

May 1, 2019



Wyndham Destinations Reports First Quarter 2019 Results

ORLANDO, Fla., May 1, 2019 /PRNewswire/ -- Wyndham Destinations, Inc. (NYSE: WYND), the world's largest vacation ownership and exchange company, today reported first quarter 2019 financial results for the period ended March 31, 2019. Highlights include:

- Income from continuing operations increased 98% to \$81 million and diluted earnings per share (EPS) from continuing operations increased 107% to \$0.85
- Net revenue of \$918 million and gross VOI sales of \$484 million increased 1% and 4%, respectively
- Adjusted EBITDA increased 4%¹ to \$205 million and adjusted diluted EPS from continuing operations increased 23%¹ to \$1.03
- Delivered net cash provided by operating activities from continuing operations of \$152 million and further adjusted free cash flow of \$249 million
- Repurchased 1.9 million shares of common stock for \$80 million in the first four months of 2019
- Increased 2019 adjusted diluted EPS from continuing operations guidance to a range of \$5.21 to \$5.42 and reaffirmed adjusted EBITDA guidance range of \$995 million to \$1,015 million

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Michael D. Brown, president and chief executive officer of Wyndham Destinations, said, "Our team delivered solid results in the first quarter. Strong volume per guest combined with cost efficiencies led to a 60 basis point margin improvement year-over-year and adjusted EBITDA growth of 4%."¹

"We have increased our EPS outlook and are on track to deliver against our strategic goals and key performance indicators in 2019. We continue to generate strong free cash flows and year-to-date we have returned \$122 million of capital to shareholders in the form of dividends and share repurchases," said Brown.

During the first quarter of 2019, reported revenue was \$918 million, compared to \$907 million during the same period in 2018. Income from continuing operations was \$81 million, compared to \$41 million during the same period in 2018, and EPS from continuing operations per diluted share was \$0.85 in the first quarter of 2019, compared to \$0.41 in the same period in 2018.

Total first quarter 2019 adjusted net income from continuing operations increased 15%¹ to \$98 million. Adjusted EBITDA increased 4%¹ to \$205 million and adjusted diluted EPS from continuing operations increased 23%¹ to \$1.03.

Business Segment Results

Vacation Ownership

<i>\$ in millions</i>	<i>2019</i>	<i>2018</i>	<i>% change</i>
Revenue	\$683	\$661	3 %
Adj. EBITDA 2019 / Further Adj. EBITDA 2018 ¹	\$138	\$129	7 %

Vacation Ownership revenues increased 3%, primarily due to a 4% increase in gross vacation ownership interest (VOI) sales of \$484 million. Tours increased 1.4% year-over-year and Volume Per Guest (VPG) increased 4.5%.

Adjusted EBITDA increased 7%¹ to \$138 million, primarily due to VPG-led revenue growth and cost efficiencies.

Gross vacation ownership contract receivables grew 5% year-over-year to \$3.7 billion. The provision for loan loss as a percentage of gross VOI sales, net of fee-for-service sales, was 22.5% for the first quarter of 2019.

Exchange & Rentals

<i>\$ in millions</i>	<i>2019</i>	<i>2018</i>	<i>% change</i>
Revenue	\$236	\$246	(4) %
Adj. EBITDA 2019 / Further Adj. EBITDA 2018 ¹	\$80	\$79	1 %

Exchange & Rentals revenues decreased 4%, primarily due to a 5% decline in exchange revenue per member, which included a 2% negative impact from currency. The decline in exchange revenue per member was largely driven by member mix and inventory supply challenges.

Adjusted EBITDA increased 1%¹ to \$80 million, primarily driven by cost savings initiatives and partially offset by a negative impact from currency.

Balance Sheet and Liquidity

Net Debt — As of March 31, 2019, the Company's leverage ratio was 2.7x, within the Company's target range of 2.25x to 3.0x. The Company had \$2.8 billion of corporate debt outstanding, which excluded \$2.5 billion of non-recourse debt related to its securitized notes receivable. Additionally, the Company had cash and cash equivalents of \$217 million. Refer to Table 9 for definitions of net debt and leverage ratio.

