2020 Annual Report

HILTON
GRAND VACATIONS

Letter to Stockholders

Team members at Parc Soleil® by Hilton Grand Vacations welcome back owners and guests while following Hilton Grand Vacations' Enhanced Care Guidelines.

Dear Stockholders:

2020 brought more tumult and uncertainty to the world than any other year in recent history. The year started with Hilton Grand Vacations (HGV) executing on our strategic growth plan and looking forward to launching a number of new resorts in the back half of the year. However, this all changed quickly when the COVID-19 pandemic triggered a worldwide health and financial crisis. The HGV team rapidly pivoted to re-focus on a new set of strategic priorities to navigate our way through the global pandemic and return to growth.

Strategic Priorities:

Safeguard our owners, guests and team members: implemented HGV Enhanced Care Guidelines to re-open properties, sales locations and offices while protecting our owners, guests and team members.

Streamline spending to maintain our strong liquidity position and optimize inventory assets: managed inventory and capital spend with a focus on overall returns, reduced fixed expenses, managed variable costs and flexed staffing to meet the needs of the business.

Protect recurring revenue streams and embedded value: protected owners' future vacations by preserving unused points and waiving cancellation fees. In addition, we promoted the safe return to travel with special offers and focused on maintaining benefits and value moving into 2021.

Grow demand and implement opportunities to create incremental value: focused on repeat owner sales with new inventory offerings, activated tours in our 400,000 package pipeline and preserved future tours by extending travel dates. Furthermore, we progressed ongoing work on new product offerings and furthered partnerships and expansion of our new virtual sales model.

Despite severe global challenges in the hospitality sector, our resilient and efficient business model enabled us to generate positive EBITDA and Free Cash Flow (FCF) for the year. Significant achievements that drove these results in 2020 include the following:

- Drove positive Net Owner Growth and ended the year with more than 325,000 owners
- Delivered Economic EBITDA[1] of $106M and Adjusted Free Cash Flow of $68M
- Maximized customer experience and safety at our resorts while implementing our Enhanced Care Guidelines, all while adhering to CDC recommendations and government mandates. Closed nearly all resorts and re-opened over three quarters of resorts within six months
- Bolstered our international brand presence with the opening of HGV's first resort in Mexico, La Pacifica Los Cabos by Hilton Club
- Pivoted our entire operations to work-from-home, enabling us to continue to offer customer service, marketing operations and a new virtual sales platform
- Took proactive steps to identify and capture $20M-$25M in recurring annual savings
- Honored with nine coveted Stevie® Awards, including Company of the Year, 13 industry ARDA Awards and ranked again among the nation's best adoption-friendly workplaces by the Dave Thomas Foundation for Adoption
- Re-affirmed our commitment to responsible business with a review of our environmental, service, human rights & diversity and governance programs and policies in our continued pledge to better serve the communities and world in which we live and work

Throughout our 29 year history, we've adapted to and embraced change. 2020 was no different. We want to thank our team members for their flexibility, innovation and customer focus in the face of extreme challenges. Your tireless efforts have been inspiring. We also want to thank all of our shareholders for their continued trust and confidence.

Thank you for your continued ownership in Hilton Grand Vacations.

Mark Wang, RRP
President & Chief Executive Officer

Leonard Potter
Chairman of the Board

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[1] Adjusted EBITDA, further adjusted for the net impact of deferred revenues and related direct expenses from the sales of VOIs under construction.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

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 001-37794

Hilton Grand Vacations Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**81-2545345**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
6355 MetroWest Boulevard, Suite 180, Orlando, Florida	**32835**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code (407) 613-3100

(Former Name, Former Address, and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	Trading Symbol	(Name of each exchange on which registered)
Common Stock, $0.01 par value per share	**HGV**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 requirement for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2020, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $1,636 million (based on the closing sale price of the common stock on that date on the New York Stock Exchange).

There were 85,236,567 shares of the registrant's Common Stock outstanding as of February 25, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant has incorporated by reference into Part III of this report certain portions of its proxy statement for its 2021 annual meeting of stockholders, which is expected to be filed pursuant to Regulation 14A within 120 days after the end of the registrant's fiscal year ended December 31, 2020.

HILTON GRAND VACATIONS INC.

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PART I

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements convey management’s expectations as to the future of HGV, and are based on management’s beliefs, expectations, assumptions and such plans, estimates, projections and other information available to management at the time HGV makes such statements. Forward-looking statements include all statements that are not historical facts and may be identified by terminology such as the words “outlook,” “believe,” “expect,” “potential,” “goal,” “continues,” “may,” “will,” “should,” “could,”, “would”, “seeks,” “approximately,” “projects,” predicts,” “intends,” “plans,” “estimates,” “anticipates” “future,” “guidance,” “target,” or the negative version of these words or other comparable words, although not all forward-looking statements may contain such words. The forward-looking statements contained in this Annual Report on Form 10-K include statements related to HGV’s revenues, earnings, taxes, cash flow and related financial and operating measures, and expectations with respect to future operating, financial and business performance, and other anticipated future events and expectations that are not historical facts.

HGV cautions you that our forward-looking statements involve known and unknown risks, uncertainties and other factors, including those that are beyond HGV’s control, that may cause the actual results, performance or achievements to be materially different from the future results. Factors that could cause HGV’s actual results to differ materially from those contemplated by its forward-looking statements include: the material impact of the COVID-19 pandemic on HGV’s business, operating results, and financial condition; the extent and duration of the impact of the COVID-19 pandemic on global economic conditions; HGV’s ability to meet its liquidity needs; risks related to HGV’s indebtedness; inherent business risks, market trends and competition within the timeshare and hospitality industries; HGV’s ability to successfully source inventory and market, sell and finance VOIs; default rates on our financing receivables; the reputation of and our ability to access Hilton brands and programs, including the risk of a breach or termination of our license agreement with Hilton; compliance with and changes to United States and global laws and regulations, including those related to anti-corruption and privacy; risks related to HGV’s acquisitions, joint ventures, and other partnerships; HGV’s dependence on third-party development activities to secure just-in-time inventory; the performance of HGV’s information technology systems and our ability to maintain data security; regulatory proceedings or litigation; adequacy of our workforce to meet HGV’s business and operation needs; HGV’s ability to attract and retain key executives and employees with skills and capacity to meet our needs; and natural disasters or adverse geo-political conditions. Any one or more of the foregoing factors could adversely impact HGV’s operations, revenue, operating profits and margins, financial condition and/or credit rating.

For additional information regarding factors that could cause HGV’s actual results to differ materially from those expressed or implied in the forward-looking statements in this Annual Report on Form 10-K, please see the risk factors discussed in “Part I—Item 1A. Risk Factors” of this Annual Report on Form 10-K and those described from time to time in other periodic reports that we file with the SEC. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business. Except for HGV’s ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, changes in management’s expectations, or otherwise.

Terms Used in this Annual Report on Form 10-K

Except where the context requires otherwise, references in this Annual Report on Form 10-K to “Hilton Grand Vacations,” “HGV,” the “Company,” “we,” “us” and “our” refer to Hilton Grand Vacations Inc., together with its consolidated subsidiaries. Except where the context requires otherwise, references to our “properties” or “resorts” refer to the timeshare properties that we manage or own. Of these resorts and units, a portion is directly owned by us or joint ventures in which we have an interest and the remaining resorts and units are owned by our third-party owners.

Reference to "Adjusted EBITDA" means earnings before interest expense (excluding interest expense on non-recourse debt), taxes and depreciation and amortization or "EBITDA," further adjusted to exclude certain items. Refer to "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Business and Financial Metrics Used by Management" for further discussion of these financial metrics.

Non-GAAP Financial Measures and Operational Metrics

This Annual Report on Form 10-K includes discussion of terms that are not recognized terms under U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), and financial measures that are not calculated in accordance with U.S. GAAP, including earnings before interest expense (excluding interest expense relating to our non-recourse debt), taxes and depreciation and amortization ("EBITDA") and Adjusted EBITDA.

Operational Metrics

This Annual Report on Form 10-K also includes discussion of key business operational metrics including contract sales, sales revenue, real estate profit, tour flow and volume per guest ("VPG").

See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Key Business and Financial Metrics and Terms Used by Management" and "-Results of Operations" for a discussion of the meanings of these terms, the Company's reasons for providing non-GAAP financial measures, and reconciliations of non-GAAP financial measures to measures calculated in accordance with U.S. GAAP as well as further discussion on the key business operational metrics.

ITEM 1. Business

Our History

On January 3, 2017, Hilton Worldwide Holdings, Inc. ("Hilton") completed a tax-free spin-off of Hilton Grand Vacations ("HGV") and Park Hotels & Resorts Inc. ("Park"). As a result of the spin-off, HGV became an independent publicly-traded company and our common stock is listed on the New York Stock Exchange under the symbol "HGV." For further details of our history and the development of our business, refer to our Annual Report on Form 10-K for the year ended December 31, 2019, which is incorporated herein by reference.

Our Business

We are a timeshare company that markets and sells vacation ownership intervals ("VOIs"), manages resorts in top leisure and urban destinations, and operates a points-based vacation club. As of December 31, 2020, we have 62 properties, representing 498,524 VOIs, that are primarily located in vacation destinations such as the Orlando, Las Vegas, the Hawaiian Islands, New York City, Washington D.C., South Carolina, Barbados and Mexico and feature spacious, condominium-style accommodations with superior amenities and quality service. As of December 31, 2020, we have approximately 328,000 Hilton Grand Vacations Club and Hilton Club (collectively the "Club") members. Club members have the flexibility to exchange their VOIs for stays at any Hilton Grand Vacations resort or any property in the Hilton system of 18 industry-leading brands across approximately 6,300 properties, as well as numerous experiential vacation options, such as cruises and guided tours.

Our compelling VOI product allows customers to advance purchase a lifetime of vacations. Because our VOI owners generally purchase only the vacation time they intend to use each year, they are able to efficiently split the full cost of owning and maintaining a vacation residence with other owners. Our customers also benefit from the high-quality amenities and service at our Hilton-branded resorts. Furthermore, our points-based platform offers members tremendous flexibility, enabling us to more effectively adapt to their changing vacation needs over time. Building on the strength of that platform, we continuously seek new ways to add value to our Club membership, including enhanced product offerings, greater geographic distribution, broader exchange networks and further technological innovation, all of which drive better, more personalized vacation experiences and guest satisfaction.

As innovators in the timeshare business, we continually seek to enhance our inventory strategy by developing an optimal inventory mix focused on developed properties as well as fee-for-service and just-in-time agreements to sell VOIs on behalf of or acquired from third-party developers.

Our Reportable Segments

We operate our business across two segments: (1) real estate sales and financing and (2) resort operations and club management. For more information regarding our segments, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations,"* included in Item 7, and Note 22: *Business Segments* in our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Our real estate sales and financing segment primarily generates revenue from:

- *VOI Sales*—We sell our owned inventory and, through our fee-for-service agreements, we sell VOIs on behalf of third-party developers using the Hilton Grand Vacations brand in exchange for sales, marketing and brand fees. Under these fee-for-service agreements, we earn commission fees based on a percentage of total interval sales. See *"—Inventory and Development Activities"* and *"—Marketing and Sales Activities"* below for further information.
- *Financing*—We provide consumer financing, which includes interest income generated from the origination of consumer loans to members to finance their purchase of VOIs owned by us. We also generate fee revenue from servicing the loans provided by third-party developers to purchasers of their VOIs. See *"—Financing Activities"* below for information regarding our consumer financing activities.

Our resort operations and club management segment primarily generates revenue from:

- *Resort Management*—Our resort management services primarily consist of operating properties under management agreements for the benefit of homeowners' association ("HOA"s) of VOI owners at both our resorts and those developed by third parties. Our management agreements with HOAs provide for a cost-plus management fee, which means we generally earn a fee equal to 10 percent to 15 percent of the costs to operate the applicable resort. See *"—Resort and Club Management Activities"* below for information regarding our resort management activities.
- *Club Management*—We manage the Hilton Grand Vacations Club and the Hilton Club and receive activation fees, annual dues and transaction fees from member exchanges for other vacation products.
- *Rental of Available Inventory*—We generate rental revenue from unit rentals of unsold inventory and inventory made available due to ownership exchanges through our Club programs. This allows us to utilize otherwise unoccupied inventory to generate additional revenues. We also earn fee revenue from the rental of inventory owned by third parties as well as revenue from retail and spa outlets at our timeshare properties. See *"—Resort and Club Management Activities"* below for further information.

Other than the United States, there were no countries that individually represented more than 10 percent of total revenues for the year ended December 31, 2020.

Our Products

Our primary products are fee-simple VOIs deeded in perpetuity, developed or acquired by us or by third parties. This ownership interest is an interest in real estate equivalent to annual usage rights, generally for one week annually, at the timeshare property where the VOI was purchased. Each Club property provides a distinctive setting, while signature elements remain consistent, such as high-quality guest service, spacious units and extensive on-property amenities. Most resorts feature studio to three-bedroom condominium-style accommodations and amenities such as full kitchens, in-unit washers and dryers, spas and kids' clubs. Our timeshare properties are relatively concentrated in significant tourist markets, including Florida, Hawaii, Nevada, New York, and South Carolina.

In addition, VOI purchasers are enrolled in our flexible, points-based Hilton Grand Vacations Club exchange program. This gives a member an annual allotment of Club points based on the value of the owned interest. Club points can be used for a priority reservation period at the home resort where a member's VOI is deeded, and exchanged for a variety of vacation options, including stays at any Hilton Grand Vacations resort, conversion to Hilton Honors points for stays at approximately 6,300 Hilton-branded hotels and resorts, reservations for experiential travel such as cruises and guided tours, and stays at more than 4,200 resorts included in the RCI vacation exchange network. Our members also have the flexibility to choose when they will take advantage of their annual usage rights and have the option to split their time over the year. All members pay activation fees, annual dues and certain transaction fees depending on their exchange of Club points.

Inventory and Development Activities

We secure VOI inventory by developing or acquiring resorts in strategic markets, building additional phases at our existing resorts, re-acquiring inventory in the open market and sourcing inventory from third-party developers through fee-for-service and just-in-time transactions.

Our development activities involving the acquisition of real estate are followed by construction or renovation to create individual vacation ownership units. These development activities, and the related management of construction activities, are performed either by us or third-party developers. The development and construction of the units require a large upfront investment of capital and can take several years to complete in the case of a ground-up project. Additionally, the VOIs must be legally registered prior to sale to our end customers. This investment cannot be recovered until the individual VOIs are sold to purchasers which can take several years. Traditionally, timeshare operators have funded 100 percent of the investment necessary to acquire land and construct timeshare properties.

We also source VOIs through fee-for-service agreements with third-party developers. These agreements enable us to generate fees from the marketing and sale of Hilton-branded VOIs and Club memberships and from the management of the timeshare properties without requiring us to fund up-front acquisition and construction costs or incur unsold inventory maintenance costs. The capital investment we make in connection with these projects is typically limited to the cost of constructing our on-site sales centers. In just-in-time transactions, we acquire and sell inventory in transactions that are designed to closely correlate the timing of our acquisition of inventory with our sale of that inventory to purchasers. We refer to fee-for-service transactions and just-in-time sales as "capital-efficient transactions." Over time, these capital-efficient transactions have evolved from sourcing inventory from distressed properties to sourcing from new construction projects. For the year ended December 31, 2020, sales from fee-for-service, just-in-time and developed inventory sources were 52 percent, 25 percent and 23 percent, respectively, of contract sales. The estimated contract sales value related to our inventory that is currently available for sale at open or soon-to-be open projects and inventory at new or existing projects that will become available for sale in the future upon registration, delivery or construction is approximately $10 billion at current pricing. Capital efficient arrangements representing approximately 52 percent of that supply. Our fee-for-service sales generally improve returns on invested capital and liquidity, while sales of owned inventory typically result in a greater contribution to the profitability of our real estate sales and financing segment.

Owners can generally offer their VOIs for resale on the secondary market, which can create pricing pressure on the sale of developer inventory. Given the structure of our products, owners who purchase VOIs on the secondary market will generally become Club members and will be responsible for paying annual Club fees, annual maintenance fees, property taxes and any assessments that are levied by the relevant HOA. While we do not have an obligation to repurchase intervals previously sold, most of our VOIs provide us with a right of first refusal on secondary market sales. We monitor sales that occur in the secondary market and exercise our right of first refusal in certain cases.

Marketing and Sales Activities

Our marketing and sales activities are based on targeted direct marketing and a highly personalized sales approach. We use targeted direct marketing to reach potential members who are identified as having the financial ability to pay for our products and have an affinity with the Hilton brand and are frequent leisure travelers. Tour quality impacts key metrics such as volume per guest (VPG), defined in *"Key Business and Financial Metrics and Terms Used by Management—Real Estate Sales Metrics."* Additionally, the quality of tours impacts sales revenue and the collectability of our timeshare financing receivables. For the year ended December 31, 2020, 62 percent of our contract sales were to our existing owners.

We sell our vacation ownership products under the Hilton Grand Vacations brand primarily through our distribution network of both in-market and off-site sales centers. Our products are currently marketed for sale throughout the United States and the Asia-Pacific region. We operate sales distribution centers in major markets and popular leisure destinations with year-round demand and a history of being a friendly environment for vacation ownership. We have sales distribution centers in Las Vegas, Orlando, Oahu, Japan, New York, Myrtle Beach, Waikoloa, Washington D.C., Hilton Head, Park City, Chicago, Korea and Carlsbad.

