

# **Wyndham Destinations**

## Investor Overview

March 19, 2018

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## **PRESENTATION OF FINANCIAL INFORMATION**

Financial information discussed in these materials includes non-GAAP measures, which include or exclude certain items. These non-GAAP measures differ from reported GAAP results and are intended to be helpful to investors as an additional tool for further understanding and assessing Wyndham Destinations' operating performance. Exclusion of items in Wyndham Destinations' non-GAAP presentation should not be considered an inference that these items are unusual, infrequent or non-recurring.

## **FORWARD-LOOKING STATEMENTS**

These materials contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are those that convey management's expectations as to the future based on plans, estimates and projections at the time Wyndham Destinations makes the statements and may be identified by terminology such as "will," "expect," "believe," "plan," "anticipate," "goal," "future," "outlook," "intend," "target," "estimate" and similar expressions. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Wyndham Destinations to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements contained in these materials include statements related to Wyndham Destinations' strategies, operating measures, dividends and share repurchases.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of these materials. Factors that could cause actual results to differ materially from those in the forward-looking statements include general economic conditions, the performance of the financial and credit markets, the economic environment for the hospitality industry, the impact of war, terrorist activity or political strife, operating risks associated with the vacation exchange and vacation ownership businesses, uncertainties that may delay or negatively impact Wyndham Worldwide Corporation's planned spin-off of its hotel business or cause the spin-off to not occur at all, uncertainties related to Wyndham Destinations' ability to realize the anticipated benefits of the spin-off, uncertainties related to Wyndham Worldwide Corporation's ability to successfully complete the spin-off on a tax-free basis within the expected time frame or at all, unanticipated developments that may delay or otherwise negatively affect the spin-off, uncertainties related to Wyndham Destinations' ability to obtain financing or the terms of such financing, unanticipated developments related to the impact of the spin-off on Wyndham Destinations' relationships with customers, suppliers, employees and others with whom Wyndham Destinations has relationships, unanticipated developments resulting from possible disruption to Wyndham Destinations' operations resulting from the proposed spin-off, the potential impact of the spin-off and related transactions on Wyndham Destinations' credit rating, uncertainties relating to Wyndham Worldwide Corporation's pending disposition of its European vacation rentals business and the outcome and timing of that process, the timing and amount of future share repurchases and dividends, as well as those factors described in Wyndham Worldwide Corporation's Annual Report on Form 10-K, filed with the SEC on February 20, 2018, and in Wyndham Worldwide Corporation's subsequently filed Current Reports on Form 8-K. Except for Wyndham Worldwide Corporation's ongoing obligations to disclose material information under the federal securities laws, it undertakes no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events.

## CERTAIN DEFINED TERMS

Except where the context suggests otherwise, we define certain terms in this information statement as follows:

- “Adjusted EBITDA” is defined as net income excluding interest expense, depreciation and amortization, impairment charges, restructuring and related charges, transaction-related costs (acquisition-, disposition- or separation-related), stock-based compensation expense and income taxes. See Non-GAAP Reconciliation of Adjusted EBITDA for reconciliations to measures calculated in accordance with GAAP;
- “VOI” or “Vacation Ownership Interest” refers to an ownership interest in a timeshare property and can be in the form of title to a fraction of the property, a legal interest in title to the property or a right to use the property for a specified amount of time each year;
- “Gross VOI Sales” means total sales of VOIs, including sales of fee-for-service inventory, before the net effect of loan loss provisions;
- “tours” means the number of tours taken by guests in our efforts to sell VOIs;
- “VPG” or “Volume Per Guest” is calculated by dividing Gross VOI sales (excluding tele-sales upgrades, which are non-tour upgrade sales) by the number of tours;
- “vacation ownership contract receivables” refers to loans that we originate to customers in order to facilitate the purchase of a VOI and which are typically collateralized by the underlying VOI itself;
- “FICO score” refers to a branded version of a consumer credit score widely used within the United States by the largest banks and lending institutions and are based on information obtained from one or more of the three major U.S. credit reporting agencies that compile and report on a consumer’s credit history;
- “member” refers to a member of a RCI’s exchange network who paid annual membership dues as of the end of the period or who are within the allowed grace period;
- “annual membership dues” means the annual fees from RCI members who, for additional fees, have the right to exchange their intervals for intervals at other properties affiliated with RCI’s exchange network and, for certain members, for other leisure-related services and products;
- “transaction fees” mean fees generated when RCI members exchange their intervals for intervals at other properties affiliated with RCI’s exchange network or for other leisure-related services and products;
- “just-in-time development inventory” means (i) completed units that we acquire and own close to the timing of their sale or (ii) completed inventory that we acquire from a third-party partner based upon a predetermined purchase schedule;
- “buyback inventory” means inventory for which we have entered into agreements with (i) property associations representing our developments where we may acquire properties related to owners who have defaulted on their maintenance fees, provided there is no outstanding debt on such properties or (ii) owners to acquire their properties prior to those owners defaulting on their maintenance fees, provided they have no outstanding debt on such properties;
- “self-developed inventory” means inventory that we finance and develop specifically for our timeshare sales often beginning with the purchase of raw land which we then develop, depending on the size and complexity of the project;
- “fee-for-service inventory” means newly developed, nearly completed or recently finished condominium or hotel inventory in the real estate market that we sell for a fee through our extensive sales and marketing channels for developers or banks without assuming the risk that accompanies property acquisition or new construction; and
- “vacation exchange” or “exchange” refers to a transaction in which a member exchanges his or her interval for the use of another member’s interval at a different destination.

