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Travel + Leisure Co. (TNL)

Investor Day

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, please welcome to the stage Travel + Leisure President and CEO, Michael Brown.

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

Good morning, everyone. Welcome to the Travel + Leisure Investor Day. It's definitely an exciting day for all of us. And we hope that at the end of our session today, you'll leave here equally excited about our future.

The last time I was actually in New York for business was March 13, 2020, 18 months ago. And on that day, I was down in Battery Park. I met with the Meredith Corporation that morning and we discussed for the first time the acquisition of Travel + Leisure. After that meeting, I took a taxi up to Midtown Manhattan where I met with an investor who actually happens to be in the room today. But what struck me about that day was how energetic and bustling this city was in the morning. And when our sort of lunch date meeting was over, how much people were already packing and going home surrounding the concerns of COVID-19.

It's definitely been a very long 18 months. And although we're still in the midst of the COVID pandemic, it's great to be back in person with each of you today. For those who have not been able to join us, we welcome everyone by webcast. And as great as it is to see everyone today, we're just more excited to share all that we've been doing during this down period to grow and to really accelerate the future of Travel + Leisure. Because while the world and travel was really slowing in 2020, we were very busy executing our strategy and beginning to transform our business.

As we entered 2020 as Wyndham Destinations, the world's largest vacation ownership and exchange company, and we've reemerged as Travel + Leisure, first and foremost, reaffirming our commitment to vacation ownership and vacation exchange under the Wyndham Destinations and RCI brands. But we've also reemerged with the intent to broaden our leisure travel reach by offering new and distinctive travel products to the leisure travel segment.

Throughout the course of today, we're going to refer to our core businesses as our strong foundation, the Wyndham Destinations and RCI brands. And then, I'm going to refer to our new business extensions of the travel clubs throughout the day, so strong foundation and business extensions. We're excited to walk you through the Travel + Leisure journey over the next few hours. And what we're going to do is we're going to break today's segment into four distinct segments, stopping halfway through to do a Q&A session. And then, the second half will be the financial component and we'll have a Q&A as well at the end of today's presentation.

Now, let's go ahead and jump in to today's strategic overview, and I will point out, which many of you have met throughout the day, our management team is here and they'll be available to you throughout the breaks. Our last Investor Day was May 2018 when Wyndham Worldwide was one company and we chose to separate those two businesses into two distinct companies. First, Wyndham Hotels & Resorts and us at Wyndham Destinations, each with the purpose of focusing on its core mission and focus on its travel segment. For us at Wyndham Destinations, it was about the mission of putting the world on vacation, with a pure focus on leisure travel. Now, many of you will say, I'm sure, it's a mission statement, to put the world on vacation. That's a pretty lofty goal. But we made that decision at that time with the intent to move from a mono-branded timeshare company to a company that would be able to address the broader leisure travel market.

And although at the time we knew that we had the best team in the business to execute that mission, in order to holistically embrace that mission to put the world on vacation, we knew that we had to do a few things through strategic acquisitions. Before I get into the acquisitions themselves, I would like to ground ourselves in our strong foundation. First, Wyndham Destinations began in 1966 as an unbranded timeshare company and has grown over the last 45, 50 years to the undisputed leader in the vacation ownership industry with 876 – 867,000 owners, with 247 resorts around the world. And pre-COVID in 2019, we did $2.4 billion of vacation ownership sales.

On the vacation exchange side of the business, we have RCI. RCI as well is the industry leader in vacation exchange, services 3.5 million members, with 4,200 affiliated resorts operating in 110 countries. The best of these two companies gives us the ability to provide world class sales and marketing, world-class hospitality, customer service. We're already a world-class subscription company, and we're a world-class consumer finance company with access to the ABS markets. You put those components together and what you end up with is a company that's able to provide world-class leisure vacations.

So, with these strong foundational businesses at the core of what we do, on day one as a public company, we set out with two primary goals. We wanted to begin to expand our brand reach, and we also knew that we needed to develop or acquire a strong technology platform that would support scalable growth. We fulfilled both of these strategic intents through M&A in the first three years of us as a public company.

We did it in three transactions. The first is we divested our Wyndham North American rental business, and then we subsequently bought two businesses. And I like to point out that we did those three transactions on a cash-neutral basis. The first of these transactions was when we found our scalable technology in 2019 in a company called Alliance Reservations Network or ARN as we like to call it.

In the third segment of today's program, you're going to hear how ARN is powering the growth of our B2B and our B2C travel subscription businesses, which will be part of the business extension conversation that we have today. And the ARN platform is powering those two businesses. And what I'm going to walk you through we call a private vacation marketplace where travel offerings are aggregated and then distributed to the market.

Our second acquisition was Travel + Leisure. With this acquisition, we purchased from the Meredith Corporation the Travel + Leisure name, all of its content and its existing businesses. And I think especially if you've been to your newsstand or digitally today and seen the World's Best, you will know that Travel + Leisure is the world's most influential travel brand, yet it could never turn the inspiration that it offered into actual vacations. At every turn, when we were evaluating nearly 50 brands to consider in our rebranding effort in every aspect and characteristic that we were looking for, Travel + Leisure was the perfect fit for our acquisition.

The acquisition allows us to accomplish some very simple objectives. First, it allowed us to rebrand the company to facilitate partnership relationships with world-class leisure brands without the brand conflict that naturally was arising with a single hospitality name. It also gave us the opportunity to launch our B2B subscription business with distinctive and trusted content. And it allowed us to accelerate our market entry outside of timeshare to an addressable market that's four times the size of the current market that we're a part of.

Now that these acquisitions are complete and our brand and technology foundation is firmly set, we're pleased – we're poised to accelerate our growth. First by focusing on our cornerstone brands, we expect vacation ownership and vacation exchange to continue to grow at or above their historical rates. In addition to what you know about Wyndham Destinations and RCI, there's a new opportunity that's now available to us. With that brand conflict removed, we now have a greater opportunity to add new vacation ownership brands into our business. To be very specific, we aspire to operate vacation ownership businesses under other well-known brands in addition to Wyndham Destinations.

A few moments ago, I mentioned we had launched two extensions to our business. The first is Panorama Travel Solutions, our B2B technology, our travel clubs service provider, and Travel + Leisure Group, our B2C travel subscription business. The B2B and the B2C program specifics we're going to go through in great detail in our third segment today, and that will explain the program specifics and how you should think about modeling and evaluating the success and growth of this business going forward.

Now, let's take a look at how we plan to transform our business over time. If I had to characterize the way we want to transform our business in one word, I would say broaden. We're looking to broaden our focus from timeshare only to the broader leisure travel market. We want to broaden our ability to work with multiple brands, transitioning from a mono-brand company to a multi-brand company. And we want to broaden our addressable market from the current timeshare space to the North American vacationing market while also exploring international opportunities. Our ultimate grow – our ultimate goal is higher growth rates, more diversified growth, more EBITDA streams and lower capital intensity.

When you look specifically at the addressable market in North America alone, the field of play for us is much larger. As you can see, there are 90 million households that are vacation lovers, people that vacation on a regular basis. But there's a subset underneath that that's very interesting to us, which is that 40 million households. You can describe it in a number of ways, but 40 million households is basically a subset that travels on an annual basis at least seven days a year. And it also happens to be about the average size of your bigger subscription clubs in the United States. And that's a market that we're excited about. And with our core organizational and technological capabilities now in place, we now feel that with our new B2B and our new B2C travel offerings, we can broaden our current reach into this much larger segment.

Now I'm going to take a few minutes and dig into the subscription trend and how it really is going to help us get more broadly into the leisure travel market. We call this trend our primeification of the US market. Now, primeification is sort of our invented word. It only means people that are more interested in the subscription business. But when you think about subscription services today, over the last decade, subscription revenues have grown 400%. That's about six times the – more growth that you would see in S&P revenues. And now, about 79% of the US households hold some form of subscription product.

I think we all know, especially after COVID, we've all grown very fond of Netflix. And if your household is anything like mine, the Amazon Prime has our address on speed dial. The kids are a little older, but Disney+ as well was launched and is doing really successful, these are the brands that everyone knows. But there's a subset of brands like Peloton, HelloFresh, Birchbox that are also doing very well in the subscription space and have about a 1% to 3% penetration of the overall market. With the fragmentation that we see in the travel segment, especially around subscription-based products, there's a lot of opportunity that we feel that our experience over the last 50 years will allow us to capitalize on this subscription trend.

I'm not going to go much further into this because, as I mentioned in the third segment today, I don't want to steal Noah's thunder or Olivier's when they get up here and present later on today.

So, how should we think about the Travel + Leisure business on the travelling continuum? Clearly, we have been a leader in the vacation ownership space for decades. This is an industry that's increasingly more dominated by hospitality brands and is characterized by a commitment to a individual vacation brand. It's a longer commitment to travel in a way that suits usually a family's need for an extended period of time. Economically, timeshare is a low-transaction, high-margin, highly resilient business model, and it is a business model that will continue to fuel our future. We will complement our vacation ownership success with new subscription travel clubs. The subscription business is characterized by lower price entry, shorter duration of commitment, and more indirect marketing access to a much larger addressable market.

Many have asked if our new TNL booking engine Travel + Leisure GO is a signal that we will be entering the OTA space competitively. The answer is no. We have a solid booking platform that generates great vacation opportunities for people to enjoy nightly rentals and other – and maybe a bit longer. But the goal of running our online booking platform is to lead clients ultimately to a subscription or an ownership product. And what we're trying to do is we are creating here what we term as a private vacation marketplace.

And if you're looking at me during this presentation on this next segment, I really encourage everyone to just follow through the screens of what [ph] we're really meaning (00:16:56) by private vacation marketplace. It is our vacation ecosystem where we aggregate and then distribute travel offerings under our brands to captive communities. Travel suppliers are attracted to the marketplace because of its efficient distribution at a low cost of acquisition. And given the growing customer acquisition cost in the public space, the private marketplace sitting behind a paywall provides an attractive distribution channel.