Cash Flow — For the three months ended March 31, 2019, net cash provided by operating activities from continuing operations was \$152 million, compared to net cash used in operating activities from continuing operations of \$23 million in the prior year period. The increase was driven by an increase in net income from continuing operations and a decrease in cash used for working capital. Further adjusted free cash flow from continuing operations was \$249 million for the first quarter of 2019, compared to negative \$122 million for the same period in 2018. The increase in further adjusted free cash flow was due to the increase in net cash provided by operating activities and due to the timing of the Company's securitization activity.

Share Repurchases — During the first quarter of 2019, the Company repurchased 1.4 million shares of common stock for \$60 million at a weighted average price of \$41.86 per share. As of March 31, 2019, the Company had \$756 million remaining in its share repurchase authorization. Subsequent to the end of the first quarter, the Company repurchased an additional \$20 million of shares in the month of April.

Dividend — The Company paid a cash dividend of \$0.45 per share on March 29, 2019 to

shareholders of record as of March 18, 2019. The cash dividend represents a 10% increase over dividends paid in the fourth quarter of 2018.

Timeshare Receivables Financing — In March, the Company closed a \$400 million term securitization with a weighted average coupon rate of 3.57% and an advance rate of 98%. Subsequent to the end of the first quarter, the Company renewed its \$800 million conduit facility with a new maturity date of August 2021.

Other

Wyndham Vacation Rentals — The Company continues to explore strategic alternatives for Wyndham Vacation Rentals, one of North America's largest professionally managed vacation rental businesses.

Outlook

The Company reaffirmed its full-year 2019 guidance as follows:

- Adjusted EBITDA of \$995 million to \$1,015 million
- Adjusted net income from continuing operations of \$493 million to \$513 million
- Further adjusted free cash flow of \$540 million to \$560 million
- Provision for loan loss as a percentage of gross VOI sales to be comparable to 2018, which was 20.5%

The Company increased its full-year 2019 guidance as follows:

- Adjusted diluted EPS from continuing operations of \$5.21 to \$5.42, based on a diluted share count of 94.6 million, which assumes no future share repurchases after March 31, 2019. The guidance has increased to reflect a lower share count from share repurchases

This guidance is presented only on a non-GAAP basis because not all of the information necessary for a quantitative reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measure is available without unreasonable effort, primarily due to uncertainties relating to the occurrence or amount of these adjustments that may arise in the future. Please refer to Table 8 for further information.

1. The variance between 2019 Adjusted EBITDA, adjusted diluted EPS from continuing operations and adjusted net income from continuing operations compared to the prior year was calculated using 2019 Adjusted data and 2018 Further Adjusted data in order to provide a more accurate comparison. See "Presentation of Financial Information" and the tables for the definitions and reconciliations of these non-GAAP measures in accordance with GAAP.

Conference Call Information

Wyndham Destinations will hold a conference call with investors to discuss the Company's results and outlook today at 8:30 a.m. ET. Participants may listen to a simultaneous webcast of the conference call, which may be accessed through the Company's website at investor.wyndhamdestinations.com, or by dialing 877-876-9174, passcode WYND, 10 minutes before the scheduled start time. For those unable to listen to the live broadcast, an archive of the webcast will be available on the Company's website for 90 days beginning at 12:00 p.m. ET today. Additionally, a telephone replay will be available for 10 days beginning at 12:00 p.m. ET today at 800-753-9146.

Presentation of Financial Information

Financial information discussed in this press release includes non-GAAP measures such as adjusted EBITDA, adjusted diluted EPS from continuing operations and adjusted net income from continuing operations, which include or exclude certain items. The Company utilizes non-GAAP measures, defined in Table 9, on a regular basis to assess performance of its reportable segments and allocate resources. These non-GAAP measures differ from reported GAAP results and are intended to illustrate what management believes are relevant period-over-period comparisons and are helpful to investors as an additional tool for further understanding and assessing the Company's ongoing operating performance by adjusting for items which in our view do not necessarily reflect ongoing performance. Management also internally uses these measures to assess our operating performance, both absolutely and in comparison to other companies, and in evaluating or making selected compensation decisions. Exclusion of items in the Company's non-GAAP presentation should not be considered an inference that these items are unusual, infrequent or non-recurring. The Company is also presenting non-GAAP results on a further adjusted basis for prior period comparison as if the spin-off of its hotel business and the sale of its European vacation rentals business had occurred for all periods presented. Full reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures for the reported periods appear in the financial tables section of the press release. See definitions at the end of this press release for an explanation of our non-GAAP measures.