## OVERVIEW

Wyndham Destinations is the largest vacation ownership and exchange company in the world. Our Vacation Ownership business sells more vacation ownership interests (“VOIs”) than any company, with 878,000 owners and 221 resorts located in seven countries. Our Vacation Exchange business, which includes RCI, is the industry’s leading vacation exchange platform with 3.9 million members and over 4,300 affiliated properties around the world. On a pro forma basis, in 2017, we generated \$3.8 billion of revenues, \$592 million of net income, \$915 million of Adjusted EBITDA and \$417 million of cash flow from operations less capital expenditures. Our capital-efficient business model results in strong and consistent cash flow conversion from EBITDA.

We have a long history of leadership and innovation in the vacation ownership and exchange industry with an intense focus on delivering outstanding vacation experiences for our owners and members. We target a broad segment of the population and see opportunities to grow earnings by targeting new owner sales, leveraging our relationships with Wyndham Hotels & Resorts (“Wyndham Hotels”) and marketing alliances, expanding our brands into existing and new geographic markets to increase VOI sales and offering incremental travel alternatives to our owners and members. Our objective is to create shareholder value by generating consistent earnings growth and significant cash flow.

We have two primary businesses: Vacation Ownership and Vacation Exchange. In 2017, excluding corporate results, our Vacation Ownership segment represented 76% of our revenues and 73% of our Adjusted EBITDA, and our Vacation Exchange segment represented 24% of our revenues and 27% of our Adjusted EBITDA. See Non-GAAP Reconciliation of Adjusted EBITDA for reconciliations to measures calculated in accordance with GAAP.

### *Vacation Ownership*

We are the largest vacation ownership company in the world based on VOI sales, number of owners and number of resorts. We acquire and develop vacation ownership resorts, market and sell VOIs, provide hospitality management services to resorts and owners’ associations and offer consumer financing to our customers.

- *VOI Sales (60% of 2017 Vacation Ownership revenue):* We market and sell vacation ownership interests to customers primarily through our network of more than 152 sales centers. Over time, we generate incremental vacation ownership revenues through owner upgrades, as a significant number of our customers increase their ownership subsequent to their initial purchase.
- *Hospitality Services (24% of 2017 Vacation Ownership revenue):* We provide property management services to resorts and owners’ associations at nearly 200 resorts around the world, generating recurring, long-term management fee revenues that are resilient through economic cycles.
- *Consumer Financing (16% of 2017 Vacation Ownership revenue):* We originate loans to purchasers of VOIs that meet our credit standards in order to facilitate their purchases. Our loan origination customers have an average FICO score of approximately 725. Our portfolio of more than \$3 billion in consumer loans carries interest rates that are contractual over the term of the loan. We are able to earn a substantial spread over our cost of capital, resulting in a consistent and attractive net interest margin.

### *Vacation Exchange*

Our Vacation Exchange business includes RCI, the largest vacation exchange business in the world, and North American Vacation Rentals, a leading provider of professionally managed vacation rentals. RCI, which has a 44-year history of innovation within the industry, allows timeshare owners to exchange their vacation intervals, for a fee, within our extensive global affiliate network. Many developers view RCI’s exchange services as a key marketing tool for generating vacation ownership sales as the exchange options enhance the value proposition of vacation ownership. The exchange business produces recurring and predictable fee-for-service revenue, generating strong free cash flow with minimal capital expenditure requirements. In 2017, over 80% of our Vacation Exchange revenues were generated from annual membership dues and transaction fees.

## Industry Trends

Over the last decade, there have been significant changes that have transformed the timeshare industry and benefited our owners and members.