Our Hilton Grand Vacations sales tours are designed to provide potential members with an overview of our company and our products, as well as a customized presentation to explain how our products can meet their vacationing needs. Our sales centers use proprietary sales technology to deliver a highly transparent and customized sales approach. Consumers place a great deal of trust in the Hilton brand and we believe that preserving that trust is essential. We hire our sales associates using an assessment-based, candidate screening system, which is a proprietary tool we use to uphold our selection criteria. Once hired, we emphasize training, professionalism and product knowledge, and our sales associates receive significant product and sales training before interacting with potential members. Most U.S.-based sales associates are licensed real estate agents and a real estate broker is involved with each sales center. We manage our sales associates' consistency of presentation and professionalism using a variety of sales tools and technology and through a post-presentation survey of our tour guests that measures many aspects of each guest's interaction with us. We do not tolerate sales activities that are not consistent with our focus on treating members and guests with the highest degree of respect.

Financing Activities

We originate loans for members purchasing our owned inventory who qualify according to our underwriting criteria. We generate interest income from the spread between the revenue generated on loans originated less our costs to fund and service those loans. We also earn fee revenue from servicing our own portfolio and the loans provided by third-party developers of our fee-for-service projects to purchasers of their VOIs.

We provide financing for members purchasing our developed and acquired inventory and generate interest income. Our timeshare financing receivables are collateralized by the underlying VOIs and are generally structured as 10-year, fully-amortizing receivables that bear a fixed interest rate typically ranging from 4 percent to 18 percent per annum. The interest rate on our loans is determined by, among other factors, the amount of the down payment, the borrower's credit profile and the loan term. Prepayment is permitted without penalty. As of December 31, 2020, the average loan outstanding was approximately $22,000 with a weighted average interest rate of 12.61 percent.

As loan payments are made, the nature of these fully amortizing loans establishes an increasing level of owner financial commitment in their purchase which reduces the likelihood of default. When a member defaults, we ultimately return their VOI to inventory for resale, and that member no longer participates in our network.

We have a revolving timeshare receivable credit facility ("Timeshare Facility") and periodically securitize timeshare financing receivables we originate in connection with the sale of VOIs to monetize receivables and achieve an efficient return on capital and manage our working capital needs.

Timeshare Financing Receivables Origination

In underwriting each loan, we obtain a credit application and review the application for completeness. We require a minimum down payment of 10 percent of the purchase price on all sales of VOIs. For U.S. and Canadian purchasers seeking financing, which represented 83 percent of the individuals we provided financing to over the last three years, we apply the credit evaluation score methodology developed by the Fair Isaac Corporation ("FICO") to credit files compiled and maintained by Experian and Equifax. Higher credit scores equate to lower collection risk and lower credit scores equate to higher collection risk. Over the last three years, the weighted-average FICO score for new loans to U.S. and Canadian borrowers at the time of origination was 737 (out of a maximum potential score of 850). For non-North American purchasers seeking financing, consisting principally of purchasers in Japan, we generally observe that these borrowers have experienced default rates comparable to U.S. and Canadian borrowers within the 725 to 774 FICO score band.

Our underwriting standards are influenced by the changing economic and financial market conditions. We have the ability to modify our down payment requirements and credit thresholds in the face of stronger or weaker market conditions. Our underwriting standards have resulted in a strong, well-seasoned consumer loan portfolio. As of December 31, 2020, our portfolio had a balance of approximately $1.2 billion with approximately 53,000 loans. The portfolio had a weighted average length of loan of 10.1 years and the weighted average remaining length of loan of 7.5 years.

We also finance our working capital needs in part by borrowing against timeshare financing receivables. In general, we seek to use the majority of our financed VOI sales as collateral to borrow against the Timeshare Facility and subsequently transfer those loans into a term securitization after the loans have seasoned and an appropriately sized portfolio has been assembled. We target securitizations that range in size from $200 million to $400 million and we expect the timing of future securitizations will depend on our anticipated sales volume and capital needs. The strong performance of our outstanding loan securitizations demonstrates that loans originated by us are well regarded for their performance in the securitization market. In the future, we expect to regularly access the term securitization market, replenishing capacity on our Timeshare Facility in the process.

Loan Portfolio Servicing

We have a skilled, integrated consumer finance team. This team is responsible for payment processing and loan servicing, collections and default recovery and portfolio reporting and analytics. Accounts more than 30 days past due are deemed delinquent. We reserve for all loans based on our static pool method. A loan that is more than 120 days past due is reserved at 100 percent the following month and is delivered to the loss mitigation team that will make arrangements for any remaining outstanding payments or recommend recovery through a deed-in-lieu of foreclosure or foreclosure. In the deed-in-lieu of foreclosure process, the member deeds the VOI back to us. For domestic owners, this process varies from state to state and typically takes approximately 60 to 120 days, after which time we are able to resell the foreclosed VOI.

We monitor numerous metrics including collection rates, defaults and bankruptcies. Our consumer finance team also is responsible for selecting and processing loans pledged or to be pledged in our securitizations and preparing monthly servicing reports.

Resort and Club Management Activities

Resort Management

Prior to the initiation of VOI sales at a timeshare resort developed by us or by a third party with whom we have entered into a fee-for-service agreement, we enter into a management agreement with the relevant HOA.

Each of the HOAs are governed by a board of directors comprised of owner or developer representatives that are charged with ensuring that the resorts are well-maintained and financially stable. Our services include day-to-day operations of the resorts, maintenance of the resorts, preparation of reports, budgets and projections and employee training and oversight. Our HOA management agreements provide for a cost-plus management fee, which means we generally earn a fee equal to 10 percent to 15 percent of the costs to operate the applicable resort. As a result, the fees we earn are highly predictable, unlike traditional revenue-based hotel management fees, and our management fees generally are unaffected by changes in rental rate or occupancy. Further, because maintenance fees are paid annually by owners, our management fees are recurring and less volatile than hotel management fees. We are also reimbursed for the costs incurred to perform our services, principally related to personnel providing on-site services. The original term of our management agreements is typically governed by state timeshare laws and ranges from three to five years. The agreements generally are subject to automatic renewal for one- to three-year periods unless either party provides advance notice of termination before the expiration of the term. Since our inception in 1992, none of the management agreements relating to our developed or fee-for-service properties have been terminated or lapsed.

To fund resort operations, owners are assessed an annual maintenance fee, which includes our management fee. In 2020, HOAs collected approximately $446 million in maintenance fees, including our applicable management fees, which is net of our contributions to the HOAs for unsold VOIs that we own. Because these funds are collected early in the year, we have substantial visibility and reliability of collection. These fees represent each owner's allocable share of the management fee and the costs of operating and maintaining the resorts, which generally includes personnel, property taxes, insurance, a capital asset reserve to fund refurbishment and other related costs. If a VOI owner defaults on payment of its maintenance fees and there is no lien against the mortgage note, the HOA has the right to recover the defaulting owner's VOI. As a service to HOAs at our owned resorts, subject to our inventory needs, we have the ability to reduce the bad debt expense at the HOAs by assuming the defaulted owner's obligations in exchange for an agreed purchase price. We are then able to resell those VOIs through our normal distribution channels.

A portion of the annual maintenance fees collected from owners each year is set aside as a capital asset reserve for property renovations. The renovations funded by these fees enable HOAs to keep properties modern, which helps the properties consistently receive among the highest quality assurance scores within the Hilton portfolio of brands. HOAs engage an independent consulting firm to compile a reserve study. Typically, HOAs budget the reserve study to target property renovations on a six- and 12-year cycle. HOAs generally replace soft goods every six years and hard goods every 12 years. These reserves also benefit our members by limiting the risk of special assessments and steep increases in maintenance fees due to deferred capital expenditures.

Club Management

We also manage and operate the points-based Hilton Grand Vacations Club and Hilton Club exchange programs (together, the "Clubs"), which provided exclusive exchange, leisure travel and reservation services to approximately 328,000 members as of December 31, 2020. When an owner purchases a VOI, he or she is enrolled in a Club and allotted a number of points that represent his or her ownership interest and allow the member to exchange his or her annual usage rights for a number of vacation and travel options available through the Clubs. The Hilton Club operates certain locations for its VOI owners, who also enjoy exchange benefits with the Hilton Grand Vacations Club. In addition to an annual membership fee, Club members pay incremental fees depending on the type of exchange they choose within the Club system.

Rental of Available Inventory

We rent unsold owned and fee-for-service VOI inventory and inventory made available due to ownership exchanges through our Club programs. By using our website, Hilton's websites and other direct booking channels to rent available inventory, we are able to reach potential new members that may already have an affinity for and loyalty to the Hilton brands and introduce them to our products. Inventory rentals allow us to utilize otherwise unoccupied inventory to generate additional revenues and provision of ancillary services. We earn a fee from rentals of fee-for-service inventory.

Competition

The timeshare industry has historically been highly competitive and comprised of a number of national and regional companies that develop, finance and operate timeshare properties.

Our timeshare business competes with other timeshare developers for sales of VOIs based principally on location, quality of accommodations, price, service levels and amenities, financing terms, quality of service, terms of property use, reservation systems, flexibility for members to exchange into time at other timeshare properties or other travel rewards, including access to hotel loyalty programs, as well as brand name recognition and reputation. We also compete for property acquisitions and partnerships with entities that have similar investment objectives as we do. We own certain other trademarks and trade names for various properties. In the competitive industry in which we operate, trademarks, service marks, trade names and logos are very important to the marketing and sales of our products. There is also significant competition for talent at all levels within the industry, in particular for sales and management. Our primary competitors in the timeshare space include Marriott Vacations Worldwide, Wyndham Destinations, Disney Vacation Club, Holiday Inn Club Vacations, Bluegreen Vacations and Diamond Resorts International.

In addition, our timeshare business competes with other entities engaged in the leisure and vacation industry, including resorts, hotels, cruises and other accommodation alternatives, such as condominium and single-family home rentals. We also compete with home and apartment sharing services that operate websites that market available privately-owned residential properties that can be rented on a nightly, weekly or monthly basis. In certain markets, we compete with established independent timeshare operators, and it is possible that other potential competitors may develop properties near our current resort locations. In addition, we face competition from other timeshare management companies in the management of resorts on behalf of owners on the basis of quality, cost, types of services offered and relationship.

Recent and potential future consolidation in the highly fragmented timeshare industry may increase competition. For example, Interval Leisure Group, Inc. (“ILG”), which operates the Interval International exchange program, acquired Hyatt Residence Club in October 2014 and in May 2016 acquired the timeshare operations of Starwood Hotels & Resorts Worldwide, Inc. (which includes the use of Westin and Sheraton brands for timeshare purposes), known as Vistana Signature Experiences, Inc. Marriott Vacations Worldwide Corporation completed the acquisition of the timeshare business of ILG in April 2019. Diamond Resorts International, Inc. completed the acquisition of the timeshare business of Gold Key Resorts in October 2015 and completed the acquisition of the timeshare business of Intrawest Resort Club Group in January 2016. Consolidation may create competitors that enjoy significant advantages resulting from, among other things, a lower cost of, and greater access to, capital and enhanced operating efficiencies.

We generally do not face competition in our consumer financing business to finance sales of our VOIs. However, we do face competition from financial institutions providing other forms of consumer credit, which may lead to full or partial prepayment of our timeshare financing receivables.

Seasonality and Cyclicality

We experience modest seasonality in timeshare sales at certain resorts, with stronger revenue generation during traditional vacation periods for those locations. Our business is moderately cyclical as the demand for VOIs is affected by the availability and cost of financing for purchases of VOIs, as well as general economic conditions and the relative health of the travel industry.

Government Regulation

Our business is subject to various international, national, federal, state and local laws, regulations and policies in jurisdictions in which we operate. Some laws, regulations and policies impact multiple areas of our business, such as securities, anti-discrimination, anti-fraud, data protection and security and anti-corruption and bribery laws and regulations or government economic sanctions, including applicable regulations under the U.S. Treasury's Office of Foreign Asset Control and the U.S. Foreign Corrupt Practices Act ("FCPA"). The FCPA and similar anti-corruption and bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or generating business. Other laws, regulations and policies primarily affect one of our areas of business: real estate development activities; marketing and sales activities; financial services activities; and resort management activities. We will continue to be subject to applicable new legislation, rules and regulations that have been proposed, or may be proposed, by federal, state and local authorities relating to the origination, servicing and securitization of mortgage loans.

Real Estate Development Regulation

Our real estate development activities are regulated under a number of different timeshare, condominium and land sales disclosure statutes in many jurisdictions. We are generally subject to laws and regulations typically applicable to real estate development, subdivision and construction activities, such as laws relating to zoning, land use restrictions, environmental regulation, accessibility, title transfers, title insurance and taxation. In the United States, these include the Fair Housing Act and the Americans with Disabilities Act of 1990 and the Accessibility Guidelines promulgated thereunder, which we refer to collectively as (the "ADA"). In addition, we are subject to laws in some jurisdictions that impose liability on property developers for construction defects discovered or repairs made by future owners of property developed by the developer.

Marketing and Sales Regulation

Our marketing and sales activities are highly regulated. In addition to regulations implementing laws enacted specifically for the timeshare industry, a wide variety of laws and regulations govern our marketing and sales activities, including regulations implementing the USA PATRIOT Act, Foreign Investment In Real Property Tax Act, the Federal Interstate Land Sales Full Disclosure Act and fair housing statutes, U.S. Federal Trade Commission ("FTC") and state "Little FTC Act" and other regulations governing unfair, deceptive or abusive acts or practices including unfair or deceptive trade practices and unfair competition, state attorney general regulations, anti-fraud laws, prize, gift and sweepstakes laws, real estate, title agency or insurance and other licensing or registration laws and regulations, anti-money laundering, consumer information privacy and security, breach notification, information sharing and telemarketing laws, home solicitation sales laws, tour operator laws, lodging certificate and seller of travel laws and other consumer protection laws.

We must obtain the approval of numerous governmental authorities for our marketing and sales activities. Changes in circumstances or applicable law may necessitate the application for or modification of existing approvals. In addition, many jurisdictions, including many jurisdictions in the United States, require that we file detailed registration or offering statements with regulatory authorities disclosing information regarding our VOIs, such as information concerning the intervals being offered, the project, resort or program to which the intervals relate, applicable timeshare plans, evidence of title, details regarding our business, the purchaser's rights and obligations with respect to such intervals, and a description of the manner in which we intend to offer and advertise such intervals.

When we sell VOIs, local law grants the purchaser of a VOI the right to cancel a purchase contract during a specified rescission period following the later of the date the contract was signed or the date the purchaser received the last of the documents required to be provided by us.

In recent years, regulators in many jurisdictions have increased regulations and enforcement actions related to telemarketing operations, including requiring adherence to the federal Telephone Consumer Protection Act and “do not call” legislation. These measures have significantly increased the costs associated with telemarketing, in particular with respect to telemarketing to mobile numbers. While we continue to be subject to telemarketing risks and potential liability, we believe that our exposure to adverse effects from telemarketing legislation and enforcement is mitigated in some instances by the use of permission-based marketing in which we obtain permission to contact prospective purchasers in the future. We have also implemented procedures to comply with federal and state “do not call” regulations including subscribing to the federal do not call registry and certain state “do not call” registries as well as maintaining an internal “do not call” list.

Lending Regulation

Our lending activities are subject to a number of laws and regulations including those of applicable supervisory agencies such as, in the United States, the Consumer Financial Protection Bureau, the FTC, and the Financial Crimes Enforcement Network. These laws and regulations, some of which contain exceptions applicable to the timeshare industry, may include, among others, the Real Estate Settlement Procedures Act and Regulation X, the Truth In Lending Act and Regulation Z, the Federal Trade Commission Act, the Equal Credit Opportunity Act and Regulation B, the Fair Credit Reporting Act, the Fair Housing Act and implementing regulations, the Fair Debt Collection Practices Act, the Electronic Funds Transfer Act and Regulation E, unfair, deceptive or abusive acts or practices regulations and the Credit Practices rules, the USA PATRIOT Act, the Right to Financial Privacy Act, the Gramm-Leach-Bliley Act, the Servicemember’s Civil Relief Act and the Bank Secrecy Act. Our lending activities are also subject to the laws and regulations of other jurisdictions, including, among others, laws and regulations related to consumer loans, retail installment contracts, mortgage lending, fair debt collection and credit reporting practices, loan servicing, consumer debt collection practices, mortgage disclosure, lender or mortgage loan originator licensing and registration and anti-money laundering.

Resort Management Regulation

Our resort management activities are subject to laws and regulations regarding community association management, public lodging, food and beverage services, liquor licensing, labor, employment, health care, health and safety, accessibility, discrimination, immigration, gaming and the environment (including climate change). In addition, many jurisdictions in which we manage our resorts have statutory provisions that limit the duration of the initial and renewal terms of our management agreements for HOAs.