The captive communities benefit from preferred pricing because, as I said, they sit behind a paywall in the form of ownership, membership or a closed user group. And we at Travel + Leisure can realize our ultimate goal to broaden our reach to more demographics by providing relevant and customized product offerings. And you can see some of the communities that normally we are not able to access today that we now believe we will be able to access more clearly. We see this ecosystem as one that grows upon itself. As more suppliers come in, customer engagement increases, which further attracts travel providers supplying more and more offerings.

Now, that's a lot of circles and squares. But ultimately, this private marketplace will serve the basis of how we bring in and distribute products. That's a lot of information in probably 10 or 15 minutes, a strong foundation, launching into new businesses. But sometimes, it's a lot more helpful if maybe you can see it visually. So, we'll take about a minute or a minute and a half here, and I'd like to share with you a video that hopefully will create a stronger foundation of what each of our brands is all about.

[Video Presentation] (00:19:01- 00:20:52)

Well, hopefully, that was visually pleasing and helped to add to a little bit of what each of these brands do. Behind every great brand bar is a great head of brands, and I'd like to introduce – take a moment to introduce our newest Senior Vice President of Brands, Renu Snehi from Radisson Hotels, recently joined us, recently relocated from Belgium to Orlando. So, welcome, Renu.

So, until now, we've really shared our vision on why we bought Travel + Leisure and our plan for extending our businesses. However, the bedrock of our future success and the power that lies in our earnings growth is in our two cornerstone brands.

Our timeshare business is Wyndham Destinations, and pre-COVID in 2019 delivered $735 million of EBITDA on over $3 billion of revenues, delivering that $735 million of EBITDA at mid-20s margins. Historical adjusted EBITDA growth targets of Wyndham Destinations were mid-single-digits and are characterized by highly recurring adjusted EBITDA streams coming from owner sales, our management business and our consumer finance portfolio. And since the Great Recession, this business was turned into a capital efficient business.

Going forward, we will be even more capital efficient by lowering our capital investment by about $100 million. Michael Hug, Mike Hug, our CFO, will be giving you a little more detail about how we will be more capital efficient in the final piece of the presentation today.

Our vacation exchange business has always been characterized by lower growth, lower capital intensity, high margins and high free cash flow generation. The RCI business typically generates margins approximately at 40%. And RCI has traditionally represented about 30% of our EBITDA generation. The outcome for these two cornerstone businesses is very straightforward. We continue to deliver industry leading margins. We turn EBITDA into cash flow at a rate of 58% to 63%. And then that gives us tremendous optionality to deploy that free cash flow to the best uses of our business and returning it to shareholders in the form of organic growth, strategic M&A, growth in our dividends, or share buybacks.

The growth in our timeshare business is centered around many themes that many of you are very well aware of. We want to maintain a very healthy balance between new owner and owner sales. We want to continue to leverage a great relationship that we have with Wyndham Hotels and their 89 million Wyndham reward (sic) [Wyndham Rewards] (24:08) loyal guests through initiatives that we call the Blue Thread, which is attracting Wyndham Affinity guests into the Wyndham timeshare model. And also, we want to intelligently continue to reopen our new owner open marketing channels with a greater focus going forward on VPGs.

Adding to this, core growth strategy that we've had for years. As I mentioned earlier, we're adding a new growth component that we see as a possibility and we aspire to do, which is to take all of those core competencies I mentioned earlier, the sales and marketing, the hospitality, the subscription, the consumer finance portfolio, and launch new vacation ownership clubs under our partner brand.

As for RCI, I discussed this plan for the business growth to remain lower growth, to remain lower capital intensity and to continue to generate high free cash flow at very high margins. And although there have been headwinds during COVID that have caused new owner growth in the entire industry to slow, our team has been very hard at work doing a great job finding new ways to generate revenue in the space, and we're doing it by gaining a greater share of the travelers' wallet. We've seen in the first half of 2021 that those efforts to gain a greater share of the traveler's wallet are already paying dividends for the RCI business line.

I also want to point out here, because you'll hear about our success and our plans in this third segment around the subscription business, we've been in the subscription business for 50 years. Our effort now going forward is to take our intelligence, our expertise, add it to the new technology at ARN and not reinvent subscription, but simply apply our five decades of experience to our new business extensions. And at the risk of repeating myself, our two new business extensions are the launch of two travel subscription products.

Panorama Travel Solutions launched its B2B white label travel subscription club in 2020. And in a very short amount of time, we already have 10 up and operating white label travel clubs under a partner brand. The second launch occurred this week and is our first B2C travel subscription club, the Travel + Leisure Club.

Ultimately, the business strategy leads to a financial conclusion. The way I look at it, our strong timeshare business has and will continue to fuel our ability to grow and extend our business. I'd like to think of it like that population or household slide. Before we were in that 10 million household range and we're looking to broaden to the 40 million. And as we look at growth rates on the next slide, we will start to look at our growth rates in a similar way from a smaller mid-single-digit number to a much larger one. Ultimately, the goal for this audience is we can accelerate growth and we can increase our cash flow generation.

More specifically to our growth plans, with 2021 as our baseline, we intend to grow adjusted EBITDA at 11% to 14% CAGR through 2025 and deliver 58% to 63% free cash flow conversion over that timeframe. And as I just mentioned, our profile has always been mid-single digits and that 11% to 14% has a recovery component in it. But when you take that out, what you will see is a structural improvement to our growth rate from mid-single digits to several hundred basis points higher. The details of that growth rate are going to be covered by Mike Hug, again, our Chief Financial Officer.

Now I would like to transition from our business strategy and the economic outcomes to another very important aspect of the Travel + Leisure story, our focus on ESG. I am extremely proud of our progress in this area over the last three years. We have been focused on shareholder return but we've been equally committed to stakeholder return in the form of our customers, our associates, and community stakeholders, all with the effort to provide a holistic return, both economically and in ESG efforts.

To share some of the progress we have made around environmental impact, we're aligned with the United Nation Sustainable Development Goals. We've achieved notable progress in this area and we've been able to reduce our water usage intensity by 25%. And that is about six years ahead of our original timeframe. We've planted nearly 2 million trees through our Arbor Day initiative. And we continue to reduce our greenhouse gas emissions, focusing on renewable energy to achieve our goal to reduce our footprint by 40%.

In the area of social impact, our philanthropic focus has always been children. We support Give Kids the World and the Jack & Jill Foundation, which are focused on providing vacations of a lifetime for children and families with late-stage illnesses. We've also been very focused on youth education through the Christel House. And we've recently launched the Eatonville Scholarship Program, the first program under the new newly formed Travel + Leisure Charitable Foundation. As well, we recently received a perfect score of 100 on the HRC Foundation's 2021 Corporate Equality Index, which is a measure focused on workplace equity for the LGBT community.

And of course, strong governance is also an integral part of our operations and values. Our commitment to exercising responsible business practices at the highest standards of ethical conduct starts with our Board of Directors. And our governance framework is designed to manage risk and foster a culture of compliance and transparency.

I'd like to take a moment, Jim Savina, our General Counsel is in the room. Jim joined us from Kraft Heinz and leads our efforts around corporate governance as well as all of our legal affairs.

We are definitely humbled and honored by the recognition Travel + Leisure has received around its ESG efforts. But the awards themselves are very important but we're very, very proud of the impact we're starting to have in the community. We have big goals for the future and look forward to a positive difference we are making through responsible tourism.

Of course, in order to make an impact like this, you need your 17,000 associates around the world rowing in the same direction, and we're definitely doing that. But they also need a captain and that captain is our Chief Human Resource Officer, Kim Marshall, who's here in the audience as well, and she leads are ESG efforts.

So with that, I trust, I hope that strategic overview has laid the framework and the foundation for the individual businesses that we will now go through.

We're going to begin the business overview with Wyndham Destinations by inviting our Chief Operating Officer, Geoff Richards, to the stage. And while he's joining us, I'd also like to acknowledge two other people. First is Jeff Myers. Jeff is our Chief Sales and Marketing Officer. Jeff is the person – well, Jeff will tell you, it's his team that does it, but Jeff's responsible with his team for delivering that $2.4 billion of vacation ownership sales at Wyndham Destinations. And Jeff began the company nearly 30 years ago as a salesperson and has progressed throughout his career through incredible execution and building great teams to his current role today.

I'd also like to acknowledge Barry Robinson, who's joining by webcast with his team in the South Pacific. He's the head of all things international related to Wyndham Destinations. He's based in Singapore. As you know, they've been dealing with a lot more in the last few months as it relates to COVID and shutdowns. He and his team have been managing through that. Barry is a key part of the team. He's been with us nearly 20 years. And so welcome, Barry and team from Singapore.

Now here is Geoff Richards to walk you through Wyndham Destinations. Geoff?

Geoffrey William Richards

Chief Operating Officer of Wyndham Destinations, Travel + Leisure Co.

Thanks, Michael, for the introduction. Good morning. I'm excited to be here today to speak about our timeshare business and the positive outlook that we have for the coming years. I know because I am an owner. I have been for over 20 years. My kids have grown up with timeshare, and we continue to use and love the product. I mentioned this because many of you in the audience, when you think of timeshare, think fixed week, fixed location. That was the case 20 years ago but is far from the case today.

As we close out the summer of 2021, timeshare accommodations could not be more relevant. Not only has the industry transformed, but the product itself is more attractive than ever. After what we have all lived through the last 18 months, none of us can deny that space and consistency are top priorities for travelers. Our vacation ownership suites offer great space to our owners, especially when you consider other leisure accommodations.

With the addition of branded developers, over the last 20 years, consumers have great confidence in the quality and consistency of their accommodations regardless of destination. Let's face it, nobody likes a surprise while on vacation. Staying with a trusted brand ensures that there won't be any surprises when you and your family open the door.