- *Evolution to points-based programs.* Unlike earlier timeshare interests, which were sold as fixed or floating weeks of ownership, most timeshare companies now sell points-based products. We pioneered the points-based system, which has now become the industry standard.
- *Growth of branded operators.* There has been an evolution in the vacation ownership industry from independent to branded operators such as Wyndham Vacation Ownership, Marriott Vacations Worldwide, Hilton Grand Vacations, Disney Vacation Club and others. We use our brands and broad range of products to provide a clear and compelling value proposition to our owners, members and affiliates.
- *Increased focus on capital-efficiency.* We have been a pioneer in the ongoing shift toward capital-efficient inventory sourcing, which has resulted in increasing returns on invested capital. Our industry-leading size and scale make us a highly attractive partner, allowing us to source capital-efficient inventory opportunities in numerous geographic markets.
- *Generational shift in customer demographics.* A generational shift of timeshare owners has begun from Baby Boomers to Generation X and Millennials as these age cohorts start families and move into the prime years for vacation ownership purchases. In 2017, 47% of our new owners were Generation X and Millennials. We believe our product offerings and marketing relationships, including our long-term relationship with Wyndham Hotels, position us well to serve this growing customer segment.

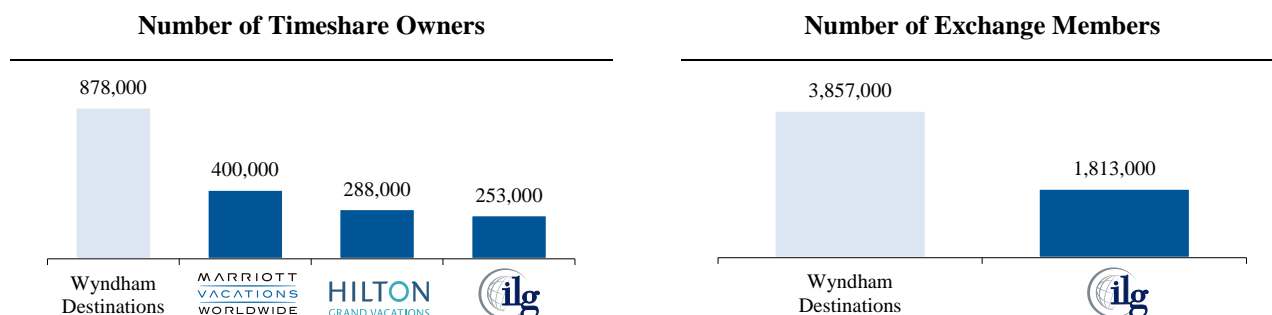
Our combined size, scale and geographic reach enable us to capitalize on these industry tailwinds and generate continued revenue growth and significant cash flow. We plan to use our free cash flow to invest in the growth of our business and to return capital to shareholders through dividends and share repurchases.

## COMPETITIVE STRENGTHS

We expect to expand upon our position as the leader in the vacation ownership and exchange industry by leveraging our competitive strengths:

### Significant size and scale advantages

We combine the world's largest vacation ownership company with the world's largest vacation exchange network. This combination results in a significant scale advantage, which generates considerable benefits for both our customers and our shareholders. Our size and scale relative to other industry participants as of December 31, 2017 is as follows:

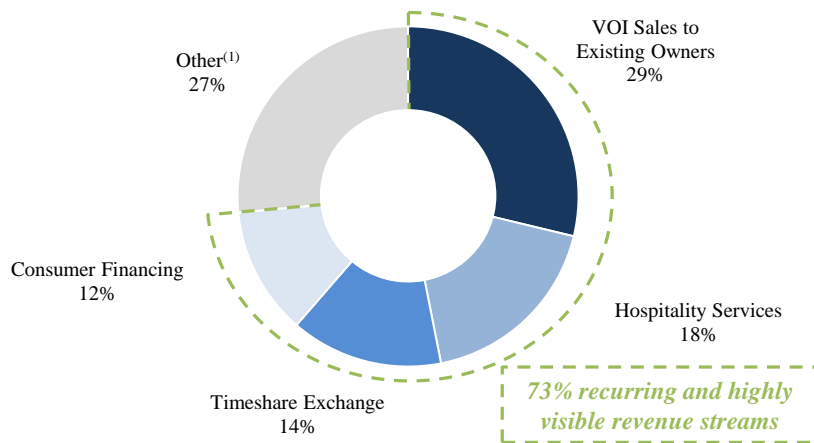


Our scale makes us a strong partner for developers and marketing alliances while enhancing our ability to deliver great vacations to our owners and members. Our VOI sales volume allows us to quickly sell inventory, making us a partner of choice for developers. Our expansive marketing platform enables us to not only generate, but also absorb,

significant tour volume, which makes us an attractive choice for marketing alliances with large leisure brands such as Caesars Entertainment, SeaWorld Parks & Entertainment and Six Flags Entertainment. We offer our owners and members more choices in more locations than any other timeshare company. In addition, our financial resources provide us the flexibility to innovate and test new ideas.