About Wyndham Destinations

Wyndham Destinations (NYSE:WYND) believes in putting the world on vacation. As the world's largest vacation ownership and exchange company, Wyndham Destinations offers everyday travelers the opportunity to own, exchange or rent their vacation experience while enjoying the quality, flexibility and value that Wyndham delivers. The company's global presence in approximately 110 countries means more vacation choices for its more than four million members and owner families: Wyndham's more than 220 vacation club resorts, which offer a contemporary take on the timeshare model, with signature brands including CLUB WYNDHAM®, WorldMark® by Wyndham, Margaritaville Vacation Club® by Wyndham, and Shell Vacations Club; 4,300+ affiliated resorts through RCI, the world's leader in vacation exchange; and over 9,000 rental properties from coast to coast through Wyndham Vacation Rentals, one of North America's largest professionally managed vacation rental businesses. Year-after-year, a worldwide team of more than 24,000 associates delivers exceptional vacation experiences to families around the globe as they make memories to last a lifetime. At Wyndham Destinations, our world is your destination. Learn more at wyndhamdestinations.com.

Forward-Looking Statements

This press release includes "forward-looking statements" as that term is defined by the Securities and Exchange Commission ("SEC"). Forward-looking statements are any statements other than statements of historical fact, including statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the future. In some cases, forward-looking statements can be identified by the use of words such as "may," "will," "expects," "should," "believes," "plans," "anticipates," "estimates," "predicts," "potential," "continue," "future" or other words of similar meaning. Forward-looking statements are subject to risks and uncertainties that could cause actual results of Wyndham Destinations, Inc. ("Wyndham Destinations") to differ materially from those discussed in, or implied by, the forward-looking statements. The forward-looking statements contained in this press release include statements related to Wyndham Destinations' current views and expectations with respect to its future performance and operations (including the statements in the "Outlook" section of this press release). You are cautioned not to place undue reliance on

these forward-looking statements, which speak only as of the date of this press release. Factors that might cause such a difference include, but are not limited to, general economic conditions, the performance of the financial and credit markets, the competition in and the economic environment for the timeshare industry, the impact of war, terrorist activity or political strife, operating risks associated with the vacation ownership and vacation exchange and rentals businesses, uncertainties related to our ability to realize the anticipated benefits of the spin-off of the hotel business ("Spin-off") Wyndham Hotels & Resorts, Inc. ("Wyndham Hotels") or the divestiture of our European vacation rentals business, unanticipated developments related to the impact of the Spin-off, the divestiture of our European vacation rentals business and related transactions on our relationships with our customers, suppliers, employees and others with whom we have relationships, unanticipated developments resulting from possible disruption to our operations resulting from the Spin-off and the divestiture of our European vacation rentals business, the proposed strategic transaction involving our North American vacation rentals business may not prove successful and could result in operating difficulties, the timing and amount of future dividends and share repurchases and those disclosed as risks under "Risk Factors" in documents we have filed with the SEC, including in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 26, 2019. We caution readers that any such statements are based on currently available operational, financial and competitive information, and they should not place undue reliance on these forward-looking statements, which reflect management's opinion only as of the date on which they were made. Except as required by law, we undertake no obligation to review or update these forward-looking statements to reflect events or circumstances as they occur.