Environmental Matters

We are subject to certain requirements and potential liabilities under various U.S. federal, state and local and foreign environmental, health and safety laws and regulations and incur costs in complying with such requirements. The costs of complying with these requirements are generally covered by the HOAs that operate the affected resort property and are our responsibility for assets owned by us. These laws and regulations govern actions including air emissions, the use, storage and disposal of hazardous and toxic substances, and wastewater disposal. In addition to investigation and remediation liabilities that could arise under such laws, we may also face personal injury, property damage, fines or other claims by third parties concerning environmental compliance or contamination. We use and store hazardous and toxic substances, such as cleaning materials, pool chemicals, heating oil and fuel for back-up generators at some of our facilities, and we generate certain wastes in connection with our operations. Some of our properties include, and some of our future properties may include, older buildings, and some may have, or may historically have had, dry-cleaning facilities and underground storage tanks for heating oil and back-up generators. We have, from time to time, been responsible for investigating and remediating contamination at some of our facilities, such as contamination that has been discovered when we have removed underground storage tanks, and we could be held responsible for any contamination resulting from the disposal of wastes that we generate, including at locations where such wastes have been sent for disposal. In some cases, we may be entitled to indemnification from the party that caused the contamination pursuant to our management, construction or renovation agreements, but there can be no assurance that we would be able to recover all or any costs we incur in addressing such problems. From time to time, we may also be required to manage, abate, remove or contain mold, lead, asbestos-containing materials, radon gas or other hazardous conditions found in or on our properties. We have implemented an on-going operations and maintenance plan at each of our properties that seeks to identify and remediate these conditions as appropriate. Although we have incurred, and expect that we will continue to incur, costs relating to the investigation, identification and remediation of hazardous materials known or discovered to exist at our properties, those costs have not had, and are not expected to have, a material adverse effect on our financial condition, results of operations or cash flows.

Human Capital

For more than 25 years, we have created and delivered vacation experiences for guests from around the world. Our people first talent strategy is inclusive of programs and services which are designed to ensure that our employees feel engaged, appreciated and rewarded for their contributions. We focus on hiring practices that are reflective of our values and seek customer-centric individuals that embody a spirit of service towards our owners, guests and fellow team members. We believe hiring people with different backgrounds, cultures and perspectives leads to increased creativity and innovation. We are committed to connecting with and engaging talent from diverse backgrounds to ensure our team member population is reflective of the communities in which we live and work. Using a multi-channel approach, we grow our HGV talent network through a variety of outreach programs that include targeted media, team member referrals and diversity outreach. As of December 31, 2020, more than 6,700, including furloughed team members, were employed at our timeshare resorts, call centers and corporate locations around the world.

In May 2020, HGV introduced its Enhanced Care Guidelines designed to provide owners, guests and team members with the highest level of cleaning protocols and safety standards in response to the COVID-19 pandemic. Rolled out across all HGV branded resorts and sales galleries, the Enhanced Care Guidelines incorporated the Hilton CleanStay program to include best practices and protocols as recommended by the Centers for Disease Control and Prevention and cleaning solutions approved by the Environmental Protection Agency.

We focus on employee retention initiatives, and have designed purposeful programs to nourish every aspect of the team member experience. These programs reward and highlight milestones, recognize the exceptional service standards of our diverse team member population, and promote our values. Additionally, we make it a priority to appreciate and recognize team member milestones throughout their journey with HGV. From the first 90 days through their retirement, we offer flexible recognition programs that support leaders to create meaningful and impactful moments for their teams.

We are committed to an inclusive workforce that fully represents many different cultures, backgrounds and viewpoints. Our Team Member Resource Groups (TMRGs), which are voluntary, employee-led groups, play an integral part in our culture of inclusion as we strive to foster openness, integrity and respect. We currently have six TMRG's: African American, Asia Pacific Islander, Hispanic Latino, LGBTQ & Friends, Military and Women's. Each group is sponsored by a senior executive who provides leadership and helps drives initiatives across the business. In addition, we believe that multiple perspectives generate better solutions and relatability with our diverse base of customers and consumers. We strike to ensure a common inclusion that we believe is reflected in our programs and initiatives, and we regularly seek team member feedback through our annual engagement survey and ongoing discussions with our TMRG's.

Through a variety of delivery methods, we offer over 1,000 training and development courses to all of our team members focused on variety of core competencies, including: leadership, diversity and inclusion, skills training, business acumen, culture and personal growth. In 2020, team members completed approximately 65,000 hours total training hours, with over 8,200 hours specifically dedicated to compliance training.

Approximately 75% of our team members are enrolled in our health and well-being programs. We offer a suite of benefit and wellness programs to support the diverse needs of our team members, including but not limited to: medical, dental, vision, an Employee Stock Purchase Plan, 401(K), Employee Assistance Program, tuition reimbursement, spending accounts, life and disability insurance, discount programs, and a variety of voluntary benefits.

As of December 31, 2020, 11 percent of our employees were covered by various collective bargaining agreements, generally addressing pay rates, working hours, other terms and conditions of employment, certain employee benefits and orderly settlement of labor disputes.

Key Agreements Related to the Spin-Off

On January 3, 2017, when the spin-off was completed, Hilton and Park Hotels & Resorts Inc. ceased to be related parties of HGV. In connection with the spin-off, we entered into various agreements with Hilton and Park. Certain provisions of the spin-off agreements survive the performance of the principal transactions to which they related. The following is a summary of the terms of certain agreements we entered in connection with the spin-off from Hilton, which continue to govern our ongoing relationships with Hilton and Park after the spin-off.

License Agreement

In connection with the spin-off, we entered into a license agreement with Hilton granting us the exclusive right to use, for an initial term of 100 years, to use certain Hilton marks and intellectual property in our timeshare business. For the years ended December 31, 2020, 2019 and 2018, we incurred license fee expense of $51 million, $101 million and $98 million, respectively.

Subject to the terms and conditions of the license agreement, Hilton has granted us the right to use the trademarks "Hilton Grand Vacations," "HGV" and "Hilton Club" (collectively, the "Hilton Marks") in connection with the current and future operation of a Hilton branded vacation ownership business (the "Licensed Business"). We have also received a license or right to use certain other Hilton-owned intellectual property, including promotional content and access to Hilton's reservation system and property management software (collectively with the Hilton Marks, the "Hilton IP"). We also have the right to use Hilton's loyalty program data and other customer information ("Hilton Data") to promote the Licensed Business and for other internal business purposes, but may not disclose or sell such information to third parties without Hilton's consent.

Subject to the following two sentences, Hilton will not compete or use the Hilton IP or Hilton Data in the vacation ownership business (or license others to do so) for the first 30 years of the term of the license agreement, and we may extend this exclusivity for additional 10-year terms if we achieve certain revenue targets in the last year of the initial 30-year term or any subsequent renewal term, or make a payment to cover any revenue shortfall, for a maximum of five such payments during any 10-year renewal term. If Hilton merges with or acquires a company that owns a vacation ownership business and a hotel business, Hilton shall use commercially reasonable efforts to allow us to acquire or manage the acquired vacation ownership business. If we do not do so, then after such acquisition by Hilton, notwithstanding the foregoing exclusivity, Hilton may use the Hilton IP, Hilton Data and Hilton's loyalty program (but not the Hilton Marks) to allow such acquired vacation ownership business to compete with the Licensed Business for the remainder of the term of the license agreement.

The initial term of the license agreement will expire on December 31, 2116. After the initial term ends, we may continue to use the Hilton IP and Hilton Data on a non-exclusive basis for a "tail period" of 30 years in connection with products and projects that were using the foregoing rights, or were approved by Hilton for development, when the term ended, provided that we continue to comply with the terms of the license agreement, including payment of royalty and other fees.

We pay a royalty fee of five percent of gross revenues to Hilton quarterly in arrears, as well as specified additional fees. Gross revenues include our gross sales for the initial sale or re-sale of interests in the Licensed

Business (subject to certain Hilton Grand Vacations Club exceptions), property operations revenue, transient rental revenue and other certain revenues earned. We also owe Hilton an annual transition fee of $5 million for each of the first five years of the term and certain other fees and reimbursements. The license agreement contains customary requirements with respect to our record-keeping and Hilton's audit rights.

We are required to comply with the Hilton brand standards applicable to the Licensed Business. Hilton has inspection and approval rights to monitor our compliance with these standards. Hilton brand standards include: construction and design brand standards; graphic standards for use of the Hilton IP; sales, service and operating standards; and quality assurance and customer satisfaction requirements.

During the term of the license agreement, we will participate in Hilton's loyalty program, currently known as the Hilton Honors program. We can purchase Hilton Honors points at cost for the first 20 years of the term of the license agreement, and thereafter at the market rate (with a most favored nation provision, pursuant to which such market rate is no higher than the price paid by strategic partners that purchase a comparable volume of points annually on comparable business terms). All members of Hilton's loyalty program have the right to redeem loyalty program points at our properties in the Licensed Business, consistent with the tiers and rules of Hilton's current loyalty program. We can convert points associated with our own point-based reservations and exchange system into Hilton loyalty program points through an exchange program at a conversion rate to be determined by us. We may not participate in a loyalty program of a Hilton competitor in connection with the Licensed Business. Under our Honors program arrangement with Hilton prior to the spin-off, we purchase Hilton Honors points from Hilton based on an estimated cost per point for the costs of future club exchanges. For the years ended December 31, 2020, 2019 and 2018, we paid Hilton $41 million, $58 million and $56 million, respectively, for Hilton Honors points.

We are required to operate the Licensed Business in strict compliance with all of Hilton's standards and guidelines and all applicable laws. We are responsible for obtaining and maintaining all necessary approvals, permits and licenses required and paying all taxes related to the Licensed Business. We may subcontract or delegate property-level, non-management functions, including housekeeping, security and maintenance, if we comply with Hilton's standards and guidelines. Hilton has the right to enter our vacation ownership properties at any time without notice and additional permission from us in order to verify that we are complying with the license agreement and Hilton's standards and guidelines.

We are required to comply with Hilton's customer data privacy and security standards and protocols. We are required to notify Hilton immediately after discovering any actual or attempted circumstances that could compromise the security of our information technology systems. We are required to remedy any such breach at our own expense.

We can operate vacation ownership properties under other brands (with no royalty due to Hilton) if we do so without using any Hilton IP or Hilton Data and they are otherwise separate operations from the Licensed Business.

We are required to obtain Hilton's consent to develop or operate any additional vacation ownership properties under the Hilton Marks (including on our own undeveloped parcels). Hilton may not unreasonably withhold its approval for these projects as long as they comply with existing law, do not involve a co-investor that is a competitor of Hilton or is of bad moral character, and are not reasonably likely to harm Hilton, the Licensed IP or the Hilton Data. Hilton has a right of first refusal if we want to sell an undeveloped parcel to a Hilton competitor.

We have entered into an agreement with Hilton that governs the transfer of calls from Hilton to us. Under this agreement, Hilton is required to use its reasonable best efforts to transfer calls to us at a level consistent with past practice prior to the spin-off for the first ten years. Hilton is required to provide the call transfer services at cost for the first 30 years and at market rates thereafter. We have entered into other agreements that govern other services that Hilton is required to provide us.

Under the license agreement, our right to use the Hilton Marks as a trade, corporate, d/b/a or similar name will automatically terminate if (i) the aggregate number of units of accommodation in our Licensed Business falls below two-thirds of the total number of units of accommodation in our entire vacation ownership business; (ii) we merge with or acquire control of the assets of Marriott International, Inc., Marriott Vacations Worldwide Corporation, Hyatt Hotels Corporation, Wyndham Destinations and Interval Leisure Group, Inc. or their respective affiliates and we or they use their brands in any business after such acquisition; or (iii) we become an affiliate of another Hilton competitor.

Hilton has the right to terminate the license agreement as a whole if, among other things: (i) we file for bankruptcy or cease business operations; (ii) 25 percent or more of our Hilton-branded vacation ownership properties fail certain performance thresholds or the overall customer satisfaction score for all our Hilton-branded vacation ownership properties falls below a certain threshold level, and we do not promptly cure such failures; (iii) we operate the Licensed Business in a way that has a material adverse effect on Hilton; (iv) we fail to pay certain amounts due to Hilton (and in certain cases, do not promptly cure such failures); (v) we contest Hilton's ownership of the Hilton IP or the Hilton Data; (vi) we merge with, consolidate with or are acquired by a competitor of Hilton; or (vii) we assign the agreement to a non-affiliate without Hilton's consent.

Hilton also has the right to "deflag" (prevent use of any Hilton IP or Hilton Data at) any property in our Licensed Business in certain circumstances, including if (i) a $10 million or more final judgment is assessed against such property or a foreclosure suit is initiated against such property and not vacated; (ii) an ongoing threat or danger to public health or safety occurs at such property; (iii) such property fails to meet certain quality assurance system performance thresholds; or (iv) such property is not operated in compliance with the license agreement or Hilton's other standards and agreements, and such breaches are not cured in accordance with the license agreement.

If we breach our obligations under the license agreement, Hilton may, in addition to terminating the license agreement, be entitled to (depending on the nature of the breach): seek injunctive relief and/or monetary damages; suspend our access to and terminate our rights to use Licensed IP and/or Hilton Data (other than the Hilton Marks and certain other content); or terminate our rights to use the Licensed IP (including the Hilton Marks) and Hilton Data at specific locations that are not in compliance with performance standards.

If the license agreement terminates due to our fault before the end of the term, we are required to cease use of the Hilton IP and Hilton Data according to a specified schedule. Hilton has the right to demand liquidated damages based upon its uncollected royalties and fees for the remainder of the term.

Hilton has registered certain of the Hilton Marks for vacation ownership services in jurisdictions in which we currently operate vacation ownership resorts and residential projects under the Hilton Marks. However, Hilton does not have affirmative trademark rights in the Hilton Marks in relation to every aspect of our business in every country around the world, and we, therefore, may not be able to use one or more of the Hilton Marks to expand various aspects of our business into one or more new countries. If we want to use a Hilton Mark in a country where it is not registered, we will have to seek Hilton's consent, which may not be withheld if the new trademark would not reasonably be expected to harm or jeopardize the value, validity, reputation or goodwill of the Hilton Marks or subject Hilton to any risk of legal liability.

Unless we obtain Hilton's prior written consent, we may not be able to: (i) merge with or acquire a Hilton competitor or a vacation ownership business that has entered into an operating agreement with a Hilton competitor; (ii) merge with or acquire a vacation ownership business together with a lodging business; or (iii) be acquired or combined with any entity other than an affiliate. We may acquire control of a business that is not a vacation ownership business or a lodging business without Hilton's consent, but we are required to operate such business as a separate operation that does not use the Hilton IP or Hilton Data unless Hilton consents to such use. Without Hilton's prior consent, we may not assign our rights under the license agreement, except to one our affiliates as part of an internal reorganization for tax or administrative purposes.

We are required to indemnify, defend and hold harmless Hilton from and against any claim or liability resulting from (i) third-party claims based on (a) our breach of the license agreement; (b) the operation of our vacation ownership properties; (c) any use of the Hilton IP or Hilton Data in violation of the license agreement and (d) any use of any content provided to us pursuant to the license agreement; or (ii) claims based on any security breach of our systems and/or unauthorized use or disclosure of Hilton Data.

This summary does not purport to be complete and is qualified in its entirety by reference to the full text of the License Agreement, which was filed as Exhibit 10.4 to HGV's Current Report on Form 8-K filed with the SEC on January 4, 2017.

Distribution Agreement

We entered into a Distribution Agreement with Hilton and Park (the "Distribution Agreement") in connection with the spin-off. The Distribution Agreement provided for certain transfers of assets and assumptions of liabilities by each of Hilton, HGV and Park and the settlement or extinguishment of certain liabilities and other obligations among Hilton, HGV and Park. In addition, HGV, Hilton and Park agreed that losses related to certain contingent liabilities (and related costs and expenses) that generally are not specifically attributable to any of the separated real estate business, the timeshare business or the retained business of Hilton ("Shared Contingent Liabilities") will be apportioned among the parties according to fixed percentages of 65 percent, 26 percent and nine percent for Hilton, Park and HGV, respectively. Costs and expenses of, and indemnification obligations to, third party professional advisors arising out of the foregoing actions also may be subject to these provisions. Subject to certain limitations and exceptions, Hilton will generally be vested with the exclusive management and control of all matters pertaining to any such Shared Contingent Liabilities. To date, there have been no contingent liabilities subject to these provisions since the spin-off. The Distribution Agreement also provides for cross-indemnities that, except as otherwise provided in the Distribution Agreement, are principally designed to place financial responsibility for the obligations and liabilities of each business with the appropriate company.

The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the full text of the Distribution Agreement, which was filed as Exhibit 12.1 to HGV's Current Report on Form 8-K filed with the SEC on January 4, 2017.

Tax Matters Agreement

We have entered into a Tax Matters Agreement with Hilton and Park (the "Tax Matters Agreement") that governs the respective rights, responsibilities and obligations of Hilton, Park and us after the spin-off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. Although binding between the parties, the Tax Matters Agreement is not binding on the Internal Revenue Service ("IRS"). We and Park each will continue to have several liabilities with Hilton to the IRS for the consolidated U.S. federal income taxes of the Hilton consolidated group relating to the taxable periods in which we and Park were part of that group. The Tax Matters Agreement specifies the portion, if any, of this tax liability for which we and Park will bear responsibility, and each party has agreed to indemnify the other two parties against any amounts for which they are not responsible. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the spin-off is not tax-free. In general, under the Tax Matters Agreement, each party is responsible for any taxes imposed on Hilton that arise from the failure of the spin-off and certain related transactions to qualify as a tax-free transaction for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, as applicable, and certain other relevant provisions of the Code, to the extent that the failure to qualify is attributable to actions taken by such party (or with respect to such party's stock). The parties share responsibility, in accordance with sharing percentages applicable to Shared Contingent Liabilities, for any such taxes imposed on Hilton that are not attributable to actions taken by a party. In addition, to the extent that any taxes that may be imposed on the Hilton consolidated group for the taxable periods prior to the spin-offs relates to our timeshare business, we would be liable for the full amount under the Tax Matters Agreement.