*Recurring and predictable income streams*

We generate a significant portion of our revenue through recurring, contractual or highly visible sources, which represent 73% of our 2017 revenues as shown below:



(1) Primarily revenues from new owner VOI sales, North American Vacation Rentals and ancillary fees.

A substantial portion of our revenue is derived from contractual commitments that are in place at the start of the year or from existing customer relationships. For instance, our hospitality service agreements generally have three- to five-year terms with automatic renewals upon expiration. Our consumer financing operations earn an ongoing interest rate that is contractual for the term of the loan, resulting in stable, predictable net interest margins. Our vacation exchange business generates substantially all of its revenues from fee-for-service sources, such as annual membership dues and exchange transaction fees, with an annual membership renewal rate of more than 85%. The majority of our VOI sales are to existing owners, which are highly predictable.

*Broad portfolio of distinct brands addressing a global geographic footprint*

We have a multi-brand strategy that allows us to deliver a broad range of vacation ownership products, locations and price points to a wide spectrum of travelers. Our portfolio of well-known timeshare brands includes traditional brands such as Club Wyndham and WorldMark, international brands such as Club Wyndham Asia and a lifestyle brand, Margaritaville Vacation Club by Wyndham.

Our multi-brand strategy also allows us to pursue development opportunities in a wide range of destinations, including international and urban markets. Having a diverse brand portfolio means we can select the most appropriate brand and development partners to expand our footprint. We have used this advantage to build the largest global footprint in the timeshare industry, with resorts across North America, Asia, the South Pacific and the Caribbean.

	Domestic		International		Total Resorts	Total Units
	Resorts	Units	Resorts	Units		
Wyndham Vacation Resorts	98	13,954	--	--	98	13,954
Worldmark by Wyndham	83	6,565	10	575	93	7,140
Wyndham Vacation Resorts - Asia Pacific	2	29	28	1,431	30	1,460
Shell Vacation Club	22	1,934	3	292	25	2,226
Margaritaville Resorts by Wyndham	2	186	--	--	2	186
<b>Total (including Dual-branded Resorts)</b>	<b>207</b>	<b>22,668</b>	<b>41</b>	<b>2,298</b>	<b>248</b>	<b>24,966</b>
Less: Dual-branded Resorts					(27)	
<b>Total Resorts</b>					<b>221</b>	

### *Industry-leading sales and marketing platform*

Wyndham Destinations has an industry-leading sales and marketing platform, with over 3,600 professionals across 152 sales locations. In 2017, we generated more than 869,000 VOI sales tours. We have an extensive owner sales platform and, in addition to tours of non-owner guests staying at our resorts, we market through three primary channels for prospective VOI purchasers:

- *Marketing alliances:* We develop marketing programs with well-known brands that target similar demographics to our customer, resulting in national marketing alliances with companies such as Caesars Entertainment and Sea World Parks & Entertainment. These companies partner with us because we are able to match their national footprint and accommodate the high volume of lead-generation opportunities they create.
- *Community marketing programs (“CMPs”):* We have 251 locally focused programs in high-volume consumer locations, such as outlet malls and tourist information centers.
- *Wyndham Hotels affinity program:* We have an exclusive licensing agreement with Wyndham Hotels giving us access to a broad hospitality platform that provides multiple touch points to potential customers. Access to Wyndham Hotels’ nearly 55 million enrolled loyalty members and nearly 140 million hotel guests give us a strong database to source customer leads.

Combined, our sales and marketing platform delivered over \$2 billion of gross VOI sales in 2017.

### *Unique market insights and capabilities from our RCI platform*

As the world’s largest timeshare company, with a combination of development, sales, financing, management and exchange, Wyndham Destinations is at the forefront of industry innovation in areas such as product development and geographic expansion. RCI’s global footprint across 110 countries gives us access to 3.9 million members, who provide us with a unique understanding of changing customer preferences and global timeshare market dynamics. RCI is a sought-after partner for affiliates looking to improve timeshare owners’ access to resorts around the world and for exchange members who want to maximize their vacation options.

### *Strong management team with experience across the timeshare and hospitality industry*

Our executive management team is focused on building upon Wyndham Worldwide’s past success and track record of growth through its deep industry experience and leadership continuity. Our chief executive officer, Michael Brown, served as chief operating officer and executive vice president of marketing & sales at Hilton Grand Vacations for eight years and spent 16 years at Marriott International and Marriott Vacation Club International in various roles. His experience at multiple branded timeshare operators provides significant insight into best practices, strategies and timeshare business models. Our chief financial officer, Michael Hug, has over 20 years of experience in the timeshare industry and has been chief financial officer of Wyndham Vacation Ownership since 2005. Our non-executive chairman, Stephen Holmes, has 27 years of experience in the hospitality industry and has served as Wyndham Worldwide’s chief executive officer since 2006.



