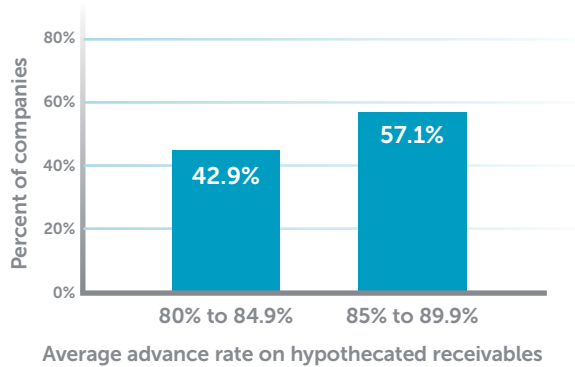


Source: Deloitte & Touche LLP based on 7 company survey responses.

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 2019, four out of seven 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). Three respondents reported average advance rates of 80 percent to 84.9 percent. The weighted average advance rate calculated for companies with an average advance rate over 80 percent was 86.4 percent for 2019 and 82.9 percent for 2018.

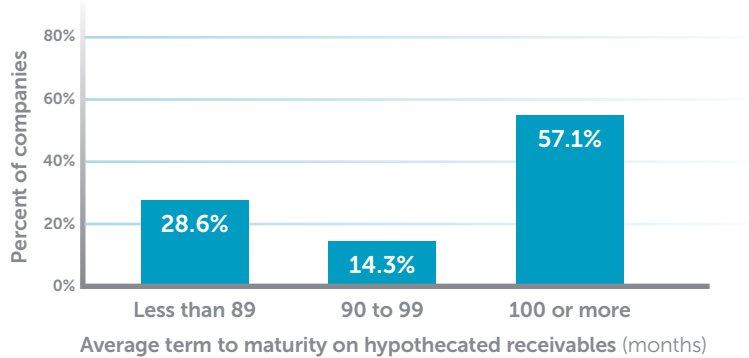
FIGURE 58
DISTRIBUTION OF COMPANIES BY AVERAGE ADVANCE RATE ON HYPOTHECATED RECEIVABLES, 2019, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on 7 company survey responses.

Seven companies reported average remaining term to maturity on hypothecated receivables at the point of hypothecation for 2019. Four of the respondents (57.1 percent) reported average remaining terms to maturity of 100 months or more in 2019 (Figure 59). The weighted average remaining term to maturity, as reported by seven company survey responses, decreased from 104.7 months in 2018 to 103.6 months in 2019.

FIGURE 59
DISTRIBUTION OF COMPANIES BY AVERAGE TERM TO MATURITY ON HYPOTHECATED RECEIVABLES, 2019, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on 7 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 12 separate securitization transactions reported by seven survey respondents in 2019 represented a total value of \$3.096 billion, measured as the gross value of the sales contracts securitized.¹⁸ This compares to 10 separate transactions in 2018 reported by seven survey respondents in 2019, with a total value of \$3.452 billion.

Among the securitization transactions reported by the survey respondents, several key changes were evident between 2018 and 2019.

- The total value of funding decreased from 2018 to 2019 by approximately 10.3 percent.
- One company conducted securitizations in 2018 but not in 2019, while one company conducted a securitization in 2019 that did not report a securitization in 2018.
- Average transaction size of securitizations decreased from 2018 to 2019 by approximately 25.2 percent for all respondents.
- Average advance rates for all respondents increased from 2018 to 2019 by 4.0 percentage points.
- The interest rate paid by the development company decreased from 2018 to 2019 by 0.7 percentage points¹⁹ for all securitization transactions, on a weighted average basis.

For comparison purposes, the companies that reported securitizations in both 2018 and 2019 have been analyzed below (Figure 60). The eleven securitizations in 2019, conducted by six respondents, represented a total value of \$2.943 billion, compared to nine securitizations in 2018 with a total value of \$3.334 billion conducted by six respondents.²⁰ The simple average transaction size decreased 27.8 percent from \$370.4 million in 2018 to \$267.6 million in 2019. The weighted average advance rate on securitizations which occurred in 2019, as reported by the same respondents, was 96.7 percent, up from 93.0 percent as reported by the same six respondents in 2018.²¹ The weighted average interest rate paid by the development company, was 3.2 percent in 2019, down from 3.8 percent in 2018.

FIGURE 60
SECURITIZATIONS, 2018 AND 2019, ALL GEOGRAPHIES

	2018	2019
Total value of securitizations (millions)	\$3,333.8	\$2,943.1
Number of transactions	9	11
Average transaction size (millions)	\$370.4	\$267.6
Average advance rate	93.0%	96.7%
Average interest rate paid	3.8%	3.2%

Source: Deloitte & Touche LLP based on 6 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 \$3.718 billion (60.2 percent) of the \$6.181 billion in net originated sales in 2019, 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 2018 and 2019 is shown in Figure 61 below.

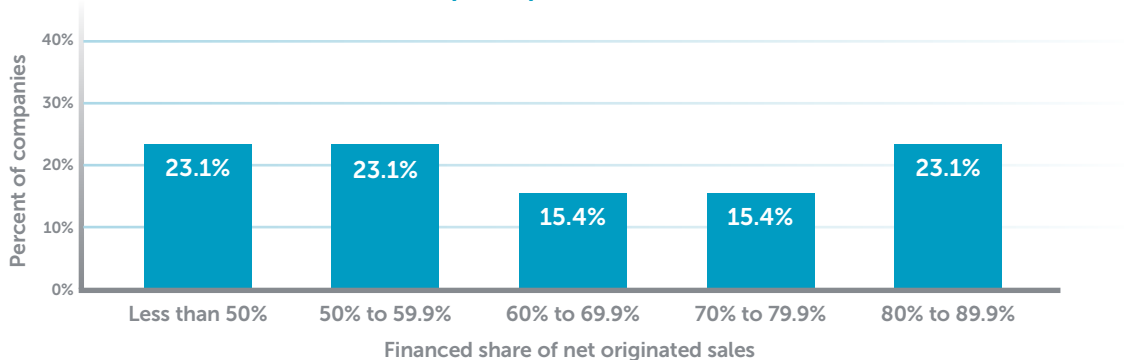
FIGURE 61
PORTION OF NET ORIGINATED SALES THAT WERE FINANCED BY CONSUMERS, 2019, U.S.

	2018	2019
Cash or cash-out within first 90 days	22.6%	22.9%
Cash down payment	16.4%	16.9%
Financed value	61.0%	60.2%
Total	100.0%	100.0%

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

A majority of respondents (53.9 percent) reported that their financed share of net originated sales was 60.0 percent or greater in 2019 (Figure 62). The amount financed in 2019 by the 13 respondents totaled \$3.718 billion. It is noted that the sum of the percentages in Figure 62 is greater than 100% due to the specific number of respondents within each category.

FIGURE 62
DISTRIBUTION OF COMPANIES BY FINANCED SHARE OF NET ORIGINATED SALES, 2019, U.S.

