# Bluegreen Vacations Corporation (NYSE: BXG)

**3rd Quarter 2018 Pre-Recorded Business Update**

November 5, 2018

**Evelyn Infurna – Investor Relations**

Good afternoon, everyone. Thank you for joining us today to review Bluegreen Vacation's third quarter 2018 financial and operating results.

Today's business update will be presented by Bluegreen Vacation's Chief Executive Officer, Shawn B. Pearson, and Chief Financial Officer, Tony Puleo.

I would like to remind listeners that this pre-recorded business update may contain forward-looking statements based largely on current expectations of Bluegreen Vacations that involve a number of risks and uncertainties. All opinions, forecasts, projections, future plans or other statements, other than statements of historical fact, are forward-looking statements.

We can give no assurance that such expectations will prove to be correct. Actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by these forward-looking statements and are subject to a number of risks and uncertainties that are subject to change based on factors which are, in many instances, beyond the Company's control.
Risks and uncertainties include, without limitation, risks associated with the Company's ability to successfully implement currently anticipated plans, generate earnings and long-term growth, and increase shareholder value.

Additional detailed risks and uncertainties are described in Bluegreen Vacation's Annual Report on Form 10-K filed for the year ended December 31, 2017 and its Quarterly Report on Form 10-Q, which is expected to be filed on or about November 6, 2018, for the quarter ended September 30, 2018, and available to view on the SEC's website, www.sec.gov, and on Bluegreen Vacation's website, www.BluegreenVacations.com. We have also provided a supplementary earnings slide deck which is available on our website.

Listeners should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Bluegreen Vacations cautions that the foregoing factors are not exclusive, and we do not undertake, and specifically disclaim any obligation, to update or supplement any forward-looking statement.

I'll now turn it over to Shawn Pearson, Chief Executive Officer. Shawn?

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**Shawn B. Pearson – President and Chief Executive Officer**

Thank you Evelyn. Bluegreen had a busy third quarter focused on initiatives designed to support the Company's long-term growth. We entered into an exclusive agreement to acquire inventory at The Manhattan Club, opened a portion of the sales center at the recently acquired Éilan Hotel & Spa in San Antonio, Texas and completed the installation of an upgraded point of sale and sales and inventory accounting system, which was a critical first step in our ongoing ERP modernization project. We have also continued to focus on our marketing efforts. In particular, we have actively devised and testing new digital programs in tandem with our traditional marketing programs. Specifically, we have enhanced our website with the capability for marketing package guests to book their stays, an activity which previously was only able to be performed by phone. Additionally, subsequent to quarter end, we completed an attractively priced $118 million securitization of timeshare receivable-backed notes, reflective of the strong demand in the market and our ongoing ability to create liquidity.

Despite our many steps forward to position Bluegreen for the long term, gains in VOI sales have not been in line with our expectations in the short term. We attribute a portion of our lower sales growth to the impact of Hurricane Florence, which affected nine Club resorts and four of our sales centers that were in the path of the hurricane. This storm disruption resulted in marketing guest and owner cancellations as well the closure of the impacted sales centers for upwards of two weeks. We are grateful that our guests, owners and colleagues were not harmed, nor did we sustain any meaningful physical damage to our properties. However, the hurricane did reduce our System-Wide Sales by an estimated $5.8 million and Adjusted EBITDA by an estimated $2.3 million in the third quarter. We also anticipate that Hurricanes Florence and Michael will impact our fourth quarter results given the loss of sales opportunities, estimated to be in the range of $1.7 million to $1.9 million in sales and $0.5 million to $0.6 million in EBITDA. Our results during the third quarter were also impacted by increased Cost of VOIs Sold, reflecting a temporary reduction in the purchase of secondary market VOIs. Unfortunately, this was a decision that we believed was necessary to accommodate the implementation of the first phase of the new ERP system, which is now complete. We believe that this first phase and subsequent phases of this new ERP system will help improve the efficiencies of our operations and provide enhanced service to our owners and guests.

Turning to our marketing initiatives, we continue to focus on creative ways to reach new customers and provide them the unique benefits for being a Bluegreen owner. In August we launched a partnership with the Miami Marlins for the 2018 and 2019 seasons in which we were named the Marlins' official vacation ownership provider. The alliance provides Bluegreen with in-stadium signage, the opportunity to promote vacation ownership during certain Marlins' home games as well as an opportunity to directly market to Marlins' fans. While this is a more focused opportunity when compared to our larger, national alliances, the Marlins opportunity demonstrates the dynamic nature of our marketing capabilities, combined with our desire to support our South Florida community.

