

# WYNDHAM DESTINATIONS

**Supplementary Financial Information**

May 2, 2018

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# Disclaimers

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## **Non-GAAP Financial Measures**

Financial information contained in this presentation includes certain financial measures that are calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting policies in the United States of America (GAAP), such as adjusted EBITDA, which include or exclude certain items from the most directly comparable GAAP financial measure. These non-GAAP measures differ from reported GAAP measures and are intended to illustrate what management believes are relevant period-over-period comparisons and are helpful to investors as an additional tool for further understanding and assessing our expected ongoing operating performance. Exclusion of items in our non-GAAP presentation should not be considered an inference that these items are unusual, infrequent or non-recurring. Definitions of the non-GAAP measures are included in the appendix of this presentation. A reconciliation of certain non-GAAP financial measures to the most directly comparable GAAP financial measure appears in the appendix to this presentation. Any non-GAAP financial measure used in this presentation is in addition to, and not meant to be considered superior to, or a substitute for, measures prepared in accordance with GAAP. A reconciliation of the projected 2018 pro forma financial information is not included in this presentation because a reconciliation of the individual components of such pro forma financial information is not currently available.

# Objective of this Presentation

- ▶ **Wyndham Worldwide is in the process of spinning off its Hotel Group business and selling its European vacation rentals business**
  - The spin-off and sale are expected to occur in the second quarter of 2018
  - Following these transactions, Wyndham Worldwide will be comprised of Wyndham's vacation ownership and vacation exchange businesses and will be renamed Wyndham Destinations, Inc.
  - This document provides summary pro forma information for Wyndham Destinations, including:
    - A comparison of first quarter 2018 results to first quarter 2017 results
    - Pro forma adjusted EBITDA and adjusted net income for first quarter 2018
    - Full-year 2018 pro forma outlook
    - Second quarter 2018 pro forma outlook
    - Full-year and quarterly 2017 pro forma revenue and adjusted EBITDA
    - Reconciliations of non-GAAP measures to GAAP results

# Overview

## Wyndham Destinations is the world's largest vacation ownership company and operates the world's largest vacation exchange network

### Who We Are

- World's largest vacation ownership and vacation exchange company
- Serve 878,000 owners, which is more than 2x the next largest hospitality-branded peer
- Facilitate vacation exchanges among 3.9 million members across more than 4,300 properties around the world
- Resilient business model focused on capital-efficient inventory development

### Competitive Strengths

- Largest vacation ownership company in the world, with significant size and scale
- Diversified, predictable and resilient income streams
- Breadth of vacation ownership offerings across portfolio of brands and geographies
- Unparalleled reach of sales and marketing platform
- RCI provides unique market insights and capabilities
- Experienced management team

### Growth Strategies

- Adjust VOI sales mix over time by emphasizing new owner growth
- Maximize exclusive, long-term relationship with Wyndham Hotels & Resorts
- Utilize diverse brands to enter new and under-penetrated geographies and broaden demographic reach
- Drive efficiency through improved focus and further business integration

### Pro Forma Financial Outlook

- 2018 pro forma revenues of \$3.975 - \$4.085 billion
- 2018 pro forma adjusted EBITDA of \$955 - \$975 million
- 2018 pro forma adjusted EPS<sup>(a)</sup> of \$4.55 - \$4.75

(a) Based on 101.6 million diluted shares expected to be outstanding.

**First Quarter**

# First Quarter 2018

## Wyndham Destinations Segment Adjusted EBITDA

| <i>\$ millions</i>             | 2018  | 2017  | Change |
|--------------------------------|-------|-------|--------|
| Revenues                       | \$907 | \$882 | 3%     |
| Adjusted EBITDA <sup>(a)</sup> | \$206 | \$197 | 5%     |

- ▶ **Revenues increased 3%** primarily reflecting higher gross VOI sales and consumer financing income, partially offset by a higher provision for loan losses
  - We estimate the 2017 hurricanes reduced our first quarter revenue and Adjusted EBITDA growth by \$6 million and \$1 million, respectively
- ▶ **Adjusted EBITDA increased 5%** reflecting the revenue gains

<sup>(a)</sup> Per Wyndham Worldwide's definition.

# First Quarter 2018

## Vacation Ownership Segment

|   | 2018    | 2017    | Change |
|---|---------|---------|--------|
| Tours                                     | 189,723 | 176,095 | 8%     |
| Volume per Guest                          | \$2,303 | \$2,354 | (2%)   |
| Gross VOI Sales (millions)                | \$465   | \$438   | 6%     |
| Revenues (millions)                       | \$661   | \$639   | 3%     |
| Adjusted EBITDA <sup>(a)</sup> (millions) | \$129   | \$122   | 6%     |

- ▶ Revenues grew 3% reflecting higher Gross VOI sales, predominantly from increased tours and consumer financing income
  - New owner volume was 37% of Gross VOI sales, up 400bps from first quarter 2017
- ▶ Adjusted EBITDA increased 6% primarily reflecting the revenue gains

<sup>(a)</sup> Per Wyndham Worldwide's definition.