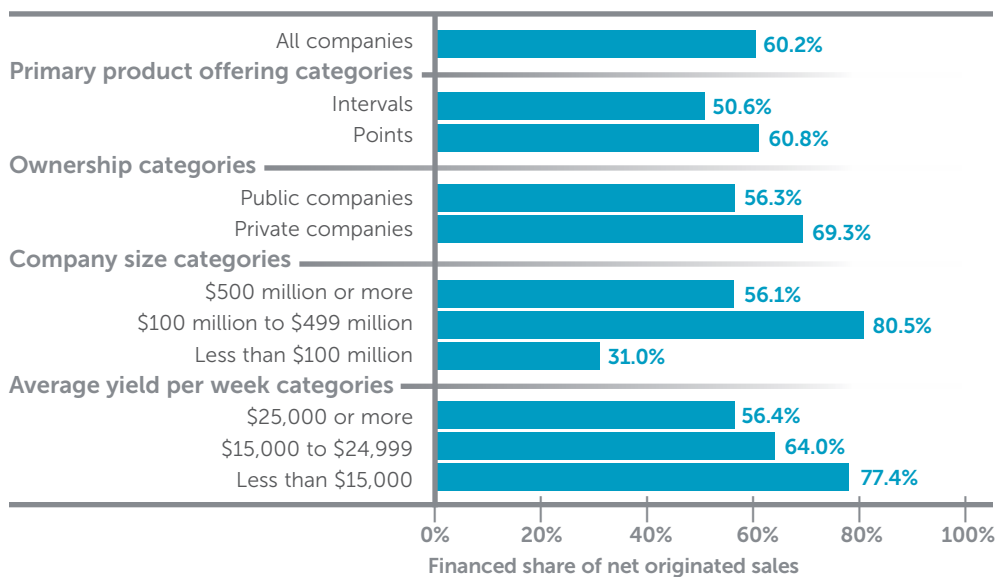


Source: Deloitte & Touche LLP based on 13 company survey responses.

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 (80.5 percent) financed share than companies in the other revenue categories. Additionally, private companies reported a significantly higher (69.3 percent) financed share than public companies (56.3 percent).

FIGURE 63
FINANCED SHARE OF NET ORIGINATED SALES BY COMPANY CATEGORY, 2019, U.S.



Source: Deloitte & Touche LLP based on 13 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 87.0 months to a high of 138.0 months in 2019, for an overall weighted average term of 119.0 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 14.0 percent. The average consumer loan interest rates reported, inclusive of servicing fees, ranged from 12.7 percent to 17.9 percent, for an overall weighted average of 14.1 percent. Of the 16 respondents, ten respondents charge a servicing fee on financed receivables. Average down payments associated with non-upgrade financed sales reported by respondents ranged from 5.1 percent to 24.3 percent, for an overall weighted average of 17.8 percent in 2019.

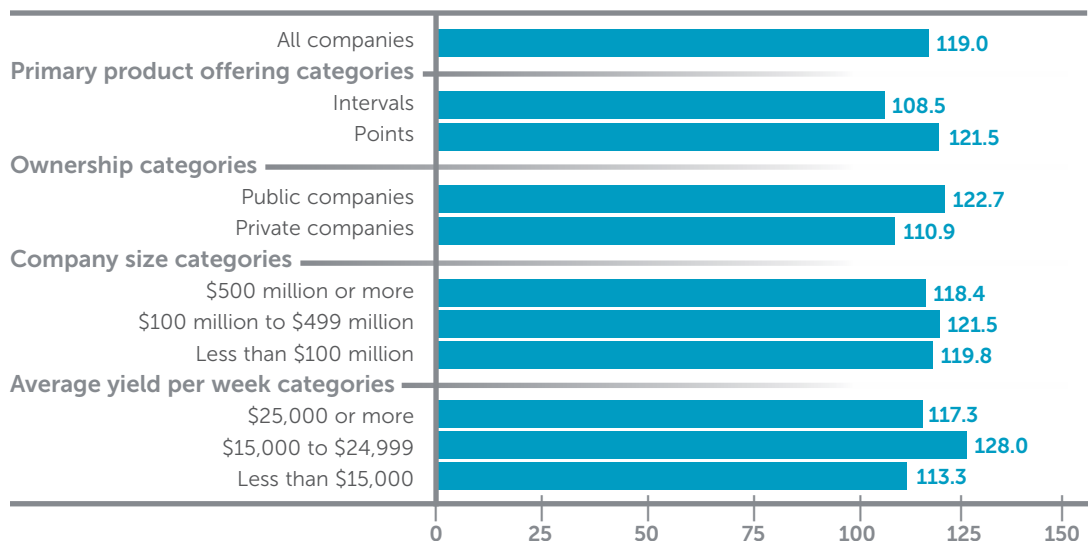
FIGURE 64
CHARACTERISTICS OF NEW CONSUMER LOANS, 2019, U.S.

	2018	2019
Term (in months)	117.6	119.0
Interest rate (exclusive of servicing fee)	13.5%	14.0%
Interest rate (inclusive of servicing fee)	13.9%	14.1%
Down payment (as a percent of contract price)		
Non-upgrade sales	17.5%	17.8%
Upgrade sales	44.2%	39.9%

Source: Deloitte & Touche LLP based on 10 survey responses for interest rates including servicing fees and 14 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 17.3 percent to 70.1 percent, for an overall weighted average of 39.9 percent in 2019.

FIGURE 65
AVERAGE TERM ON NEW CONSUMER LOANS (IN MONTHS) BY COMPANY CATEGORY, 2019, U.S.



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

The weighted average term on new consumer loans, measured in months, varied across company categories (Figure 65). Points companies, public companies, mid-size companies, and companies with average yields between \$15,000 to \$24,999 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, middle size companies (between \$100 to \$499 million) 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 (14 respondents provided interest rates exclusive of servicing fees while 10 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 10 respondents that provided interest rates inclusive of servicing fees is 11.5 percent.

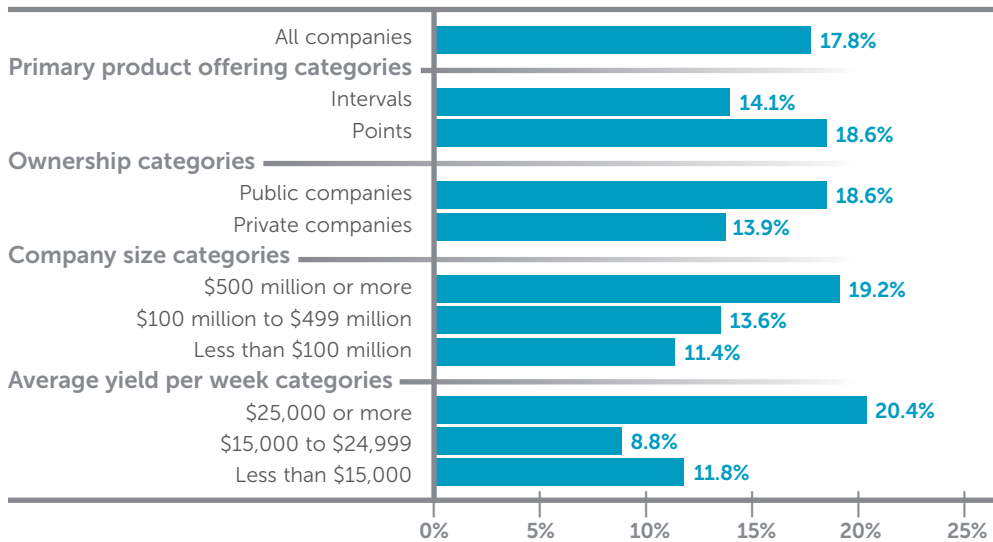
FIGURE 66
AVERAGE INTEREST RATE
ON NEW CONSUMER LOANS
BY COMPANY CATEGORY,
2019, U.S.