We also have taken an important step in our efforts to identify and cultivate new marketing alliances. In October, we added Al Montalvo to our team in the newly created position of Vice President of Business Development. Al comes to us from marketing leadership roles at L Brands International and previously the L'Oréal Group. Al's sole focus will be to identify and establish new, productive marketing alliances to complement our already successful alliances with Bass Pro Shops and Choice Hotels. We welcome Al to Bluegreen!

On the topic of our senior management team, I would like to take a moment to recognize Dave Pontius, our Chief Operating Officer who announced that he is retiring in December 2018. Dave is an industry veteran and Bluegreen has benefited from his experience and leadership over the past eleven years. Bluegreen is a company known for its strong relationships, unique product and impeccable service and Dave has left his indelible mark in all of these areas. We've taken the opportunity to restructure the reporting relationships in Dave's area to maintain our high levels of service and performance, while improving our nimbleness and coordination internally with a more streamlined management team.

Now let's move to our marketing programs.

We highly value our strategic alliance with Choice. Our target customers have similar demographic characteristics to Choice Privileges members, resulting in our access to high quality sales prospects. While we predominately market to Choice's customers and Choice Privileges Loyalty members through our call transfer program, we are also experimenting with various digital and direct marketing programs with Choice. For example, our team is working with Choice in planning an expanded "cyber Monday" marketing event that will allow Bluegreen to reach up to 10 million Choice Privileges Loyalty members.

While early results of our experiments have been promising, we are still learning and our goal is to develop creative and ongoing programs with Choice that can drive growth in the future.

Regarding our long-running, 18-year alliance with Bass Pro Shops, we continue to work closely with Bass Pro on the day-to-day operation of our marketing arrangements and resort development joint venture in Missouri to leverage the power of our existing strategic alliance. Our historical marketing channel with Bass Pro and our joint venture have continued despite previously disclosed disputes. While we've been disappointed that we've been unable to access any Cabela's locations to date, thus delaying the anticipated growth of this channel, we remain hopeful that we will be able to do so in the future. With respect to our ongoing relationship with Bass Pro – we maintain an active dialogue and are still working towards a resolution. We believe that we will have an update to share with you by the time we report 4th quarter earnings.

As our marketing programs grow over time, it's important that we have adequate sales center space in which to introduce those marketing guests to the Bluegreen Vacation Club and generate VOI sales. We currently have 25 sales centers and are actively adding to that base with an additional 54,000 square feet in 1 new and 3 expanded sales centers currently under construction. This is in addition to the 12,000 additional square feet of sales office space at our Wilderness Club at Big Cedar sales center, which has already been completed. We have targeted this expansion to meet our sales space needs for at least the next three years, so as growth occurs, we'll have the space to support it. Included in this amount, is the 13,000 square foot sales office at the Éilan Hotel & Spa in San Antonio, Texas, a portion of which opened in August. In addition to the remainder of the Éilan sales office, we next expect to open our new, 7,200 square foot sales office at the Marquee in New Orleans. We are also considering an additional 17,500 square feet of potential sales space for expansion.

Let me comment briefly on our progress addressing the industry-wide cease and desist issue. We continue to take a proactive stance towards predatory law firms targeting VOI owners' by claiming that they can eliminate owner obligations and encourage delinquencies and owner defaults. Our new Chief Legal and Compliance Officer, Jorge de la Osa, who joined us in June with substantial industry experience, is already making progress, as is the entire timeshare industry who are also focused on the issue. Multiple third-party timeshare exit firms have now filed termination of representation notices relating to more than 205 vacation club owner contracts. In addition, it was recently announced that the founder of one of the higher volume law firms involved in these activities was disbarred by the Supreme Court of Tennessee, and another of the firms declared bankruptcy. We are also now working on various other ways that we can try to address the needs of our members directly. We are encouraged with the results of our strategy to date and intend to continue fighting these frivolous claims by aggressively addressing this industry-wide problem.