# First Quarter 2018

## Vacation Exchange and Rentals Segment

|   | 2018  | 2017  | Change |
|---|-------|-------|--------|
| Number of Average Members ('000)          | 3,852 | 3,817 | 1%     |
| Revenue per Member                        | \$195 | \$196 | (1%)   |
| Revenues (millions)                       | \$246 | \$243 | 1%     |
| Adjusted EBITDA <sup>(a)</sup> (millions) | \$77  | \$75  | 3%     |

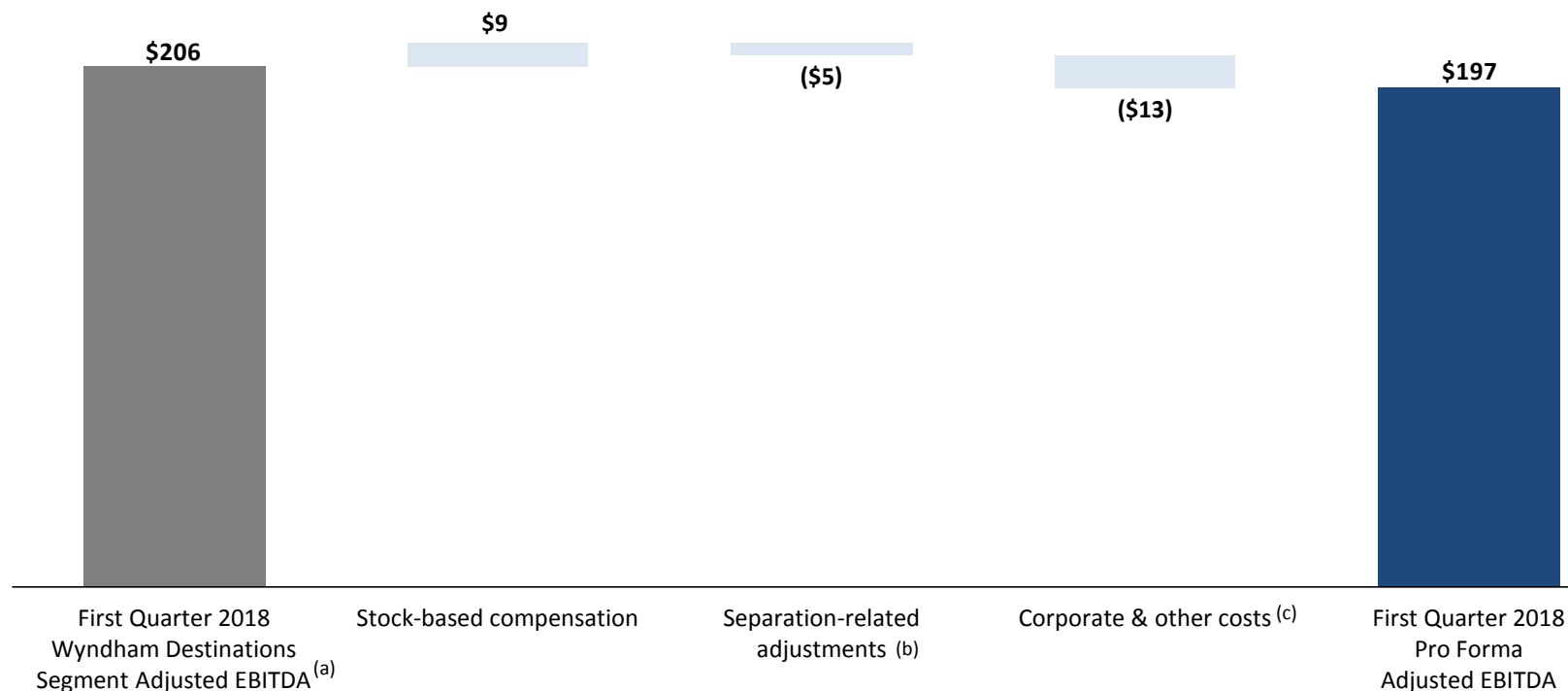
- ▶ Revenues grew 1% reflecting higher average membership and favorable foreign currency impacts, partially offset by the continued effect of the 2017 hurricanes and lower revenue per member
- ▶ Adjusted EBITDA increased 3% reflecting a benefit from hurricane-related insurance recoveries and cost savings

<sup>(a)</sup> Per Wyndham Worldwide's definition.

# Wyndham Destinations Pro Forma First Quarter 2018 Adjusted EBITDA

## Pro Forma Adjusted EBITDA

(\$ in millions)



(a) Represents Wyndham Vacation Ownership segment adjusted EBITDA and Wyndham Destination segment adjusted EBITDA per Wyndham Worldwide's definition.