	Average interest rate	
	Excluding servicing fee 2019	Including servicing fee 2019
All companies	14.0%	14.1%
Primary product offering categories		
Intervals	12.9%	14.2%
Points	14.2%	14.1%
Ownership categories		
Public companies	13.7%	13.2%
Private companies	15.2%	15.0%
Company size categories		
\$500 million or more	14.2%	14.2%
\$100 million to \$499 million	13.6%	13.9%
Less than \$100 million	14.4%	14.5%
Average yield per week categories		
\$25,000 or more	14.4%	7.4%
\$15,000 to \$24,999	12.8%	12.9%
Less than \$15,000	14.4%	14.4%

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

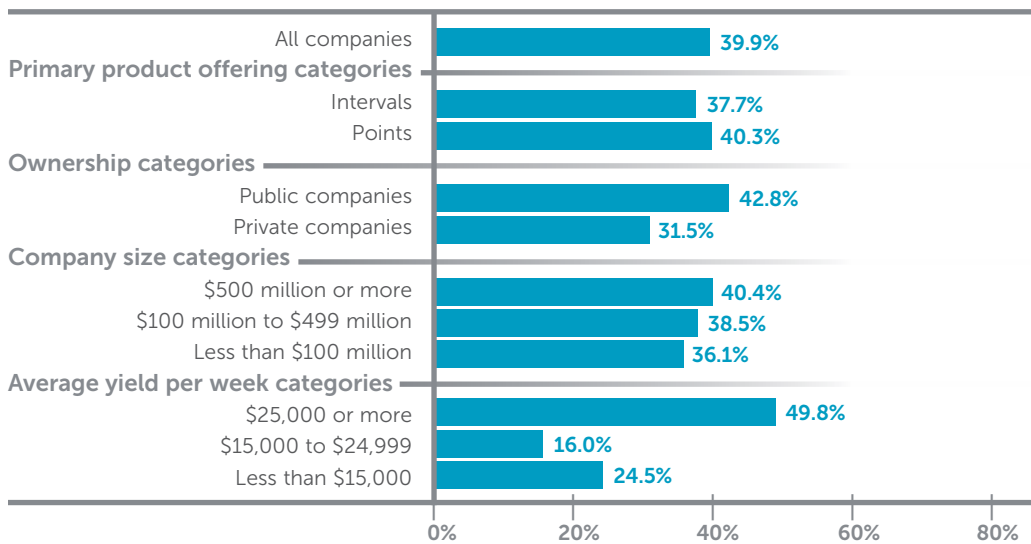
The survey results showed higher than average down payments for non-upgrade sales for public companies (Figure 67). Similarly, public companies showed higher than average down payments for upgrade sales (Figure 68).

FIGURE 67
AVERAGE DOWN PAYMENT ON NON-UPGRADE SALES BY COMPANY CATEGORY, 2019, U.S.



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

FIGURE 68
AVERAGE DOWN PAYMENT ON UPGRADE SALES BY COMPANY CATEGORY, 2019, U.S.



Source: Deloitte & Touche LLP based on a minimum of 12 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, 16 survey respondents reported aggregate receivables of \$14.638 billion in 2019, showing a 6.3 percent increase from the aggregate receivables amount of \$13.766 billion reported by the same respondents at year-end 2018. Respondents reported that payments for 87.8 percent of the dollar value of their receivables were current (current or fewer than 31 days delinquent) at year-end 2019, a decrease of 1.8 percentage points compared to the percentage of current receivables as of the year-end 2018, which was 89.6 percent (Figure 69). On average, 2.0 percent of the receivables were 31 to 60 days delinquent, and 10.2 percent were over 60 days delinquent at year-end 2019, on a weighted average basis.

FIGURE 69
PERFORMANCE OF CONSUMER RECEIVABLES
PORTFOLIOS AT YEAR-END, 2018 AND 2019,
ALL GEOGRAPHIES

	2018	2019
Current	89.6%	87.8%
31 to 60 days	2.0%	2.0%
61 to 90 days	1.4%	1.5%
91 to 120 days	1.3%	1.5%
More than 120 days	5.8%	7.2%
	100.0%	100.0%

Source: Deloitte & Touche LLP based on 16 company survey responses.

Eleven of the 16 respondents, or 68.8 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. This would result in the 2018 currency of receivables to be 94.3 percent and the 2019 currency of receivables to be 92.8 percent. As not all companies responded to this question, and only 68.8 percent of the respondents had the same write-off criteria, the currency amounts in this report do not exclude receivables over 120 days delinquent.

Companies in certain categories revealed trends in the performance of their receivables portfolios at year end 2019. For example, public companies reported higher average portions of their receivables portfolios as current (Figure 70).

FIGURE 70
PERFORMANCE OF CONSUMER RECEIVABLES PORTFOLIOS AT YEAR-END
BY COMPANY CATEGORY, 2019, ALL GEOGRAPHIES

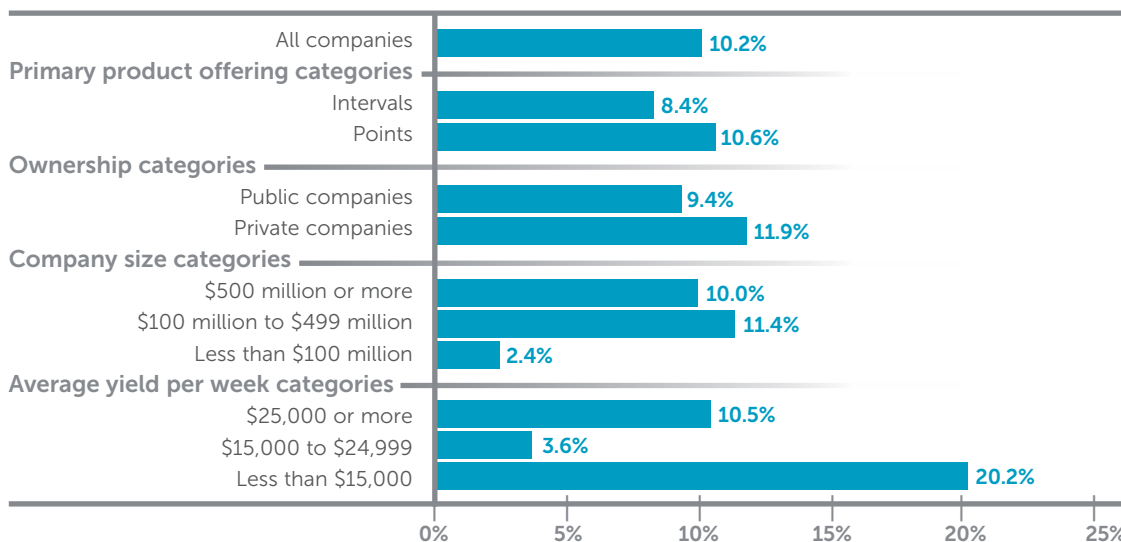
Companies in certain categories revealed trends in the performance of their receivables portfolios at year end 2019. For example, public companies reported higher average portions of their receivables portfolios as current (Figure 70).

