

MARRIOTT VACATIONS WORLDWIDE Corp
Form 10-Q
July 24, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 20, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-35219

Marriott Vacations Worldwide Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

45-2598330
(I.R.S. Employer
Identification No.)

6649 Westwood Blvd.

Orlando, FL
(Address of principal executive offices)

32821
(Zip Code)

(407) 206-6000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's common stock, par value \$0.01 per share, as of July 18, 2014 was 33,422,418.

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(In millions, except per share amounts)

(Unaudited)

	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	June 20, 2014	June 14, 2013	June 20, 2014	June 14, 2013
REVENUES				
Sale of vacation ownership products	\$ 152	\$ 169	\$ 297	\$ 310
Resort management and other services	70	64	130	123
Financing	29	32	60	65
Rental	62	65	126	128
Other	6	6	8	9
Cost reimbursements	91	85	191	176
TOTAL REVENUES	410	421	812	811
EXPENSES				
Cost of vacation ownership products	43	57	90	101
Marketing and sales	72	74	143	148
Resort management and other services	46	46	88	89
Financing	6	6	11	11
Rental	55	56	112	112
Other	3	2	5	5
General and administrative	23	22	45	43
Litigation settlement	(8)		(8)	(1)
Organizational and separation related	1	2	2	3
Consumer financing interest	5	7	12	15
Royalty fee	14	15	27	28
Impairment	1	1	1	1
Cost reimbursements	91	85	191	176
TOTAL EXPENSES	352	373	719	731
Gains and other income	1		2	1
Interest expense	(3)	(4)	(5)	(7)
Impairment reversals on equity investment	2			

INCOME BEFORE INCOME TAXES	58	44	90	74
Provision for income taxes	(22)	(14)	(35)	(25)
NET INCOME	\$ 36	\$ 30	\$ 55	\$ 49
Basic earnings per share	\$ 1.03	\$ 0.87	\$ 1.58	\$ 1.40
Shares used in computing basic earnings per share	34.3	35.4	34.6	35.3
Diluted earnings per share	\$ 1.00	\$ 0.85	\$ 1.54	\$ 1.35
Shares used in computing diluted earnings per share	35.2	36.6	35.6	36.6

See Notes to Interim Consolidated Financial Statements

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MARRIOTT VACATIONS WORLDWIDE CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	June 20, 2014	June 14, 2013	June 20, 2014	June 14, 2013
Net income	\$ 36	\$ 30	\$ 55	\$ 49
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments				(1)
Total other comprehensive income (loss), net of tax				(1)
COMPREHENSIVE INCOME	\$ 36	\$ 30	\$ 55	\$ 48

See Notes to the Interim Consolidated Financial Statements

Table of Contents**MARRIOTT VACATIONS WORLDWIDE CORPORATION****INTERIM CONSOLIDATED BALANCE SHEETS**

(In millions, except share and per share amounts)

(Unaudited)

	June 20, 2014	January 3, 2014
ASSETS		
Cash and cash equivalents	\$ 170	\$ 200
Restricted cash (including \$21 and \$34 from VIEs, respectively)	42	86
Accounts and contracts receivable, net (including \$4 and \$5 from VIEs, respectively)	121	109
Vacation ownership notes receivable, net (including \$621 and \$719 from VIEs, respectively)	920	970
Inventory	826	870
Property and equipment	215	254
Other	116	143
Total Assets	\$ 2,410	\$ 2,632
LIABILITIES AND EQUITY		
Accounts payable	\$ 75	\$ 129
Advance deposits	55	48
Accrued liabilities (including \$0 and \$1 from VIEs, respectively)	168	185
Deferred revenue	19	19
Payroll and benefits liability	67	82
Liability for Marriott Rewards customer loyalty program	100	114
Deferred compensation liability	39	37
Mandatorily redeemable preferred stock of consolidated subsidiary	40	40
Debt (including \$566 and \$674 from VIEs, respectively)	570	678
Other	45	31
Deferred taxes	58	60
Total Liabilities	1,236	1,423
Contingencies and Commitments (Note 8)		
Preferred stock \$.01 par value; 2,000,000 shares authorized; none issued or outstanding		
Common stock \$.01 par value; 100,000,000 shares authorized; 35,878,433 and 35,637,765 shares issued, respectively		
Treasury stock at cost; 2,175,224 and 505,023 shares, respectively	(115)	(26)
Additional paid-in capital	1,129	1,130
Accumulated other comprehensive income	23	23

Retained earnings	137	82
Total Equity	1,174	1,209
Total Liabilities and Equity	\$ 2,410	\$ 2,632

The abbreviation VIEs above means Variable Interest Entities.

See Notes to Interim Consolidated Financial Statements

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MARRIOTT VACATIONS WORLDWIDE CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Twenty-Four Weeks Ended	
	June 20, 2014	June 14, 2013
OPERATING ACTIVITIES		
Net income	\$ 55	\$ 49
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9	11
Amortization of debt issuance costs	3	3
Provision for loan losses	15	18
Share-based compensation	6	6
Deferred income taxes	(5)	(1)
Impairment charges	1	1
Gain on disposal of property and equipment, net	(2)	(1)
Net change in assets and liabilities:		
Accounts and contracts receivable	(12)	(1)
Notes receivable originations	(104)	(100)
Notes receivable collections	137	148
Inventory	37	22
Other assets	27	
Accounts payable, advance deposits and accrued liabilities	(56)	(83)
Liability for Marriott Rewards customer loyalty program	(14)	(25)
Deferred revenue		(10)
Payroll and benefit liabilities	(15)	(7)
Deferred compensation liability	2	(8)
Other liabilities	15	12
Other	(1)	
Net cash provided by operating activities	98	34
INVESTING ACTIVITIES		
Capital expenditures for property and equipment (excluding inventory)	(3)	(7)
Decrease in restricted cash	44	4
Dispositions, net	33	3
Net cash provided by investing activities	74	
FINANCING ACTIVITIES		
Borrowings from securitization transactions	23	111

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Repayment of debt related to securitization transactions	(131)	(142)
Borrowings on Revolving Corporate Credit Facility		25
Repayments on Revolving Corporate Credit Facility		(25)
Repurchase of common stock	(89)	
Proceeds from stock option exercises	1	2
Payment of withholding taxes on vesting of restricted stock units	(6)	(4)
Net cash used in financing activities	(202)	(33)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(30)	1
CASH AND CASH EQUIVALENTS, beginning of period	200	103
CASH AND CASH EQUIVALENTS, end of period	\$ 170	\$ 104