Finally, the value of being able to lock in the cost of your accommodations is an obvious benefit when you look at what has happened with hotels, condominium and whole ownership rental rates. And keep in mind, hotel rooms are not even comparable to our vacation ownership suites when you consider multiple bedrooms, bathrooms, a full kitchen, washer and dryer, living and dining areas. Timeshare is an incredible way to take vacations with family and friends.

This industry has transformed over the last 20 years and particularly since the financial crisis. Fragmented regional developers have given way to branded hospitality companies. And today, more than 80% of 2022 domestic revenues will be generated by branded developers such as Marriott, Disney, Hilton, Hyatt and, of course, Wyndham. Timeshare is now all about flexibility. Points-based systems offer maximum flexibility from length of stay, size of accommodations to the thousands of vacation destinations worldwide and the ability to travel any time of year. The capital-intensive model of inventory development of the past has evolved into just-in-time models, which have resulted in significantly improved cash flows for the business.

And finally, prior to the financial crisis, timeshare developers did not have the same direct access to capital, to debt and equity capital markets like we do today. All of these factors have helped us maximize shareholder return through the generation of significant free cash flow.

At Wyndham Destinations, we're poised to capitalize on the transformation of the vacation ownership industry. First, with 247 resorts and 867,000 owners, we provide great vacation opportunities for our owners and have proven recurring revenue streams that drive shareholder value.

Second, the flexibility of our business is not only evident in the points-based system that we pioneered, but our extensive resort footprint allows us to market to the widest prospect demographic of anyone in the industry. Additionally, our proven track record of free cash flow generation is driven in large part by our industry-leading just-in-time inventory delivery.

Third, we enjoy a consistent revenue pipeline driven by the embedded value of having 26,000 vacation ownership suites that result in over 1.3 million annual on-site arrivals. Combine this with our Blue Thread partner prospects and the largest open market platform, and it becomes apparent our scale, flexibility and reach positions us for assured revenue generation within our own ecosystem.

One of the primary drivers of our impressive owner retention is our expansive resort distribution. With over 220 resorts in North America, inclusive of our dual-branded resorts and the flexibility of our points-based product, our owners are able to get on vacation regardless of whether they desire to drive or fly. This resort distribution served us well over the last 18 months as vacationers prefer drive-to locations. Our portfolio fits all of our owners' needs as we deliver their desired vacation experience. For example, we are in all major leisure destinations, including Las Vegas, Orlando, Myrtle Beach and Waikiki, to name a few.

We were the first timeshare developer to expand into multiple urban locations. We have 35 resorts in our urban portfolio and these destinations are particularly attractive to Gen X and millennials. The portfolio includes great urban markets such as New York City, San Francisco, Seattle, Austin, among many others. And we are excited to be opening the first timeshare resort in the heart of Atlanta next to the Centennial Olympic Park in early 2022.

Finally, we have a global collection of aspirational destinations with resorts throughout Thailand, Mexico, Australia and Fiji, just to name a few. This extensive distribution of vacation offerings is not only attractive to owners but provides the greatest marketing channel opportunity within the industry.

One of the major drivers of this resilient business model is the strength of our owner base. We have 867,000 owner families, of which approximately 80% have fully paid off their purchase. We retain over 98% of these paid off owners on an annual basis. Recently, we've attracted a significant number of new owners into our clubs. For example, over the last five years, we have generated 150,000 new owners. As new owners use their membership and become timeshare lovers, they are highly likely to upgrade in the coming years. Most new owners choose to expand their membership as they begin to experience our clubs.

As we continue to grow the business, we intend to harvest the tremendous upgrade pipeline that resides in our current owner base. When we put people on vacation, they love the product and they want more. We have demonstrated over many years that new owners in the system tend to spend on average an incremental 2.6 times the initial purchase over their lifetime, giving us a very large reliable revenue pipeline over the owner's life cycle.

In parallel, we will continue to replenish this pipeline by growing the Blue Thread, our relationship with Wyndham Hotels & Resorts and Wyndham Rewards, and by optimizing profitable open market channels. It's also worth reiterating that the rebranding of the parent company to Travel + Leisure provides the opportunity to work with other branded companies to develop private label vacation clubs.

It is also important to understand the value embedded in this current owner base. The remaining upgrade value of the current owner base is estimated to represent $19 billion in revenues over the next 10 years. This $19 billion is composed of almost $13 billion in high margin vacation ownership interest sales; over $4 billion in interest income, which is high margin considering we landed over 14% and borrow in the ABS markets at under 4%; and over $2 billion in club and resort management fees, which are a stable and recurring fee stream that provide strong and consistent cash flows.

Since the spin-off of Wyndham Hotels & Resorts in 2018, we have focused on the growth of our Blue Thread prospects through our continued partnership with Wyndham Hotels & Resorts and the Wyndham Rewards Loyalty Program. There are multiple marketing channels we have developed through these Blue Thread partnerships, and we expect to continue to expand these channels, specifically call transfer, cross-sell and digital offerings.

One measure of a marketing program's success is volume per guest, otherwise known in the industry as VPG. This is a simple formula of sales revenue divided by the number of prospects seen. The value that a Blue Thread prospect delivers is a 20% higher VPG than other new owner marketing channels. We plan to continue to accelerate the Blue Thread momentum we have built over the last three years as we expand digital offerings for online rewards redemption and drive further engagement.

As you may be aware, since we reopened our sales and marketing locations in May of 2020, our focus has been on high-quality new owner tour generation optimizing CRM and data analytics. In addition, as tour volume grows, we are expanding our use of advanced underwriting in order to grow our new owner tour channels effectively. The result of these changes as we reopen new owner markets are higher VPGs and margins from our sales and marketing operations, improved provision for loan loss at point of sale and a healthier owner base to continue to provide future owner upgrades.

As we look to the future of our vacation ownership business, we anticipate VOI revenue growth in the range of 15% to 16%. We expect our provision for loan losses to be below 19% and our new owner transactions to represent up to 40% of overall transactions by 2025.

The last 18 months have proven the resilience of our timeshare business model. As the world begins to travel again, we will continue to be intelligent in pursuing new marketing channels that generate higher margins so that our cash-generative business model will continue to thrive as people embrace the value of leisure time and vacations with family and friends in the future.

As I said earlier, we are confident in the future growth opportunities of our vacation ownership business. The results have shown we have a strong business model supported by the largest timeshare owner base that will propel our growth in the coming years. Our timeshare business has proven to be resilient despite business cycles and we have best-in-class marketing, sales and resort operations to broaden our business across multiple brands. The demand for high-quality leisure vacation options remains strong and Wyndham Destinations is positioned best to meet that demand.

The story of our strong foundation is about timeshare and exchange. To provide you with an overview of the vacation exchange business, I would like to turn things over to Olivier Chavy, President of Panorama.

Olivier Chavy

President-Panorama, Travel + Leisure Co.

Thanks, Geoff. In July of 2020, we created Panorama, the new umbrella line that sets the stage for our growth. We were founded based on the strong legacy of the world's largest vacation company, RCI, with the added vision to broaden the way we look at delivering travel services.

So why Panorama? We surveyed our 3.5 million members, and we found out that they were going on vacation three times per year but only one-time on exchange. Since our beginning, RCI would take care of the timeshare exchange from check-in to checkout, but we would leave on the table from home to check-in and from checkout to home.

The ARN technology we acquired allow us to offer new services to our 3.5 million members. So now we are not just only providing a check-in to checkout service, we're providing a service to all members to fulfill all their vacation needs. The establishment of Panorama enabled us to reposition our exchange business membership travel services and travel technology business as a more holistic travel company. And we have created a new division called Panorama Travel Solution to help us to grow beyond the timeshare industry and to create a new B2B travel service business to affinity partners and closed user group.

But before we get into the business extension, I would like to introduce my colleague Fiona Downing, Senior Managing Director for RCI and Panorama. She celebrated her 30 years last week in August in the company, so no one knows better the RCI business than her. Fiona, please?

Fiona Downing

Senior Managing Director, Panorama - Travel + Leisure Co, Travel + Leisure Co.

Thanks, Olivier. It's great to be here. I wish you'd stop saying 30 years. I can't lie about my age when he does that. So for those of you who are new to RCI, I wanted to take a quick step back just to explain our business model.

47 years ago, RCI created the concept of timeshare exchange. We created a marketplace where timeshare owners can exchange their time at their home resorts to another resort somewhere else in the world, buy in Florida, exchange to Spain, buy in Mexico, travel to Vegas. We opened up a world of possibilities.

So at RCI, we have two key customers: the companies who build and sell timeshare resorts, and then their owners. So our B2B timeshare affiliates, they include many hospitality brands like Hilton, Holiday Inn, Fairmont and, of course, Wyndham, plus many other regional players and independent associations.

So, they build and sell quality product. For many of the large clubs like Wyndham, they provide multiple resort options and ancillary benefits. But one thing that they all recognize is that choice and flexibility matter. And the ability to exchange their ownership to thousands of resorts around the world remains an attractive benefit to timeshare owners at the point of sale.

So, they'll promote that as one of their benefits of vacation ownership at the point of sale. Then, they'll enroll their new owner with RCI, and then that allows them to exchange. Then, it's our job to activate and retain those owners and deliver on that exchange promise. And we do. On average, 1.2 million times a year. Our model is simple. It's capital-light, high-margin, and delivers predictable recurring revenue. And we provide an integral service to the timeshare industry. And we do that all over the world.

As the world's largest exchange company, we continue to be the clear leader in this space. We have more members, more resorts in more locations than all of our exchange competitors combined. Our 3.5 million members around the world, they're looking to us for the choice and quality; and our global footprint of over 4,200 resorts delivers that to them.