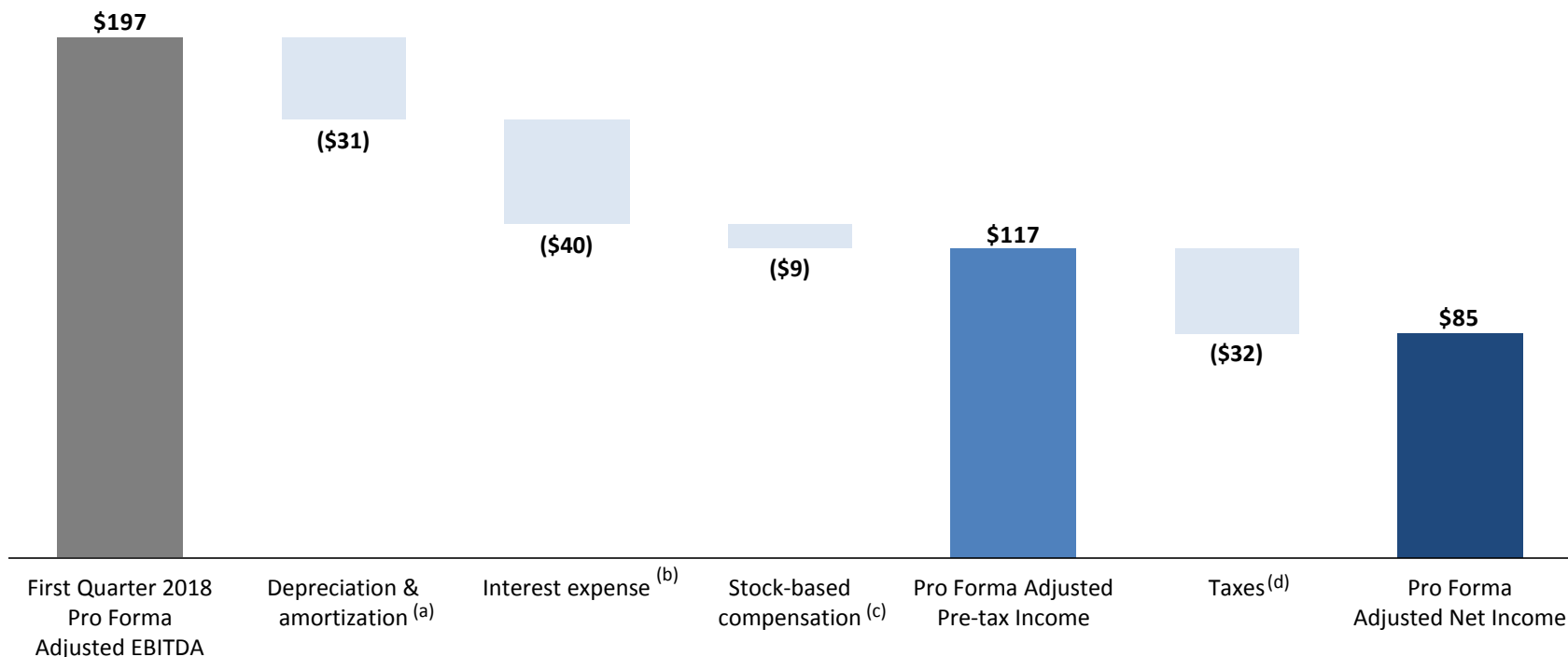
(b) Includes incremental license fees paid to Wyndham Hotels & Resorts and other changes being effected in conjunction with the spin-off.

(c) Represents one-quarter of our estimate of full-year corporate costs following the spin-off of the hotel business. Does not include redundant personnel and related costs during the transition period.

# Wyndham Destinations Pro Forma First Quarter 2018 Adjusted Net Income and Adjusted EPS

## Pro Forma Earnings

(\$ in millions, except per share data)



**Pro Forma Adjusted Earnings Per Share of \$0.84 based on 101.6 million diluted shares outstanding**

- (a) Excludes amortization of acquisition-related intangible assets. Includes expected depreciation related to retained Wyndham Worldwide corporate assets.
- (b) Interest expense was calculated based on \$3.0 billion of outstanding debt, and assuming Wyndham Destinations will be rated non-investment-grade, resulting in higher interest rates for select tranches of notes.
- (c) Stock-based compensation is excluded from Adjusted EBITDA but included as a reduction to Adjusted Net Income.
- (d) Assumes a stabilized effective tax rate of 27%.

# Pro Forma Outlook

# Wyndham Destinations

## Full-Year 2018 Pro Forma Outlook

| Pro Forma Revenues        | Pro Forma Adjusted EBITDA | Pro Forma Adjusted EPS <sup>(a)</sup> |
|---------------------------|---------------------------|---------------------------------------|
| \$3.975 - \$4.085 billion | \$955 - \$975 million     | \$4.55 - \$4.75                       |

| Key Drivers <sup>(b)</sup> |                     |   |   |
|----------------------------|---------------------|---|---|
| <b>Tours:</b><br>5-7%      | <b>VPG:</b><br>1-3% | <b>Average Number<br/>of Members:</b><br>1-3% | <b>Exchange Revenue<br/>per Member:</b><br>1-3% |

| EBITDA Impact of<br>100bps Change <sup>(c)</sup> |                              |  |  |
|--|------------------------------|--|--|
| <b>Tours:</b><br>\$6.0 million                   | <b>VPG:</b><br>\$9.0 million | <b>Average Number<br/>of Members:</b><br>\$4.5 million | <b>Exchange Revenue<br/>per Member:</b><br>\$7.0 million |

Outlook is based upon March 31, 2018 foreign exchange rates

(a) Based upon 101.6 million shares expected to be outstanding.

