2011
EXECUTIVE SUMMARY

FINANCIAL PERFORMANCE 2011:
A Survey of Timeshare & Vacation Ownership Companies

Prepared by: Deloitte.

2011 EDITION

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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.

EXECUTIVE SUMMARY

The following summarizes key results of the study:

Sales activity

- **Net originated sales declined 2.4 percent.** In total, the 24 respondents that provided sales information reported $4.63 billion in net originated timeshare sales combined in 2010. The overall percentage change in net originated sales between 2009 and 2010 combined was a decrease of 2.4 percent, based on comparable information for 2009 and 2010 provided by the 24 respondents. For the *core company set*[1] in aggregate, net originated sales were marginally higher in 2010 (1.1 percent) than in 2009.
- **Point sales represented 46 percent of the $4.63 billion of net originated sales.** Of the $4.63 billion of net originated sales reported by 24 companies in 2010, $2.1 billion (46 percent) was classified as point sales, while $2.5 billion (54 percent) was classified as interval sales.
- **The slight decrease in U.S. net originated sales from 2009 to 2010 can be attributed to the recent economic recession and slow recovery.**
- **The amount of U.S. net originated sales that were sold on behalf of others under fee-for-service arrangements increased from $35.3 million in 2009 to $137.4 million in 2010.**
- **Quarterly net originated sales compared to the previous year were marginally less in total for all respondents.** For the *core company set* in aggregate, net originated sales were marginally more in total than the same quarters of 2009. Specifically, sales in the second half were more in 2010 compared to the same period in 2009.
- **Net originated sales at U.S. locations averaged $29.1 million per resort in active sales.**
- **Unsold weeks held in inventory decreased 0.4 years to an equivalent of 1.9 years in 2010 for the *core company set*.** The *core company set* reported that the number of unsold weeks held in inventory at year-end 2010 was equivalent to 1.9 years of sales; a 0.4 years decrease compared to 2009, on a weighted average basis.
- **Capital expenditures related to timeshare inventory decreased by 17.5 percent from 2009 to 2010.**
- **The average yield per week decreased in 2010, with a weighted average yield of $22,781.** The weighted average yield of a timeshare week sold during 2010 was $22,781.[2] The *core company set* reported an average decrease in the weighted average yield of a timeshare week of 13 percent from 2009 to 2010.
- **Sales tours decreased while net close rate and average transaction value increased.** In 2010, respondents reported hosting 1.95 million sales tours, compared to 2.03 million sales tours in the previous year. Respondents achieved an average net closing rate of 15.4 percent, which was 0.1 percentage point higher than the 15.3 percent reported for 2009. During the year, average volume per guest increased from $2,490 in 2009 to $2,538 in 2010, while average transaction value increased from $16,631 to $16,868, respectively. The *core company set* reported an increase in net close rates from 15 percent in 2009 to 15.2 percent in 2010.
- **A greater share of net originated sales, by dollar value, was attributable to upgrade sales than in 2009.** Upgrade sales accounted for 33.4 percent of sales volume at U.S. locations in 2010, compared to 31.2 percent in 2009. Respondents reported that average transaction value for non-upgrade sales was $16,768, and for upgrade sales was $14,576, in 2010.
- **Rescissions, as a portion of gross sales, decreased 0.7 percentage points in 2010.** Respondents reported a lesser reduction of revenue for rescissions, which averaged 13.0 percent in 2009 compared to 12.4 percent in 2010. There was a decrease in rescission rates for both upgrade and non-upgrade sales from 2009 to 2010.

Sales tours metrics by company category, 2010, U.S.

		Company size			Average yield per week		
	All Respondents	$250 million or more	$25 million to $249 million	Less than $25 million	$25,000 or more	$15,000 to $24,999	Less than $15,000
Number of tours	1,950,947	1,366,495	541,522	42,930	220,545	1,327,679	402,723
Number of sales transactions	288,421	196,883	86,204	5,334	38,714	182,663	67,044
Net close rate	15.4%	15.1%	16.4%	15.2%	20.0%	13.7%	16.7%
Net originated sales excluding telesales (millions)	$4,380	$3,411	$903	$66	$805	$2,834	$740
Volume per guest (VPG)	$2,538	$2,727	$1,856	$2,100	$4,080	$2,274	$1,872
Average transaction value	$16,868	$18,328	$11,355	$16,858	$21,197	$17,105	$11,222

Source: Deloitte & Touche LLP based on a minimum of 23 company survey responses.

1 A core group of companies reported detailed information in both 2009 and 2010, providing year-in and year-out results that yield a stable perspective on industry trends. Wherever appropriate, information reported by this "*core company set*" has been presented to benchmark year-to-year trends from 2009 to 2010, based on a consistent set of respondents.

2 The average yield per week measure is calculated as net originated sales revenue divided by the number of weeks sold.

Key ratios

- **Estimated uncollectible sales, as a portion of net originated sales, averaged 17.8 percent in 2010.**
- **Product costs, as a portion of net originated sales, averaged 23.8 percent in 2010.**
- **Costs related to sales and marketing decreased, averaging 39.7 percent of net originated sales.** Total sales and marketing costs reported by the *core company set* decreased from 40.6 percent in 2009 to 39.4 percent in 2010.
- **General and administrative costs, as a portion of net originated sales, averaged 7 percent in 2010.** General and administrative costs reported by the *core company set* decreased from 6.9 percent in 2009 to 6.3 percent in 2010.
- **Home owner association (HOA) subsidies and maintenance fees for unsold units net of rental revenues, as a portion of net originated sales, averaged 1.3 percent in 2010.**
- **Operating profit margin on timeshare sales operations increased, averaging 10.4 percent.** This margin represents only timeshare sales operations, and excludes profit generated by the consumer financing and resort management components of many timeshare development companies. The operating profit margin reported by the *core company set* increased from 9.5 percent in 2009 to 12.3 percent in 2010.
- **Respondents reported that 59.9 percent of timeshare sales, by dollar value, in 2010 were to buyers who already owned at least one timeshare interest at the company.** The percent of timeshare sales, by dollar value, that were to buyers who already owned at least one timeshare interest at the company reported by the *core company set* increased from 54.5 percent in 2009 to 60.9 percent in 2010.