## OUR STRATEGIES

Our goal is to strengthen our leadership position in the timeshare and exchange industry and generate consistent and long-term value for our shareholders. To achieve this goal, we intend to pursue the following strategies:

### *Use our diverse brands to enter new and underpenetrated geographies and broaden our demographic reach*

Our unique mix of brands coupled with our large, global footprint provides us with a strategic advantage when adding new inventory in target markets. We expect to use this advantage to grow our customer base by expanding our product offerings in existing markets and entering new, underpenetrated markets.

In our existing markets, we intend to grow our product offerings by adding new brands, either within an existing resort or at a new development. By having multiple brands within a single location, we are able to offer different products at different price points, thereby increasing our addressable market. For example, in Las Vegas, our second and third brands represent over 40% of our sales. In Nashville, our ability to offer a lifestyle brand, Margaritaville Vacation Club by Wyndham, resulted in our selection as a partner in a new hotel development in the popular “SoBro” district.

The breadth of our offerings also allows us to enter new markets with the appropriate brand and product mix. In our newest timeshare market, Austin, we offer two products, one targeted to new owners and the other targeted to existing owners, which allows us to appeal to a broader audience of customers. Additionally, we use our brand portfolio, combined with our strong sales and marketing platform, to penetrate non-traditional but attractive timeshare markets such as the Wisconsin Dells, where we are the only major hospitality brand.

### *Increase new owner sales to drive long-term growth*

We intend to increase the percentage of our VOI sales from new owners, which will enable us to drive long-term revenue and earnings growth. On average, new owners double their initial VOI purchase within seven years, resulting in predictable, high-margin future revenue streams. We will leverage our industry-leading sales and marketing platform to attract new owners by expanding our call transfer capabilities, leveraging our relationship with Wyndham Hotels, enhancing our marketing alliances, growing our CMP presence and adding resorts in new markets.

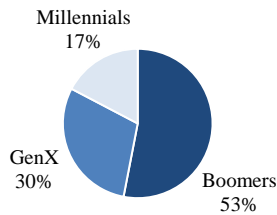
### *Maximize our relationship with Wyndham Hotels*

We will have a long-term, exclusive license agreement and marketing arrangements with Wyndham Hotels, the world’s largest hotel franchisor with more than 8,400 affiliated hotels located in over 80 countries. Since its redesign in 2015, Wyndham Hotels’ loyalty program, Wyndham Rewards, has won more than 50 awards, including “Best Hotel Loyalty Program” from US News & World Report and Most Rewarding Hotel Loyalty Program from IdeaWorks.

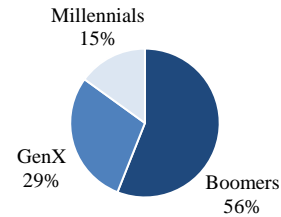
We plan to significantly increase this sales channel with initiatives such as enhanced call transfers, online marketing, in-hotel marketing and online rentals of vacation ownership resorts. In addition, Wyndham Rewards redemption options into our resorts provide enhanced tour flow opportunities. Cross-marketing to existing guests of Wyndham Hotels and members of Wyndham Rewards has proven to be more efficient than traditional marketing efforts. Volume per guest (“VPG”) on affinity marketing tours is higher than other tours, helping to increase margins on new owner sales. We believe further developing this affinity relationship, which currently represents only a small portion of VOI sales, offers a significant new owner growth opportunity that is more profitable than other new owner marketing channels.

Wyndham Rewards, with nearly 55 million enrolled members, many of whom fit our target new customer demographic, provides us with a substantial customer sourcing opportunity to drive future VOI sales.

**New Owners  
(Tenure < 5 years)**



**Wyndham Rewards Members**



*Maintain a capital-efficient inventory sourcing strategy to produce attractive returns and cash flow*

Wyndham Vacation Ownership pioneered capital-efficient inventory sourcing in 2010. Over the past five years, we generated over \$8.5 billion in vacation ownership revenue from capital-efficient means. We have a diverse inventory sourcing model, including just-in-time developments, buyback programs, self-developed inventory and fee-for-service inventory that allow us to generate VOI sales. Our capital-efficient inventory sourcing strategy has significantly increased return on invested capital since 2010.

The scale and breadth of our brand and product offerings give us unparalleled access to inventory sources, including innovative capital-efficient opportunities. We have the ability to select the most attractive development options across the spectrum of inventory sources without liquidity or strategic limitations.