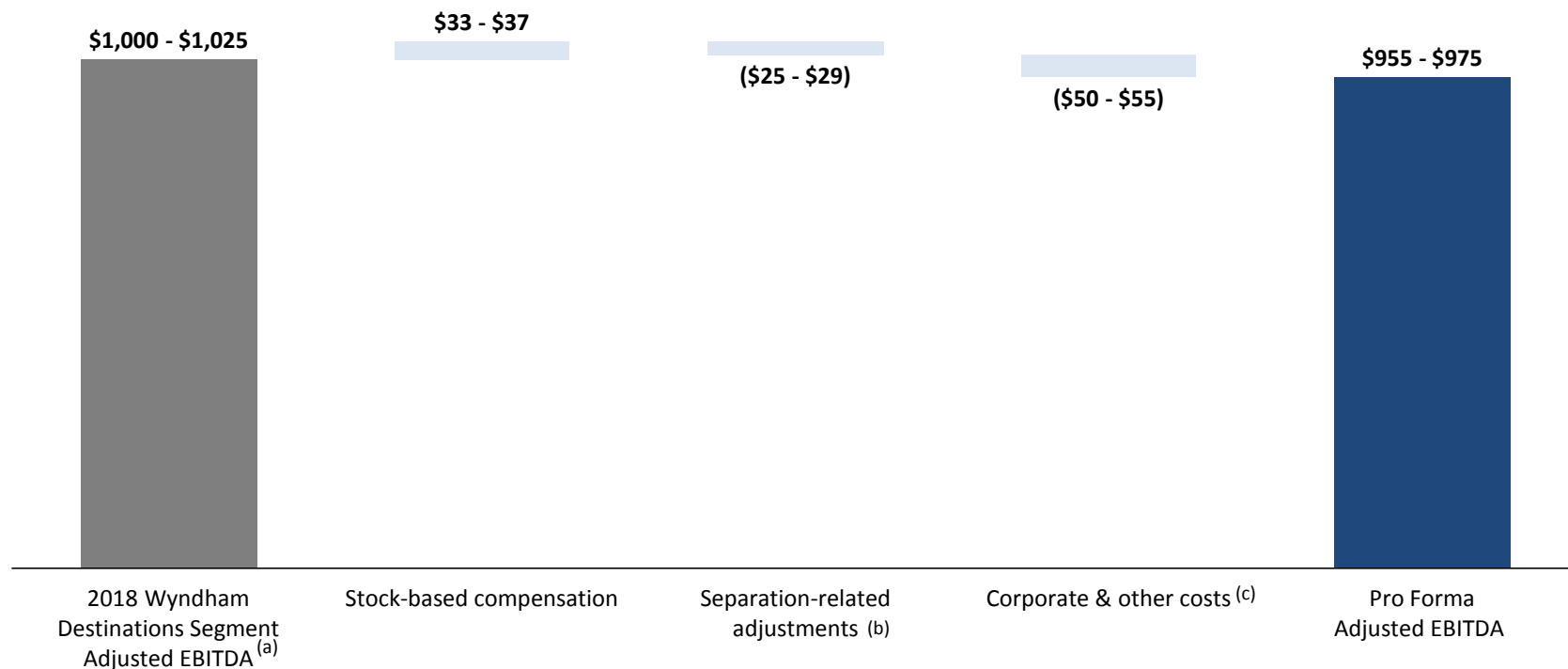
(b) Reflects projected growth over 2017.

(c) EBITDA sensitivities for revenue drivers are based on average systemwide trends. Operating circumstances including but not limited to brand mix, product mix, geographical concentration or market segment may result in variability.

# Wyndham Destinations Pro Forma Full-Year 2018 Adjusted EBITDA Outlook

## Pro Forma Adjusted EBITDA Outlook

(\$ in millions)



(a) Represents Wyndham Vacation Ownership segment and Wyndham Destination Network segment per Wyndham Worldwide's definition.

(b) Includes incremental license fees paid to Wyndham Hotels & Resorts and other changes being effected in conjunction with the spin-off.

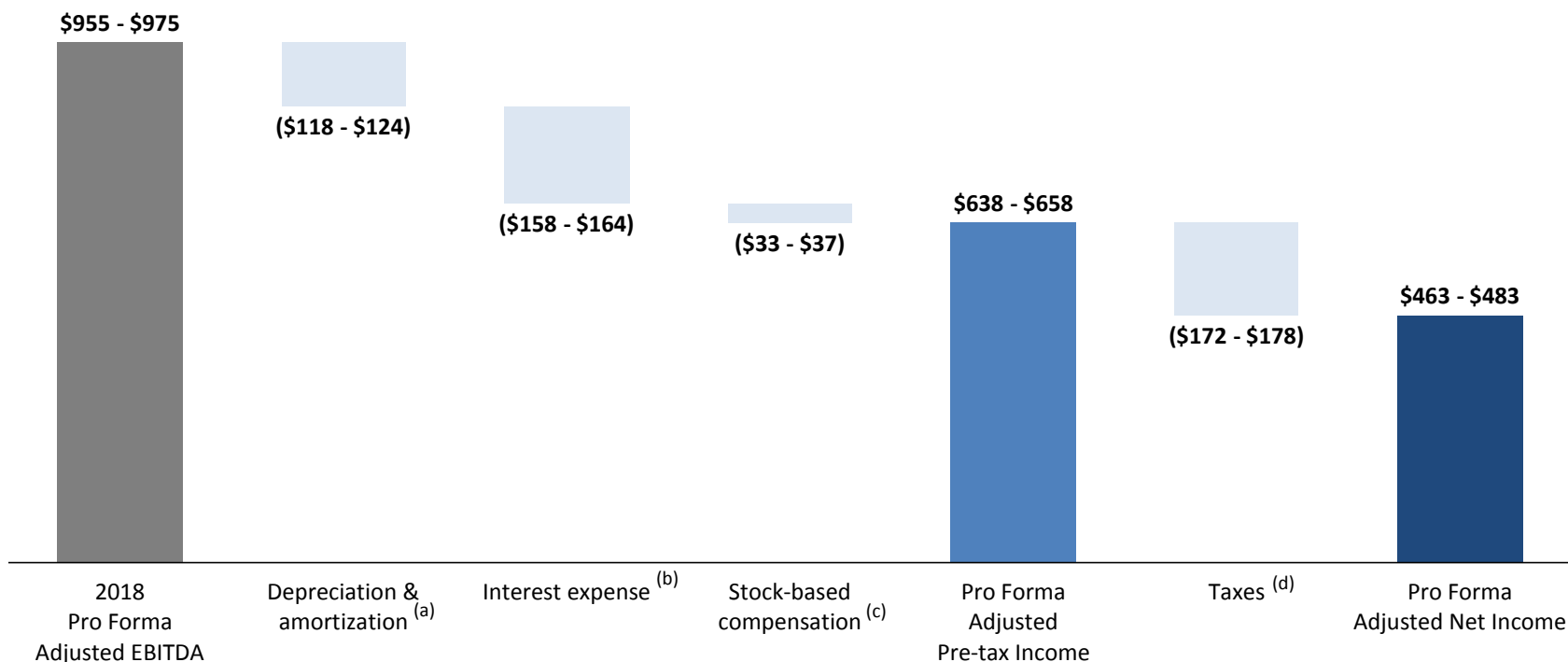
(c) Represents our estimate of full-year corporate costs to be reflected following the spin-off of the hotel business. Does not include redundant personnel and related costs during the transition period.