	Current	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days
All companies	87.8%	2.0%	1.5%	1.5%	7.2%
Primary product offering categories					
Intervals	89.1%	2.5%	1.8%	1.5%	5.1%
Points	87.5%	1.9%	1.4%	1.4%	7.8%
Ownership categories					
Public companies	88.9%	1.7%	1.1%	1.3%	7.0%
Private companies	85.4%	2.7%	2.2%	1.9%	7.8%
Company size categories					
\$500 million or more	87.9%	2.1%	1.5%	1.4%	7.1%
\$100 million to \$499 million	86.8%	1.8%	1.5%	1.8%	8.1%
Less than \$100 million	95.6%	2.0%	1.1%	1.0%	0.3%
Average yield per week categories					
\$25,000 or more	87.3%	2.2%	1.5%	1.4%	7.6%
\$15,000 to \$24,999	94.5%	1.9%	1.0%	0.9%	1.7%
Less than \$15,000	77.5%	2.3%	1.9%	1.5%	16.8%

Source: Deloitte & Touche LLP based on a minimum of 15 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, 10.2 percent of receivables were more than 60 days delinquent at year-end 2019 (Figure 71). This is 1.8 percentage points higher than the percentage reported in 2018. Private companies showed a higher percentage of receivables over 60 days delinquent (11.8 percent) than public companies (9.4 percent). Points companies showed higher percentages of receivables more than 60 days delinquent (10.7 percent) compared to intervals companies (8.4 percent). Companies with average yields per week of less than \$15,000 reported the highest percentage of receivables portfolio that was over 60 days delinquent (20.2 percent) within the yield categories.

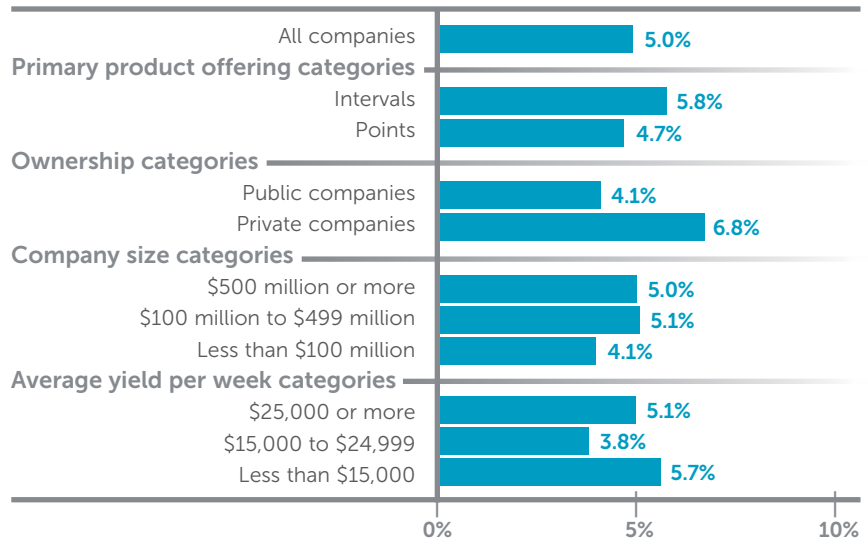
FIGURE 71
PORTION OF RECEIVABLES PORTFOLIO THAT WAS OVER 60 DAYS DELINQUENT
BY COMPANY CATEGORY, 2019, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on a minimum of 15 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 2019 was 5.0 percent (Figure 72), which increased from 4.7 percent reported in 2018.

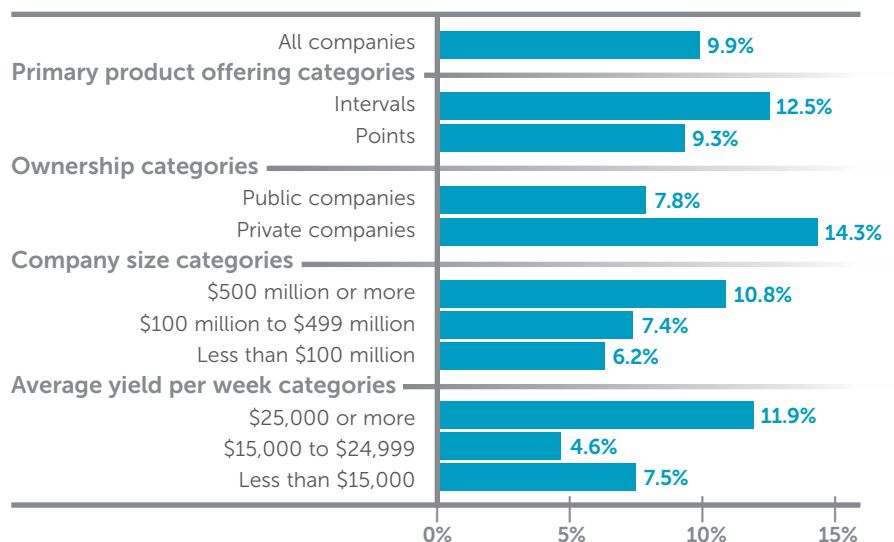
FIGURE 72
PORTION OF RECEIVABLES PORTFOLIO THAT WAS BETWEEN 31 AND 120 DAYS DELINQUENT BY COMPANY CATEGORY, 2019, ALL GEOGRAPHIES