So, Michael laid out plan for this business earlier. Low single-digit growth, keep it capital-light, and maintain our high EBITDA margin and cash flow generation. We have had headwinds, as he said, through COVID due to minimal new owner growth, but we see a clear opportunity to offset those headwinds and continue to grow the business by finding new sources of inventory for exchange and capturing a greater share of our members' travel wallet by offering a broader one-stop shop travel service. And then, ultimately, retain their membership over a longer period of time.

So, timeshare owners are vacation lovers. They're avid travelers. But we know that while they may come to us when they're looking to exchange once a year, maybe even less than that, they're off booking many other vacations every year. But they're doing that with other travel providers and OTAs. So, we sized that for our US member base.

So, 2019 Phocuswright report looks at US travel – looking at US travel trends showed that 70% of US travelers take more than three trips a year, right? And they're spending over about $1,000 per booking. So, if you apply that to 70% of our US RCI membership, we could be leaving as much as $6 billion of travel spend on the table every year. So, for us, by introducing a broader suite of travel services to them, we're looking to capture a share of that spend that was unavailable to us before we acquired ARN.

So, aligned with that strategy to reshape our business, we rebranded RCI last year and we created the tagline The New Shape of Travel because we're no longer just an exchange business, we want those 3.5 million members to know that we can now deliver a one-stop shop travel service, and we can meet all of their travel needs not just when they want to exchange. So, to do that, we leveraged our ARN travel booking technology and we expanded our travel offering so it now includes a best price guarantee on over 600,000 hotels, 345,000 activities, flights, access to all the major car hire, shopping, tickets, great deals on cruise, everything that they would need to come to one place to book their travel.

And then, we also have a premium membership at RCI called RCI Platinum. And in order to drive upgrades into that membership, we have provided them with even deeper discounts on all of the travel products as a core benefit to that base.

But in the past, our member [ph] research (00:53:48) has indicated that they are more likely to buy non-exchange products from us if we deliver on the exchange promise. So, a key challenge for us here, though, is the lack of timeshare resorts in popular locations around the world. Members want to go to New York, London, Rome, Paris, but there's little to no timeshare in those city locations. So, central to our travel expansion strategy was the addition of hotel accommodations to our exchange offering. So, members can now use their ownership to buy down the cost of over 600,000 hotels around the world. So, they give us their ownership. We use that to satisfy a request from another member. And then, in return, we give them up to 60% discount on that hotel.

So, let me give you a real-life example to bring that to life. So, we have an RCI member who in this case happens to be a WorldMark by Wyndham owner, and he wants to book 10 nights in a hotel in the Maldives. On Expedia, that was $11,000. He booked with us in this new program. He gave us 2,500 points and paid only $4,000. So, he saved himself thousands of dollars just in that one transaction.

So, we believe this enhancement is going to drive more bookings on our platform, increase exchange propensity and satisfaction, and deliver a greater membership value to our members overall, because for now, RCI isn't just the leader of vacation exchange. Now, it's an entire global travel network for our members. One place to dream it, plan it, and book it all. And we're starting to see this message really resonate with our base. We're closing some of that gap left by COVID by increasing the number of travel transactions through our ARN platform, and the results so far are looking very positive.

The average transaction spend is growing. There's a lot of domestic travel, but it is growing, and members are saving around 20%. So, if you put that into context, $100 saving is more than our week's members pay for their annual membership. So, if they book all of their travel with us, they can very quickly make membership pay for itself and more.

And then a few interesting trends on where the bookings are coming from, it's three key segments of our base. Because those platinum members get deeper discounts, so no surprise that they're taking advantage of the travel benefits, so over 40% of the bookings are coming from that base. And so they're clearly seeing value, and that's a great way for us to grow that base and upgrade those members.

But a growing number of bookings are coming from previously inactive members. Our club members, they historically have a low exchange rate because they tend to transact within their own club. But we're starting to see an increasing number of bookings coming from them. And then we classify inactive members as members who haven't transacted at all for the last three years. And so, it's really encouraging that we're starting to see an increasing number of those members engaging with us, because reengaging these members ultimately will result not just in incremental travel revenues, but we would also expect it to drive an increase in retention rates, because members who are engaged and transact, they're going to renew at a much higher rate. And so if we can drive more booking velocity across all of our travel products, and only will that result in incremental travel revenue, but it should also result in a higher retention rate overall.

So, key takeaways for RCI. We're transitioning from exchange company to broader travel provider. Our goal is to provide a one-stop shop travel service so that our members can take all of their vacations with us, not just when they exchange their timeshare. And that way, we'll generate revenue through increasing their share of wallet. In addition, the tools that we've made available to our exchange members should increase their propensity to exchange. And then, ultimately, that increased value associated with their membership is expected to result in increased retention overall.

All right. So, that concludes our overview of our strong foundation. At this time, I'd like to invite Chris Agnew, Head of Investor Relations, to the stage and we'll kick off our first Q&A.

QUESTION AND ANSWER SECTION

Christopher Agnew
Senior Vice President-Financial Planning and Analysis & Investor Relations, Travel + Leisure Co.
A

Thanks, Fiona. Good morning. As we said, we're going to assemble up on stage for some Q&A. If I could just ask that if you're going to ask a question, please wait for – we're going to have some microphones around the room. We'd like those on the webcast to hear the question. And then after Q&A, we're going to take a short break, and we're going to start back promptly at 10:00.

So, with that, we would like to open up. Joe?

Joseph Greff
Analyst, JPMorgan Securities LLC
Q

Good morning, everybody. This is Joe Greff from JPMorgan. Mike Brown, you mentioned earlier about reduced capital investment or intensivity in VO, and Mike Hug will talk on that coming down about $100 million per year. Can you give us some details behind that, Mike?

Michael A. Hug
Executive Vice President & Chief Financial Officer, Travel + Leisure Co.
A

Sure. That's really driven by our reduction in our inventory spend. As you guys know, we've been averaging around $240 million and $250 million a year on inventory spend. As we dealt with the reduction in sales during COVID in this year, the inventory we have on the balance sheet will last us longer. So, we expect our inventory spend over the next five years to average about $150 million. That number will be highest in 2022 as we deliver on some pre-COVID just-in-time commitments, but that's really where we get the big gain from a cash flow perspective out of the vacation ownership business as a reduction in inventory spend of about $100 million a year on average.

Christopher Agnew
Senior Vice President-Financial Planning and Analysis & Investor Relations, Travel + Leisure Co.
A

Patrick.

Patrick Scholes
Analyst, Truist Securities, Inc.

Q

Good morning, everyone. When I think back to I think it was the 2018 Investor Day, you had noted a long-term target sales mix of 45% new owner sales. Well, at that time, it was by 2022. What's your long-term target for that? And has that changed after the most recent earnings where it seemed to be, or transitioning to, less toward growth and more to VPG growth? Thank you.

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

A

Well, you remember correctly. Three years ago, as we were moving through an economic recovery where owner sales or new owner sales were in the low-30s for nearly a decade, we knew that we really had to push hard for new owner sales as part of becoming a public company in 2018. We went from low 30s to right before COVID nearly 40%.

And even in those – the last year or the last few months before COVID, we started to talk about we were getting comfortable where we were around that 40% range. 45% is a very aspirational goal. We felt we had a little bit of makeup to do. But what we've seen throughout COVID is, as I shared at the beginning of the year, we thought we'd be about 25%new owners this year. We're consistently over 30%. So, our new owner business is coming back very strong. First, Blue Thread, and then new owner marketing channels. My expectation is we'll get in the upper 30s, and that 35% to 40% range is our goal.

And just as a point of reference, if you look at the other publicly traded timeshare companies, one is above that percentage, one is below that percentage. And I think all three would sit up here and say that's a healthy percentage for the business, and that's the range we'll look to be in.

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC

Q

Hey. This is Stephen Grambling from Goldman Sachs. Maybe a follow-up on that question. What does that end up translating to in your mind? Or what's a healthy level of, I would say, owner – total owners year-over-year? Should we be assuming that that should be stable? Growing? Declining? What does that mean for the underlying business? And then, as you look at some of the initiatives you have in place to grow wallet share, particularly on the Panorama side, is there any investments that you need in tech currently? Or do you feel like you have the building blocks to really execute on that plan?

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

A

Well, let me answer the second first just real quick is, we – and my guess is that's going to be a question throughout the day is, how much more investment is required? And I think that's why the first component of the two acquisitions got us to where we needed to be in order to launch these two new businesses. ARN is a fully functioning technology platform that we simply need to develop its capabilities more to provide a broader expanse of opportunities. But it's not a we need to double down or we need to do more M&A to make it actionable. It's actionable today in the form of 10 up and running Panorama travel solutions, success on the propensity. So, the incremental investment to realize the strategy that's out there is not required. And I guess even to take that a step further, we will not need to take a step backwards next year to invest in maybe cost of acquisition and other investment to realize these objectives.

As it relates to the owner question is, just remind me, Steve, was it a mix or...

Fiona Downing
Senior Managing Director, Panorama - Travel + Leisure Co, Travel + Leisure Co.

A

Size.

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC

Q

Just the absolute...

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

A

...the size?

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC

Q

...size. Does it matter if you have it declining? Do you feel like it needs to be stable? Growing?

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

A

Yeah. Look, ultimately, we want our owner base to be growing. We do have to get through the reality of COVID where it's – without the new owner generation, it's affected us, it's affected everyone. But I think when we look at our strategy going forward with the strength of five decades at Wyndham Destinations and our objectives we put up there, we really believe in that objective, but we also believe and we spent a good amount of time in the opening talking about our core competencies.

Our sales and marketing team can deliver not only for Wyndham, but for other companies. Same with all those other competencies I mentioned. So, our ability to grow is always what it was with an added ability through our ability to start growing new owner bases. Because for you all have covered this industry long enough, you know that we tend to stay within our brands primarily, and there's plenty of other brands that would benefit from optimizing their assets through the use of our core competencies.

Christopher Agnew
Senior Vice President-Financial Planning and Analysis & Investor Relations, Travel + Leisure Co.