Wyndham Destinations
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Table 1

Wyndham Destinations
Condensed Consolidated Statements of Income (Unaudited)
(in millions, except per share amounts)

	Three Months Ended March 31,	
	2019	2018
Net revenues		
Service and membership fees	\$ 405	\$ 419
Net VOI sales	375	358
Consumer financing	125	118
Other	13	12
Net revenues	<u>918</u>	<u>907</u>

Expenses

Operating	397	403
Cost of vacation ownership interests	30	31
Consumer financing interest	26	19
Marketing	147	131
General and administrative	129	153
Separation and related costs	15	30
Restructuring	3	—
Depreciation and amortization	31	37
Total expenses	<u>778</u>	<u>804</u>

Operating income	140	103
Other (income), net	(11)	(6)
Interest expense	41	45
Interest (income)	(2)	(1)
Income before income taxes	112	65
Provision for income taxes	31	24
Income from continuing operations	81	41
Loss from discontinued operations, net	—	(7)
Loss on disposal of discontinued operations, net	(1)	—
Net income attributable to Wyndham Destinations shareholders	<u>\$ 80</u>	<u>\$ 34</u>

Basic earnings per share

Continuing operations	\$ 0.86	\$ 0.41
Discontinued operations	(0.01)	(0.07)
	<u>\$ 0.85</u>	<u>\$ 0.34</u>

Diluted earnings per share

Continuing operations	\$ 0.85	\$ 0.41
Discontinued operations	—	(0.07)
	<u>\$ 0.85</u>	<u>\$ 0.34</u>

Weighted average shares outstanding

Basic	94.4	100.1
Diluted	94.7	100.8

Table 2

Wyndham Destinations
Summary Data Sheet
(in millions, except per share amounts, unless otherwise indicated)

	Three Months Ended March 31,		
	2019	2018	Change
<u>Consolidated Results</u>			
Net income attributable to Wyndham Destinations shareholders	\$ 80	\$ 34	135 %
Diluted earnings per share	\$ 0.85	\$ 0.34	150 %

Income from continuing operations	\$	81	\$	41	98	%
Diluted earnings per share from continuing operations	\$	0.85	\$	0.41	107	%

Adjusted Earnings from Continuing Operations

Adjusted EBITDA	\$	205	\$	189	8	%
Adjusted net income	\$	98	\$	77	27	%
Adjusted diluted earnings per share	\$	1.03	\$	0.76	36	%

Further Adjusted Earnings from Continuing Operations ^(a)

Further adjusted EBITDA	\$	205	\$	197	4	%
Further adjusted net income	\$	98	\$	85	15	%
Further adjusted diluted earnings per share	\$	1.03	\$	0.84	23	%

Segment Results

Net Revenues

Vacation Ownership	\$	683	\$	661	3	%
Exchange & Rentals		236		246	(4)	%
Corporate and other		(1)		—		
Total	\$	918	\$	907	1	%

Adjusted EBITDA

Vacation Ownership	\$	138	\$	133	4	%
Exchange & Rentals		80		79	1	%
Segment Adjusted EBITDA		218		212		
Corporate and other		(13)		(23)		
Total Adjusted EBITDA	\$	205	\$	189	8	%

Further Adjusted EBITDA

Vacation Ownership	\$	138	\$	129	7	%
Exchange & Rentals		80		79	1	%
Segment Further Adjusted EBITDA		218		208		
Corporate and other		(13)		(11)		
Total Further Adjusted EBITDA	\$	205	\$	197	4	%

Further Adjusted EBITDA Margin	22.3	%	21.7	%
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Key Operating Statistics

Vacation Ownership

Gross VOI sales	\$	484	\$	465	4	%
Tours (in thousands)		192		190	1	%
VPG (in dollars)	\$	2,405	\$	2,303	4	%
New owner sales mix		36.9	%	36.5	%	

Exchange & Rentals

Average number of members (in thousands)		3,875		3,852	1	%
Exchange revenue per member (in dollars)	\$	185.40	\$	194.70	(5)	%

Note: Amounts may not add due to rounding. See Table 9 for definitions. For a full reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures, refer to Table 5.

- (a) Includes incremental license fees paid to Wyndham Hotels & Resorts and other changes being effected in conjunction with the spin-off. Corporate and other costs reflect the Company's position as if it were a standalone company during all reported periods.