The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the full text of the Tax Matters Agreement, which was filed as Exhibit 10.2 to HGV's Current Report on Form 8-K filed with the SEC on January 4, 2017.

Where You Can Find More Information

Our website address is www.hgv.com. Information on our website is not incorporated by reference herein. We file reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A (both preliminary and final, as applicable), and certain amendments to these reports. Copies of these reports are available free of charge on our website as soon as reasonably practicable after we file the reports with the SEC. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. Risk Factors

Risk Factor Summary

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks include, but are not limited to, the following:

- Macroeconomic and other factors beyond our control;
- Contraction in the global economy or low levels of economic growth;
- The COVID-19 pandemic and related events, including the various measures implemented or adopted to respond to the pandemic;
- Risks inherent to the timeshare and hospitality industry, including reliance on tourism and travel, and competition within the industry;
- Material harm to our business if we breach our license agreement with Hilton or the agreement is terminated;
- Our ability to obtain Hilton's consent to our use of its trademarks at new properties;
- The quality and reputation of the Hilton brands and affiliation with the Hilton Honors loyalty program;
- The ability of our critical marketing programs and activities to generate tour flow and contract sales and increase our revenues;
- Financial and operational risks related to acquisitions and business ventures, including partnerships or joint ventures;
- Our dependence on development activities and risks related to our real estate investments;
- The geographic concentration of properties we manage;
- Our current operations and future expansion outside of the United States;
- Our ability to hire, retain and motivate key personnel and our reliance on the services of our management team and employees;
- A decline in developed or acquired VOI inventory or failure to enter into and maintain fee-for service agreements or inability to source VOI inventory or finance sales if we or third-party developers are unable to access capital;
- Our limited underwriting standards and a possible decline in the default rates or other credit metrics underlying our timeshare financing receivables;
- The expiration, termination or renegotiation of our management agreements;

- Disagreements with VOI owners or HOAs or the failure of HOA boards to collect sufficient fees;
- Failure to keep pace with developments in technology;
- Lack of awareness or understanding of and failure to effectively manage our social media;
- Cyber-attacks or our failure to maintain the security and integrity of company, employee, customer or third-party data;
- Our ability to comply with a wide variety of laws, regulations and policies, including those applicable to our international operations;
- Changes in privacy laws, tax laws or accounting rules or regulations;
- Our substantial indebtedness and other contractual obligations, restrictions imposed on us by certain of our debt agreements and instruments and our variable rate indebtedness which subjects us to interest rate risk;
- Failure to comply with agreements relating to our outstanding indebtedness;
- Our ability, or the ability of our subsidiaries, to generate sufficient cash to service our indebtedness;
- Potential liabilities related to our spin-off from Hilton, including U.S. federal income tax liabilities, liabilities arising out of state and federal fraudulent conveyance laws and the possible assumption of responsibilities for obligations allocated to Hilton or Park;
- The sufficiency of any indemnity Hilton or Park is required to provide us and the amount of any indemnity we may be required to provide Hilton or Park related to the period prior to the spin-off;
- The ability of our board of directors to change corporate policies without stockholder approval;
- Anti-takeover provisions in our organizational documents and Delaware law and consent requirements in our license agreement with Hilton that may deter a potential business combination transaction;
- Fluctuation in the market price and trading volume of our common stock; and
- The actions of activist stockholders.

The foregoing is only a summary of our risks. These and other risks are discussed more fully in the section entitled "Risk Factors" in Part I, Item IA and elsewhere in this Annual Report on Form 10-K.

Risk Factors

We are subject to various risks that could materially and adversely affect our business, financial condition, results of operations, liquidity and stock price. You should carefully consider the risk factors discussed below, in addition to the other information in this Annual Report on Form 10-K. Further, other risks and uncertainties not presently known to management or that management currently deems less significant also may result in material and adverse effects on our business, financial condition, results of operations, liquidity and stock price. The risks below also include forward-looking statements; and actual results and events may differ substantially from those discussed or highlighted in these forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements."

Risks Related to Our Industry

Macroeconomic and other factors beyond our control can adversely affect and reduce demand for our products and services.

Macroeconomic and other factors beyond our control can reduce demand for our products and services, including demand for timeshare properties. These factors include, but are not limited to:

- changes in general economic conditions, including low consumer confidence, high unemployment levels and depressed real estate prices resulting from the severity and duration of any downturn in the U.S. or global economy;

- war, political conditions or civil unrest, violence or terrorist activities or threats and heightened travel security measures instituted in response to these events;
- the financial and general business condition of the travel industry;
- statements, actions or interventions by governmental officials related to travel and the resulting negative public perception of such travel;
- conditions that negatively shape public perception of travel, including travel-related accidents and outbreaks of pandemic or contagious diseases, such as Ebola, avian flu, severe acute respiratory syndrome (SARS), H1N1 (swine flu), the Zika virus and COVID-19;
- cyber-attacks;
- climate change or availability of natural resources;
- natural or manmade disasters, such as earthquakes, windstorms, tornadoes, hurricanes, typhoons, tsunamis, volcanic eruptions, floods, drought, fires, oil spills and nuclear incidents; and
- organized labor activities, which could cause a diversion of business from resorts involved in labor negotiations and loss of business generally for the resorts we manage as a result of certain labor tactics.

Any one or more of these factors can adversely affect, and from time to time have adversely affected, individual resorts, particular regions and our business, financial condition and results of operations.

Contraction in the global economy or low levels of economic growth could adversely affect our revenues and profitability as well as limit or slow our future growth.

Consumer demand for products and services provided by the timeshare industry is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Decreased global or regional demand for products and services provided by the timeshare industry can be especially pronounced during periods of economic contraction or low levels of economic growth, and the recovery period in our industry may lag overall economic improvement. Declines in demand for our products and services due to general economic conditions could negatively affect our business by decreasing the revenues we are able to generate from our VOI sales, financing activities and Club and resort operations. In addition, many of the expenses associated with our business, including personnel costs, interest, rent, property taxes, insurance and utilities, are relatively fixed. During a period of overall economic weakness, if we are unable to meaningfully decrease these costs as demand for our products and services decreases, our business operations and financial performance may be adversely affected.

The COVID-19 pandemic and related events, including the various measures implemented or adopted to respond to the pandemic and the global economic downturn, have had, and will likely continue to have, a material adverse effect on our business, financial condition and results of operations for the foreseeable future.

The global COVID-19 pandemic and the various measures taken or implemented by governments and other authorities in the United States and around the world, businesses, organizations and individuals have had, and will likely continue to have, a significant adverse impact on domestic and international travel, consumer demand for travel, commercial activities across the travel, lodging and hospitality industries, businesses generally, and consequently, on our business and operations. The COVID-19 pandemic has had, and will likely continue to have, significant adverse impacts on global economic, capital market, financial, healthcare, societal, and government regulatory conditions. In response to the pandemic and various governmental orders, we took certain significant actions to ensure the continuity of our business and operations beginning at the end of the first quarter 2020, including temporarily closing operations at substantially all of our resorts, closing substantially all of our sales centers, implementing salary reductions and workforce furloughs, implementing hiring freezes, drawing down substantial amounts under our credit facility ("Senior Secured Credit Facility") as a precautionary measure to ensure liquidity and amending both our credit facility and our Timeshare Facility to provide near-term flexibility on certain maintenance and financial covenants and ratios. On October 15, 2020, our board of directors approved a workforce reduction plan that resulted in the reduction of our workforce by approximately 1,500 members. All of these actions have had, and will likely continue to have, a material adverse effect on our results of operations, financial condition, and business.

Beginning in May 2020, various cities, counties and states in the US gradually began relaxing restrictions on activities and a resumption of businesses. We began a phased reopening of our resorts and resumption of our sales activities in accordance with applicable orders, and we plan to continue to reopen those of our resorts which remain closed as conditions permit. We have implemented a variety of measures that are required, or we believe are advisable, for our business with the goal of keeping our customers, owners, team members, and the communities we serve as safe as reasonably feasible from the COVID-19 virus. These measures include additional cleaning and sanitation of our resorts and common areas, providing our team members with personal protective equipment, requiring our guests and owners use face masks based on CDC or other federal, state, or local health guidelines, and implementing physical distancing practices.

The conditions caused by the pandemic continue to be unprecedented and rapidly changing. Accordingly, there remains significant uncertainties and risks around the duration and severity of the pandemic in the US and around the world, the breadth and duration of business disruptions resulting from COVID-19, the pandemic's impact on the global economy, consumer confidence, various businesses, and, consequently, our business and operations.

Some of these uncertainties and risks may include the following:

- potentiality of additional waves or outbreaks of the pandemic, which may result in further disruptions and additional or reimplemented governmental COVID-19 restrictions, closure orders and/or or "shelter in place" health orders, or similar restrictions, including such as in the spring where areas in which we have a significant number of resorts such as Florida and New York experienced significant outbreaks;
- new orders, amendments to existing orders, and conflicting directives by different governmental bodies or changes in federal and local policy, rules or regulations, which could disrupt, change, or otherwise adversely impact our safety protocols and measures that are intended to protect our guests, owners, and team members;
- the efficacy and timing of distribution of vaccines and the ability of vaccination programs to curtail the pandemic;
- travel bans, quarantine requirements upon entry, and significant restrictions on travel among the states within the U.S., including states where we have a significant number of resorts such as Hawaii and New York, as well as between the U.S. and specific countries, including restrictions placed by foreign governments on citizens of the U.S. entering their countries;
- continued closures and/or curtailment of operations at many popular tourist destinations, reducing the demand for leisure travel;
- changing behavior of individuals and unwillingness to travel and stay at hotels, resorts, timeshares, and other lodging facilities due to the pandemic which may continue beyond the time global health and safety conditions improve;
- various safety measures that—
    - may be challenging to implement due to uncertainties in how to correctly implement such measures, lack of availability of needed supplies or other issues,

    - we have already adopted but may need to change rapidly based on the status of the pandemic, applicable governmental actions, industry practices, and guidance or recommendations from leading healthcare experts,
    - may result in significant costs to us, or
    - may cause guests to not visit our resorts because they do not want to abide by such measures, do not fully understand or agree with such requested measures, and/or are wary of the risk of infection despite such measures,
- potential cases of infection and transmission at our resorts despite the implementation of our safety measures efforts, which would be disruptive to our business and may lead to exposure to assertions of liability,
- our ability to effectively operate our business in light of significant workforce changes, and our ability to recruit additional talent as needed;
- other actions we have taken or may take, or decisions we have made or may make, as a consequence of the COVID-19 pandemic that may result in investigations, legal claims (with or without merit) or litigation against us, and
- inability to repay on time or at all the significant increases in our indebtedness and inadequacies of our liquidity, limitations on our ability to incur additional indebtedness or access available debt capital, and recent amendments to our credit facility and Timeshare Facility, if the pandemic worsens and continues for significant duration.

In addition, many of the other risk factors described herein are heightened by the effects of the COVID-19 pandemic and related economic conditions, which in turn could materially adversely affect our business, financial condition, results of operations, access to financing and liquidity.

We are subject to business, financial and operating risks inherent to the timeshare and hospitality industry, any of which could reduce our revenues and limit opportunities for growth.

Our business is subject to a number of business, financial and operating risks inherent to the timeshare industry, including:

- changes in the supply and demand for our products and services;
- our ability to securitize the receivables that we originate in connection with VOI sales;
- delays in or cancellations of planned or future development or refurbishment projects;
- the financial condition of third-party developers with whom we do business;
- relationships with third-party developers, our Club members and HOAs;
- changes in desirability of geographic regions of our resorts and affiliated resorts, geographic concentration of our operations and shortages of desirable locations for development;
- changes in operating costs, including energy, food, employee compensation and benefits and insurance;
- increases in costs due to inflation or otherwise, including increases in our operating costs, that may not be fully offset by price and fee increases in our business;
- changes in taxes and/or governmental regulations that influence or set wages, prices, interest rates or construction and maintenance procedures and costs;
- significant increases in cost of health care coverage for employees, and various government regulation with respect to health care coverage;
- shortages of labor or labor disruptions;

- the availability and cost of capital necessary for us, and third-party developers with whom we do business, to fund investments, capital expenditures and service debt obligations;
- significant competition from other timeshare businesses and hospitality providers in the markets in which we operate;
- market and/or consumer perception of timeshare companies and the industry in general;
- the economic environment for and trends in the tourism and hospitality industry, which may impact the vacationing and purchasing decisions of consumers;
- the influence of social media on consumers' lodging decisions;
- increases in the use of third-party and competitor internet services to book hotel reservations, secure short-term lodging accommodations and market vacation rental properties;
- legal, business or regulatory issues unique to the geographic locations of our resorts and affiliated resorts, which could increase the cost of or result in delays in entering into or expanding in those locations.
- limited underwriting standards due to the real-time nature of industry sales practices;
- private resales of VOIs and the sale of VOIs in the secondary market; and
- the impact on the industry of unlawful or deceptive third-party VOI resale or vacation package sales schemes.

Any of these factors could increase our costs or limit or reduce the prices we are able to charge for our products and services or otherwise affect our ability to maintain existing properties, develop new properties or source VOI supply from third parties. As a result, any of these factors can reduce our revenues and limit opportunities for growth

We operate in a highly competitive industry.

The timeshare industry is highly competitive. The Hilton brands we use compete with the timeshare brands affiliated with major hotel chains in national and international venues, and we compete generally with the vacation rental options generally offered by the lodging and travel industry (e.g., hotels, resorts, home and apartment sharing services, and condominium rentals) and other options such as cruises.

We also compete with other timeshare developers for sales of VOIs based principally on location, quality of accommodations, price, service levels and amenities, financing terms, quality of service, terms of property use, reservation systems, flexibility for VOI owners to exchange into time at other timeshare properties, or other travel rewards, including access to hotel loyalty programs, as well as brand name recognition and reputation. A number of our competitors are significantly larger than we are and have potentially greater access to capital resources and broader marketing, sales and distribution capabilities. We also compete with numerous other smaller owners and operators of timeshare resorts, as well as home and apartment sharing services that market available privately owned residential properties that can be rented on a nightly, weekly or monthly basis. In addition, we are in competition with national and independent timeshare resale companies and members reselling existing VOIs on the secondary market, which could reduce demand or prices for sales of new VOIs. We also compete with other timeshare management companies in the management of resorts on behalf of owners on the basis of quality, cost, types of services offered and relationship.

We also compete for property acquisitions and partnerships with entities that have similar investment objectives as we do. This competition could limit the number of, or negatively affect the cost of, suitable investment opportunities available to us.

Recent and potential future consolidation in the highly fragmented timeshare industry may increase competition. Consolidation may create competitors that enjoy significant advantages resulting from, among other things, a lower cost of, and greater access to, capital and enhanced operating efficiencies. There is also significant competition for talent at all levels within the industry, in particular for sales and management.

Our ability to remain competitive and to attract and retain members depends on our success in distinguishing the quality and value of our products and services from those offered by others. If we cannot compete successfully in these areas or if our marketing and sales efforts are not successful and we are unable to convert customers to a sufficient number of sales, this could negatively affect our operating profits and margins and our ability to recover the expense of our marketing programs and grow our business, diminish our market share and reduce our earnings.

We rely on tourism and travel by consumers for our business and may be impacted by any pandemic or contagious disease outbreak or conditions that negatively impact travel and the global economy.

Any outbreak of, and fear of exposure to, pandemic or contagious diseases, such as Ebola, avian flu, SARS, swine flu, the Zika virus and COVID-19, may prevent or deter travelers from scheduling vacations or cause them to cancel vacation plans to the markets in which the properties we manage are concentrated. In addition, governments and businesses may take significant actions that may further depress vacations, travel, and the affected economy.

Risks Related to the Operation of Our Business

We do not own the Hilton brands and our business will be materially harmed if we breach our license agreement with Hilton or it is terminated.

Following the spin-off, Hilton retained ownership of the Hilton-branded trademarks, tradenames and certain related intellectual property used in the operation of our business. We entered into a license agreement with Hilton granting us the right to use the Hilton-branded trademarks, trade names and related intellectual property in our business for the term of the agreement. If we breach our obligations under the license agreement, Hilton may be entitled to terminate the license agreement or terminate our rights to use the Hilton brands and other Hilton intellectual property at properties that do not meet applicable standards and policies, or to exercise other remedies.

The termination of the license agreement or exercise of other remedies would materially harm our business and results of operations and impair our ability to market and sell our products and maintain our competitive position. . For example, if we are not able to rely on the strength of the Hilton brands to attract prospective members and guests in the marketplace, our revenue and profits would decline and our marketing and sales expenses would increase. If we are not able to use Hilton's marketing databases and corporate-level advertising channels to reach potential members and guests, including Hilton's internet address as a channel through which to market available inventory, our member growth would be adversely affected and our revenue would materially decline, and it is uncertain whether we would be able to replace the revenue associated with those channels.