*Use our size, scale and cash flows to maximize capital allocation opportunities and deliver value to shareholders*

Our free cash flow profile and balance sheet provide us with significant financial flexibility. The scope of our financial resources will enable us to invest in the growth of our business and return capital directly to shareholders while maintaining our net leverage targets.

We believe there will be ample opportunities to invest in organic growth, such as inventory development, product and brand enhancement, new sales center openings and technology. Through investments in RCI technology we can improve our customer experience, reduce costs and deliver more value to our timeshare owners and affiliates. In addition to investing in the business and acquiring brands and businesses that would expand our presence and capabilities in the vacation ownership industry, we expect to return capital to our stockholders through dividends and/or share repurchases. We expect to pay a regular dividend and use excess cash to repurchase shares.

## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma consolidated balance sheet as of December 31, 2017 and unaudited pro forma consolidated statement of income for the year ended December 31, 2017 have been prepared to reflect the Wyndham Hotels & Resorts spin-off and the sale of the Company's European vacation rentals business, as described below, as if they had occurred on December 31, 2017 for the unaudited pro forma consolidated balance sheet and as of January 1, 2017 for the unaudited pro forma consolidated statement of income. The unaudited pro forma consolidated financial statements of Wyndham Destinations have been derived from the audited historical consolidated financial statements of Wyndham Worldwide Corporation and the audited combined financial statements of the Wyndham Hotels & Resorts businesses.

The unaudited pro forma combined financial statements should be read in conjunction with the Wyndham Worldwide Form 10-K.

The unaudited pro forma combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of our financial position or results of operations had the transactions described herein for which we are giving pro forma effect actually occurred on the dates or for the periods indicated, nor is such unaudited pro forma financial information indicative of the results to be expected for any future period.

On August 2, 2017, Wyndham Worldwide Corporation announced a plan to spin-off its hotel business as a separate, publicly traded company. The spin-off transaction, which is expected to be tax-free to Wyndham Worldwide stockholders, will be effected through a pro rata distribution of our stock to existing Wyndham Worldwide stockholders.

On February 15, 2018, Wyndham Worldwide Corporation entered into an agreement for the sale of its European vacation rentals business.

**WYNDHAM DESTINATIONS**  
**Unaudited Pro Forma Consolidated Balance Sheet**  
**As of December 31, 2017**  
(\$ in millions, except per share amounts)

	Wyndham Worldwide Historical	Wyndham Hotels & Resorts Historical	Wyndham Hotels & Resorts adjustments(a)	Spin-off adjustments(b)	Sale of European Vacation Rentals(c)	Financing adjustments(d)	Pro Forma
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 100	\$ (57)	\$ 6	\$ —	\$ 1,100	\$ (1,049)	\$ 100
Trade receivables, net	385	(194)	—	—	—	—	191
Vacation ownership contract receivables, net	252	—	—	—	—	—	252
Inventory	340	—	—	—	—	—	340
Prepaid expenses	144	(29)	2	—	—	—	117
Other current assets	314	(50)	(1)	—	—	—	263
Assets held for sale	1,429	—	—	—	(1,429)	—	—
<b>Total current assets</b>	<b>2,964</b>	<b>(330)</b>	<b>7</b>	<b>—</b>	<b>(329)</b>	<b>(1,049)</b>	<b>1,263</b>
Long-term vacation ownership contract receivables, net	2,649	—	—	—	—	—	2,649
Non-current inventory	909	—	—	—	—	—	909
Property and equipment, net	1,081	(250)	(9)	(56)	—	—	766
Goodwill	1,336	(423)	(2)	—	—	—	911
Trademarks, net	736	(692)	5	—	—	—	49
Franchise agreements and other intangibles, net	348	(251)	(3)	—	—	—	94
Other non-current assets	380	(176)	16	—	—	—	220
<b>Total assets</b>	<b>\$ 10,403</b>	<b>\$ (2,122)</b>	<b>\$ 14</b>	<b>\$ (56)</b>	<b>\$ (329)</b>	<b>\$ (1,049)</b>	<b>\$ 6,861</b>
<b>Liabilities and Equity</b>							
Current liabilities:							
Securitized vacation ownership debt	\$ 217	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 217
Current portion of long-term debt	104	(103)	—	99	—	—	100
Accounts payable	256	(38)	15	—	—	—	233
Deferred income	493	(79)	3	—	—	—	417
Accrued expenses and other current liabilities	753	(186)	(44)	—	—	—	523
Liabilities held for sale	716	—	—	—	(716)	—	—
<b>Total current liabilities</b>	<b>2,539</b>	<b>(406)</b>	<b>(26)</b>	<b>99</b>	<b>(716)</b>	<b>—</b>	<b>1,490</b>
Long-term securitized vacation ownership debt	1,881	—	—	—	—	—	1,881
Long-term debt	3,805	(81)	—	17	—	(799)	2,942
Deferred income taxes	790	(181)	8	3	—	—	620
Deferred income	164	(76)	13	—	—	—	101
Other non-current liabilities	341	(78)	10	—	—	—	273
<b>Total liabilities</b>	<b>9,520</b>	<b>(822)</b>	<b>5</b>	<b>119</b>	<b>(716)</b>	<b>(799)</b>	<b>7,307</b>
Stockholders' equity:							
Preferred stock, \$.01 par value, authorized 6,000,000 shares, none issued and outstanding	—	—	—	—	—	—	—
Common stock, \$.01 par value, authorized 600,000,000 shares, issued 218,796,817 shares in 2017 and 218,198,050 shares in 2016	2	—	—	—	—	—	2
Treasury stock, at cost – 118,887,441 shares in 2017 and 112,617,112 shares in 2016	(5,719)	—	—	—	—	—	(5,719)
Additional paid-in capital	3,996	—	—	—	—	—	3,996
Retained earnings	2,609	(1,295)	9	(175)	356	(250)	1,254
Accumulated other comprehensive (loss) / income	(10)	(5)	—	—	31	—	16
Total stockholders' equity	878	(1,300)	9	(175)	387	(250)	(451)
Non-controlling interest	5	—	—	—	—	—	5
Total equity	883	(1,300)	9	(175)	387	(250)	(446)
<b>Total liabilities and equity</b>	<b>\$ 10,403</b>	<b>\$ (2,122)</b>	<b>\$ 14</b>	<b>\$ (56)</b>	<b>\$ (329)</b>	<b>\$ (1,049)</b>	<b>\$ 6,861</b>