Wyndham Destinations
Operating Statistics

The following operating statistics are the drivers of the Company's revenues and therefore provide an enhanced understanding of the C

	Year	Q1		Q2		Q3		
Vacation Ownership ^(a)								
Gross VOI Sales (in millions) ^(b)	2019	\$	484		—		—	
	2018	\$	465	\$	602	\$	640	\$
	2017	\$	438	\$	562	\$	600	\$
Tours (in thousands)	2019		192		—		—	
	2018		190		241		259	
	2017		176		235		247	
VPG	2019	\$	2,405		—		—	
	2018	\$	2,303	\$	2,411	\$	2,350	\$
	2017	\$	2,354	\$	2,302	\$	2,299	\$
Provision for Loan Losses (in millions) ^(c)	2019	\$	(109)		—		—	
	2018	\$	(92)	\$	(126)	\$	(132)	\$
	2017	\$	(85)	\$	(111)	\$	(123)	\$
Provision for Loan Loss as a Percentage of Gross VOI Sales, net of fee-for-service sales	2019		22.5 %		—		—	
	2018		20.4 %		21.4 %		20.8 %	
	2017		19.6 %		19.8 %		20.9 %	
Allowance for Loan Losses (in millions)	2019	\$	721		—		—	
	2018	\$	684	\$	705	\$	743	\$
	2017	\$	619	\$	643	\$	684	\$
Gross Vacation Ownership Contract Receivables (in millions)	2019	\$	3,741		—		—	
	2018	\$	3,560	\$	3,609	\$	3,732	\$
	2017	\$	3,377	\$	3,435	\$	3,547	\$
Allowance for Loan Loss as a Percentage of Gross Vacation Ownership Contract Receivables	2019		19.3 %		—		—	
	2018		19.2 %		19.5 %		19.9 %	
	2017		18.3 %		18.7 %		19.3 %	

Exchange & Rentals ^(a)

	2019	3,875	—	—	
Average Number of Members	2018	3,852	3,844	3,857	:
(in thousands)	2017	3,817	3,791	3,792	:
Exchange Revenue Per Member	2019	\$ 185.40	—	—	
	2018	\$ 194.70	\$ 173.05	\$ 163.84	\$ 16
	2017	\$ 195.84	\$ 174.12	\$ 172.43	\$ 16

Note: Full year amounts and percentages may not compute due to rounding.

(a) Includes the impact of acquisitions from the acquisition dates forward.

(b) Includes Gross VOI sales under the Company's fee-for-service sales. (See Table 6 for a reconciliation of Gross VOI sales to Net VOI sales).

(c) Represents provision for estimated losses on vacation ownership contract receivables originated during the period, which is recorded as a contra revenue to vacation ownership interest sales on the Consolidated Statements of Income.

Wyndham Destinations
Revenue by Reportable Segment
(in millions)

		2019			
		Q1	Q2	Q3	Q4
Vacation Ownership					
Net VOI Sales	\$	375	—	—	—
Property Management Fees and Reimbursable Revenues		170	—	—	—
Consumer Financing		125	—	—	—
Other Revenues		13	—	—	—
Total Vacation Ownership		683	—	—	—
Exchange & Rentals					
Exchange Revenues		180	—	—	—
Rental & Other Revenues		56	—	—	—
Total Exchange & Rentals		236	—	—	—
Total Reportable Segments	\$	919	—	—	—
		2018			
		Q1	Q2	Q3	Q4
Vacation Ownership					
Net VOI Sales	\$	358	\$ 462	\$ 503	\$ 446
Property Management Fees and Reimbursable Revenues		164	162	172	168
Consumer Financing		118	120	126	128
Other Revenues		21	26	19	23
Total Vacation Ownership		661	770	820	765
Exchange & Rentals					
Exchange Revenues		188	166	158	146
Rental & Other Revenues		58	72	85	45
Total Exchange & Rentals		246	238	243	191
Total Reportable Segments	\$	907	1,008	1,063	956

	2017			
	Q1	Q2	Q3	Q4
Vacation Ownership				
Net VOI Sales	\$ 350	\$ 446	\$ 466	\$ 422
Property Management Fees and Reimbursable Revenues	163	164	160	162
Consumer Financing	111	114	119	120
Other Revenues	15	21	23	25
Total Vacation Ownership	639	745	768	729
Exchange & Rentals				
Exchange Revenues	187	165	163	156
Rental & Other Revenues	56	69	85	46
Total Exchange & Rentals	243	234	248	202
Total Reportable Segments	\$ 882	\$ 979	\$ 1,016	\$ 931

Note: Full year amounts may not add across due to rounding.