# Wyndham Destinations

## Pro Forma Full-Year 2018 Adjusted Net Income and Adjusted EPS Outlook

### Pro Forma Earnings Outlook

(\$ in millions, except per share data)



**Pro Forma Adjusted Earnings Per Share of \$4.55 - \$4.75 based on 101.6 million diluted shares outstanding**

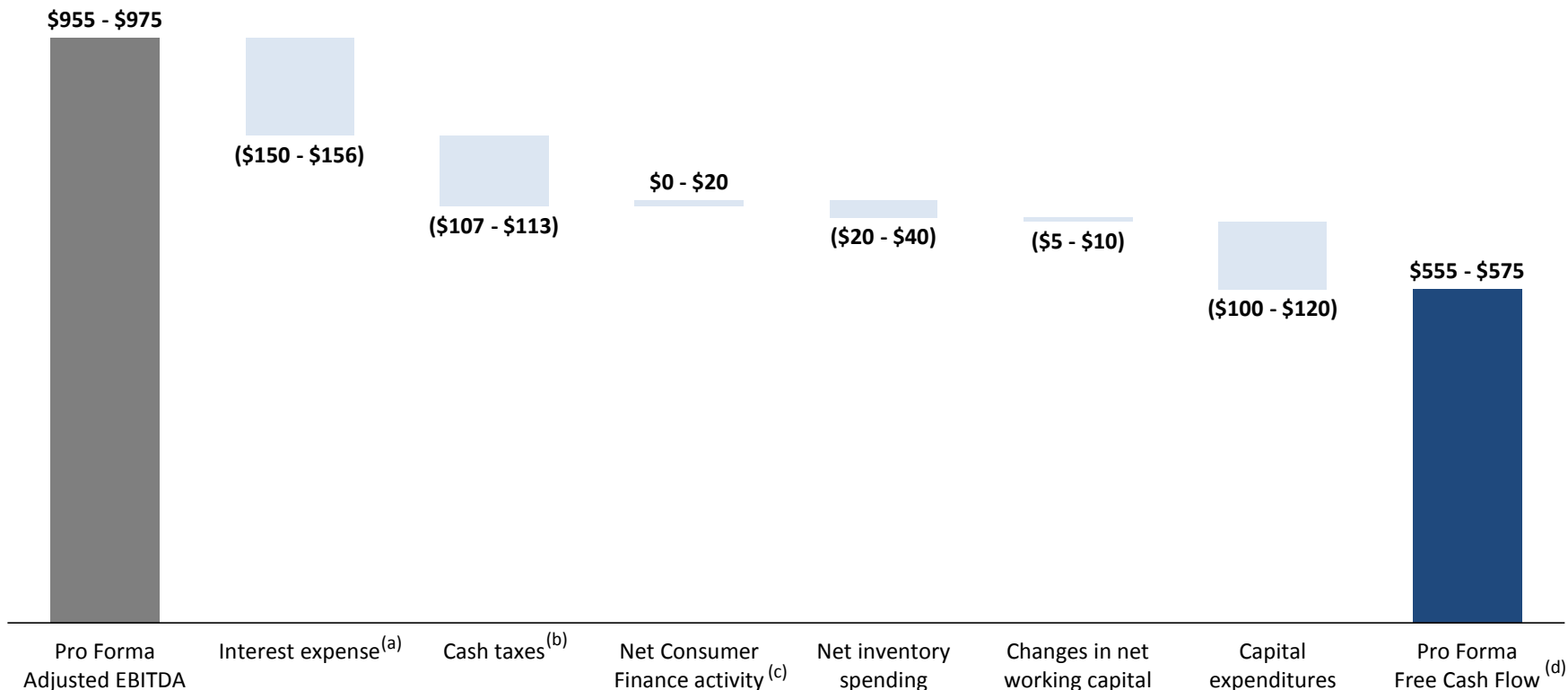
- (a) Excludes amortization of acquisition-related intangible assets. Includes expected depreciation related to retained Wyndham Worldwide corporate assets.
- (b) Interest expense was calculated based on \$3.0 billion of outstanding debt and assuming Wyndham Destinations will be rated non-investment-grade, resulting in higher interest rates for select tranches of notes.
- (c) Stock-based compensation is excluded from Adjusted EBITDA but included as a reduction to Adjusted Net Income.
- (d) Assumes a stabilized effective tax rate of 27%.