Key ratios as a percentage of net originated sales value, 2010, U.S.

	All respondents	Interval companies	Points companies	Public companies	Private companies
Estimated uncollectible sales	17.8%	15.5%	20.1%	18.1%	17.4%
Cost of sales, also referred to as product cost	23.8%	24.3%	23.3%	24.6%	22.6%
Sales commissions	14.2%	11.4%	17.1%	14.8%	13.3%
Other sales and marketing costs to sell timeshare intervals or points	25.5%	30.8%	20.3%	23.8%	28.3%
Sub-total: Sales commissions and other sales and marketing costs	39.7%	42.2%	37.4%	38.6%	41.6%
General and administrative costs related to timeshare sales operations	7.0%	5.9%	8.0%	7.1%	6.7%
HOA subsidies and/or maintenance fees	1.3%	1.0%	1.7%	0.9%	2.1%
Pre-tax margin of timeshare sales operations	10.4%	11.1%	9.5%	10.7%	9.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Deloitte & Touche LLP based on 23 company survey responses.

Hypothecation of receivables

- **The average interest rate increased while the average advance rate decreased when compared to 2009.** The average interest rate increased by 0.5 percentage points from 5.3% to 5.8%. The average advance rate has decreased 2.2 percentage points from 81.5% to 79.3% (Page 67). Eighteen respondents provided information on hypothecations of receivables that occurred during 2010, totaling $715 million.

Portfolio sales and securitizations

- **The average transaction size of securitizations and advanced rates increased, while average interest rates declined.** The average transaction size of reported securitizations increased 21.6% from $145.1 million to $176.4 million. The average advance rate has increased 12.2 percentage points from 77.7% to 89.9%. The 14 separate securitization transactions reported by survey respondents in 2010, represented a total value of $2.3 billion, measured as the gross value of the sales contracts securitized.

Consumer financing and receivables portfolio performance

- **Of net originated timeshare sales in which respondents provided financing information on $4.1 billion of net originated sales, $2.5 billion was financed by respondents.** Approximately 52.5 percent of the dollar value of net originated timeshare sales were financed in 2010. Respondents reported that, in 2010, the average interest rate on new loans to consumers was 14.1 percent, the average down payment associated with non-upgrade sales was 17.6 percent of the contract price, and the average down payment associated with upgrade sales, including the equity in their existing vacation ownership interest, was 47.1 percent of the contract price.
- **Average down payments increased slightly in 2010.** For the *core company set*, the interest rate on new consumer loans in 2010 was 14.0 percent, consistent with the interest rate of 14.0 percent reported in 2009, on a weighted average basis. As a percentage of contract prices, average down payments on non-upgrade sales in the *core company set* increased from 16.1 percent in 2009 to 17.4 percent in 2010 and average down payments on upgrade sales in the *core company set* increased from 48.5 percent in 2009 to 51.6 percent in 2010.
- **Current receivables decreased 0.6 percentage points, while those more than 120 days delinquent increased by 0.9 percentage points.** The share of current receivables (current or fewer than 31 days delinquent) was 87.4 percent in 2010, while the share of receivables more than 60 days delinquent was 10.5. percent.
- **Gross defaults, as a portion of the gross outstanding portfolio balance at year-end, averaged 7.8 percent in 2010, which is a decrease of 0.5 percentage points from 2009.**
- **The weighted average allowance for uncollectible accounts, as a portion of gross outstanding portfolio balance at year-end, was 13.9 percent in 2010.**
- **The average interest rate on loans held in portfolios remained consistent, while the average term decreased by three months.** The weighted average interest rate on timeshare consumer loans held in portfolios at year-end was 13.9 percent in 2010; and the weighted average term to maturity for loans held was 97.5 months.
- **The weighted average general and administrative costs of financing operations, as a portion of outstanding portfolio balance, was 1.2 percent in 2010.**
- **The weighted average static pool default rate, as reported by 18 respondents, was 17.7 percent in 2010.**
- **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) remained consistent from 2009 to 2010.**

Performance of consumer receivables portfolios at year-end, 2009 and 2010, all geographies

	2009	2010
Current	88.0%	87.4%
31 to 60 days	2.3%	2.1%
61 to 90 days	1.3%	1.2%
91 to 120 days	1.1%	1.1%
More than 120 days	7.3%	8.2%
	100.0%	100.0%

Source: Deloitte & Touche LLP based on 26 company survey responses.

FICO scores

- **The use of FICO scoring as an underwriting component remained consistent in 2010.** A majority of the respondents, 79.2 percent, reported that they utilize FICO scoring in their underwriting criteria, which remained consistent with 79.2 percent in 2009.
- **Average FICO scores on loans held in receivable portfolios improved in 2010.** The weighted average FICO score on loans held in receivables portfolios at year-end, as reported by respondents, increased 7 points from 682 in 2009 to 689 in 2010.

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