

Marriott Vacations Worldwide Corp
Form 10-Q
April 25, 2013
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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 March 22, 2013

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

6649 Westwood Blvd.

Orlando, FL
(Address of principal executive offices)

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

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 April 19, 2013 was 35,340,825.

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(In millions, except per share amounts)

(Unaudited)

	Twelve Weeks Ended March 22, 2013	March 23, 2012
REVENUES		
Sale of vacation ownership products	\$ 140	\$ 134
Resort management and other services	56	54
Financing	33	36
Rental	63	56
Other	6	6
Cost reimbursements	91	90
TOTAL REVENUES	389	376
EXPENSES		
Cost of vacation ownership products	44	48
Marketing and sales	74	74
Resort management and other services	42	44
Financing	5	6
Rental	56	48
Other	4	2
General and administrative	21	19
Litigation settlement	(1)	
Organizational and separation related	1	2
Interest	11	13
Royalty fee	13	13
Cost reimbursements	91	90
TOTAL EXPENSES	361	359
Gains and other income	1	
INCOME BEFORE INCOME TAXES	29	17
Provision for income taxes	(11)	(8)
NET INCOME	\$ 18	\$ 9
Basic earnings per share	\$ 0.52	\$ 0.25

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Shares used in computing basic earnings per share	35.2	34.0
Diluted earnings per share	\$ 0.50	\$ 0.24
Shares used in computing diluted earnings per share	36.6	35.7

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	
	March 22, 2013	March 23, 2012
Net income	\$ 18	\$ 9
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(1)	4
Total other comprehensive (loss) income, net of tax	(1)	4
COMPREHENSIVE INCOME	\$ 17	\$ 13

See notes to the Interim Consolidated Financial Statements

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

(In millions, except per share amounts)

	(Unaudited) March 22, 2013	December 28, 2012
ASSETS		
Cash and cash equivalents	\$ 119	\$ 103
Restricted cash (including \$27 and \$31 from VIEs, respectively)	46	68
Accounts and contracts receivable (including \$4 and \$5 from VIEs, respectively)	111	100
Vacation ownership notes receivable (including \$745 and \$727 from VIEs, respectively)	1,016	1,056
Inventory	873	881
Property and equipment	256	261
Other	148	135
Total Assets	\$ 2,569	\$ 2,604
LIABILITIES AND EQUITY		
Accounts payable	\$ 81	\$ 113
Advance deposits	47	42
Accrued liabilities (including \$1 and \$1 from VIEs, respectively)	175	181
Deferred revenue	21	32
Payroll and benefits liability	66	82
Liability for Marriott Rewards customer loyalty program	147	159
Deferred compensation liability	37	45
Mandatorily redeemable preferred stock of consolidated subsidiary	40	40
Debt (including \$682 and \$674 from VIEs, respectively)	686	678
Other	59	38
Deferred taxes	42	43
Total Liabilities	1,401	1,453
Contingencies and Commitments (Note 7)		
Preferred stock \$.01 par value; 2,000,000 shares authorized; none issued or outstanding		
Common stock \$.01 par value; 100,000,000 shares authorized; 35,326,993 and 35,026,533 shares issued and outstanding, respectively		
Additional paid-in capital	1,116	1,116
Accumulated other comprehensive income	20	21
Retained earnings	32	14
Total Equity	1,168	1,151
Total Liabilities and Equity	\$ 2,569	\$ 2,604

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)

	Twelve Weeks Ended	
	March 22, 2013	March 23, 2012
OPERATING ACTIVITIES		
Net income	\$ 18	\$ 9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6	7
Amortization of debt issuance costs	1	2
Provision for loan losses	9	9
Share-based compensation	2	3
Deferred income taxes	(1)	(8)
Gain on disposal of property and equipment, net	(1)	
Net change in assets and liabilities:		
Accounts and contracts receivable	(11)	(4)
Notes receivable originations	(44)	(43)
Notes receivable collections	74	74
Inventory	10	28
Other assets	(16)	5
Accounts payable, advance deposits and accrued liabilities	(35)	(60)
Liability for Marriott Rewards customer loyalty program	(12)	(10)
Deferred revenue	(10)	(2)
Payroll and benefit liabilities	(15)	(3)
Deferred compensation liability	(8)	
Other liabilities	22	18
Net cash (used in) provided by operating activities	(11)	25
INVESTING ACTIVITIES		
Capital expenditures for property and equipment (excluding inventory)	(3)	(3)
Decrease in restricted cash	22	22
Dispositions	3	
Net cash provided by investing activities	22	19
FINANCING ACTIVITIES		
Borrowings from securitization transactions	111	
Repayment of debt related to securitizations	(103)	(76)
Borrowings on Revolving Corporate Credit Facility		