# Wyndham Destinations

## Pro Forma Full-Year 2018 Free Cash Flow

### Pro Forma Free Cash Flow

(\$ in millions)



- (a) Interest expense was calculated based on \$3.0 billion of outstanding debt and assuming Wyndham Destinations is rated non-investment grade credit, resulting in higher interest rates for select tranches of notes; excludes non-cash interest expense.
- (b) Based on an estimated cash tax rate of approximately 17%.
- (c) Reflects the net change in vacation ownership contract receivables offset by the provision from loan losses and the net expected proceeds from securitization activities.
- (d) Operating cash flow less capital expenditures. Does not include redundant personnel and related costs during the transition period.

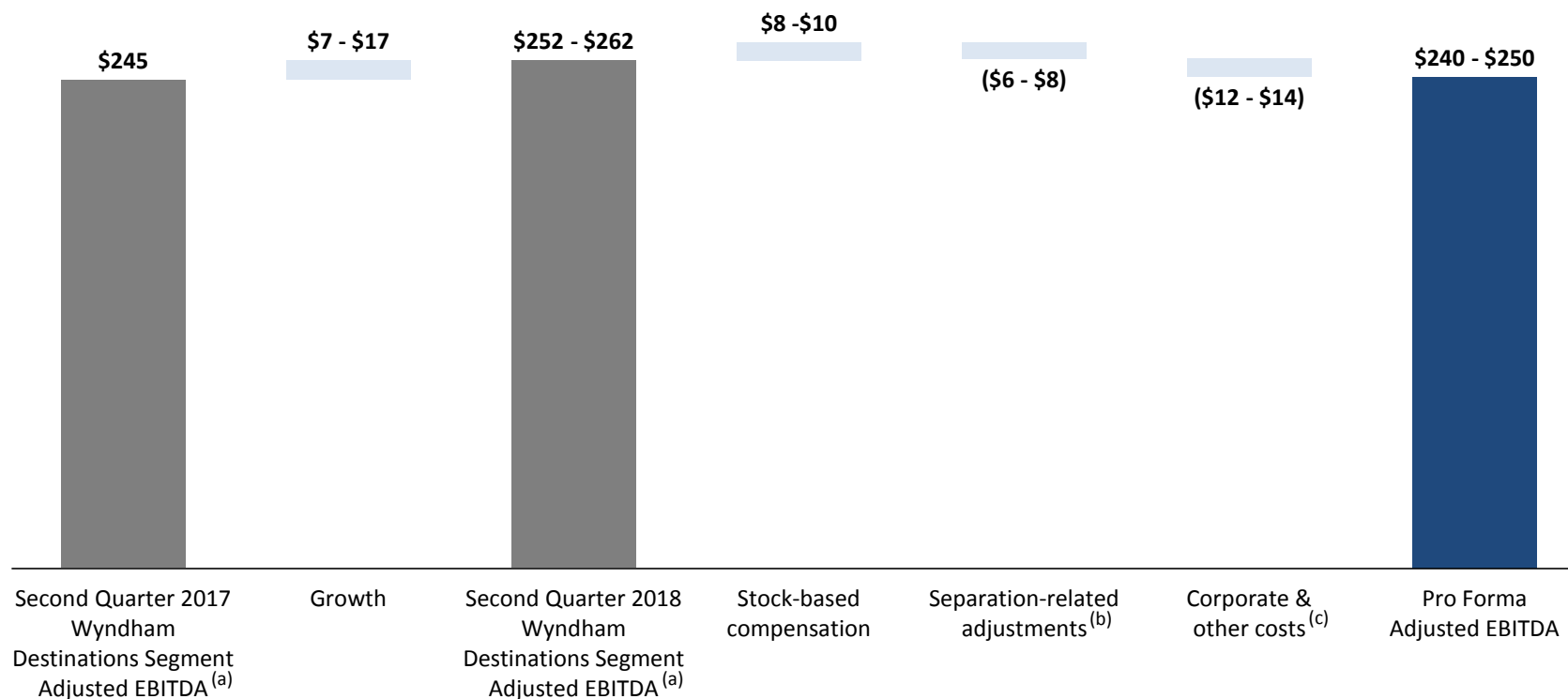


# Wyndham Destinations

## Pro Forma Second Quarter 2018 Adjusted EBITDA Outlook

### Pro Forma Adjusted EBITDA Outlook

(\$ in millions)



(a) Represents Wyndham Vacation Ownership segment and Wyndham Destination Network segment per Wyndham Worldwide's definition.