Before I turn the call over to Tony Puleo to discuss financial results, I'd like to leave you with a few thoughts:

Bluegreen was founded in 1966 and has been in the vacation ownership business since 1994. We have successfully grown our platform to include approximately 216,000 owners, 69 Club and Club Associate Resorts, as well as established an attractive capital light business model which generates revenues without significant capital investment. During this time, we have also navigated numerous business and economic cycles, storm disruptions and growing pains. Regardless of challenge, Bluegreen has in the past addressed the issues presented and come through stronger and smarter for having gone through the experience. We are keenly focused on positioning Bluegreen for long term, sustainable growth, including building our sales and marketing channels, but these efforts will take some time to execute results and we anticipate slightly moderate sales growth in the near term and throughout 2019. Additionally, we believe that the enhanced information technology infrastructure that we have begun to put in place this quarter and will continue to implement will support the Company's

growth for years to come, but this and other investments come with a cost of capital expenditures, temporarily increased operating expenses and time commitments for implementation. While weather disruptions had a negative impact on the third quarter and near term VOI growth is expected to be below our prior outlook, we remain confident that our unique marketing and sales strategy coupled with our high-quality vacation ownership destinations will produce compelling value for our shareholders and experiences for our owners over the long term.

Tony?

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**Tony Puleo, SVP and Chief Financial Officer**

Thank you, Shawn.

Net income attributable to Bluegreen shareholders for the third quarter was $20.5 million, or $0.27 per share, compared to $18.5 million, or $0.26 per share for the three months ended September 30, 2017. We recognized a 3.6% improvement in total revenues and modest improvement in system-wide VOI sales of 1.1% as well as improvement in resort management revenue and associated segment Adjusted EBITDA margin. We also continue to benefit from favorable comparisons to last year due to the Tax Cuts and Jobs Act which went into effect on January 1, 2018. These increases were offset by margin contraction in our sales of VOIs and financing segment, primarily due to higher Cost of VOIs Sold, which was impacted by the temporary suspension of secondary market VOI purchases to accommodate the system installation that Shawn mentioned, as well as weather disruptions which curtailed what we believe would have been further growth in our VOI sales.

Income before non-controlling interest and provision for income tax was $32.5 million for the third quarter of 2018, a decrease of 5.4%, compared to $34.4 million for the third quarter of 2017.

Adjusted EBITDA was $34.9 million for the third quarter, as compared to $39.1 million from the comparable prior year period which we believe was largely due to the disruptive impact of Hurricane Florence. We estimate that the financial impact to Adjusted EBITDA from the storms was roughly $2.3 million.

In addition, our corporate overhead increased $2.9 million compared to the prior year quarter, partially due to ongoing higher legal costs as a result of our strategy to defend, rather than settle, law suits that we believe are frivolous. In addition to increased legal costs, the company incurred higher depreciation in the quarter related to information technology investments, and higher investor and public relations costs related to being a public company. We believe these higher overhead costs will continue in the near term and in 2019.

With respect to our segment results for the third quarter, system-wide sales of VOIs increased 1.1% to $173.3 million from $171.4 million. The improvement was driven by a 6.2% increase in average sales per transaction, knows as “APT”, and a 4.9% higher sales volume per guest, known as “VPG”, which reflects the higher APT offset by a modest decline in our sales-to-tour conversion ratio to 16.5% from 16.7% in the year prior. We also experienced a 4.4% decline in guest tours. And as we shared with you earlier, Hurricane Florence had a direct and indirect impact on our system-wide sales of VOIs in the third quarter due to closures of sales centers and trip cancellations.

As has been our trend since 2012, sales increases in the quarter are almost all due to higher productivity at our existing sales offices. We hope to see further improvements to our sales volume as we begin to unlock marketing growth from anticipated Cabela’s expansion, realize the benefits of our

expanded Choice relationship, add potential new marketing alliances and continue to execute on our plan to add additional sales center space to accommodate the higher marketing volumes over the next several years.

Sales on behalf of our fee-based clients represented 51% of system-wide sales of VOIs, net vs. 57% in the third quarter of 2017. We are on track to reach our targeted goal of approximately 52% for the year.

Sales to new customers were 49% of system-wide sales, compared to 52% in the third quarter of 2017. This mix resulted in net new owner growth of 2% over the past year.

With regard to operating profit margin in our Sales of VOIs and Financing segment, we experienced 100 basis points of compression to 25% relating to an increase in our provision for loan losses to 17% in the 2018 period from 15% for the three months ended September 30, 2017, and an increase in Cost of VOIs Sold to 16% from 10% in the third quarter of 2017.

The increase in the provision for loan loss was primarily due to a higher percentage of our sales being financed by the consumer and the impact of additional reserves needed on prior year's loan originations, partially offset by the impact of an increase in our weighted-average FICO® score in 2018 compared to prior periods.