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

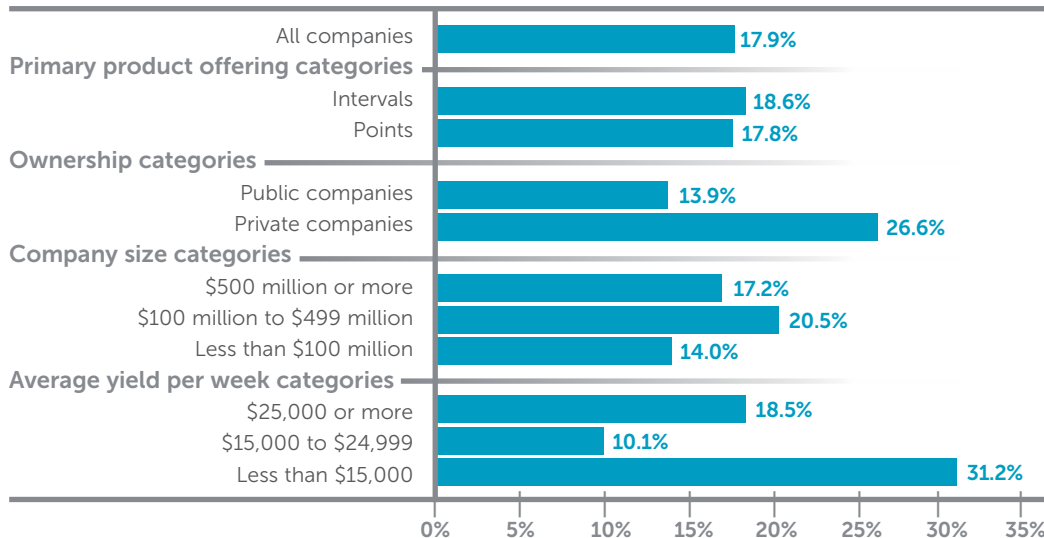
Timeshare companies have different methods of accounting for loan losses. Measuring defaults is one method of comparison, though companies with portfolios composed of relatively mature receivables may experience lower default rates than other companies. Gross defaults, defined as the total amount charged against the allowance for uncollectible accounts, as a percentage of the gross outstanding portfolio balance at year-end, averaged 9.9 percent in 2019 (Figure 73), which is an increase of 1.9 percentage points from the 2018 average of 8.0 percent. Public companies, when compared to private companies, reported lower levels of gross defaults in 2019. Companies with net originated sales over \$500 million, companies with average yield per week of \$25,000 or more, private companies, and interval companies reported higher than average levels (greater than 9.9 percent) of gross defaults.

FIGURE 73
GROSS DEFAULTS AS A % OF GROSS OUTSTANDING PORTFOLIO BALANCE BY COMPANY CATEGORY, 2019, ALL GEOGRAPHIES



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

FIGURE 74
ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS AS A % OF GROSS OUTSTANDING PORTFOLIO BALANCE BY COMPANY CATEGORY, 2019, ALL GEOGRAPHIES



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

The weighted average allowance for uncollectible accounts as a share of gross outstanding portfolio balance at year-end averaged 17.9 percent in 2019 (Figure 74), which was an decrease of 0.2 percentage points from 2018. Individual responses ranged from 3.9 percent to 31.2 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 \$25,000 or more 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 13.8 percent (exclusive of servicing fees) in 2019, an increase of 0.2 percentage points when compared with 2018, and 13.6 percent (inclusive of servicing fees) in 2019, an increase of 0.1 percentage point, when compared with the weighted average interest rate on the loans held in the receivables portfolio in 2018 (Figure 77). Public companies showed a lower average interest rate for both categories (13.4 percent and 13.0 percent) than private companies (15.0 percent and 15.2 percent).

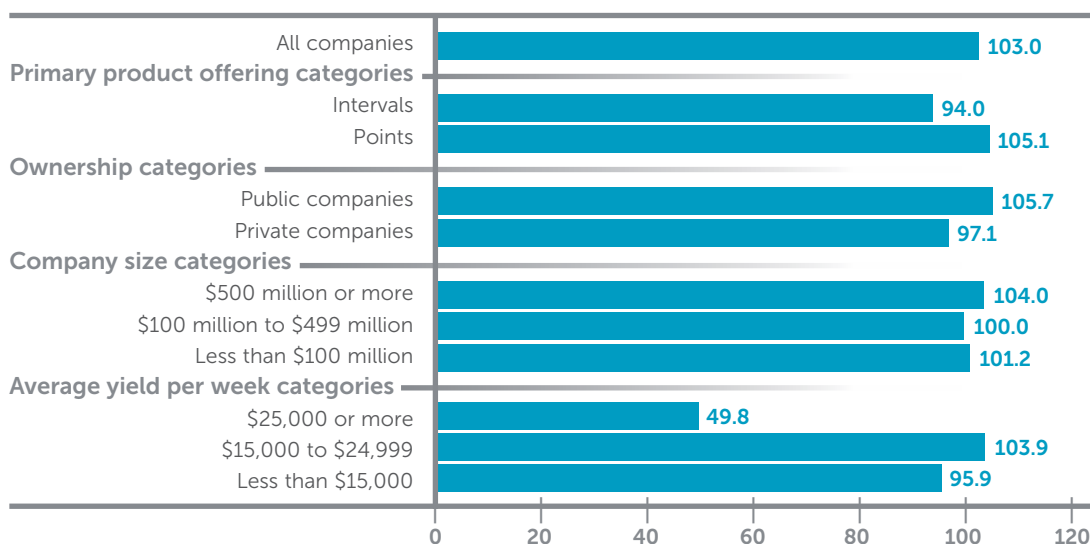
FIGURE 75
AVERAGE INTEREST RATE ON RECEIVABLES PORTFOLIO
BY COMPANY CATEGORY, 2019, ALL GEOGRAPHIES

	Average interest rate	
	Excluding servicing fee 2019	Including servicing fee 2019
All companies	13.8%	13.6%
Primary product offering categories		
Intervals	12.8%	13.0%
Points	13.9%	14.1%
Ownership categories		
Public companies	13.4%	13.0%
Private companies	15.0%	15.2%
Company size categories		
\$500 million or more	13.6%	13.5%
\$100 million to \$499 million	14.1%	14.4%
Less than \$100 million	14.4%	14.2%
Average yield per week categories		
\$25,000 or more	13.9%	14.2%
\$15,000 to \$24,999	12.6%	12.8%
Less than \$15,000	15.2%	15.3%

Source: Deloitte & Touche LLP based on a minimum of 8 company survey responses for interest rates including servicing fees and a minimum of 14 responses for interest rates excluding servicing fees

The weighted average term to maturity on loans held in the receivables portfolios was 103.0 months in 2019, which is 0.4 months longer than the previous year (Figure 76 and 77). Companies with \$100 million to \$499 million in net originated sales, interval companies, private companies, and companies with an average yield per week of more than \$25,000 had lower weighted average terms on receivables held in their portfolios. Among all responses, average terms ranged from 58.0 months to 128.5 months.

FIGURE 76
AVERAGE TERM ON RECEIVABLES PORTFOLIO BY COMPANY CATEGORY, 2019,
ALL GEOGRAPHIES (IN MONTHS)



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

FIGURE 77
CHARACTERISTICS OF RECEIVABLES PORTFOLIO, 2018 AND 2019,
ALL GEOGRAPHIES

	2018	2019	Change
Gross defaults	8.0%	9.9%	1.9%
Allowance for uncollectible accounts	18.1%	17.9%	-0.2%
Average interest rate (excluding service fee)	13.6%	13.8%	0.2%
Average interest rate (including service fee)	13.5%	13.6%	0.1%
Average term (months)	102.6	103.0	0.4 months

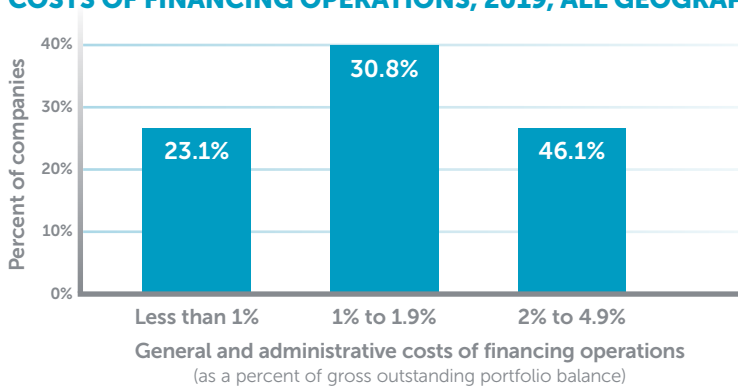
Source: Deloitte & Touche LLP based on a minimum of 8 company survey responses.