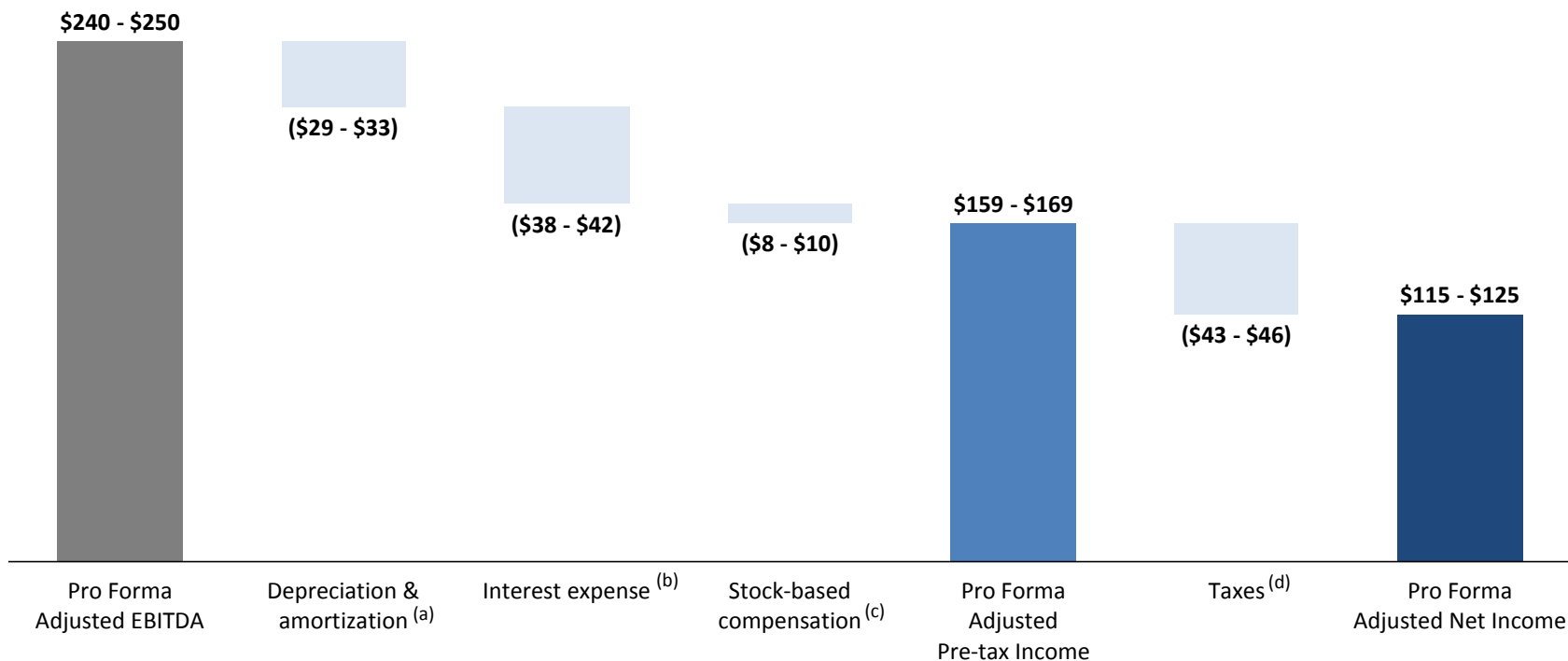
(b) Includes incremental license fees paid to Wyndham Hotels & Resorts and other changes being effected in conjunction with the spin-off.

(c) Represents one-quarter of our estimate of full-year corporate costs to be reflected following the spin-off of the hotel business. Does not include redundant personnel and related costs during the transition period.

# Wyndham Destinations Pro Forma Second Quarter 2018 Adjusted Net Income and Adjusted EPS Outlook

## Earnings Pro Forma Outlook

(\$ in millions, except per share data)



**Pro Forma Adjusted Earnings Per Share of \$1.13 - \$1.23 based on 101.6 million diluted shares outstanding**

- (a) Excludes amortization of acquisition-related intangible assets. Includes expected depreciation related to retained Wyndham Worldwide corporate assets.
- (b) Interest expense was calculated based on \$3.0 billion of outstanding debt and assuming Wyndham Destinations will be rated non-investment-grade, resulting in higher interest rates for select tranches of notes.
- (c) Stock-based compensation is excluded from Adjusted EBITDA but included as a reduction to Adjusted Net Income.
- (d) Assumes a stabilized effective tax rate of 27%.

# Appendix

# Wyndham Worldwide

## Pro Forma Capitalization

|   | Wyndham Worldwide |                             |                          |  |                           |                                   | Wyndham Destinations       | Wyndham Hotels & Resorts   |
|---|-------------------|-----------------------------|--------------------------|--|---------------------------|-----------------------------------|----------------------------|----------------------------|
| (\$ in millions)                                    | As of 12/31/2017  | Repayment of Maturing Notes | Acquisition of La Quinta | Sale of European Rentals Business <sup>(a)</sup> | Transaction-related Costs | Wyndham Hotels & Resorts Spin-off | Pro Forma as of 12/31/2017 | Pro Forma as of 12/31/2017 |
| Cash  | \$100             |                             | \$100                    | \$50   |                           | (\$168)                           | \$82                       | \$168                      |
| Revolving Credit Facility                           | 395               | \$464                       |                          | (579)  | \$250                     |                                   | 530                        |                            |
| Commercial Paper                                    | 147               |                             |                          | (147)  |                           |                                   |                            |                            |
| Term Loan   | 324               |                             |                          | (324)  |                           |                                   |                            |                            |
| New Wyndham Hotels & Resorts Term Loan B            | --                |                             | 1,600                    |  |                           | (1,600)                           |                            | 1,600                      |
| Senior Notes due 2018                               | 464               | (464)                       |                          |  |                           |                                   |                            |                            |
| Senior Notes due 2020 – 2027                        | 2,375             |                             |                          |  |                           |                                   | 2,375                      |                            |
| New Wyndham Hotels & Resorts Unsecured Senior Notes | --                |                             | 500                      |  |                           | (500)                             |                            | 500                        |
| Capital Leases and Other                            | 204               |                             |                          |  |                           | (68)                              | 136                        | 68                         |
| <b>Total Debt</b>                                   | <b>\$3,909</b>    | -                           | <b>\$2,100</b>           | <b>(\$1,050)</b>                                 | <b>\$250</b>              | <b>(\$2,168)</b>                  | <b>\$3,041</b>             | <b>\$2,168</b>             |
| <b>Net Debt</b>                                     | <b>\$3,809</b>    | -                           | <b>\$2,000</b>           | <b>(\$1,100)</b>                                 | <b>\$250</b>              | <b>(\$2,000)</b>                  | <b>\$2,959</b>             | <b>\$2,000</b>             |
| 2017 Pro Forma Adjusted EBITDA <sup>(b)</sup>       | \$1,384           |                             |                          |  |                           |                                   | \$914                      | \$554                      |
| Net Debt / 2017 Pro Forma Adjusted EBITDA           | 2.8x              |                             |                          |  |                           |                                   | 3.2x                       | 3.6x                       |