Wyndham Destinations
Non-GAAP Measure: Reconciliation of Net Income to Adjusted EBITDA to Further Adjusted EBITDA
to Further Adjusted Net Income From Continuing Operations
(in millions, except diluted per share amounts)

	Three Months Ended March 31,			
	2019	EPS	2018	E
Net Income attributable to Wyndham Destinations shareholders	\$ 80	\$ 0.85	\$ 34	\$ (
Loss on disposal of discontinued operations, net of income taxes	(1)		—	
Loss from discontinued operations, net of income taxes	—		(7)	
Income from continuing operations	\$ 81	\$ 0.85	\$ 41	\$ (
Restructuring costs	3		—	
Separation-related	15		30	
Legacy items	2		—	
Amortization of acquired intangibles ^(a)	3		3	
Tax effect of adjustments ^(b)	(6)		3	
Adjusted net income from continuing operations	\$ 98	\$ 1.03	\$ 77	\$ (
Income taxes on adjusted net income	37		21	
Stock-based compensation expense ^(c)	3		13	
Depreciation	28		34	
Interest expense	41		45	
Interest income	(2)		(1)	
Adjusted EBITDA	\$ 205		\$ 189	
Separation adjustments ^(d)	—		(5)	
Corporate and other costs ^(e)	—		13	
Further adjusted EBITDA	\$ 205		\$ 197	
Depreciation ^(f)	(28)		(31)	
Interest expense ^(g)	(41)		(41)	

Interest income	2	1		
Stock-based compensation ^(c)	(3)	(9)		
Further adjusted taxes ^(h)	<u>(37)</u>	<u>(32)</u>		
Further adjusted net income from continuing operations	\$ 98	\$ 1.03	\$ 85	\$ (
Diluted Shares Outstanding	94.7	100.8		

Amounts may not add due to rounding. The table above reconciles certain non-GAAP financial measures to their closest GAAP measure. The presentation of these adjustments is intended to permit the comparison of particular adjustments as they appear in the income statement in order to assist investors' understanding of the overall impact of such adjustments. In addition to GAAP financial measures, the Company provides adjusted net income from continuing operations and adjusted diluted EPS from continuing operations to assist our investors in evaluating our ongoing operating performance for the current reporting period and, where provided, over different reporting periods, by adjusting for certain items which in our view do not necessarily reflect ongoing performance. We also internally use these measures to assess our operating performance, both absolutely and in comparison to other companies, and in evaluating or making selected compensation decisions.

The Company is also presenting non-GAAP results on a further adjusted basis as if the spin-off of its hotel business and the sale of its European vacation rentals business had occurred for all periods presented. These supplemental disclosures are in addition to GAAP reported measures. Non-GAAP measures should not be considered a substitute for, nor superior to, financial results and measures determined or calculated.

The variance between 2019 Adjusted EBITDA, adjusted diluted EPS from continuing operations and adjusted net income from continuing operations compared to the prior year was calculated using 2019 Adjusted data and 2018 Further Adjusted data in order to provide a more accurate comparison. See "Presentation of Financial Information" and the tables for the definitions and reconciliations of these non-GAAP measures.