**WYNDHAM DESTINATIONS**  
**Unaudited Pro Forma Consolidated Statement of Income**  
**For the Year Ended December 31, 2017**  
(\$ in millions, except per share amounts)

	Wyndham Worldwide Historical	Wyndham Hotels & Resorts Historical	Wyndham Hotels & Resorts adjustments(a)	Pro Forma adjustments(c)	Financing adjustments(f)	Pro Forma
<b>Net revenues</b>						
Service and membership fees	\$ 1,895	\$ (277)	\$ 11	\$ —	\$ —	\$ 1,629
Vacation ownership interest sales	1,689	—	—	—	—	1,689
Franchise fees	695	(798)	103	—	—	—
Consumer financing	463	—	—	—	—	463
Other	334	(272)	(28)	9	—	43
<b>Net revenues</b>	<b>5,076</b>	<b>(1,347)</b>	<b>86</b>	<b>9</b>	<b>—</b>	<b>3,824</b>
<b>Expenses</b>						
Operating	2,194	(467)	(51)	—	—	1,676
Cost of vacation ownership interests	150	—	—	—	—	150
Consumer financing interest	74	—	—	—	—	74
Marketing and reservation	773	(411)	159	32	—	553
General and administrative	648	(88)	8	—	—	568
Separation-related	51	(3)	—	(48)	—	—
Impairment	246	(41)	—	—	—	205
Restructuring	15	(1)	—	—	—	14
Depreciation and amortization	213	(75)	(1)	(6)	—	131
<b>Total expenses</b>	<b>4,364</b>	<b>(1,086)</b>	<b>115</b>	<b>(22)</b>	<b>—</b>	<b>3,371</b>
<b>Operating income</b>	<b>712</b>	<b>(261)</b>	<b>(29)</b>	<b>31</b>	<b>—</b>	<b>453</b>
Other income, net	(27)	—	—	—	—	(27)
Interest expense	156	(6)	—	(3)	(17)	130
Interest income	(7)	—	—	—	—	(7)
<b>Income from continuing operations before income taxes</b>	<b>590</b>	<b>(255)</b>	<b>(29)</b>	<b>34</b>	<b>17</b>	<b>357</b>
(Benefit)/provision for income taxes	(229)	(12)	(11)	10	7	(235)
<b>Income from continuing operations</b>	<b>819</b>	<b>(243)</b>	<b>(18)</b>	<b>24</b>	<b>10</b>	<b>592</b>
Income from discontinued operations, net of tax	53	—	—	(53)	—	—
<b>Net income</b>	<b>872</b>	<b>(243)</b>	<b>(18)</b>	<b>(29)</b>	<b>10</b>	<b>592</b>
Net income attributable to non-controlling interest	(1)	—	—	—	—	(1)
<b>Net income attributable to Wyndham Destinations shareholders</b>	<b>\$ 871</b>	<b>\$ (243)</b>	<b>\$ (18)</b>	<b>\$ (29)</b>	<b>\$ 10</b>	<b>\$ 591</b>
<b>Earnings per share:</b>						
Basic						\$5.74
Diluted						\$5.69
<b>Weighted average shares outstanding (in millions):</b>						
Basic						103
Diluted						104

## NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Pro Forma Presentation

The unaudited pro forma adjustments are based on preliminary estimates, accounting judgments and currently available information and assumptions that management believes are reasonable. Other than certain assumed financing transactions which we expect to complete in conjunction with the transactions, these adjustments are included only to the extent they are directly attributable to the spin-off and related transactions and the appropriate information is known and factually supportable.