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 less than \$4,000 to over \$4 billion at calendar year-end 2019.

The weighted average general and administrative costs of financing operations for all companies in 2019 was 1.4 percent of gross outstanding portfolio balance, which was consistent with 2018. Responses showed that such costs vary across companies, with 23.1 percent of companies reporting costs less than one percent of gross outstanding portfolio balance, and 76.9 percent reporting costs between one percent and 4.9 percent (Figure 78).

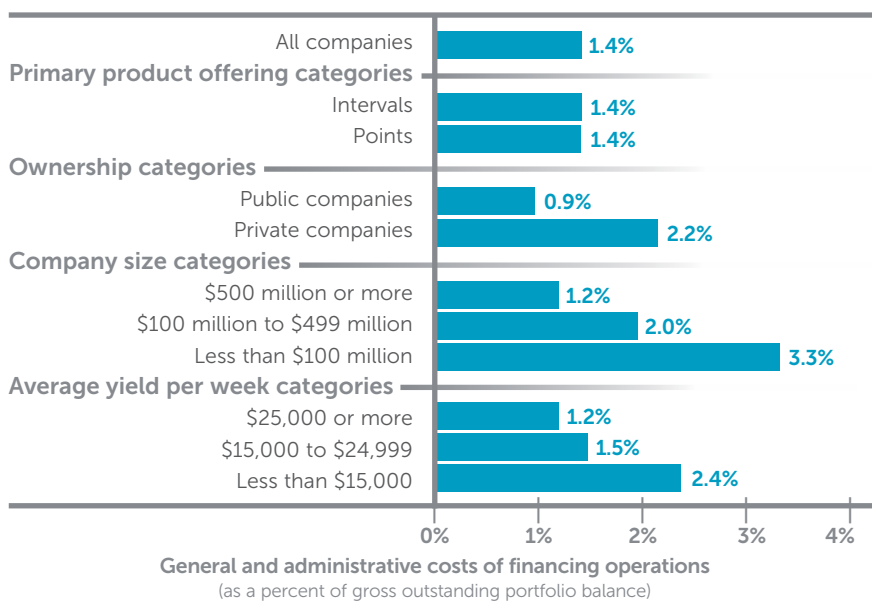
FIGURE 78
DISTRIBUTION OF COMPANIES BY GENERAL AND ADMINISTRATIVE COSTS OF FINANCING OPERATIONS, 2019, ALL GEOGRAPHIES



Points companies reported slightly lower general and administrative costs of financing operations as compared to interval companies (1.38% compared to 1.41%, 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.

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

FIGURE 79
GENERAL AND ADMINISTRATIVE COSTS OF FINANCING OPERATIONS, 2019, ALL GEOGRAPHIES



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

FIGURE 80
AVERAGE PORTFOLIO BALANCE,
2019, ALL GEOGRAPHIES

	Average portfolio balance (in millions)
All companies	\$914.9
Primary product offering categories	
Intervals	569.2
Points	1,072.0
Ownership categories	
Public companies	1,427.5
Private companies	516.2
Company size categories	
\$500 million or more	1,796.1
\$100 million to \$499 million	896.8
Less than \$100 million	45.7
Average yield per week categories	
\$25,000 or more	1,212.3
\$15,000 to \$24,999	547.6
Less than \$15,000	539.0

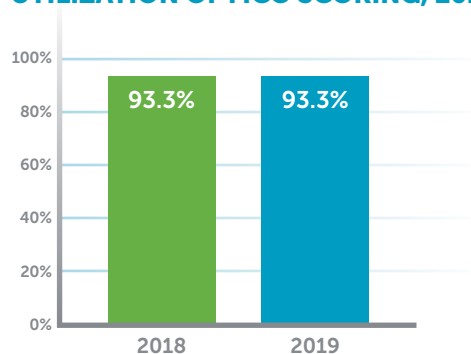
Source: Deloitte & Touche LLP based on a minimum of 15 company survey responses. The results above were calculated using a simple average.

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, 93.3 percent, reported that they utilize FICO scoring, which is consistent with 2018 (Figure 81).

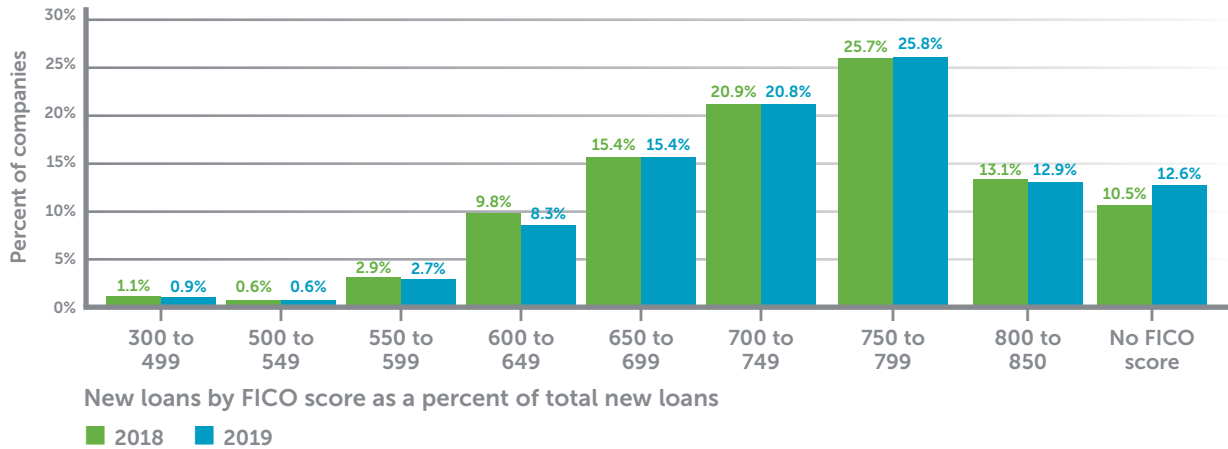
FIGURE 81
UTILIZATION OF FICO SCORING, 2019



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

FICO scores are calculated in a range from 300 to 850, with higher scores calculated to represent lower risk. Approximately 62.0 percent of loans issued by respondent companies were reported to be offered to consumers with FICO scores between 650 and 799 in 2019. Decreases were seen in all categories except for the 750 to 799 category and those with no FICO score category. The 500-549 category and 650-699 category experienced no change from 2018 to 2019. (Figure 82)