- (a) Amortization of acquisition-related assets is excluded from adjusted net income from continuing operations, adjusted EBITDA, further adjusted EBITDA and further adjusted net income from continuing operations.
- (b) In the three months ended March 31, 2019, amounts represent the tax effect of the adjustments. In the three months ended March 31, 2018, amounts represent \$12 million of primarily non-cash tax expense from certain internal restructurings associated with the sale of its European vacation rentals business offset in part by the tax effect of the adjustments.
- (c) All stock-based compensation is excluded from adjusted EBITDA and further adjusted EBITDA. Stock-based compensation for the Wyndham Destinations' equity recipients is included as a reduction to further adjusted net income from continuing operations.
- (d) Includes incremental license fees paid to Wyndham Hotels & Resorts and other changes being effected in conjunction with the spin-off.
- (e) Corporate and other costs represent adjustments to reflect the Company's position as if the spin-off of its hotel business and the sale of its European vacation rentals business had occurred for all reported periods.
- (f) Excludes depreciation related to corporate assets transferred to Wyndham Hotels & Resorts.
- (g) For 2018 comparative purposes, interest expense for 2018 was calculated based on \$3.0 billion of outstanding debt, excluding non-recourse vacation ownership debt, and a non-investment-grade rating, resulting in higher interest rates for select tranches of notes.
- (h) For 2018 comparative purposes, a stabilized effective tax rate of 27% was assumed in all quarters prior to the spin-off, which occurred in the second quarter of 2018.

Wyndham Destinations
Non-GAAP Measure: Reconciliation of Gross VOI Sales
(in millions)

The Company believes gross VOI sales provide an enhanced understanding of the performance of its vacation ownership business because directly measures the sales volume of this business during a given reporting period.

The following table provides a reconciliation of Gross VOI sales (see Table 3) to Net VOI sales (see Table 4):

<u>Year</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Ft</u>
2019					

Gross VOI sales	\$ 484	—	—	—	
Less: Sales under fee-for-service	—	—	—	—	
Gross VOI sales, net of fee-for-service sales	484	—	—	—	
Less: Loan loss provision	(109)	—	—	—	
Net VOI sales	\$ 375	—	—	—	

2018

Gross VOI sales	\$ 465	\$ 602	\$ 640	\$ 564	\$
Less: Sales under fee-for-service	(15)	(14)	(5)	(12)	
Gross VOI sales, net of fee-for-service sales	450	588	635	552	
Less: Loan loss provision	(92)	(126)	(132)	(106)	
Net VOI sales	\$ 358	\$ 462	\$ 503	\$ 446	\$

2017

Gross VOI sales	\$ 438	\$ 562	\$ 600	\$ 538	\$
Less: Sales under fee-for-service	(3)	(5)	(11)	(15)	
Gross VOI sales, net of fee-for-service sales	435	557	589	523	
Less: Loan loss provision	(85)	(111)	(123)	(101)	
Net VOI sales	\$ 350	\$ 446	\$ 466	\$ 422	\$

The following includes primarily tele-sales upgrades and other non-tour revenues, which are excluded from Gross VOI sales in the Com VPG calculation (see Table 3):

<u>Non-tour revenues</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Ft</u>
2019	\$ 21	—	—	—	
2018	\$ 28	\$ 21	\$ 31	\$ 29	\$
2017	\$ 24	\$ 20	\$ 32	\$ 26	\$

Note: Amounts may not add due to rounding.

Table 7

Wyndham Destinations
Non-GAAP Measure: Reconciliation of Free Cash Flows and Further Adjusted Free Cash Flows
(in millions)

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>Continuing Operations</u>		
Net cash provided by operating activities	\$ 152	\$ (23)
Less: Property and equipment additions	(20)	(14)
Less: Sum of proceeds and principal payments of non-recourse vacation ownership debt	100	(123)
Free cash flow from continuing operations	\$ 232	\$ (160)
Separation and other adjustments ^(a)	17	38
Further adjusted free cash flow from continuing operations	\$ 249	\$ (122)

- Wyndham Destinations
2019 Guidance
(in millions, except per share amounts)

[illegible]

- | 2019 Guidance | 2018A | Adjusted EBITDA
Impact of |
|---------------|-------|------------------------------|
|---------------|-------|------------------------------|

<u>Full-Year Drivers</u>	<u>Low</u>	<u>High</u>		<u>100 bps Change ^(a)</u>
Vacation Ownership				
Tours	5%	7%	4%	\$7.0
VPG	1%	3%	2%	\$10.0
Exchange & Rentals				
Average number of members	—%	2%	1%	\$4.5
Exchange revenue per member	(2%)	—%	(3%)	\$6.5

(a) Sensitivities for revenue drivers are based on average systemwide trends. Operating circumstances including but not limited to brand mix, product mix, geographical concentration or market segment result in variability, which may change the impact.