A

Patrick?

Patrick Scholes
Analyst, Truist Securities, Inc.

Q

Thank you. Just a follow-up on my question from a minute ago. When you talk about an upper 30% new owner percentage, historically, you had targeted a 24% to 25% margin at that previous 45% new owner sales. Would – when thinking about the upper 30% goal and existing owners tending to have a higher margin on sales, would we think – is it fair to think that you could be above that 24% to 25% margin because you'll be selling to existing owners?

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

A

So, you're getting a little bit into what Mike's going to discuss in his section.

Patrick Scholes
Analyst, Truist Securities, Inc.
Q

Okay.

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.
A

But let me just touch on it real quickly is, let me bifurcate the sales of timeshare and then the rest of the vacation ownership business, and Mike's going to talk about our portfolio and what you can expect on the cost of sales side. But from a sales and marketing standpoint, the team has been very focused post-COVID on the quality of the marketing prospect, and one that will provide a holistic return. And what I mean by that, it's not simply the sale and the margin on the sale, but also ultimately the portfolio performance over time.

So, when I mention that we're going to be focused on new owner marketing with a focus on VPGs, our team has delivered over 3,000 VPGs blended coming out of COVID. And on the new owner channel, it's up 25%, 30% from when we went into COVID. So, we want to drive the best margin out of both new owner and existing owners, and then we'll get into the fourth segment, the other components that you all should consider as you model out our business for the next four years.

Patrick Scholes
Analyst, Truist Securities, Inc.
Q

Okay. Just one other question, and hopefully I'm not getting ahead of myself from the fourth segment. Historically, you talked about the RCI exchange revenues growing over time in a normal environment, 1% to 3% annually. Is that still a fair range to think about?

Michael A. Hug
Executive Vice President & Chief Financial Officer, Travel + Leisure Co.
A

Well, I don't think we will see a little bit of higher growth out of RCI and Panorama because of the additional things that Fiona talked about where we're working harder to get a larger share of the travel wallet by being a company that puts them on vacation for all their [ph] vacations (01:07:14), not just exchanges. But once again, I will give a little more detail on the growth rates by the segments in my section.

Patrick Scholes
Analyst, Truist Securities, Inc.
Q

Okay. Mike, Michael, looking forward to hearing that. Thank you.

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.
A

Sure.

Christopher Agnew
Senior Vice President-Financial Planning and Analysis & Investor Relations, Travel + Leisure Co.
A

David?

David Katz
Analyst, Jefferies LLC
Q

Thank you. You have a slide in here talking about the penetration of Travel + Leisure. And it's 1% or 2%, right? How do you think about the competitive set around that, right? This is somewhat of a new channel for us. Like, who else is in there and how do you – like, where is the other – where's the rest of it going?

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

A

Right. So, I don't – as I mentioned I don't think it's a very consolidated space. I think it's very fragmented at the moment, and you're seeing a number of different clubs that are out there. You've seen Tripadvisor with – talking about 6 million potential members. You've seen Soho House and Inspirato, which Inspirato has been in the business and does a good job for nearly a decade or more. But our focus is going to be around the trusted content and convenience and value that comes with the Travel + Leisure name.

And I don't want to steal Noah's thunder coming up, but the idea of going to reading the magazine and dealing with the frustration of then opening your computer and then organizing all that, if you could do that within the Travel + Leisure Club with the content knowing what you're getting, and then be able to do it with the ease and convenience and value that we're going to be able to offer, that's what we're looking to achieve.

So, I think we're looking to fit ourselves into a macro trend that's occurring today. And more specifically, to do – to offer a type of subscription product that's unique within that space. I do think it's very fragmented. I think there will be more people coming into the space. And I think the fact that we will be doing it with the Travel + Leisure name is super important.

Look, I could have gotten up here and said, our target – our TAM is 90 million. But we want to be realistic. We view our initial market is that 40 million households, and we sized it with 1% to 3% because we launched this week. So, the other brands that are out there on the bigger households have been in business for three, five, seven years. So, we'll aspire to get to that 40 million to 90 million, but we want to get out of the gate with a 1:3 penetration of the 40 million households initially.

David Katz
Analyst, Jefferies LLC

Q

Thank you.

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

A

Yeah.

Christopher Agnew
Senior Vice President-Financial Planning and Analysis & Investor Relations, Travel + Leisure Co.

Maybe one last question? If no, I think we will – we'll take a break. And if we can assemble back at 10:00 sharp, we will look forward to talking about our new subscription businesses. Thank you.

[Break] (01:10:30)

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

Well, welcome back, everyone. It really is good to sit and chat with everyone during the break and finally be face-to-face with everyone once again. Given our location, I will say that like every good Broadway play, the second act will be shorter than the first. So, if you're looking at your watches as far as what you have around lunchtime, the second act here will be will be shorter. But it's going to be an `exciting second act and conclusion because we're going to dig deeper into the new lines of business that we have.

We're going to turn our attention to our new travel products that will broaden our business. Earlier today, I laid out our high-level strategy for growth, and now it's time to take a deeper dive into our B2B and our B2C travel clubs. In order to do that, we'll have two individuals, members of their own senior leadership team making those introductions and sharing the business plans for each of them.

The first is Olivier Chavy. As you see you've already met, he's the President of our Panorama Group. Olivier has spent a lifetime in hospitality. He was formerly with Hilton Worldwide, and most recently the CEO of Mövenpick just to name a few of his previous roles. And then he will be followed by Noah Brodsky, who came to the hospitality industry with Starwood. He's previously worked with WeWork, and was integral in the ability for us to attract Travel + Leisure, the acquisition, and to make that happen. And then we're going to conclude with our Chief Financial Officer, Mike Hug, who will give you the rundown and dig a little deeper into the financial metrics that I laid out in my presentation.

So, with that, with no further ado, Olivier?

Olivier Chavy

President-Panorama, Travel + Leisure Co.

Thank you, Michael. Thanks a lot. So, why we continue to focus on growing RCI? Our ability to grow was limited by the size of the timeshare industry and sales velocity of our affiliates. To find growth, we have to look beyond the timeshare industry to leverage our core competencies in adjacent travel leisure market. As Michael mentioned, once we acquired ARN and wove it together with our core competencies, we were ready to address a broader leisure travel market; and Panorama Travel Solution, our B2B travel club, was born.

So, what is Panorama Travel Solution, so-called PTS? PTS is our white-label B2B travel club service provider that operates behind a paywall. B2B, being business-to-business, or to be more precise, business-to-closed-user-group or business-to-affinity-partners. This closed user group has access to a comprehensive travel platform benefiting from preferred pricing and takes a shape of a travel club under the brand, associations or affiliations group we are working with.

The value of the closed user group is meaningful. They benefit from the purchasing power, technology, and scale benefit that we bring. We provide customers customized travel offering and a customizable Web and digital delivery. This is a key differentiator for the current landscape, and they receive all of this under the banner of their brand.

Let's bring this to life. In a few months, we have already partnered with many marquee brand. We are especially proud of our association with the largest affiliation to-date, the National Association of REALTOR (sic) [REALTORS] (01:14:29) with 1.4 million members. And given the football began last night, how could I not mention our partnership with NFL Alumni Association? This offers benefit to NFL former players, cheerleaders, administrative staff. They're just a few deals to-date.

But before I dive into the details of the program, I would like to first share an example of how one of these white label travel club works. The affinity association can choose [ph] a no (01:15:02) or low upfront subscriptions which includes discount on travel up to 25% and it's serviced online. A premium membership will require an upfront subscriptions for which translate to greater discount up to 60% and offers a travel concierge. This subscription fee and transactions should look familiar to you as it is a modified replica of the highly recurring revenue, low-capital investment model that has made RCI successful.

So, now, let's take one of our partnership and walk you through the deal. The National Association of REALTOR (sic) [National Association of REALTORS] (01:15:40) has 1.4 million members. We project 4% will activate to become standard member, accessing discount up to 25% on travel. This is our standard member option. We'll make money with this member base on transaction volume, and we are predicting a total approximately of 120,000 transactions at an average of $350.

We also expect about 1% of the 1.4 million to activate greater discounts by upgrading to a premium membership for an amount of $99 membership fees. We expect similar transaction propensity at 8% with the same transaction. This is a broad universe of affinity group seeking travel offering for their constituents. These are sampling of a few.

What excites our team the most is that opportunity is not limited by our imagination and drive. We are already realizing success across a multitude of association vehicles. Beyond the two examples I mentioned earlier, we're also attracting trade associations, media outlet, hospitality companies, and so on. So, clients are very different and are all using the platform in slightly different ways to align with their individual growth strategies. It's really exciting to see this positive traction so early on.

We have dozens of other clients we are in active discussion with. Our largest trade association deal is with National Association of REALTOR (sic) [National Association of REALTORS] (01:17:19). This is realtor.com. They have 1.4 million members that will have access to their own travel club. We signed up a couple of media companies plus we have the engine of the new Travel + Leisure Club that Noah is going to talk to you about. You'll love how great the club turned out.

In sport arena, it doesn't get better than the NFL. We signed up with the Alumni Group and that would be a great catalyst for other sport association to follow suit. We signed [ph] EZ Car Rental (01:17:50) to add travel to their benefits. We signed at least but not last, not – sorry, we signed – last but not least, we have signed an exclusive deal in Mexico with our timeshare partner Grupo Posadas who is expanding into the travel club arena.

So, Panorama Travel Solution (sic) [Panorama Travel Solutions] (01:18:09) leverages our core competencies developed over 45 years: membership, marketing and CRM, global servicing, digital capabilities, and B2B relationship management. We have a large global member base and ability to expand easily around the world. We've built a large network of travel suppliers and partners, and we know how to manage B2B and B2B2C relationship.

By providing customized travel platforms and servicing to our partners and the customer, we can target personalized marketing and offer to activate and drive engagement built on the powerful technology we acquired with ARN. We are building on our strengths, broadening our business and taking our industry leadership to the next level.