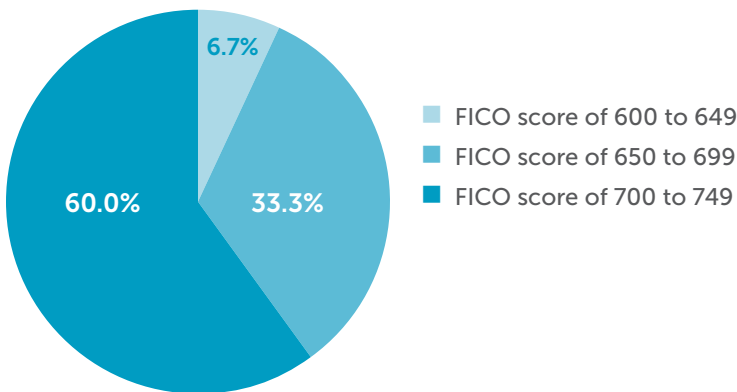
FIGURE 82
DISTRIBUTION OF NEW LOANS BY FICO SCORE, 2019, U.S.



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

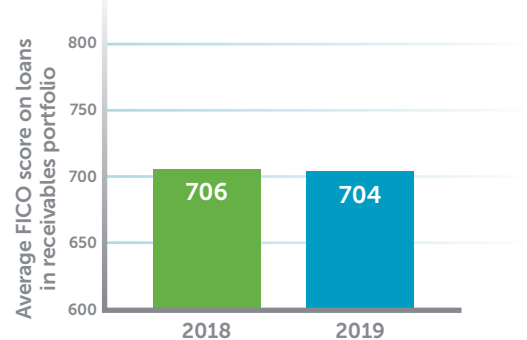
Fifteen survey respondents reported a weighted average FICO score between 600 and 749 on loans held in their receivables portfolios at calendar year end 2019 (Figure 83).²³ At the portfolio level, high FICO scores average against low FICO scores. None of the fifteen respondents reported holding a portfolio with a weighted average FICO score below 629 or above 739. Overall, weighted average FICO scores decreased from 2018 to 2019 by two points from 706 to 704.

FIGURE 83
DISTRIBUTION OF COMPANIES BY WEIGHTED AVERAGE FICO SCORE ON LOANS IN RECEIVABLES PORTFOLIO, 2019, U.S.



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

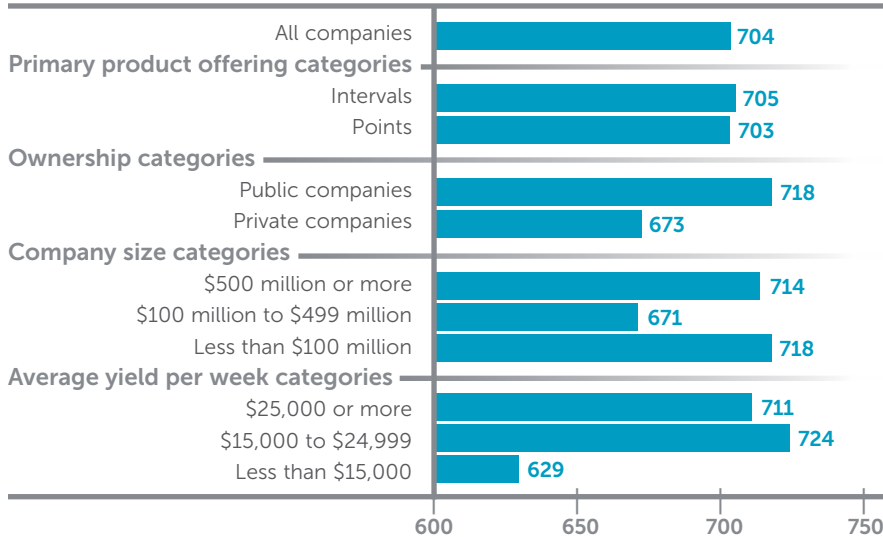
FIGURE 83a
AVERAGE FICO SCORE ON LOANS IN RECEIVABLES PORTFOLIO



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

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

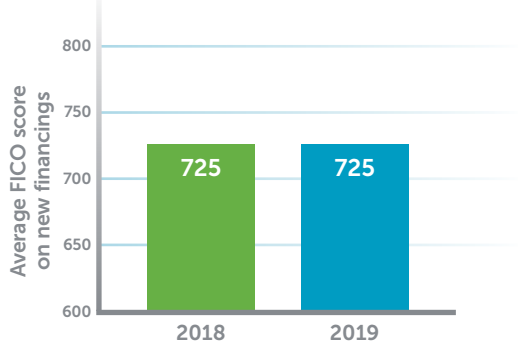
FIGURE 84
AVERAGE FICO SCORE ON LOANS IN RECEIVABLES PORTFOLIO
BY COMPANY CATEGORY, 2019, U.S.



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

Survey respondents revealed different average FICO scores on loans held in their receivables portfolios according to company category. Public companies, intervals companies, companies with more than \$500 million net originated sales and less than \$100 million net originated sales, and companies with an average yield per week greater than \$15,000 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, 2018 AND 2019, U.S.



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

For the 15 respondent companies, the FICO score on new financings ranged from 670 to 750 in 2019, which resulted in a weighted average FICO score on new financings of 725 in 2019 (Figure 85). This was consistent with 2018.

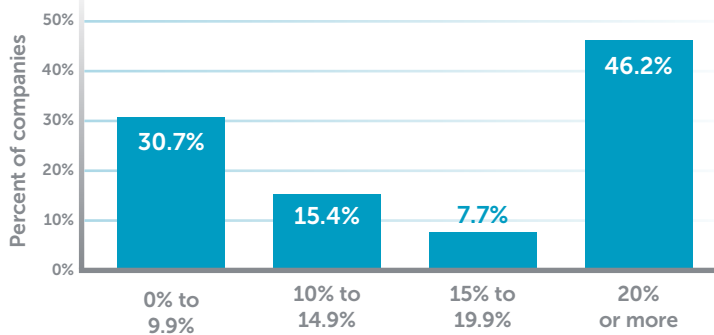
Static pool default rate

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, 13 respondents reported static pool default rates for 2019. The reported rates ranged from 7.2 percent to 30.7 percent, with a weighted average of 19.6 percent. This is a 0.6 percentage point increase compared to the amount reported in 2018. This indicates that respondents expected cumulative principal losses on the loans in their receivables portfolios to total approximately 19.6 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 a little less than half reported static pool default rates of less than 15 percent (Figure 86).