Note: Figures exclude asset-backed debt borrowings.

(a) Assumes after-tax proceeds of \$1.1 billion.

(b) Reflects adjusted EBITDA from continuing and discontinued operations for Wyndham Worldwide under Wyndham Worldwide's definition of adjusted EBITDA (after stock-based compensation) and reflects pro forma adjusted EBITDA (before stock-based compensation) for Wyndham Destinations and Wyndham Hotels & Resorts. Amounts have been revised from March 19, 2018 disclosures to reflect the effects of new revenue recognition accounting.

# Wyndham Destinations

## 2017 Pro Forma Revenue and Pro Forma Adjusted EBITDA

*\$ in millions*

|                                       | <u>First<br/>Quarter</u> | <u>Second<br/>Quarter</u> | <u>Third<br/>Quarter</u> | <u>Fourth<br/>Quarter</u> | <u>Full Year<br/>2017</u> |
|---------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|---------------------------|
| <b>Net Revenues</b>                   |                          |                           |                          |                           |                           |
| 2017 Reported Revenues                | \$ 888                   | \$ 978                    | \$ 1,016                 | \$ 934                    | \$ 3,816                  |
| Revenue recognition impacts           | (6)                      | (1)                       | 1                        | (3)                       | (9)                       |
| 2017 Restated for Revenue Recognition | 882                      | 977                       | 1,017                    | 931                       | 3,807                     |
| Separation adjustments                | 2                        | 2                         | 2                        | 3                         | 9                         |
| <b>Pro Forma Revenues</b>             | <b>\$ 884</b>            | <b>\$ 979</b>             | <b>\$ 1,019</b>          | <b>\$ 934</b>             | <b>\$ 3,816</b>           |
| <b>Adjusted EBITDA</b>                |                          |                           |                          |                           |                           |
| 2017 Adjusted EBITDA                  | \$ 200                   | \$ 243                    | \$ 267                   | \$ 248                    | \$ 958                    |
| Revenue recognition impacts           | (3)                      | 2                         | 3                        | (4)                       | (1)                       |
| 2017 Restated for Revenue Recognition | 197                      | 245                       | 270                      | 244                       | 957                       |
| Stock-based compensation              | 9                        | 8                         | 8                        | 10                        | 35                        |
| Separation adjustments                | (4)                      | (7)                       | (8)                      | (6)                       | (25)                      |
| Corporate and other costs             | (13)                     | (13)                      | (13)                     | (14)                      | (53)                      |
| <b>Pro Forma Adjusted EBITDA</b>      | <b>\$ 189</b>            | <b>\$ 233</b>             | <b>\$ 257</b>            | <b>\$ 234</b>             | <b>\$ 914</b>             |

Amounts have been revised from March 19, 2018 disclosures where appropriate to reflect the effects of new revenue recognition accounting.

# Wyndham Destinations

## Reconciliation of Net Income to Adjusted EBITDA

*\$ in millions*

|                                  | First Quarter<br>2018 |            |
|----------------------------------|-----------------------|------------|
| Pro Forma Adjusted Net Income    | \$                    | 85         |
| Provision for Income Taxes       |                       | 32         |
| Depreciation and amortization    |                       | 31         |
| Interest expense                 |                       | 40         |
| Stock-based compensation         |                       | 9          |
| <b>Pro Forma Adjusted EBITDA</b> | <b>\$</b>             | <b>197</b> |

## Definitions

**Adjusted EBITDA:** Net income excluding interest expense (but including consumer financing interest), depreciation and amortization, impairment charges, restructuring and related charges, contract termination costs, transaction-related costs (acquisition-, disposition- or separation-related), stock-based compensation expense, early extinguishment of debt costs and income taxes.

**Adjusted Earnings per Share (EPS):** Reflects net income excluding amortization of acquisition-related intangible assets, impairment charges, restructuring and related charges, contract termination costs, transaction-related costs and early extinguishment of debt costs.

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

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

**Gross Vacation Ownership Interest Sales:** Represents total sales of vacation ownership interest (VOIs), including sales of fee-for-service inventory, before the net effect of percentage-of completion accounting and loan loss provisions.

**Tours:** Represents the number of tours taken by guests in the Company's efforts to sell VOIs.

**Volume per Guest (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.