Our new travel membership platform can be leveraged by organization looking to introduce or enhance travel benefit to their employee or customer to drive incremental and increased engagement and loyalty. We offer a wide breadth of travel and leisure product with exclusive pricing available to closed user group [indiscernible] (01:19:20) from dozens of suppliers around the world. This enables us to give discount to the consumer.

Our booking engine is fully customizable to meet clients' individual needs and can be fully branded on both the technology and servicing sites to look like an extension of their business. For us, it's an asset-light expansion that leverage our core competencies and our embedded technology platform. This opens up a world of opportunity for us with a large addressable market across the globe and across many industries. So, total addressable market in the US alone is over 90 million household and as much as 270 million if you look at it on a global scale. But our platform offers much more than great discount.

Researchers tells us that there are three things which are very important for our consumer: one-stop shop, personalized service, and ability to communicate with my community. We already have the two first one, and we are working on some good news and great community features this year that potential partners are very excited about. This feature embrace the gamification trend and encourage customers to use the platform and engage with the brand in a much more meaningful way.

We will be using it to drive transaction behavior by rewarding and incentivizing activity. Customer will complete challenges, share their stories with accommodation, and engage with other like-minded traveler in their community. Partners can quickly see the obvious benefits of these tools to drive loyalty and retention. Let's bring it all together and show how it works.

[Video Presentation] (01:21:10-01:23:13)

See wider. Thanks to the early momentum we are seeing with a variety of customers, we're confident that we'll see a [ph] system-enabled (01:23:21) growth model as there is a strong value proposition for all constituents.

The supplier, they like us because rate and inventory are in a very safe box as a B2B model not accessible by the open market. This preserves rate integrity in hospitality market and helps fulfill inventory and protects the supplier brand perceptions within mainstreams. We have two sources of supply, direct deals with hospitality companies and dozens of wholesales partners that we aggregate.

Closed user group, they like us because the product enhance their value proposition. It generates more loyalty and propensity to transact and even allows creations of a new club from scratch fully customizable to their unique needs.

Travel consumer, of course, they like us with this so-called vacation lovers. They like us because it grant access to preferred pricing on the vast array of inventory. For Panorama, we like it as well because it's via asset-light expansion. It generates recurring revenue via membership and incremental top line via booking. It also gives us access to very rich customer data and booking trends, which will drive further growth.

And I'm very excited to share that we've signed two more deals in the last 48 hours. First, thanks to the adventure with Grupo Posadas we have signed with Citibanamex. It's a branch of Citibank, the number two bank in Mexico. They have 2.7 million cardholders in Mexico, which will have access to their own travel club.

Second deal we signed, we're very proud to announce that we signed with Mastercard in Southeastern Europe, giving us access to 46 million of customer in this part of the world. [ph] These allow us (01:25:15) as well to continue discussion for a more broader deal with Mastercard.

In closing, Panorama Travel Solutions offers a unique value proposition to business and organization around the world. It positions us to grow our memberships well beyond the timeshare history, expand our B2B partnership across multiple sectors, and it drives incremental subscription [ph] and internal (01:25:38) revenue from a new scalable base. And speaking of growth beyond the timeshare industry, we have some exciting new plan in development for the Travel + Leisure brand.

We have a remarkable brand ambassador and visionary leader, Noah Brodsky, our President of Travel + Leisure Group. Noah?

Noah Brodsky

President-Travel + Leisure Group & Chief Brand Officer, Travel + Leisure Co.

Thank you, Olivier. Well, I'm excited to get to be up here today to talk to you about a brand that I know and love, a brand I followed since I was a little kid and taken with me on vacation, a brand that inspires 1 million people a month to get out their scissors and clip for inspiration, and millions more click online to get trusted advice and travel inspiration. Travel + Leisure has rich heritage, global reach and unparalleled trust and loyalty. Take a look at how expansive its platform already is.

[Video Presentation] (01:26:38-01:27:51)

It's easy to see the power of the world's most influential travel brand, but we saw something more: opportunity. The opportunity we saw was to take this amazing brand and harness all of the travel inspiration it's creating every month and turn that into commerce. In the course of our due diligence, we kept talking with people who knew the brand well, former editors, advertisers, subscribers, and all of them shared this similar insight, why didn't TNL sell travel? It seems so obvious, but in all the articles they write, in all the online content they push out, there is no book now button.

So, the first part of our strategy is Travel + Leisure GO, creating a booking platform under the halo of all of the incredible TNL media content that allows readers to book travel from the – following in the footsteps of an adventurous editor just to an everyday family road trip upstate, all at regular retail rates but with a brand they know and trust. That's the front door to our new ecosystem.

Once they step inside, we want to capture their imagination and their travel wallet with Travel + Leisure Club, which offers exclusive experiences, customized concierge, and preferred pricing for all about $10 a month. And to broaden the exposure and awareness, we're building a products and services licensing arm that will extend the brand into even more consumer touch points.

So how are we going to get people into this world that we're building? First, from affinity channels. And by that, I mean, using all of the existing touch points that the brand already has with its followers, which is over 15 million people per month. The website, social channels, newsletters, syndicated content and so on. We've created book now buttons that you see here, contextual link, banners ads, promoted posts and a bevy of e-commerce tactics to drive consumers into TNL GO. You may have previously heard to us refer to this channel as booktnl.com but we've changed the domain over to travelandleisure.com to maximize brand awareness and search engine optimization. You can now reach this site directly today at travelandleisure.com/go.

So, second, we'll drive traffic to this site from open market channels to reach an even broader audience. So that's for running search ads for something like hotels in New York. Now, that's a more expensive way to acquire customer but it's also a well-proven model and our name recognition will help with conversion. But because it's a little bit more expensive, we are focused on those affinity customers first. And we're excited to see the strong results from affinity customers. As we expected, they're outperforming all the benchmarks in our e-commerce funnel showing higher engagement, repeat visits and behavior that shows they are actively planning and booking trips.

So, once we've got vacationers on our GO platform, that's when we start getting them excited about Travel + Leisure Club. Soon, we'll be merchandising membership throughout the GO experience on the home page and all the way through the booking funnel. We've done a lot of qualitative and quantitative research so far. And one thing we hear over and over is that what really captivates our customers about the club, what they really get excited about is this fantastical idea of traveling like a travel writer, of taking trips they only ever dreamed about in the pages of a magazine. It's that idea of turning inspiration into reality that's going to get our members to join. And once they're in and they get the taste of all of the amazing benefits powered by Panorama Travel Solutions, that gets them to stay.

But what they love, they tell us what puts our club over the top is the premium content. As one subscriber said in a focus group, Travel + Leisure subscription is like Disney+. I know if I go on the site, everything I see there is going to be good. So, as we designed our marketing campaigns for the club, we knew it had to speak to that psyche, that inner nomad we each have yearning to see the world come home and tell new stories, an uplifting narrative freeing us from the last year of lockdowns and opening our hearts to new adventures.

Take a look at the creative direction our marketing campaigns are headed.

[Video Presentation] (01:32:13-01:33:41)

So, our consumer marketing campaigns for Travel + Leisure Club start this week. While we already have 50,000 members in the club that we acquired from Meredith, the revamped website, the product offering and the marketing strategy is all new. And each of you sitting here today get to be one of the first to experience it. As you depart today in your gift bag, there will be this little box which has credentials on the card and a code on the back of the card to start a free trial membership so you can check out the club.

One of the things I think you should go check out are the amazing curated itineraries that we've launched on our new website like this one here for Florence. These trips offer activities and hotels handpicked by TNL writers. Our content strategy is all about expert advice. You don't need to sort through thousands of user reviews or open up 10 tabs in your browser to figure out where to stay. Our editors have already done that for you, with the renowned world's best awards. That's one of the [ph] tentpoles (01:34:42) of Travel + Leisure magazine. The 2021 list was released just this week and we have 521 of those world's best hotels and resorts available to our club members.

So, if you're going to Florence, as a member, you'd save over $700 at this world's best winner. So, that's incredible content and incredible value.

On average, club members will save about 25%, and that's on over 600,000 hotels. As you spend some time in your sites, please also send along any feedback. Our sites are brand new, and we're going to keep improving them every single week.

So, the business model for this club is relatively straightforward and plays right into our core competencies. We attract customers from three ways: upselling them from TNL GO, as we just discussed; direct club marketing to the broader TNL databases through print, email and social; and by using our first and third-party databases of the 90 million vacation-loving households. And we make money from monthly subscription fees and commissions on bookings. These are things we've done for decades: upselling, database marketing and running travel clubs. And

Panorama Travel Solutions has invested heavily in travel discounts and benefits programs. So, that is best in class.

So, as we think about the economics for this club, it starts at looking at the addressable US market that Michael talked about earlier today, those 40 million subscription-loving households that are part of the larger vacation-loving demographic. We believe that, over time, we will achieve a 1% to 3% sales penetration at an average price of about $10 a month. Our subscribers are booking travel with us two to four times per year, and the average transaction we're seeing is around $500.

As I mentioned, we just started talking about the Travel + Leisure Club this week, and we're already excited to see some early media pickup. Our marketing campaigns will amplify all of this positive coverage, and we'll continue to – or we'll begin to aggressively grow our membership ranks.

So, the takeaways from my section, they are the exact same takeaways from our investment thesis that we wrote a year-and-a-half ago when we set out to acquire this brand. First, the name allows us to leverage the world's most influential travel brand in a large addressable market. Second, we see the [ph] primification (01:37:10) of commerce happening and believe the subscription mega trend has already arrived in the travel category.

Successful subscriptions across all the categories all require outstanding content and outstanding value. We have both. And, finally, we're calling this a business extension as its foundation is built on our core operational strengths. We've layered on top of that an exceptional management team with diverse backgrounds in travel, technology and marketing to take it forward.