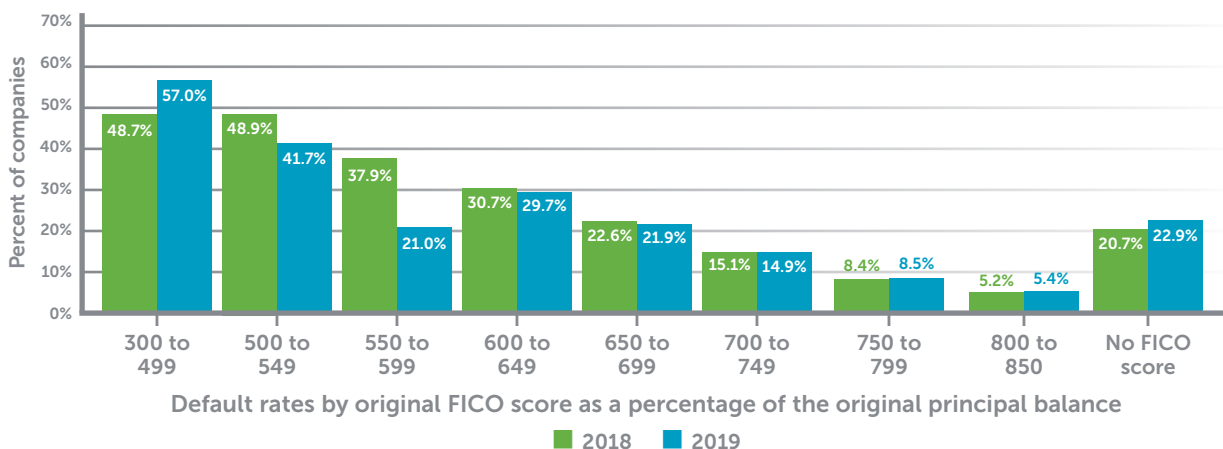
FIGURE 86
DISTRIBUTION OF COMPANIES BY STATIC POOL
DEFAULT RATE (AS A % OF ORIGINAL PRINCIPAL
BALANCE), 2019, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on 13 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 decreased for most bands, except the band categories from 300 to 499, 750 to 799, 800 to 850, and those with no FICO score from 2018 to 2019. 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, 2019, U.S.



Source: Deloitte & Touche LLP based on 8 company survey responses.

Summary Results and Statistics

FIGURE 88

SELECTED SALES METRICS

	Minimum	Maximum	Simple average	Weighted average	Median
Close Rate	9.2%	26.0%	14.2%	14.5%	15.7%
Existing Owner Close Rate	2.3%	36.0%	19.4%	20.7%	21.0%
New Owner Close Rate	7.3%	27.2%	11.5%	11.1%	11.2%
Volume Per Guest	\$922	\$4,876	\$2,913	\$3,036	\$2,665
Existing Owner VPG	\$1,314	\$6,935	\$4,209	\$4,624	\$3,280
New Owner VPG	\$625	\$3,762	\$2,207	\$2,122	\$1,735
Average Transaction Value	\$6,228	\$27,643	\$20,511	\$21,538	\$18,016
Existing Owner Average Transaction Value	\$6,140	\$58,153	\$21,679	\$23,035	\$19,750
New Owner Average Transaction Value	\$6,311	\$30,449	\$19,155	\$20,558	\$16,488

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

FIGURE 89

PORTFOLIO PERFORMANCE

	Minimum	Maximum	Simple average	Weighted average	Median
Portfolio Size	\$3,163	\$4,469,086,706	\$914,863,145	N/A	\$762,468,956
Currency	77.5%	99.0%	92.0%	87.8%	93.6%
Gross Defaults	2.0%	20.9%	8.8%	9.9%	7.5%
Allowance for Uncollectibles	3.9%	31.2%	16.5%	17.9%	13.7%
Interest Rate (Excluding Service Fee)	10.5%	17.5%	13.8%	13.8%	13.9%
Interest Rate (Including Service Fee)	12.7%	17.5%	14.3%	13.6%	14.6%
Term to Maturity (Months)	58.0	128.5	94.7	103.0	94.8
Weighted Average FICO Score	629	739	704	704	709
Static Pool Default Rate	7.2%	30.7%	17.5%	19.6%	18.1%

Source: Deloitte & Touche LLP based on a minimum of 8 company survey responses.

FIGURE 90

PORTFOLIO PERFORMANCE — NEW FINANCINGS

	Minimum	Maximum	Simple average	Weighted average	Median
Financed Value	48.2%	88.9%	62.5%	60.2%	67.3%
Term (Months)	87.0	138.0	117.4	119.0	120.0
Interest Rate (Excluding Service Fee)	12.0%	17.9%	14.1%	14.0%	14.0%
Interest Rate (Including Service Fee)	12.7%	17.9%	14.4%	14.1%	14.4%
Non-Upgrade Down Payment	5.1%	24.3%	13.8%	17.8%	13.9%
Upgrade Down Payment	17.3%	70.1%	37.2%	39.9%	43.1%
Weighted Average FICO Score	670	750	720	725	729

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

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
2018 2019

Hypothecation of Receivables During Year

- 7. The following questions refer to hypothecations of consumer receivables during 2018 and 2019.
 - 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
2018 2019

Receivable Portfolio Transactions without Recourse During Year (Securitizations)

- 8. The following items refer to securitizations of consumer receivables during 2018 and 2019. 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
2018 2019

Part II - 2020

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 2018 and 2019 in the columns provided. Definitions are provided on the third tab in this workbook. Note: Many questions require answers to be based on financial statements prepared in accordance with Accounting Standards Codification 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
2018 2019

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. 2018
- b. 2019

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.

- a. Total net originated sales of interval weeks
- b. Total net originated sales of points
- c. Implied yield per week on interval week sales
- d. Implied yield per week on points sales
- e. Total weeks and points sales
- f. 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 2018 2019

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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 2018 2019

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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 2018, total capital expenditures during the year ended December 31, 2018 to develop timeshare inventory started prior to January 1, 2018. For 2019, total capital expenditures during the year ended December 31, 2019 to develop timeshare inventory started prior to January 1, 2019.)
- b. Capital expenditures related to timeshare inventory that began construction in the current year (new timeshare projects). (For 2018, total capital expenditures during the year ended December 31, 2018 related to timeshare inventory that was started between January 1, 2018, and December 31, 2018. 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.)
- c. Capital expenditures related to fully completed inventory for the year ended December 31, 2018 and 2019 (e.g. turn-key, Just In Time inventory purchases, buy-backs from Property Owner Associations)

22. Dollar value of construction costs and undeveloped land included in inventory, but not under current development as of December 31, 2018 and 2019 (i.e. inventory developments where construction has been placed on hold or is inactive).

U.S. sales locations (50 states), calendar years 2018 2019

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Consumer Financing — continued

U.S. sales locations (50 states), calendar years
2018 2019

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

--	--

f2. 500 to 549

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f3. 550 to 599

--	--

f4. 600 to 649

--	--

f5. 650 to 699

--	--

f6. 700 to 749

--	--

f7. 750 to 799

--	--

f8. 800 to 850

--	--

f9. No FICO score

--	--

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

100.0%	100.0%
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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

--	--

h3. 550 to 599

--	--

h4. 600 to 649

--	--

h5. 650 to 699

--	--

h6. 700 to 749

--	--

h7. 750 to 799

--	--

h8. 800 to 850

--	--

h9. No FICO score

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Total

0.0%	0.0%
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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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