Even if the license agreement remains in effect, the termination of our rights to use the Hilton-branded trademarks, trade names and related intellectual property at properties that fail to meet applicable standards and policies, or any deterioration of quality or reputation of the Hilton brands (even deterioration not leading to termination of our rights under the license agreement or not caused by us), could also harm our reputation and impair our ability to market and sell our products at the subject properties, which could materially harm our business.

In addition, if license agreement terms relating to the Hilton Honors loyalty program terminate, we would not be able to offer Hilton Honors points to our members and guests. This would adversely affect our ability to sell our products, offer the flexibility associated with our Club membership and sustain our collection performance on our timeshare financing receivables portfolio. See “Item 1. *Business—Key Agreements Related to the Spin-Off—License Agreement.*”

We will rely on Hilton to consent to our use of its trademarks at new properties we manage in the future.

Under the terms of our license agreement with Hilton, we are required to obtain Hilton’s consent to use its trademarks in circumstances specified in the license agreement. Hilton may reject a proposed project in certain circumstances. Any requirements to obtain Hilton’s consent to our expansion plans, or the need to identify and secure alternative expansion opportunities because Hilton does not allow us to use its trademarks with proposed new projects, may delay implementation of our expansion plans, cause us to incur additional expense or reduce the financial viability of our projects. Further, if Hilton does not permit us to use its trademarks in connection with our expansion plans, our ability to expand our Hilton-branded timeshare business would cease and our ability to remain competitive may be materially adversely affected.

Our business depends on the quality and reputation of the Hilton brands and affiliation with the Hilton Honors loyalty program.

Currently, all of our products and services are offered under the Hilton brand names and affiliated with the Hilton Honors loyalty program, and we intend to continue to develop and offer products and services under the Hilton brands and affiliated with the Hilton Honors loyalty program in the future. In addition, the license agreement contains significant prohibitions on our ability to own or operate properties that are not Hilton brand names. The concentration of our products and services under these brands and program may expose us to risks of brand or program deterioration, or reputational decline, that are greater than if our portfolio were more diverse. Furthermore, as we are not the owner of the Hilton brands or the Hilton Honors loyalty program, changes to these brands and program or our access to them, including our ability to buy points to offer to our members and potential members, could negatively affect our business. Any failure by Hilton to protect the trademarks, tradenames and intellectual property that we license from it could reduce the value of the Hilton brands and also harm our business. If these brands or program deteriorate or materially change in an adverse manner, or the reputation of these brands or program declines, our market share, reputation, business, financial condition or results of operations could be materially adversely affected.

We rely on several critical marketing programs and activities to generate tour flow and contract sales and increase our revenues.

We rely on several critical marketing activities to engage with potential VOI purchasers for generating tour flow, contract sales and financing fees, resort management and other revenues. These include targeted direct marketing, transfers of calls by Hilton of its customers to us pursuant to an agreement, and the successful implementation of our digital and technology-based marketing strategy. Any significant changes to one or more factors that adversely affect such marketing activities, such as changes in consumer behavior and preference for vacations or a decrease in the number of calls being transferred from Hilton due to increasing consumer reliance on digital tools, will adversely impact our revenue.

We may experience financial and operational risks in connection with acquisitions and other opportunistic business ventures.

We will consider strategic acquisitions to expand our inventory options and distribution capabilities; however, we may be unable to identify attractive acquisition candidates or complete transactions on favorable terms. Future acquisitions could result in potentially dilutive issuances of equity securities and/or the assumption of contingent liabilities. These acquisitions may also be structured in such a way that we will be assuming unknown or undisclosed liabilities or obligations. Moreover, we may be unable to efficiently integrate acquisitions, management attention and other resources may be diverted away from other potentially more profitable areas of our business and in some cases these acquisitions may turn out to be less compatible with our growth and operational strategy than originally anticipated. The occurrence of any of these events could adversely affect our business, financial condition and results of operations.

As part of our business strategy, we also intend to continue collaborating with Hilton on timeshare development opportunities at new and existing hotel properties and explore growth opportunities along the Hilton brand spectrum, as well as expand our marketing partnerships and travel exchange partners. However, we may be unable to successfully enter into these arrangements on favorable terms or launch related products and services, or such products and services may not gain acceptance among our members or be profitable. The failure to develop and execute any such initiatives on a cost-effective basis could have an adverse effect on our business, financial condition and results of operations.

Partnership or joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on partners' or co-venturers' financial condition, disputes between us and our partners or co-venturers and our obligation to guaranty certain obligations beyond the amount of our investments.

We have co-invested with third parties and we may in the future co-invest with other third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in, or sharing responsibility for managing the affairs, of a timeshare property, partnership, joint venture or other entity. Consequently, with respect to any such third-party arrangements, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity, and may, under certain circumstances, be exposed to risks not present if a third party were not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contribution. In addition, we may be forced to make contributions to maintain the value of the property. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer may have full control over the partnership or joint venture. We and our respective partners or co-venturers may each have the right to trigger a buy-sell right or forced sale arrangement, which could cause us to sell our interest, or acquire our partners' or co-venturers' interest, or to sell the underlying asset, either on unfavorable terms or at a time when we otherwise would not have initiated such a transaction. In addition, a sale or transfer by us to a third party of our interests in the partnership or joint venture may be subject to consent rights or rights of first refusal in favor of our partners or co-venturers, which would in each case restrict our ability to dispose of our interest in the partnership or joint venture. Any or all of these factors could adversely affect the value of our investment, our ability to exit, sell or dispose of our investment at times that are beneficial to us, or our financial commitment to maintaining our interest in the joint ventures.

Our joint ventures may be subject to debt and the refinancing of such debt, and we may be required to provide certain guarantees or be responsible for the full amount of the debt, beyond the amount of our equity investment, in certain circumstances in the event of a default. Our joint venture partners may take actions that are inconsistent with the interests of the partnership or joint venture, or in violation of the financing arrangements and trigger our guaranty, which may expose us to substantial financial obligation and commitment that are beyond our ability to fund. In addition, partners or co-venturers may have economic or other business interests or goals that are inconsistent with our business interests or goals and may be in a position to take action or withhold consent contrary to our policies or objectives. In some instances, partners or co-venturers may have competing interests in our markets that could create conflict of interest issues. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting assets owned by the partnership or joint venture, and to the extent of any guarantee our assets, to additional risk. In addition, we may, in certain circumstances, be liable for the actions of our third-party partners or co-venturers.

Our dependence on development activities exposes us to project cost and completion risks.

We secure VOI inventory in part by developing new timeshare properties and new phases of existing timeshare properties. In recent years, we have increased our construction activities of new timeshare properties as a critical source of developing new inventories that we sell and will continue to sell. Our ongoing involvement in the development of inventory presents a number of risks, including:

- weakness in the capital markets limiting our ability to raise capital for completion of projects or for development of future properties;
- construction costs, to the extent they escalate faster than the pace at which we can increase the price of VOIs, adversely affecting our profits and margins;
- construction delays, zoning and other local, state or federal governmental approvals, particularly in new geographic areas with which we are unfamiliar, cost overruns, lender financial defaults, or natural or man-made disasters, such as earthquakes, tsunamis, hurricanes, floods, fires, volcanic eruptions and oil spills, increasing overall project costs, affecting timing of project completion or resulting in project cancellations;
- any liability or alleged liability or resultant delays associated with latent defects in design or construction of projects we have developed or that we construct in the future adversely affecting our business, financial condition and reputation;
- failure by third-party contractors to perform for any reason, exposing us to operational, reputational and financial harm; and
- the existence of any title defects in properties we acquire.

We also source inventory from third-party developers that are exposed to such risks, and the occurrence of any of these risks with respect to those third parties could have a material adverse effect on our access to the inventory sourced from these developers. In addition, developing new VOIs to market and sell requires us to register such VOIs in applicable states, which necessitates the incurrence of additional time and cost, and in many jurisdictions, the exact date of any such registration approvals cannot be accurately predicted. Any significant delays in timeshare project registration approvals will materially adversely impact our sales activities and thereby negatively impact our revenue. See "*Our business is regulated under a wide variety of laws, regulations and policies, and failure to comply with these regulations could adversely affect our business.*"

Our real estate investments subject us to numerous risks.

We are subject to the risks that generally relate to investments in and the development of real property. A variety of factors affect income from properties and real estate values, including laws and regulations, insurance, interest rate levels and the availability of financing. Our license agreement or other agreements with Hilton may require us to incur unexpected costs required to cause our properties to comply with applicable standards and policies. In recent years, our financial results have been positively impacted by a lower interest rate environment. However, when interest rates increase the cost of acquiring, developing, expanding or renovating real property increases, and real property values may decrease as the number of potential buyers decrease. Similarly, as financing becomes less available, it becomes more difficult both to acquire and develop real property. Many costs of real estate investments, such as real estate taxes, insurance premiums, maintenance costs and certain operating costs, are generally more fixed than variable, and as a result are not reduced even when a property is not fully sold or occupied. If any of these risks were realized, they could have a material adverse effect on our results of operations or financial condition.

We manage a concentration of properties in particular geographic areas, which exposes our business to the effects of regional events and occurrences.

Approximately 79 percent of the resorts we manage are concentrated in significant tourist markets including Florida, Hawaii, Nevada, New York, Washington D.C. and South Carolina and are, therefore, particularly susceptible to adverse economic developments in those areas. These economic developments include regional economic downturns, significant increases in the number of our competitors' products in these markets, and potentially higher labor, real estate, tax or other costs in the geographic markets in which we are concentrated. In addition, the properties we manage are subject to the effects of adverse acts of natural or manmade disasters, including earthquakes, windstorms, tornadoes, hurricanes, typhoons, tsunamis, volcanic eruptions, floods, drought, fires, oil spills and nuclear incidents. Depending on the severity of these disasters, the damage could require closure of all or substantially all of these properties in one or more markets for a period of time while the necessary repairs and renovations, as applicable, are undertaken. In addition, we cannot guarantee that the amount of insurance maintained for these properties from time to time would entirely cover damages caused by any such event. Further, actual or threatened war, political conditions or civil unrest, violence or terrorist activities or threats and heightened travel security measures instituted in response to these events, could also interrupt or deter vacation plans to our key markets. As a result of this geographic concentration of properties, we face a greater risk of a negative effect on our revenues in the event these areas are more severely and more frequently affected by adverse economic and competitive conditions, extreme weather, manmade disasters, and political and civil unrest.

Our current operations and future expansion outside of the United States make us susceptible to the risks of doing business internationally, which could lower our revenues, increase our costs, reduce our profits or disrupt our business.

We currently offer timeshare properties located in the United States, the United Kingdom, Italy, Japan, Barbados and Mexico. We also market both our international properties and our U.S. properties in Europe and the Asia Pacific region, primarily in Japan and South Korea. In addition, as part of our business strategy, we intend to continue the expansion of our operations in Japan, including by developing property there and selling VOIs at properties located in Japan, as well as explore further expansion opportunities in other countries located in the Asia Pacific region, Mexico and the Caribbean. Such activities may not be limited only to marketing efforts for existing international and U.S. properties in other countries, but also include acquiring, developing, managing, marketing, offering and/or financing timeshare properties in such countries. Current and future international operations expose us to a number of additional challenges and risks that may not be inherent in operating solely in the U.S., including, for example, the following:

- rapid changes in governmental, economic or political policy;
- political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation;
- negative impact on governmental relationships between those countries in which we currently operate or have future expansion plans, on one hand, and the U.S., on the other hand, which may result in undesirable trade, travel or similar regulations, thereby negatively affecting the tourism industry generally, and the timeshare and leisure industry specifically;
- increases in anti-American sentiment and the identification of the Hilton brands as American brands;
- recessionary trends or economic instability in international markets;
- changes in foreign currency exchange rates or currency restructurings and hyperinflation or deflation in the countries in which we operate;
- the effect of disruptions caused by severe weather, natural disasters, outbreaks of disease or other events that make travel to a particular region less attractive or more difficult;
- the presence and acceptance of varying levels of business corruption in international markets and the effect of various anti-corruption and other laws;
- the imposition of restrictions on currency conversion or the transfer of funds;
- the ability to comply with or effect of complying with complex and changing laws, regulations and policies of foreign governments that may affect investments or operations, including foreign ownership

restrictions, import and export controls, tariffs, embargoes, increases in taxes paid and other changes in applicable tax laws;

- uncertain, unfamiliar and/or unpredictable regulatory environment that may adversely affect the acquisition, development, management, marketing, sales, financings, and related activities that affect the lodging, real estate, and travel industries, and, more specifically, to the timeshare industry, such as zoning laws, real estate development regulations, and consumer privacy;
- uncertainties as to local laws regarding, and enforcement of, contract and intellectual property rights;
- forced nationalization of resort properties by local, state or national governments;
- different social or cultural norms and practices that are not customary in the U.S.; and
- the difficulties involved in managing an organization doing business in different countries.

These and other factors may materially adversely affect our business generally, future expansion plans, revenues from international operations, and costs and profits, as well as our financial condition, Moreover, our experience operating internationally is limited to certain markets. Expansion of our international operations into other countries and territories may result in greater inefficiencies in navigating the risks of operating internationally and could result in greater effects on our business than would be experienced by a company with greater international experience.

Further, because we market our U.S. properties and our international properties in Europe, instability of the Eurozone, has resulted in concerns regarding the suitability of a shared currency for the region, which could lead to the reintroduction of individual currencies for member states. If this were to occur, certain of our Euro-denominated assets and liabilities would be re-denominated to such individual currencies, which could result in a mismatch in the values of assets and liabilities and expose us and certain of our investments to additional currency risks. Even if the Euro is maintained, continued concerns regarding the stability of the Eurozone, including potential consequences of the United Kingdom's exit from the European Union, and the potential effects of government intervention intended to address it could materially adversely affect our business.

Similarly, we market our U.S. and international properties in Japan, have begun developing property in Japan, and intend to continue the expansion of our operations in Japan. The Japanese economy has in recent years experienced periods of fiscal and economic volatility, including prior to the COVID-19 pandemic, and we may be unable to properly predict the effect of such volatility, including the actions that may be taken by the Japanese government, in a way that fully mitigates the impact of such volatility on our marketing activities and businesses in Japan.

We rely on highly skilled personnel and, if we are unable to retain or motivate key personnel, hire qualified personnel, or maintain our corporate culture, we may not be able to grow effectively.

Our performance largely depends on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of our organization. Competition in our industry for qualified employees is intense, and certain of our competitors have directly targeted our employees. In addition, our compensation arrangements may not always be successful in attracting new employees and retaining and motivating our existing employees. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees.

In addition, we believe that our corporate culture fosters innovation, creativity, and teamwork. As our organization grows, and we are required to implement more complex organizational management structures, we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture. This could negatively affect our future success.

The growth of our business and the execution of our business strategies depend on the services of our management team and our employees.

We believe that our future growth depends, in part, on the continued services of our management team, and on our ability to attract and retain key officers and other highly qualified personnel. Competition for such personnel is intense. There can be no assurance that we will be successful in retaining and attracting management and other highly qualified personnel. The loss of any members of our management team could adversely affect our strategic, member and guest relationships and impede our ability to execute our business strategies.

In addition, insufficient numbers of talented employees at our properties could constrain our ability to maintain our current levels of business or expand our business. We compete with other companies both within and outside of our industry for talented personnel across a diverse array of operating disciplines. If we cannot recruit, train, develop or retain sufficient numbers of talented employees, we could experience increased employee turnover, decreased member and guest satisfaction, low morale, inefficiency or internal control failures, which could materially reduce our profits.

Third-party reservation channels may negatively affect our bookings for room rental revenues.

Some stays at the properties we manage are booked through third-party internet travel intermediaries, such as expedia.com, orbitz.com and booking.com, as well as lesser-known and/or newly emerging online travel service providers. As the percentage of internet bookings increases, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us. Moreover, some of these internet travel intermediaries are attempting to commoditize lodging, by increasing the importance of price and general indicators of quality (such as "three-star property") at the expense of brand identification. These intermediaries also generally employ aggressive marketing strategies, including expending significant resources for online and television advertising campaigns to drive consumers to their websites. Additionally, consumers can book stays at the properties we manage through other distribution channels, including travel agents, travel membership associations and meeting procurement firms. Over time, consumers may develop loyalties to these third-party reservation systems rather than to our booking channels. Although we expect to derive most of our business from traditional channels and our websites (and those of Hilton), our business and profitability could be adversely affected if customer loyalties change significantly, diverting bookings away from our distribution channels.

Changes to estimates or projections used to assess the fair value of our assets, or operating results that are lower than our current estimates at certain locations, may cause us to incur impairment losses that could adversely affect our results of operations.

Our total assets include intangible assets with finite useful lives and long-lived assets, principally property and equipment and VOI inventory. We evaluate our intangible assets with finite useful lives and long-lived assets for impairment when circumstances indicate that the carrying amount may not be recoverable. Our evaluation of impairment requires us to make certain estimates and assumptions including projections of future results. After performing our evaluation for impairment, including an analysis to determine the recoverability of long-lived assets, we will record an impairment loss when the carrying value of the underlying asset, asset group or reporting unit exceeds its fair value. We carry our VOI inventory at the lower of cost or estimated fair value, less costs to sell. If the estimates or assumptions used in our evaluation of impairment or fair value change, we may be required to record impairment losses on certain of these assets. If these impairment losses are significant, our results of operations would be adversely affected.