So, thank you for your time today. I look forward to answering your questions during Q&A or at the end. And I will now pass it over to Mike Hug who will discuss our financial outlook. Mike?

Michael A. Hug

Executive Vice President & Chief Financial Officer, Travel + Leisure Co.

Thank you, Noah. Good morning, everyone, and thanks again for joining us today. This morning, Michael shared our strategic overview while Geoff and Fiona discussed how we will continue to build on our strong foundational businesses. Olivier and Noah then discussed how our business extensions will come together and how we'll plan to add incremental value streams to our business, accelerating growth, free cash flow, and returns.

Over the past 24 months, we moved forward from being a strictly a vacation ownership company with mid-single-digit growth to a broader leisure travel company. While our vacation ownership business will remain our foundation, we are now a company that has significantly increased its total addressable market in order to accelerate growth. As many of you are aware, upon the creation of Wyndham Destinations in 2018, we were a company that targeted mid-single-digit adjusted EBITDA growth. Now, as we move forward as Travel + Leisure, we have the opportunity to accelerate our growth.

Exiting 2020, we start our path back to 2019 levels. But just as importantly, through our new ability to capitalize on leisure travel associated with closed user groups through Panorama Travel Solutions and subscription-based travelers through Travel + Leisure Club, the expansion in our total addressable market results on long-term adjusted EBITDA growth targets of 11% to 14%.

This growth is based [ph] off (01:39:25) our 2021 guidance, and therefore, does benefit from the lower base compared to the pre-COVID adjusted EBITDA in 2019. Adjusting for this, however, we calculate underlying growth of 6% to 9%. And it's important to stress that we believe our new growth algorithm will permanently shift higher from low- to mid-single digit to mid- to high-single digit as result of our new business extensions.

Looking at the components of our growth over the next four years, we expect vacation ownership to be in the 9% to 11% range for adjusted EBITDA.

While the Travel and Membership segment composed of RCI, Panorama Travel Solutions and Travel + Leisure Group is expected to grow at much higher rates, with revenue growing in the 27% to 30% range and adjusted EBITDA in the low- to mid-teens, quite an improvement over RCI's historical growth rate. We anticipate that the growth in Travel and Membership segment will shift our mix of business.

Travel and Membership is expected to represent approximately 40% of total adjusted EBITDA in 2025, up from approximately 30% in 2019. This mix shift is one of the reasons why we expect our adjusted free cash flow conversion to shift higher over time. And our adjusted earnings per share is expected to grow 17% to 22% before considering any share repurchase activity over the next five years.

We expect growth in our Vacation Ownership segment to be 9% to 10%, driven almost entirely by annual increases in tour flow where, as we focus on quality, we will look to maintain VPGs above 2019 levels. We project 2025 VOI sales to be in the range of $2.5 billion to $2.6 billion, driving adjusted EBITDA of $740 million to $780 million. Adjusted EBITDA margins are expected to range from 22% to 23%, down slightly from 2019 levels.

Growth for the Travel and Membership segment is expected to come at much higher rates as the business extensions we have discussed today will be recognized in this segment. Revenue growth of 27% to 30% is driven largely by Panorama Travel Solutions and Travel + Leisure Group. And while we expect that they will drive absolute adjusted EBITDA growth of approximately $170 million to $250 million through 2025, they will also negatively impact the margin in this segment, which were approximately 40% when it is composed of just RCI.

For both exchange and non-exchange transactions, we're projecting 2025 revenue per transaction of $330 to $350. As expected, the majority the transaction growth is projected to be in the non-exchange transactions where we expect to grow over 40% annually. For average member account, we expect to be just below 2019 levels of $3.9 million.

To summarize, with 11% to 14% compound growth we expect to deliver $1.1 billion of adjusted EBITDA at the low end $1.25 billion at the high end of the range in 2025. And our projected adjusted EBITDA growth should return us to generate a significant free cash flow as we have been in the past. Many of you area already familiar with our 61% adjusted EBITDA to free cash flow conversion rates from 2018 and 2019. And beginning 2022 through 2025, we expect to average the same level of adjusted free cash flow conversion. Beyond 2025, we see even greater opportunities for growing adjusted free cash flow conversion as our lower cap-intensive businesses grow as a percentage of our overall adjusted EBITDA.

For those of you who are not familiar with our path from adjusted EBITDA to adjusted free cash flow, I know it's [indiscernible] (01:43:39) chart, but let me take a few minutes to explain some of the major components. Interest expense on corporate debt is self-explanatory. Our effective cash tax rate is significantly below our statutory rate as the return to portfolio growth over the next five years allows us to defer the payment of taxes until the principal on loans is collected.

Net consumer financing activity represents our provision for loan losses which is a non-cash EBITDA charge plus the net change in the portfolio and a net change in our ABS debt balance. In essence, over the long term, our

ABS activity allows us to make a growing portfolio neutral from a cash flow perspective while provide significant high margin interest income.

Our net inventory spend is the cost of sales that we absorb in the income statement every year, offset by the actual cash spend for inventory. As you would expect, with our reduced inventory spending going forward, the impact to cash is minimal or even positive as the cost of sales included in EBITDA start to actually exceed our cash spend. As I mentioned earlier, we expect our average inventory spend for the next four years to be $150 million per year with the spending being highest in 2022 as we fulfill pre-COVID just-in-time inventory commitments. And as Michael previously mentioned, we expect the Vacation Ownership business to use $100 million less in cash each of the next four years compared to 2019, due primarily to this reduction in inventory spend.

CapEx and working capital is expected to be less of a use of cash on average through 2025 as we reduce our CapEx spending below 2019 levels. And, once again, the end result is strong adjusted free cash flow that will be approximately 60% of adjusted EBITDA.

And what have we done with all the cash that we have generated? Since our spend of Wyndham Hotels and Resorts in mid-2018, we have established a clear track record of returning capital to shareholders. Total cash returned to shareholders through the second quarter of 2021 was $1.2 billion. Of that, $479 million represents dividends, which had been growing annually by double digits until we were faced with COVID and $687 million has been returned through a steady and consistent share repurchase program, once again pre-COVID. This share repurchase program reduced our original share count by 13%. And as we return to historical levels of free cash flow conversion, the ongoing return of capital will remain our priority.

Note that I did not mention the acquisitions of ARN and Travel + Leisure as a use of cash. That is because, once again, as Michael mentioned earlier, we expect the cash proceeds from the sale of the North America rental business to offset the outflows associated with the acquisition and Travel + Leisure Group, a very efficient and disciplined approach to M&A since the middle of 2018.

More specifically as to future capital allocation, we are targeting a leverage rate of 2.25 times to 3 times and expect to be below 4.25 times levered by the end of this year. Even with the higher than normal leverage rates over the last 18 months, we still have had $1.3 billion in liquidity at the end of the second quarter. We plan to use our free cash flow for strategic M&A if the right opportunities present themselves and to continue to grow our dividend as we grow the business. We expect to utilize cash to invest in the business to accelerate growth or for share repurchases.

The business model we have presented today puts us in an even better position from a free cash flow perspective than our 2018 Investor Day, with $2.4 billion to $2.6 billion in projected free cash flow over the next four years. As noted previously, but worth pointing out again, we project our adjusted free cash flow conversion to be 58% to 63% of adjusted EBITDA. Including additional net debt capacity available over this period, we expect cash available for enhancing shareholder value to be as much as $2.9 billion to $3.3 billion. After paying dividends of around $600 million to $700 million over the next four years, this will leave $2.3 billion to $2.6 billion to further drive shareholder value, once again, through investments in the business that will accelerate growth, M&A or share repurchase activity.

We have developed a new algorithm that remains committed to the strong foundation we have in place, which has proven to be a very resilient business model with strong margins. It is also designed to accelerate our growth by extending the foundation with Panorama Travel Solutions and Travel + Leisure Group. The end result is a company that's doubled its growth projections over the next four years in order to drive significant free cash flows. The outlook has accelerated adjusted EBITDA growth and increasing free cash flow providing cash available to maximize shareholder value.

Our new financial algorithm provides a compelling total return framework. We expect to grow revenue 15% to 17%, leading to 11% to 14% adjusted EBITDA growth, to generate at least $2.9 billion of cash available for enhancing shareholder value, and to return to our pre-COVID capital allocation model, growing our dividend as we grow the business, [indiscernible] (01:49:18) strategic M&A, opportunistically reinvest in the business to accelerate growth and repurchasing shares with the remaining cash.

Thank you again for your time today. And now, we'll open up the floor for Q&A. I'd like to invite Chris Agnew, Michael Brown, Olivier Chavy, and Noah Brodsky back to the stage.

QUESTION AND ANSWER SECTION

Christopher Agnew
Senior Vice President-Financial Planning and Analysis & Investor Relations, Travel + Leisure Co. A

Once again, if we can – if you don't mind just using the microphone. Stephen? Just for those online. [indiscernible] (01:50:00) two seconds. We're just getting the mic [indiscernible] (01:50:02). Thank you.

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC Q

[indiscernible] (01:50:06) This is Stephen Grambling from Goldman Sachs again. So, on the projections, I guess, how quickly do you anticipate seeing some of these initiatives ramp-up over that four-year window, roughly, as we think about is this more of a back-half loaded, is it linear?

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co. A

Yeah. So, if you look at the two new businesses, let's start with Panorama Travel Solutions. That's we've now been operating for nearly a year, and we're finally getting the traction on getting those new clubs, and they're coming a lot faster now. So, we should start to see the impact to that in 2022. The Travel + Leisure Club, as we mentioned at the acquisition, we'd expect it to be neutral earnings this year and then, although not material, we'd start to add to earnings next year. So, I would not say it's linear. I would say it's growing throughout the next four years with more weight toward the back end.