### 2. Financing Transactions

Subject to market conditions, we expect to complete one or more financing transactions on or prior to the completion of the spin-off. As a result, we expect to have total indebtedness of approximately \$3 billion, excluding securitized timeshare debt, upon completion of the spin-off and related transactions. We expect to use the proceeds from the sale of our European vacation rentals business to pay down existing debt and to fund \$250 million in estimated transaction costs to be incurred related to the spin-off of our Hotel business. These estimates are subject to change.

### 3. Sale of European Vacation Rentals Business

On February 15, 2018, the Company entered into an agreement for the sale of its European vacation rentals business for approximately \$1.3 billion. The agreement is subject to certain closing conditions and regulatory approval and is expected to be completed in the second quarter of 2018. The pro forma balance sheet has been adjusted to reflect the estimated results of the sale of the business. These estimates are subject to change.

### 4. Pro Forma Adjustments

- (a) Reflects historical carve-out adjustments to present Wyndham Hotels & Resorts on a stand-alone basis which include certain reclassifications and adjustments to conform to historical Wyndham Worldwide financial statement presentation and segment reporting.
- (b) Reflects (i) the capital lease obligation of \$68 million associated with Wyndham Worldwide's headquarters, which Wyndham Hotels & Resorts Inc. expects to occupy upon the consummation of the spin-off, and leasehold assets of \$56 million used in the operation of its business, inclusive of deferred tax impact of \$3 million, which is expected to be transferred from Wyndham Worldwide upon spin-off when it becomes assignable, and (ii) the elimination of \$184 million of intercompany debt due from Wyndham Hotels & Resorts.
- (c) Reflects the estimated results of the sale of our European vacation rentals business as described in Note 3 above.
- (d) Reflects the expected use of cash to pay off long-term debt and to fund estimated transaction costs to be incurred in conjunction with the spin-off as described in Note 2 above.
- (e) Reflects (i) \$9 million of additional revenue associated with a revenue share agreement on the co-branded credit card, which we will enter into with Wyndham Hotels upon completion of the spin-off, (ii) a \$32 million increase in fee expense related to the license, development and noncompetition agreement, which we will enter into with Wyndham Hotels upon completion of the spin-off, (iii) a \$48 million removal of separation costs related to the spin-off of Wyndham Hotels, (iv) an adjustment to depreciation and amortization expense of \$6 million associated with the capital lease and leasehold assets described in Note (b) above, (v) the removal of interest expense of \$3 million associated with the capital lease described in Note (b) above, (vi) a tax impact of \$10 million on the pro forma adjustments, using the Wyndham Worldwide federal and state effective tax rates for the year ended December 31, 2017, and (vii) the removal of income from discontinued operations of our European vacations rental business as a result of the planned sale as described in Note (c) above.
- (f) Reflects the adjustment to interest expense to give net effect to the anticipated financing transactions and the use of proceeds from the sale of our European vacation rentals business to pay down existing debt.

## NON-GAAP RECONCILIATION OF ADJUSTED EBITDA

The table below reconciles certain non-GAAP financial measures. The presentation of these adjustments is intended to permit the comparison of particular adjustments as they appear in the pro forma income statement in order to assist investors' understanding of the overall impact of such adjustments. In addition to GAAP financial measures, the Company provides adjusted EBITDA to assist its investors in evaluating its ongoing operating performance, by adjusting for certain items which may be recurring or non-recurring and which in the Company's view do not necessarily reflect ongoing operating performance. The Company also internally uses these measures to assess its operating performance, both absolutely and in comparison to other companies, and in evaluating or making selected compensation decisions. These supplemental disclosures are in addition to GAAP reported measures. This non-GAAP reconciliation table should not be considered a substitute for, nor superior to, financial results and measures determined or calculated in accordance with GAAP.

<u>(\$ in millions)</u>	<u>2017</u>
Pro Forma Net income	\$ 592
Benefit for income taxes	(235)
Depreciation and amortization	131
Interest expense	130
Interest income	(7)
Impairment	205
Stock-based compensation	36
Restructuring	14
Acquisition-related gain	(12)
Assumed general and administrative cost savings	65
Other adjusting items	(4)
Pro Forma Adjusted EBITDA	<u>\$ 915</u>