Our insurance policies may not cover all potential losses.

We maintain insurance coverage for liability, property, business interruption, cyber liability and other risks with respect to business operations. While we have comprehensive property and liability insurance policies with coverage features and insured limits that we believe are customary, market forces beyond our control may limit the scope of the insurance coverage we can obtain or our ability to obtain coverage at reasonable rates. The cost of our insurance may increase, and our coverage levels may decrease, which may affect our ability to maintain customary insurance coverage and deductibles at acceptable costs. There is a limit as well as various sub-limits on the amount of insurance proceeds we will receive in excess of applicable deductibles. If an insurable event occurs that affects more than one of our properties, the claims from each affected property may be considered together to determine whether the per occurrence limit, annual aggregate limit or sub-limits, depending on the type of claim, have been reached. If the limits or sub-limits are exceeded, each affected property may only receive a proportional share of the amount of insurance proceeds provided for under the policy. Further, certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, war, terrorist acts, such as biological or chemical terrorism, political risks, some environmental hazards and/or natural or manmade disasters, may be outside the general coverage limits of our policy, subject to large deductibles, deemed uninsurable or too cost-prohibitive to justify insuring against. In addition, in the event of a substantial loss, the insurance coverage we carry may not be sufficient to pay the full market value or replacement cost of the affected resort or in some cases may not provide a recovery for any part of a loss. As a result, we could lose some or all the capital we have invested in a property, as well as the anticipated future marketing, sales or revenue opportunities from the property. Further, we could remain obligated under guarantees or other financial obligations related to the property despite the loss of product inventory, and our members could be required to contribute toward deductibles to help cover losses.

Risks Related to the Sale of VOIs

A decline in developed or acquired VOI inventory or our failure to enter into and maintain fee-for-service agreements may have an adverse effect on our business or results of operations.

In addition to VOI supply that we develop or acquire, we source VOIs through fee-for-service agreements with third-party developers. If we fail to develop timeshare properties, acquire inventory or are unsuccessful in entering into new agreements with third-party developers, we may experience a decline in VOI supply, which could result in a decrease in our revenues. Approximately 77 percent of our contract sales were from capital-efficient sources for the year ended December 31, 2020. As part of our strategy to optimize our sales mix of capital-efficient inventory, we will continue to acquire inventory and enter into additional fee-for-service agreements to source inventory. These arrangements may expose us to additional risk as we will not control development activities or timing of development completion. If third parties with whom we enter into agreements are not able to fulfill their obligations to us, the inventory we expect to acquire or market and sell on their behalf may not be available on time or at all, or may not otherwise be within agreed-upon specifications, including the specifications that we must meet in order to use Hilton's trademarks at such properties. If our counterparties do not perform as expected and we do not have access to the expected inventory or obtain access to inventory from alternative sources on a timely basis, our ability to achieve sales goals may be adversely affected.

In addition, a decline in VOI supply could result in a decrease of financing revenues that are generated by VOI purchases and fee and rental revenues that are generated by our resort and Club management services.

Our ability to source VOI inventory and finance VOI sales may be impaired if we or the third-party developers with whom we do business are unable to access capital when necessary.

The availability of funds for new investments, primarily developing, acquiring or repurchasing VOI inventory, depends in part on liquidity factors and capital markets over which we can exert little, if any, control. Instability in the financial markets and any resulting contraction of available liquidity and leverage could constrain the capital markets for investments in timeshare products. In addition, we intend to access the securitization markets to securitize our timeshare financing receivables. Any future deterioration in the financial markets could preclude, limit, delay or increase the cost to us of future securitizations. Instability in the financial markets could also affect the timing and volume of any securitizations we undertake, as well as the financial terms of such securitizations. Any indebtedness we incur, including indebtedness under these facilities, may adversely affect our ability to obtain any additional financing necessary to develop or acquire additional VOI inventory, to make other investments in our business, or to repurchase VOIs on the secondary market. Furthermore, volatility in the financial markets, due to tightening of underwriting standards by lenders and credit rating agencies, among other things, could result in less availability of credit and increased costs for what is available. As a result, we may not be able to obtain financing on attractive terms or at all. If our overall cost of borrowing increases, the increased costs would likely reduce future cash flow available for distribution, affecting our growth and development plans.

We also require the issuance of surety bonds in connection with our real estate development and VOI sales activity. The availability, terms and conditions and pricing of our bonding capacity is dependent on, among other things, continued financial strength and stability of the insurance company affiliates providing the bonding capacity, general availability of such capacity, and our corporate credit rating. If bonding capacity is unavailable, or alternatively, if the terms and conditions and pricing of such bonding capacity are unacceptable to us, our business could be negatively affected.

We have and will continue to enter into fee-for-service agreements with third-party developers to source inventory. These agreements enable us to generate fees from the marketing and sales services we provide, Club memberships and from the management of the timeshare properties without requiring us to fund acquisition and construction costs. If these developers are not able to obtain or maintain financing necessary for their operations, we may not be able to enter into these arrangements, which would limit opportunities for growth and reduce our revenues.

The sale of VOIs in the secondary market by existing members could cause our sales revenues and profits to decline.

Existing members have offered, and are expected to continue to offer, their VOIs for sale on the secondary market. The sale of VOIs has been made easier by recent development of virtual marketplaces assisting members with the sale of their VOIs. The prices at which these intervals are sold are typically less than the prices at which we would sell the intervals. As a result, these sales create additional pricing pressure on our sale of VOIs, which could cause our sales revenues and profits to decline. In addition, if the secondary market for VOIs becomes more organized or financing for such resales becomes more available, our ability to sell VOIs could be adversely affected and/or the resulting availability of VOIs (particularly where the VOIs are available for sale at lower prices than the prices at which we would sell them) could adversely affect our sales revenues. Further, unlawful or deceptive third-party VOI resale or vacation package sales schemes could damage the reputation of the industry, our reputation and brand value, or affect our ability to collect management fees, which may adversely affect our revenues and results of operations.

Development of a strong secondary market may also cause a decline in the volume of VOI inventory that we are able to repurchase, which could adversely affect our development margin, as we utilize this low-cost inventory source to supplement our inventory needs and help manage our cost of vacation ownership products.

We have limited underwriting standards due to the real-time nature of industry sales practices, and do not include traditional ability-to-pay factors such as income verification which may affect loan default rates. If purchasers default on the loans that we provide to finance their VOI purchases, our revenues, cash flows and profits could be reduced.

We originate loans for purchasers of our VOIs who qualify according to our credit criteria. Our underwriting standards generally employ FICO® score-based standards, down payment ratios, and borrowing history, but due to the real-time nature of industry sales practices, do not include certain traditional ability-to-pay factors, such as income verification.

Providing secured financing to some purchasers of VOIs subjects us to the risk of purchaser default. As of December 31, 2020, our consumer loan portfolio had a balance of approximately $1.2 billion and experienced default rates of 6.34 percent, 5.14 percent and 4.71 percent for the fiscal years ended December 31, 2020, 2019 and 2018, respectively. If a purchaser defaults under the financing that we provide, we could be forced to write off the loan and reclaim ownership of the VOI. We may be unable to resell the property in a timely manner or at a price sufficient to allow us to recover written-off loan balances, or at all. Also, if a purchaser of a VOI defaults on the related loan during the early part of the amortization period, we may not have recovered the marketing, selling and general and administrative costs associated with the sale of that VOI. If we are unable to recover any of the principal amount of the loan from a defaulting purchaser, or if the allowances for losses from such defaults are inadequate, our revenues and profits could be reduced.

If default rates increase beyond current projections and result in higher than expected foreclosure activity, our results of operations could be adversely affected. In addition, the transactions in which we have securitized timeshare financing receivables in the capital markets contain certain portfolio performance requirements related to default, delinquency and recovery rates, which, if not met, would result in loss or disruption of cash flow until portfolio performance sufficiently improves to satisfy the requirements.

If the default rates or other credit metrics underlying our timeshare financing receivables deteriorate, our timeshare financing receivable securitization program could be adversely affected.

Our timeshare financing receivable securitization program could be adversely affected if any pool of timeshare financing receivables fails to meet certain performance ratios, which could occur if the default rate or other credit metrics of the underlying timeshare financing receivables deteriorate. In addition, if we offer timeshare financings to our customers with terms longer than those generally offered in the industry, we may not be able to securitize those timeshare financing receivables. Our ability to sell securities backed by our timeshare financing receivables depends on the continued ability and willingness of capital market participants to invest in such securities. Asset-backed securities issued in our timeshare financing receivable securitization program could be downgraded by credit agencies in the future. If a downgrade occurs, our ability to complete other securitization transactions on acceptable terms or at all could be jeopardized, and we could be forced to rely on other potentially more expensive and less attractive funding sources, to the extent available. Similarly, if other operators of vacation ownership products were to experience significant financial difficulties, or if the timeshare industry as a whole were to contract, we could experience difficulty in securing funding on acceptable terms. The occurrence of any of the foregoing would decrease our profitability and might require us to adjust our business operations, including by reducing or suspending our provision of financing to purchasers of VOIs. Sales of VOIs may decline if we reduce or suspend the provision of financing to purchasers, which may adversely affect our cash flows, revenues and profits.

The expiration, termination or renegotiation of our management agreements could adversely affect our cash flows, revenues and profits.

We enter into management agreements with the HOAs for the timeshare resorts developed/acquired by us or by third parties with whom we have entered into fee-for-service agreements. Our management agreements generally provide for a cost-plus management fee equal to 10 percent to 15 percent of the costs to operate the applicable resort. We also receive revenues that represent reimbursement for the costs incurred to perform our services, principally related to personnel providing on-site services. The original term of our management agreements is typically governed by state timeshare laws, and ranges from three to five years, and many of these agreements renew automatically for one- to three-year periods, unless either party provides advance notice of termination before the expiration of the term. Although none of the management agreements relating to our developed, just-in-time or fee-for-service properties have been terminated or lapsed since our inception, any of these agreements may expire at the end of its then-current term (following notice by a party of non-renewal) or be terminated, or the contract terms may be renegotiated in a manner adverse to us. If a management agreement is terminated or not renewed on favorable terms, our cash flows, revenues and profits could be adversely affected.

Disagreements with VOI owners, HOAs and other third parties may result in litigation and/or loss of management contracts.

The nature of our responsibilities in managing timeshare properties may from time to time give rise to disagreements with VOI owners and HOAs. To develop and maintain positive relations with current and potential VOI owners and HOAs, we seek to resolve any disagreements, but may not always be able to do so. Failure to resolve such disagreements may result in litigation. Further, disagreements with HOAs could also result in the loss of management contracts, a significant loss of which could negatively affect our profits or limit our ability to operate our business, and our ongoing ability to generate sales from our existing member base may be adversely affected.

In the normal course of our business, we are involved in various legal proceedings and in the future we could become the subject of claims by current or former members, VOI owners, HOAs, persons to whom we market our products, third-party developers, guests who use our properties, our employees or contractors, our investors or regulators. The outcome of these proceedings cannot be predicted. If any such litigation results in a significant adverse judgment, settlement or court order, we could suffer significant losses, our profits could be reduced, our reputation could be harmed and our future ability to operate our business could be constrained.

Failure of HOA boards to levy sufficient fees, or the failure of members to pay those fees, could lead to inadequate funds to maintain or improve the properties we manage.

Owners of our VOIs and those we sell on behalf of third-party developers must pay maintenance fees levied by HOA boards, which include reserve amounts for capital replacements and refurbishments. These maintenance fees are used to maintain and refurbish the timeshare properties and to keep the properties in compliance with applicable Hilton standards and policies. If HOA boards do not levy sufficient maintenance fees, including capital reserves required by applicable law, or fail to manage their reserves appropriately, or if members do not pay their maintenance fees, the timeshare properties could fall into disrepair and fail to comply with applicable standards and policies, and/or state regulators could impose requirements, obligations and penalties. A decline in the quality or standards of the resorts we manage would negatively affect our ability to attract new members and maintain member satisfaction. In addition, if a resort fails to comply with applicable standards and policies because maintenance fees are not paid or otherwise, Hilton could terminate our rights under the license agreement to use its trademarks at the non-compliant resort, which could result in the loss of management fees, and could decrease member satisfaction and impair our ability to market and sell our products at the non-compliant locations.

If maintenance fees at our resorts are required to be increased, our product could become less attractive and our business could be harmed.

The maintenance fees that are levied by HOA boards on VOI owners may increase as the costs to maintain and refurbish the timeshare properties and to keep the properties in compliance with Hilton brand standards increase. Increased maintenance fees could make our products less desirable, which could have a negative effect on VOI sales. Further, if our maintenance fees increase substantially year over year or are not competitive with other VOI providers, we may not be able to attract new members or retain existing members.

Risks Related to Technology and Cybersecurity

A failure to keep pace with developments in technology could impair our operations, competitive position or reputation.

Our business model and competitive conditions in the timeshare industry demand the use of sophisticated technology and systems, including those used for our marketing, sales, reservation, inventory management and property management systems, and technologies we make available to our members and more generally to support our business. In particular, an increasing number of potential customers select products based on the providers' technology and ease of interfacing with the provider. We must refine, update and/or replace these technologies and systems with more advanced systems on a regular basis. If we cannot do so as quickly as our competitors or within budgeted costs and time frames, our business could suffer. We also may not achieve the benefits that we anticipate from any new technology or system, and a failure to do so could result in higher than anticipated costs or could harm our operating results.

Social media influences how consumers search for vacation information and make decisions to purchase vacation-related products and services. Lack of awareness or understanding of and the failure to effectively manage, and the costs associated with our management of social media content regarding our products and services could have a material adverse effect on VOI sales, revenues and our operating results.

Social media has become an increasingly influential aspect of tourism, changing the way consumers search, evaluate, rank and purchase vacation products and services. In particular, social media plays a role in the pre-vacation phase, when consumers employ social media in the planning, information search, and the decision-making stages. Providers are no longer the primary spokesperson regarding the quality of their brands and products. Online reviews about vacation resorts play an increasing role in helping today's consumers evaluate and make vacation decisions by providing positive and negative reviews and indirect customer-to-customer communication. Consumers may find traveler-generated content more trustworthy than information on provider websites and advertising. Vacation decisions are influenced by both negative customer reviews, and by the lack of positive reviews.

The proliferation and global reach of social media continue to expand rapidly and could cause us to suffer reputational harm. The continuing evolution of social media presents new challenges and requires us to keep pace with new developments, technology and trends. Negative posts or comments about us, sales practices, the properties we manage, the Hilton brands, or the timeshare industry generally, on any social networking or user-generated review website, including travel and/or vacation property websites, could affect consumer opinions of us and our products; and we cannot guarantee that we will timely or adequately redress such instances. The failure to appreciate the importance of content on social media or failing to take action that generates positive content, minimizes negative content, and addresses areas of nonexistent content, could have a material adverse effect on VOI sales, revenues and our operating results. In addition, we may be required to devote significant resources to social media management programs, which could result in increased costs to us.

Our increasing reliance on information technology and other systems subjects us to risks associated with cyber-security. Cyber-attacks or our failure to maintain the security and integrity of company, employee, associate, customer or third-party data could have a disruptive effect on our business and adversely affect our reputation and financial performance.

We rely heavily on computer, Internet-based and mobile information and communications systems operated by us or our service providers to collect, process, transmit and retain large volumes of customer data, including credit card numbers and other personally identifiable information, reservation information and mailing lists, as well as personally identifiable information of our employees. There has been an increase in the number and sophistication of criminal cyber-security attacks against companies where customer and other sensitive information has been compromised. Our information systems and records, including those we maintain with our service providers, have been, and likely will continue to be, subject to such cyber-attacks, which include efforts to hack or breach security measures in order to obtain or misuse information, phishing attempts, viruses or other malicious codes, "ransomware" or other malware. In addition, increasingly complex systems and software are subject to failure, operator error or malfeasance, or inadvertent releases of data that may materially impact our information systems and records. For instance, security breaches could result in the dissemination of member and guest credit card information, which could lead to affected members and guests experiencing fraudulent charges. To date, we have seen no material impact on our business or operations from these attacks or events. However, the ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate and adapt our respective systems and processes and overall security environment, as well as those of any companies we may acquire. There is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises or misuses of data.

The integrity and protection of customer and employee data is critical to us. We could make faulty decisions if that data is inaccurate or incomplete. Customers and employees also have a high expectation that we and our service providers will adequately protect their personal information. A significant theft, loss, loss of access to, or fraudulent use of customer, employee, or company data could adversely impact our reputation, and could result in significant remedial and other expenses, fines, and/or litigation. Breaches in the security of our information systems or those of our service providers or other disruptions in data services could lead to an interruption in the operation of our systems or require us to consider changes to our customer data or payment systems, resulting in operational inefficiencies, additional expense and a loss of profits.

Our collection and use of customer information are governed by extensive and evolving privacy laws and regulations that are constantly evolving and may differ significantly depending on jurisdiction. Compliance with these laws and regulations involves significant costs, which may increase in the future and which may negatively impact our ability to provide services to our customers, and a failure by us or our service providers to comply with privacy regulations may subject us to significant remedial and other expenses, fines, or litigation, as well as restrictions on our use or transfer of data.