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC Q

And maybe turning to the travel services side, I guess, who do you view as the core competitors to that business? And within that, do you feel like you're creating a new category or are there existing people that you're displacing and maybe to tie into that [indiscernible] (01:51:19) from an M&A standpoint since that was at the top of your list of capital allocation priorities that you feel like you'd be looking into in terms of particular industries or types of companies you want to acquire?

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co. A

Why don't Olivier take that?

Olivier Chavy
President-Panorama, Travel + Leisure Co.
A

Yeah. Yeah. There are some competitors out there but we're in a very safe [indiscernible] (01:51:38) B2B, which is a very specific area of business. So, we don't compare ourselves to the B2C existing business. But we have a very, very strong tech platform, very strong algorithm. We have 25 years of ARN, of relationship with the brands and with the wholesales and third-parties. So, yes, there are some clubs out there. But we are very specific. Thanks to our expertise with RCI, more than 45 years, and thanks to what we have put in place with the acquisition of ARN. So, I would rather say, we feel confident that we have a strong value proposition to be successful on the market and the early traction we've seen so far is a testimonial of what I've just said.

Christopher Agnew
Senior Vice President-Financial Planning and Analysis & Investor Relations, Travel + Leisure Co.
A

Anyone else, any other questions?

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC
Q

Thank you. From a high level, just in my, mind I want to be able to sort of summarize what gets a member who is subscribed to the Travel + Leisure Club given that 25% to 60% discount. And, again, without giving away your secret sauce here, is it fair to say that you get volume-driven discounts and then you also have some sort of negotiations to get distressed inventory that you can give to members? Is that sort of a high level?

Noah Brodsky
President-Travel + Leisure Group & Chief Brand Officer, Travel + Leisure Co.
A

Yes. Correct. Yeah. [indiscernible] (01:53:28) Olivier mentioned just a moment ago that ARN has 20 years of relationships with third parties and direct suppliers. We have 600 networks just in the hotel space of 600,000 hotels. It's a mix of direct and through third party, but there's dozens of different independent suppliers in there. So, a very broad supplier base, and those are closed user group rates we're selling, so from a variety of different closed user and nonpublic [ph] great (01:53:58) options.

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC
Q

So, I think about like if another company does [indiscernible] (01:54:04) this price line but I have to guess my price. Here I can kind of see the price, but it's not available to everyone who's outside of the club.

Noah Brodsky
President-Travel + Leisure Group & Chief Brand Officer, Travel + Leisure Co.
A

That's exactly right. And one of the unique things as we've talked to suppliers in the last couple of months under the Travel + Leisure brand, including some of the world's largest chains, they're really excited about the branding of Travel + Leisure as opposed to, say, the branding of one of the distressed companies like the one you mentioned because it adds – because of its influence, it adds a positive impact to the brand. So, when we've got their inventory in our newsletters on our site, it's a net positive, whereas if it's on a deeply discounted on bargain bin site, that may have a negative brand impact. So, we've got a lot of very positive traction with big brands as we talk to them about listing wholesale inventory directly with us.

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC
Q

Okay. But would you also be listing the Wyndham timeshare inventory on there? Normally, that would be like a part of your rental business. Is that can be sometimes consider a distressed? Does that go in there and you get special pricing as well?

Noah Brodsky
President-Travel + Leisure Group & Chief Brand Officer, Travel + Leisure Co.
A

So, we remain focused on our extra holidays brand to primarily the name point where we sell timeshare rental inventory both the Wyndham-branded inventory and RCI-branded inventory, whether that's developer inventory, owner-to-owner rentals or HOA distressed inventory. Now, we do extend some of that to a variety of third-party partners through onward distribution. Travel + Leisure Club may pick up some of that incidentally in its third-party distribution, but it's a tiny, tiny percentage of the 600,000 hotels and not at all where we're focused.

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC
Q

Okay. And then, lastly, as special relationships with your former company, Wyndham Hotels, I imagine probably Super 8s are not necessarily, what the travel members are signing up for. But do you have that special relationship with the Wyndham Hotels?

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.
A

Well, our relationship with Wyndham has never been stronger within the timeshare and on the hotel rental opportunity. And where we're trying to get to is to be able to distribute on behalf of great travel providers of variety of different products. And Super 8 is a very quality brand that delivers to a specific consumer. Ultimately, what that returns back to us is that broader audience we talked about in the overview. You ask about the pricing. They sit behind a paywall in a captive community and vice versa. Once we decide to, within that captive community, go to broader audiences, it's not only going to be going forward specific demographic of a timeshare owner. We want to speak to Gen Z. We want to speak to females. As was mentioned in the Travel + Leisure, the most influential millennials and females are the – they're the ones who are making the decisions and we want to be more broadly focused and more targeted in our approach.

So, it gives us the opportunity to really get out there and speak to audiences. I didn't mean to say we don't speak to females already. I'm just saying that we could be in bespoke type of travel clubs that customize our offerings to different demographics and different cohorts that we can't really do today. We're the world's largest provider of vacation ownership, which has a demographic that's $100,000 household income, average age of about 50, and primarily families.

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC
Q

Okay. And sorry, one last question. If I were to go on today and look at this website and I'll do that later. Most of the product that's being offered, was sort of like rating star category are we looking at here or maybe related to [indiscernible] (01:58:18), upper upscale, mid-scale type of offerings?

Noah Brodsky
President-Travel + Leisure Group & Chief Brand Officer, Travel + Leisure Co.
A

So, the marketing is really all focused on Travel + Leisure's World Best, especially with the launch of that this week; so the timing is very fortuitous for those two to be combined together. So, as you think about the Travel + Leisure World Best, we're looking at luxury and upper upscale from and SCR perspective. That's what gets people in the door and we've market tested this a number of different ways. They are excited about those top resorts in the world. And as I mentioned, we've got relationships. We've had the list a little while. We've been working with all the suppliers to make sure that we have over 500 of them on our site with discounts or member perks, a glass of champagne, room upgrade when you arrive.

But what gets you to stay is that broader array of 600,000 hotels. So, not every trip is to a five-star resort, but certainly many of them are. But sometimes you're going upstate where there's just a different resort where you need a different kind of lodging. So, it's that breadth, I think, that people are going to find a ton of value. And as you go in and look – once you're a club member and you log in behind that paywall, and you look, whether you look in New York and you'll see all the five-star hotel listed in New York with great discounts or pick a small town somewhere in the middle of the country and you'll see lots of options there, too. And that's the real power of that reach with PTS.

Christopher Agnew
Senior Vice President-Financial Planning and Analysis & Investor Relations, Travel + Leisure Co.
A

Can we get Stephen again?

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC
Q

Hey. Just following up on that. I guess from the economic standpoint and maybe we can do some math around this, but do you anticipate most of the profitability to come from the subscription or the commissions on Travel + Leisure GO and Club? And then, how do you decide the order of who's shown? So, like I can look at Hawaii Big Island right now and I see Four Seasons and then Holiday Inn combined. Does that change over time if people start to incentivize you to list them higher?

Michael A. Hug
Executive Vice President & Chief Financial Officer, Travel + Leisure Co.
A

So, I'll take the one as it relates to the revenue streams and Noah can talk about the priority on the website. But initially, we would expect the majority of it to come through to transactions because, obviously, people go in there, they transact, they like the product, and then they join the club. So I think over time you see the subscription piece growing, but I think when we look over the next 12 months, its primary point to be people coming in, transacting and liking what they see, and then jumping into the subscription side.

Do you want to talk about the priority?

Noah Brodsky
President-Travel + Leisure Group & Chief Brand Officer, Travel + Leisure Co.
A

Yeah. So the Travel + Leisure World Best Award winners are featured. They're noted as editorial selections on there. The great thing about the PTS platform because it's in-house technology is we can choose whatever ranking we want on there. So whether that's by star level or by user review, by price point, by commission level, whatever we want to set that we have the ability to go in and do that. So, certainly, to your point, as we get more data and we see what people are booking and as we work closely with suppliers, that rank order will change.

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC

Q

And so with your commission rate than the comparable above or below kind of traditional OTAs.

Noah Brodsky
President-Travel + Leisure Group & Chief Brand Officer, Travel + Leisure Co.

A

Today, we are passing a substantial part of the savings onto customers. So we want to make sure there's an outstanding value for our Travel + Leisure Club members.

Stephen Grambling
Analyst, Goldman Sachs & Co. LLC

Q

Thanks.

Christopher Agnew
Senior Vice President-Financial Planning and Analysis & Investor Relations, Travel + Leisure Co.

A

Do we have any more questions? If not, I will pass it back to Michael Brown...

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

A

Yes.

Christopher Agnew
Senior Vice President-Financial Planning and Analysis & Investor Relations, Travel + Leisure Co.

A

...for closing comments.

Michael D. Brown
President, Chief Executive Officer & Director, Travel + Leisure Co.

Absolutely. So, first of all, thank you again for joining us today. And I hope what you can take away from today is a lot and we're going to be available to you after the presentation today. But we're not just content to be the world's largest vacation ownership and exchange company. But make no mistake, we will continue to grow that strong foundation like we did pre-COVID and as we come out of COVID in the year to come, we're as committed as ever to growing the Wyndham Destinations brand, our Vacation Ownership segment, as well as our vacation exchange. But we want to remain on the cutting-edge, on the front edge of where travel is going and our acquisitions of Travel + Leisure, our acquisitions of ARN, have given us the capability to do it. And we will not be content with being – fulfilling a mission to put the timeshare war on vacation but to truly put the war on vacation in the sense of we want to be part of the broader leisure travel market, and we're taking all the steps that we feel are absolutely correct to broaden our horizon as we move to the future of Travel + Leisure.

So, as you have questions, whether they're joining us by webcast or joining us here in the room, we're going to be available afterwards or online. And I would say just in closing, none of this would be possible, capital definitely helps but also a great team. So, I'd like to think the 17,000 associates at Travel + Leisure on the world and our great management team that brings a diversified set of talents to the table for making all this possible. So, thanks for joining us today, and have a great weekend.