Turning now to our default rates. For the twelve months ended September 30, 2018, average annual default rates were 8.4%, up slightly from 8.1% in 2017, while delinquency rates fell by 27 basis points in the same period. Given the dynamic we are seeing of attorneys targeting VOI owners and advising these owners to become delinquent and default on their obligations, we are encouraged that we are not seeing more dramatic increases in our default and delinquency rates. While it is still early we believe, our more aggressive stance and other default initiatives show promise. But, we expect our provision for loan losses will approximate current levels in the near term and through 2019.

The increase in Cost of VOIs Sold was primarily due to sales of comparatively higher cost product and the acquisition of less secondary market VOI inventory in this period as compared to the three months ended September 30, 2017. As Shawn discussed, secondary market purchases were temporarily suspended in September 2018, in connection with the computer system conversion. We realize an immediate benefit to Cost of VOIs Sold as we acquire secondary market inventory in our existing resorts, so this reduction of purchases comparatively had an adverse impact on our margin. We have recommenced our purchase of secondary market VOI's in October. We estimate our Cost of VOIs Sold through 2019 to range from 13% to 16%, depending on product mix in each quarter.

In addition, the Net Carrying Cost of our VOI Inventory increased by $2.1 million to $2.9 million for the third quarter of 2018. This expense is the net of maintenance fees and developer subsidies that we pay to resort home owners' associations on our unsold VOI inventory, net of income we receive from rental and sampler programs which utilize such inventory. This increase was primarily due to the carrying costs of the Éilan Hotel & Spa, which we acquired in April 2018. This cost will increase as we bring additional VOI inventory online, and then should decrease as we sell the inventory over time. As a result of additional VOI inventories expected to be brought on line in 2019, including an additional 97 units at our Fountains Resort in Orlando, Florida; we believe the Net Carrying Cost of Inventory will be higher in 2019 than in 2018.

The decline in our operating profit was partially offset by lower selling and marketing costs as a percentage of system-wide sales to 49% from 51% in 2017. This decrease was due to a higher percentage of our sales being to our existing owners in the 2018 quarter as compared to the 2017

quarter, as well as lower fixed costs as a result of our "corporate realignment" initiative in the fourth quarter of 2017.

In our resort operations and club management segment, revenue increased 13.7% and operating profit increased 18.6%. We have added 1 new management contract over the last twelve months, bringing our total resorts managed to 49.

Our business model is driven by dual revenue streams: capital-light and more traditional revenue. Capital-light revenue as a percentage of total revenue was 69.2% in the third quarter 2018 compared to 70.1% in the third quarter of 2017. There can be variability in this percentage on a quarter by quarter basis, but year to date, our capital light revenue has increased by 200 basis points to 71% of total revenues. We believe our balanced strategy maximizes operating flexibility as well as capital flexibility.

Now turning to our balance sheet and capital markets activities, our balance sheet provides Bluegreen with a great deal of stability, while allowing the Company the flexibility to take advantage of business opportunities and adapt to changing market conditions over time. On September 30, 2018 we held over $195 million of unrestricted cash and cash equivalents. Our net recourse debt to trailing twelve months of EBITDA was less than one-to-one. As of the third quarter, Bluegreen had $122.8 million of availability under its $365 million of credit and receivable purchase facilities.

In August, we renewed and extended the advance period and maturity of our $40 million revolving timeshare receivables hypothecation facility with Pacific Western Bank for an additional three years. In addition, we were able to lower the interest risk spread on the facility by 50 to 75 basis points, subject of course to the terms and conditions of the facility.

Subsequent to quarter end, we completed a $117.7 million securitization of vacation loan backed notes with an all in weighted average rate of 4.02% and a gross advance rate of 87%. Note proceeds were used to pay down the balances on certain of the Company's Receivables-Backed Debt Facilities and the balance will be used for general corporate purposes. The oversubscribed demand for the securitization allowed us to price the offering at a fixed rate of 4.02%, reflecting an interest risk spread of just 92 basis points over the applicable swap rate, making it one of our most well-priced securitizations to date. As we move forward, we will continuously work to augment our capital sources and drive down our cost of debt capital.

In October, our Board of Directors declared a cash dividend payment of $0.15 per share of common stock, payable on November 15, 2018, to shareholders of record on October 31, 2018 in keeping with our commitment to return capital to shareholders.

In closing, we are focused on improving sales growth and are working all avenues on that front. We have completed the first phase of our ERP conversion and are confident that our platform is ready for marketing growth as it occurs, with plans for more than adequate sales center space to handle our growth for the next several years. Our "same store" sales are healthy and growing although at lower levels than previously anticipated, and we are optimistic that we are working on the right catalysts that will help us achieve improved operating metrics and earnings growth over time.

Thank you for joining us today.