Many jurisdictions have enacted or are enacting laws requiring companies to notify regulators or individuals of data security incidents involving certain types of personal data. These mandatory disclosures regarding security incidents often lead to widespread negative publicity, and the risk of reputational harm may be magnified and/or distorted through the rapid dissemination of information over the internet, including through news articles, blogs, chat rooms, and social media sites. Any security incident, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our data security measures, negatively impact our ability to attract or retain customers, or subject us to third-party lawsuits, regulatory fines or other action or liability, which could materially and adversely affect our business and operating results.

Our business could be subject to stricter obligations and, greater fines and private causes of action under the enactment of new data privacy laws, including but not limited to, the European Union General Data Protection Regulation, enacted on May 25, 2018, and the California Consumer Privacy Act, enacted on January 1, 2020. Our systems and the systems operated by our service providers may be unable to satisfy changing regulatory requirements and customer and employee expectations and/or may require significant additional investments or time to do so.

The steps we take to deter and mitigate risks related to cyber-security may not provide the intended level of protection. In particular, it may be difficult to anticipate or immediately detect such incidents and the damage caused thereby. We may be required to expend significant additional resources in the future to modify and enhance our protective measures. Although we carry cyber/privacy liability insurance that is designed to protect us against certain losses related to cyber-security risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise in connection with cyber-attacks, security breaches, and other related breaches. In addition, the third party service providers on which we rely face cyber-security risks, some of which may be different than the risks we face, and we do not directly control any of such service providers' information security operations, including the efforts that they may take to mitigate risks or the level of cyber/privacy liability insurance that they may carry.

Risks Related to Legal and Regulatory Requirements

Our business is regulated under a wide variety of laws, regulations and policies in the United States and abroad, and failure to comply with these regulations could adversely affect our business.

Our business is subject to extensive regulation, and any failure to comply with applicable laws and regulations could have a material adverse effect on our business. Our real estate development activities, for example, are subject to laws and regulations typically applicable to real estate development, subdivision and construction activities, such as laws relating to zoning, entitlement, permitting, land use restrictions, environmental regulation, title transfers, title insurance, taxation and eminent domain. Failure to comply with the laws could result in legal liability or result in substantial costs related to environmental or other remediation. Laws in some jurisdictions also impose liability on property developers for construction defects discovered or repairs made by future owners of property developed by the developer. In addition, the sales of VOIs must be registered with governmental authorities in most jurisdictions in which we do business. The preparation of VOI registrations requires time and cost, and in many jurisdictions the exact date of registration approval cannot be accurately predicted. Various laws also govern our lending activities and our resort management activities, including the laws described in "*Business—Government Regulation*."

A number of laws govern our marketing and sales activities, such as timeshare and land sales acts, fair housing statutes, anti-fraud laws, sweepstakes laws, real estate licensing laws, telemarketing laws, home solicitation sales laws, tour operator laws, seller of travel laws, securities laws, consumer privacy laws and consumer protection laws. In addition, laws in many jurisdictions in which we sell VOIs grant the purchaser of a VOI the right to cancel a purchase contract during a specified rescission period.

In recent years, telemarketing legislation has significantly increased the costs associated with telemarketing. We have implemented procedures that we believe will help reduce the possibility of violating such laws, however, such procedures may not be effective in ensuring regulatory compliance. In addition, because we are now an independent company from Hilton, it may be more difficult for us to utilize customer information we obtain from Hilton in the future for marketing purposes.

Under the Americans with Disabilities Act of 1990 and the Accessibility Guidelines promulgated thereunder, which we refer to collectively as the ADA, all public accommodations must meet various federal requirements related to access and use by disabled persons. Compliance with ADA's requirements could require removal of access barriers, and non-compliance could result in the U.S. government imposing fines or in private litigants winning damages. Our properties also are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. Furthermore, various laws govern our resort management activities, including laws and regulations regarding community association management, public lodging, food and beverage services, liquor licensing, labor, employment, health care, health and safety, accessibility, discrimination, immigration, gaming and the environment (including climate change).

Our lending activities are also subject to a number of laws and regulations, including laws and regulations related to consumer loans, retail installment contracts, mortgage lending, fair debt collection and credit reporting practices, consumer collection practices, contacting debtors by telephone, mortgage disclosure, lender licenses and money laundering.

We may not be successful in maintaining compliance with all laws, regulations and policies to which we are currently subject, and such compliance is expensive and time consuming. We do not know whether existing requirements will change or whether compliance with future requirements, including regulatory requirements in new geographic areas into which we expand would require significant unanticipated expenditures that would affect our cash flow and results of operations. Failure to comply with current or future applicable laws, regulations and policies could have a material adverse effect on our business. For example, if we do not comply with applicable laws, regulations and policies, governmental authorities in the jurisdictions where the violations occurred may revoke or refuse to renew licenses or registrations necessary to operate our business. Failure to comply with applicable laws, regulations and policies could also render sales contracts for our products void or voidable, subject us to fines or other sanctions, and increase our exposure to litigation.

Changes in privacy law could adversely affect our ability to market our products effectively.

We rely on a variety of direct marketing techniques, including telemarketing, email and social media marketing and postal mailings, and we are subject to various laws and regulations in the United States and internationally that govern marketing and advertising practices. Adoption of new state or federal laws regulating marketing and solicitation, or international data protection laws that govern these activities, or changes to existing laws, such as the Telemarketing Sales Rule, the Telephone Consumer Protection Act, and the CAN-SPAM Act of 2003, could adversely affect current or planned marketing activities and cause us to change our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could affect the amount and timing of our VOI sales. We also obtain access to potential members and guests from travel service providers or other companies, including Hilton; and we market to some individuals on these lists directly or through other companies' marketing materials. If access to these lists were prohibited or otherwise restricted, including access to Hilton Honors loyalty program member information, our ability to access potential members and guests and introduce them to our products could be significantly impaired. Additionally, because our relationship with Hilton has changed, it may be more difficult for us to utilize customer information we obtain from Hilton in the future.

United States or foreign environmental laws and regulations may cause us to incur substantial costs or subject us to potential liabilities.

We are subject to certain compliance costs and potential liabilities under various U.S. federal, state and local and foreign environmental, health and safety laws and regulations. These laws and regulations govern actions including air emissions, the use, storage and disposal of hazardous and toxic substances, and wastewater disposal. Our failure to comply with such laws, including any required permits or licenses, could result in substantial fines, penalties, litigation or possible revocation of our authority to conduct some of our operations. We could also be liable under such laws for the costs of investigation, removal or remediation of hazardous or toxic substances at our currently or formerly owned real property or at third-party locations in connection with our waste disposal operations, regardless of whether or not we knew of, or caused, the presence or release of such substances. From time to time, we may be required to remediate such substances or remove, abate or manage asbestos, mold, radon gas, lead or other hazardous conditions at our properties. The presence or release of such toxic or hazardous substances could result in third-party claims for personal injury, property or natural resource damages, business interruption or other losses. Such claims and the need to investigate, remediate or otherwise address hazardous, toxic or unsafe conditions could adversely affect our operations, the value of any affected real property, or our ability to sell, lease or assign our rights in any such property, or could otherwise harm our business or reputation. Environmental, health and safety requirements have also become increasingly stringent, and our costs may increase as a result.

Some U.S. states and various countries are considering or have undertaken actions to regulate and reduce greenhouse gas emissions. New or revised laws and regulations, or new interpretations of existing laws and regulations, such as those related to climate change, could affect the operation of the properties we manage or result in significant additional expense and operating restrictions on us. The cost of such legislation, regulation or new interpretations would depend upon the specific requirements enacted and cannot be determined at this time.

Changes in U.S. federal, state and local or foreign tax law, interpretations of existing tax law, or adverse determinations by tax authorities, could increase our tax burden or otherwise adversely affect our financial condition or results of operations.

We are subject to taxation at the federal, state and local levels in the United States and various other countries and jurisdictions. Our future effective tax rate could be affected by changes in the composition of earnings in jurisdictions with differing tax rates, changes in statutory rates and other legislative changes, changes in the valuation of our deferred tax assets and liabilities, or changes in determinations regarding the jurisdictions in which we are subject to tax. From time to time, the U.S. federal, state and local and foreign governments make substantive changes to tax rules and their application, which could result in materially higher corporate taxes than would be incurred under existing tax law and could adversely affect our financial condition or results of operations. Changes in the non-income tax rates to which we are subject could also have an adverse effect on the maintenance fees charged to our members, which could result in materially lower sales and higher operating costs.

The U.S. tax legislation enacted on December 22, 2017 represented a significant overhaul of the United States federal tax code. This tax legislation significantly reduced the U.S. statutory corporate tax rate and made other changes that could have a favorable impact on our overall U.S. federal tax liability in a given period. However, the tax legislation also included a number of provisions, including, but not limited to, the limitation or elimination of various deductions or credits, the imposition of taxes on certain cross-border payments or transfers, the changing of the timing of the recognition of certain income and deductions or their character, and the limitation of asset basis under certain circumstances, that could significantly and adversely affect our U.S. federal income tax position. There can be no assurance that changes in tax laws or regulations, both within the U.S. and the other jurisdictions in which we operate, will not materially and adversely affect our effective tax rate, tax payments, financial condition and results of operations. Similarly, changes in tax laws and regulations that impact our customers and counterparties, or the economy generally may also impact our financial condition and results of operations.

Tax laws and regulations are complex and subject to varying interpretations and any significant failure to comply with applicable tax laws and regulations in all relevant jurisdictions could give rise to substantial penalties and liabilities. Any changes in enacted tax laws (such as the recent U.S. tax legislation), rules or regulatory or judicial interpretations or any change in the pronouncements relating to accounting for income taxes could materially and adversely impact our effective tax rate, tax payments, financial condition and results of operations.

In addition, we are subject to ongoing and periodic tax audits and disputes in U.S. federal and various state, local and foreign jurisdictions. An unfavorable outcome from any tax audit could result in higher tax costs, penalties and interest, and could materially and adversely affect our financial condition or results of operations.

Failure to comply with laws and regulations applicable to our international operations may increase costs, reduce profits, limit growth or subject us to broader liability.

Our business operations in countries outside the United States are subject to a number of laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act ("FCPA"), as well as trade sanctions administered by the Office of Foreign Assets Control ("OFAC"). The FCPA is intended to prohibit bribery of foreign officials and requires us to keep books and records that accurately and fairly reflect our transactions. OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. Although we have policies in place designed to comply with applicable sanctions, rules and regulations, it is possible that the timeshare properties we own or manage in the countries and territories in which we operate may provide services to or receive funds from persons subject to sanctions. In addition, some of our operations may be subject to the laws and regulations of non-U.S. jurisdictions, including the U.K.'s Bribery Act of 2010, which contains significant prohibitions on bribery and other corrupt business activities, and other local anti-corruption laws in the countries and territories in which we conduct operations.

If we fail to comply with these laws and regulations, we could be exposed to claims for damages, financial penalties, reputational harm and incarceration of employees or restrictions on our operation or ownership of timeshare and other properties, including the termination of ownership and management rights. In addition, in certain circumstances, the actions of parties affiliated with us (including Hilton, third-party developers, and our and their respective employees and agents) may expose us to liability under the FCPA, U.S. sanctions or other laws. These restrictions could increase costs of operations, reduce profits or cause us to forgo development opportunities that would otherwise support growth.

Under the Iran Threat Reduction and Syria Human Rights Act of 2012 ("ITRSHRA"), we are required to report whether we or any of our "affiliates" knowingly engaged in certain specified activities during a period covered by one of our Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q. We may engage in specified dealings or transactions involving Iran or other individuals and entities targeted by certain OFAC sanctions that would require disclosure pursuant to Section 219 of ITRSHRA. In addition, because the SEC defines the term “affiliate” broadly, it includes any entity controlled by us as well as any person or entity that controls us or is under common control with us. Disclosure of such activities, even if such activities are permissible under applicable law, and any sanctions imposed on us or our affiliates as a result of these activities could harm our reputation and the Hilton brands we use and have a negative effect on our results of operations.

The recently enacted European Union (“EU”) General Data Protection Regulation (the “GDPR”) imposes significant obligations to businesses that sell products or services to EU customers or otherwise control or process personal data of EU residents. Complying with the GDPR could increase our compliance cost, or adversely impact the marketing of our products and services to customers in the EU and our overall business. In addition, the GDPR imposes fines and penalties for noncompliance, including fines of up to 4 percent of annual worldwide revenue. If we fail to comply with the requirements of the GDPR, we could face significant administrative and monetary sanctions, which could materially adversely impact our results of operations and financial condition.

Changes to accounting rules or regulations may adversely affect our reported financial condition and results of operations.

New accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. A change in accounting rules or regulations may require retrospective application and affect our reporting of transactions completed before the change is effective, and future changes to accounting rules or regulations may adversely affect our reported financial condition and results of operations. See Note 2: *Basis of Presentation* and *Summary of Significant Accounting Policies* in our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for a summary of accounting standards issued but not yet adopted.

Risks Related to Our Indebtedness

Our substantial indebtedness and other contractual obligations could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy or our industry and our ability to pay our debts, and could divert our cash flow from operations for debt payments.

As of December 31, 2020, our total indebtedness was approximately $1.9 billion. Our substantial debt and other contractual obligations could have important consequences, including:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures, dividends to stockholders and to pursue future business opportunities;
- increasing our vulnerability to adverse economic, industry or competitive developments;
- exposing us to increased interest expense, as our degree of leverage may cause the interest rates of any future indebtedness (whether fixed or floating rate interest) to be higher than they would be otherwise;
- exposing us to the risk of increased interest rates because certain of our indebtedness is at variable rates of interest;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants, could result in an event of default that accelerates our obligation to repay indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, satisfaction of debt service requirements, acquisitions and general corporate or other purposes; and

- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who may be better positioned to take advantage of opportunities that our leverage prevents us from exploiting.

For additional discussion on our indebtedness, see "Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities*," and Note 15: *Debt & Non-recourse Debt* in our audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Certain of our debt agreements and instruments impose significant operating and financial restrictions on us, our restricted subsidiaries and the guarantors of our indebtedness, which may prevent us from capitalizing on business opportunities.

The debt agreements and instruments that govern our outstanding indebtedness impose significant operating and financial restrictions on us, certain of our subsidiaries and guarantors of our indebtedness. These restrictions limit our ability and/or the ability of our restricted subsidiaries to, among other things:

- incur or guarantee additional debt or issue disqualified stock or preferred stock;
- pay dividends (including to us) and make other distributions on, or redeem or repurchase, capital stock;
- make certain investments;
- incur certain liens;
- enter into transactions with affiliates;
- merge or consolidate;
- enter into agreements that restrict the ability of restricted subsidiaries to make dividends or other payments to us;
- designate restricted subsidiaries as unrestricted subsidiaries; and
- transfer or sell assets.

In addition, our credit agreement related to our senior secured credit facilities contains affirmative covenants that will require us to be in compliance with certain leverage and financial ratios.

As a result of these restrictions, we are limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any other future indebtedness we may incur could include more restrictive covenants. We may not be able to maintain compliance with these covenants in the future and, if we fail to do so, we may not be able to obtain waivers from the lenders and/or amend the covenants.

Our failure to comply with the restrictive covenants described above, as well as other terms of our other indebtedness and/or the terms of any future indebtedness from time to time, could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or are unable to refinance these borrowings, our financial condition and results of operations could be adversely affected.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.

Interest rates may increase in the future. As a result, interest rates on our revolving credit facility or other variable rate debt offerings could be higher or lower than current levels. As of December 31, 2020, we had approximately $837 million of variable rate debt, representing 43 percent of our total debt. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase, even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. In addition, the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities. Although there have been a few issuances utilizing SOFR or the Sterling Over Night Index Average, an alternative reference rate that is based on transactions, it is unknown whether these alternative reference rates will attain market acceptance as replacements for LIBOR.

If LIBOR ceases to exist, we may need to renegotiate our revolving credit facility, which utilizes LIBOR as a factor in determining the interest rate, to replace LIBOR with the new standard that is established. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our cost of capital and net investment income cannot yet be determined.

Servicing our indebtedness requires a significant amount of cash. Our ability to generate sufficient cash depends on many factors, some of which are not within our control.

Our ability to make payments on our indebtedness will depend on our ability to generate cash in the future. Our ability to generate cash depends on our financial and operating performance, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In particular, compliance with state and local laws applicable to our business, including those relating to deeds, title transfers and certain other regulations applicable to sales of VOIs, may at times delay or hinder our ability to access cash flows generated by our VOI sales. If we are unable to generate and access sufficient cash flow to service our debt and meet our other commitments, we may need to restructure or refinance all or a portion of our debt, sell material assets or operations or raise additional debt or equity capital. We may not be able to effect any of these actions on a timely basis, on commercially reasonable terms or at all, and these actions may not be sufficient to meet our capital requirements. In addition, the terms of our existing or future debt arrangements may restrict us from effecting any of these alternatives.

Our failure to comply with the agreements relating to our outstanding indebtedness could result in an event of default that could materially and adversely affect our results of operations and our financial condition.

If there were an event of default under any of the agreements relating to our outstanding indebtedness, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flows would be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default. Further, if we are unable to repay, refinance or restructure our indebtedness under our secured debt, the holders of such debt could proceed against the collateral securing that indebtedness. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our other debt instruments. Any such default could materially and adversely affect our results of operations and our financial condition.

Repayment of our debt is dependent on cash flow generated by our subsidiaries, which may be subject to limitations beyond our control.