Table 9

Definitions

Adjusted EBITDA: A non-GAAP measure, defined by the Company as net income before depreciation and amortization, interest expense (excluding consumer financing interest), early extinguishment of debt, interest income (excluding consumer financing revenues) and income taxes, each of which is presented on the Consolidated Statements of Income. Adjusted EBITDA also excludes stock-based compensation costs, separation and restructuring costs, transaction costs and impairments, and items that meet the conditions of unusual and/or infrequent. We believe that Adjusted EBITDA is useful to assist our investors in evaluating our ongoing operating performance for the current reporting period and, where provided, over different reporting periods. We also internally use these measures to assess our operating performance, both absolutely and in comparison to other companies, and in evaluating or making selected compensation decisions. Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with GAAP and our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

Further adjusted earnings measures: A non-GAAP measure, defined by the Company to exclude certain items including impairment charges, restructuring and other related charges, transaction-related items, contract termination costs and other significant charges which in the Company's view does not reflect ongoing performance. Further adjusted earnings measures adjust for license fees, credit card income and corporate expense to reflect the performance of the Company as if it were separated from Wyndham Hotels & Resorts and the sale of the European rentals business was completed for all reported periods. All further adjusted earnings measures are reported from continuing operations, unless otherwise noted. Wyndham Destinations believes that these measures are useful to investors as supplemental measures in evaluating the aggregate performance of the Company. A full reconciliation of non-GAAP measures to GAAP are included in Table 5.

Gross Vacation Ownership Interest Sales: A non-GAAP measure, represents sales of vacation ownership interests (VOIs), including sales under the fee-for-service program before the effect of loan loss provisions. We believe that Gross VOI sales provide an enhanced understanding of the performance of our vacation ownership business because it directly measures the sales volume of this business during a given reporting period.

Tours: Represents the number of tours taken by guests in our efforts to sell VOIs.

Volume Per Guest (VPG): Represents Gross VOI sales (excluding tele-sales upgrades, which are non-tour upgrade sales) divided by the number of tours. The Company has excluded non-tour upgrade sales in the calculation of VPG because non-tour upgrade sales are generated by a different marketing channel.

Average Number of Members: Represents members in our vacation exchange programs who paid annual membership dues as of the end of the period or who are within the allowed grace period. For additional fees, such participants are entitled to exchange intervals for intervals at other properties affiliated with the Company's vacation exchange business. In addition, certain participants may exchange intervals for other leisure-related services and products.

Exchange Revenue Per Member: Represents total annualized revenues generated from fees associated with memberships, exchange transactions, member-related rentals and other servicing for the period divided by the average number of vacation exchange members during the period.

Free Cash Flow (FCF): A non-GAAP measure, defined by the Company as net cash provided by operating activities less property and equipment additions which the Company also refers to as capital expenditures and less the sum of proceeds and principal payments of non-recourse vacation ownership debt. The Company believes FCF to be a useful operating performance measure to evaluate the ability of its operations to generate cash for uses other than capital expenditures and, after debt service and other obligations, its ability to grow its business through acquisitions, development advances and equity investments, as well as its ability to return cash to shareholders through dividends and share repurchases. A limitation of using FCF versus the GAAP measures of net cash provided by operating activities as a means for evaluating Wyndham Destinations is that FCF does not represent the total cash movement for the period as detailed in the consolidated statement of cash flows.

Further Adjusted Free Cash Flow: A non-GAAP measure, defined by the Company as net cash provided by operating activities less property and equipment additions which the Company also refers to as capital expenditures and less the sum of proceeds and principal payments of non-recourse vacation ownership debt, while also adding back corporate and other costs and separation adjustments, associated with the spin-off, to reflect the performance of the Company as if it were separated from Wyndham Hotels & Resorts during all reported periods. Refer to Table 7 for a reconciliation of net cash provided by operating activities to Further Adjusted Free Cash Flow.

Net Debt: Net debt equals total debt outstanding, less non-recourse vacation ownership debt and cash and cash equivalents.

Leverage Ratio: The Company calculates leverage ratio as net debt divided by Adjusted EBITDA.

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