Our subsidiaries own a substantial portion of our assets and conduct a substantial portion of our operations. Accordingly, repayment of our indebtedness is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise.

Our subsidiaries generally do not have any obligation to pay amounts due on our indebtedness or to make funds available to us for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While limitations on our subsidiaries restrict their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In addition, certain of our subsidiaries are party to debt agreements that contain restrictions on their ability to pay dividends or make other intercompany payments to us and may in the future enter into agreements that include additional contractual restrictions on their ability to make any such payments to us.

In the event that we are unable to receive distributions from subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

Despite our current level of indebtedness, we may be able to incur substantially more debt and enter into other transactions, which could further exacerbate the risks to our financial condition described above.

We may be able to incur significant additional indebtedness, including secured debt, in the future. Although the agreements that govern substantially all of our indebtedness contain restrictions on the incurrence of additional indebtedness and entering into certain types of other transactions, these restrictions are subject to a number of qualifications and exceptions. Additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also do not prevent us from incurring obligations, such as trade payables, that do not constitute indebtedness as defined under our debt instruments. To the extent new debt is added to our current debt levels, the substantial leverage risks described in the preceding six risk factors would increase.

Risks Related to the 2017 Spin-Off From Hilton

We may be responsible for U.S. federal income tax liabilities that relate to the distribution.

The completion of the spin-off was conditioned upon the absence of any withdrawal, invalidation or modification of the ruling ("IRS Ruling") Hilton received from the IRS regarding certain U.S. federal income tax aspects of the spin-off in an adverse manner prior to the effective time of the spin-off. Although the IRS Ruling generally is binding on the IRS, the continued validity of the IRS Ruling is based upon and subject to the accuracy of factual statements and representations made to the IRS by Hilton.

In addition, the spin-off was conditioned on the receipt of an opinion of Simpson Thacher & Bartlett LLP, Hilton's tax counsel ("spin-off Tax Counsel") to the effect that the distributions of our and Park common stock would qualify as tax-free distributions under Section 355 of the Code. An opinion of spin-off Tax Counsel is not binding on the IRS. Accordingly, the IRS may reach conclusions with respect to the spin-off that are different from the conclusions reached in the opinion. The opinion was based on certain factual statements and representations, which, if incomplete or untrue in any material respect, could alter spin-off Tax Counsel's conclusions.

We are not aware of any facts or circumstances that would cause any such factual statements or representations in the IRS Ruling or the opinion of spin-off Tax Counsel to be incomplete or untrue or cause the facts on which the IRS Ruling and legal opinion are based to be materially different from the facts at the time of the spin-off.

If all or a portion of the spin-off does not qualify as a tax-free transaction for any reason, including because any of the factual statements or representations in the IRS Ruling or the legal opinion are incomplete or untrue, because the facts upon which the IRS Ruling is based are materially different from the facts at the time of the spin-off or because one or more sales of our common stock, Hilton common stock or Park common stock by our respective stockholders after the spin-off cause the spin-off not to qualify as a tax-free transaction, Hilton may recognize a substantial gain attributable to the timeshare business for U.S. federal income tax purposes. In such case, under U.S. Treasury regulations, each member of the Hilton consolidated group at the time of the spin-off (including us and our subsidiaries) would be jointly and severally liable for the resulting entire amount of any U.S. federal income tax liability. Additionally, if the distribution of our common stock and/or the distribution of Park common stock do not qualify as tax-free under Section 355 of the Code, Hilton stockholders will be treated as having received a taxable dividend to the extent of Hilton's current and accumulated earnings and profits, would have a tax-free basis recovery up to the amount of their tax basis in their shares, and would have taxable gain from the sale or exchange of the shares to the extent of any excess.

Even if the spin-off otherwise qualifies as a tax-free transaction for U.S. federal income tax purposes, the distribution will be taxable to Park and/or Hilton (but not to Hilton stockholders) pursuant to Section 355(e) of the Code if there are (or have been) one or more acquisitions (including issuances) of our stock, the stock of Park or the stock of Hilton, representing 50 percent or more, measured by vote or value, of the stock of any such corporation and the acquisition or acquisitions are deemed to be part of a plan or series of related transactions that include the distribution. Any acquisition of our common stock within two years before or after the distribution (with exceptions, including public trading by less-than-5 percent stockholders and certain compensatory stock issuances) generally would have been presumed to be part of such a plan unless that presumption is rebutted. The resulting tax liability would be substantial, and under U.S. Treasury regulations, each member of the Hilton consolidated group at the time of the spin-off (including us and our subsidiaries) would be jointly and severally liable for the resulting U.S. federal income tax liability.

We have agreed not to enter into certain transactions that could cause any portion of the spin-off to be taxable to Hilton, including under Section 355(e) of the Code. Pursuant to the Tax Matters Agreement (as defined herein), we have also agreed to indemnify Hilton and Park for any tax liabilities resulting from such transactions or other actions we take, and Hilton and Park have agreed to indemnify us for any tax liabilities resulting from transactions entered into by Hilton or Park. These obligations may discourage, delay or prevent a change of control of our company.

The spin-off and related transactions may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal distribution requirements.

The spin-off could be challenged under various state and federal fraudulent conveyance laws. An unpaid creditor or an entity vested with the power of such creditor (such as a trustee or debtor-in-possession in a bankruptcy) could claim that Hilton did not receive fair consideration or reasonably equivalent value in the spin-off, and that the spin-off left Hilton insolvent or with unreasonably small capital or that Hilton intended or believed it would incur debts beyond its ability to pay such debts as they mature. If a court were to agree with such a plaintiff, then such court could void the spin-off as a fraudulent transfer and could impose a number of different remedies, including without limitation, returning our assets or your shares in our company to Hilton or providing Hilton with a claim for money damages against us in an amount equal to the difference between the consideration received by Hilton and the fair market value of our company at the time of the spin-off.

The measure of insolvency for purposes of the fraudulent conveyance laws may vary depending on which jurisdiction's law is applied. Generally, however, an entity would be considered insolvent if the fair saleable value of its assets is less than the amount of its liabilities (including the probable amount of contingent liabilities), and such entity would be considered to have unreasonably small capital if it lacked adequate capital to conduct its business in the ordinary course and pay its liabilities as they become due. No assurance can be given as to what standard a court would apply to determine insolvency or that a court would determine that Hilton were solvent at the time of or after giving effect to the spin-off, including the distribution of our common stock.

We could be required to assume responsibility for obligations allocated to Hilton or Park under the Distribution Agreement.

We entered into the Distribution Agreement with Hilton and Park prior to the distribution of our shares of common stock to Hilton stockholders. Under the Distribution Agreement and related ancillary agreements, each of us, Hilton and Park are generally responsible for the debts, liabilities and other obligations related to the business or businesses that they own and operate following the spin-off. Although we do not expect to be liable for any obligations that were not allocated to us under the Distribution Agreement, a court could disregard the allocation agreed to among the parties, and require that we assume responsibility for obligations allocated to Hilton or Park (for example, tax and/or environmental liabilities), particularly if Hilton or Park were to refuse or were unable to pay or perform the allocated obligations.

In addition, losses in respect of certain Shared Contingent Liabilities, which generally are not specifically attributable to any of the timeshare business, the Park business or the retained business of Hilton, were determined on or prior to the date on which the Distribution Agreement was entered. The percentage of Shared Contingent Liabilities for which we are responsible has been fixed in a manner that is intended to approximate our estimated enterprise value on the distribution date relative to the estimated enterprise values of Park and Hilton. Subject to certain limitations and exceptions, Hilton is generally vested with the exclusive management and control of all matters pertaining to any such Shared Contingent Liabilities, including the prosecution of any claim and the conduct of any defense.

In connection with the spin-offs, we may be required to indemnify Hilton and Park, and the indemnities of Hilton and Park of us may not be sufficient to insure us against the full amount of the liabilities assumed by Hilton and Park, and Hilton and Park may be unable to satisfy their indemnification obligations to us in the future.

Pursuant to the Distribution Agreement entered into in connection with the spin-offs and certain other agreements among Hilton and Park and us, we agreed to indemnify each of Hilton and Park from certain liabilities. Indemnities that we may be required to provide Hilton and/or Park may be significant and could negatively affect our business.

In addition, each of Hilton and Park agreed to indemnify us with respect to such parties' assumed or retained liabilities pursuant to the Distribution Agreement and breaches of the Distribution Agreement or other agreements related to the spin-offs. There can be no assurance that the indemnities from each of Hilton and Park will be sufficient to protect us against the full amount of these and other liabilities. Third parties also could seek to hold us responsible for any of the liabilities that Hilton and Park have agreed to assume. Even if we ultimately succeed in recovering from Hilton or Park any amounts for which we are held liable, we may be temporarily required to bear those losses ourselves. Each of these risks could negatively affect our business, financial condition, results of operations and cash flows.

Pursuant to the Distribution Agreement and certain other agreements, including the Tax Matters Agreement, entered into in connection with the spin-offs among Hilton and Park and us, we agreed to indemnify each of Hilton and Park from certain liabilities (including tax liabilities). In addition to the Shared Contingent Liabilities pursuant to the Distribution Agreement, the Tax Matters Agreement governs the respective obligations of Hilton, Park and us after the spin-off with respect to tax liabilities and benefits, tax attributes, tax contests, liability resulting from tax audits and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. Under the Tax Matters Agreement, we have agreed to indemnify Hilton and Park against certain tax liabilities. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the spin-off is not tax-free. In general, under the Tax Matters Agreement, each party is responsible for any taxes imposed on Hilton that arise from the failure of the spin-off and certain related transactions to qualify as a tax-free transaction for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, as applicable, and certain other relevant provisions of the Code, to the extent that the failure to qualify is attributable to actions taken by such party (or with respect to such party's stock). In addition, the parties share responsibility, in accordance with sharing percentages of 65 percent for Hilton, 26 percent for Park, and nine percent for us, for any such taxes imposed on Hilton that are not attributable to actions taken by a party. Finally, pursuant to the Tax Matters Agreement, to the extent that any taxes that may be imposed on the Hilton consolidated group for the taxable periods prior to the spin-offs relates to the timeshare business, we would in most cases be liable for the full amount attributable to the timeshare business. Indemnities that we may be required to provide Hilton and/or Park, or any liabilities for which we may be responsible proportionately or wholly, pursuant to these agreements may be significant and could negatively affect our business.

Risks Related to Ownership of Our Common Stock

Our board of directors may change significant corporate policies without stockholder approval.

Our financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, will be determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of our board of directors without a vote of our stockholders. In addition, our board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements. A change in these policies could have an adverse effect on our financial condition, our results of operations, our cash flow, the per share trading price of our common stock and our ability to satisfy our debt service obligations and to pay dividends to our stockholders.

Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.

Our amended and restated certificate of incorporation and bylaws contain provisions that may make the merger or acquisition of our company more difficult without the approval of our board of directors. Among other things:

- these provisions allow us to authorize the issuance of undesignated preferred stock in connection with a stockholder rights plan or otherwise, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;
- these provisions prohibit stockholder action by written consent unless such action is recommended by all directors then in office;
- these provisions provide that our board of directors is expressly authorized to make, alter or repeal our bylaws and that our stockholders may only amend our bylaws with the approval of 80 percent or more of all the outstanding shares of our capital stock entitled to vote; and
- these provisions establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. In April 2020, our board of directors adopted a stockholder rights plan, commonly known as "a "poison pill," that is designed to deter hostile takeover attempts without the approval of our board. This plan will expire on April 15, 2021, but we may adopt similar plans in the future. These anti-takeover and other applicable Delaware law provisions and measures could discourage, delay or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions and measures could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

Consent requirements in our license agreement with Hilton and other requirements in certain of our other material agreements may have the effect deterring a potential takeover transaction that otherwise could be in the best interests of our stockholders.

Our license agreement with Hilton requires us to obtain Hilton's consent prior to taking certain significant corporate actions, including engaging in a takeover transaction. There can be no assurance that any consent from Hilton to a change of control of our company could be obtained on a basis satisfactory to us or any potential acquiror. In addition, certain of our other material agreements, such as our debt agreements, contain consent, notice, prepayment or other provisions that we are obligated to comply with prior to engaging in certain transactions. Failure to obtain required consents and comply with other provisions in these agreements could discourage, materially delay or prevent a transaction that otherwise may be in the best interests of our stockholders.

The market price and trading volume of our common stock may fluctuate widely.

For many reasons, the market price of our common stock has been volatile in the past and may be influenced in the future by a number of factors, including the risks identified in this Annual Report on Form 10-K. These factors may result in short-term or long-term negative pressure on the value of our common stock.

The market price of our common stock may fluctuate significantly, depending upon many factors, some of which may be beyond our control, including, but not limited to:

- shifts in our investor base;
- our quarterly and annual earnings, or those of comparable companies;
- actual or anticipated fluctuations in our operating results;
- our ability to obtain financing as needed;
- changes in laws and regulations affecting our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions or dispositions;
- the failure of securities analysts to cover our common stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating performance and stock price of comparable companies;
- overall market fluctuations;
- a decline in the real estate markets; and
- general economic conditions and other external factors.

Future issuances of common stock by us may cause the market price of our common stock to decline.

None of the shares outstanding upon consummation of the spin-off were "restricted securities" within the meaning of Rule 144 under the Securities Act, and substantially all of the outstanding shares of our common stock are freely tradable and available for resale in the public market, subject to certain restrictions in the case of control shares held by persons deemed to be our affiliates. Accordingly, the market price of our common stock could drop significantly if holders of a substantial number of shares of our common stock sell them in the public market, or if the market perceives that such sales could occur.

We adopted an Omnibus Incentive Plan under which an aggregate of 10,000,000 shares of HGV common stock are issuable. As of December 31, 2020, an aggregate of 1,806,730 shares have been issued, and an additional 3,279,483 shares were underlying outstanding awards pursuant to the Omnibus Incentive Plan. We also adopted a Non-Employee Director Stock Plan under which 325,000 shares of our common stock are issuable, and an Employee Stock Purchase Plan under which 2,500,000 shares of our common stock are available for issuance. Under the Non-Employee Director Stock Plan, 74,088 shares had been issued, and there were an additional 43,272 shares underlying outstanding awards granted as of December 31, 2020. Under the Employee Stock Purchase Plan, a total of 81,520 shares were issued as of December 31, 2020. Any further issuances could result in the dilution of our current stockholders causing the market price of shares of our common stock to decline.

We have no current plans to pay cash dividends on our common stock, and our indebtedness could limit our ability to pay dividends in the future.

Although we may return capital to stockholders through dividends or otherwise in the future, we have no current plans to pay any cash dividends. The declaration, amount and payment of any future dividends on shares of common stock will be at the sole discretion of our board of directors. Our board of directors may take into account general and economic conditions, our financial condition and results of operations, our available cash, current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions on the payment of dividends by us to our stockholders or by our subsidiaries to us, and such other factors as our board of directors may deem relevant. In addition, our ability to pay dividends is limited by our credit agreement related to our senior secured credit facilities. Our ability to pay dividends may also be limited by covenants of other indebtedness that we or our subsidiaries incur in the future.

Our business could be negatively impacted as a result of actions by activist stockholders or others.

Stockholder activism has been increasing in publicly traded companies in recent years and we are subject to the risks associated with such activism, particularly due to the recent decline in our stock price. Our business could be negatively affected as a result of stockholder activism, which could cause us to incur significant legal fees and other costs, hinder execution of our business strategy and impact the trading value of our securities. Additionally, stockholder activism could give rise to perceived uncertainties as to our future direction, adversely affect our relationships with key executives and business partners and make it more difficult to attract and retain qualified employees. Any of these impacts could materially and adversely affect our business and operating results.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Timeshare Properties

As of December 31, 2020, we had 62 properties open and operating, including properties not yet fully developed but in which VOIs were being sold, representing 498,524 VOIs. Most of our properties and units are located primarily in vacation destinations such as the Orlando, Las Vegas, the Hawaiian Islands, New York City, Washington D.C., South Carolina, Barbados and Mexico. These units and properties include those developed by us or by third-party developers with whom we have entered into fee-for-service arrangements. As of December 31, 2020, we owned approximately 53 percent of all unsold intervals, representing 51,223 of the 96,429 unsold VOIs. We also own, manage, lease fitness, spa and sports facilities, and/or manage the HOAs of undeveloped and partially developed land and other common area assets at some of our resorts, including resort lobbies and food and beverage outlets.

Sales and Marketing Locations

As of December 31, 2020, we had 11 sales distribution centers. Additionally, we had 12 sales galleries in Japan and 2 in Korea. We do not own any distribution centers and sales galleries as they are leased properties.

Our sales distribution centers are located in Las Vegas, Orlando, Oahu, Japan, New York, Myrtle Beach, Waikoloa, Washington D.C., Hilton Head, Park City, Chicago, Korea and Carlsbad.

Additionally, we have four call centers that are leased. Our call centers are located in Orlando, Las Vegas, Honolulu and Tokyo.

Corporate Headquarters

Our main corporate headquarters are located at 6355 MetroWest Boulevard, Suite 180, Orlando, Florida 32835. The lease for this property expires in 2026 with two additional five-year renewal periods. We also have additional corporate headquarters that are located at 5323 and 5337 Millenia Lakes Boulevard, Orlando, Florida, 32839. The lease for these properties expires in 2025 with two additional five-year renewal periods.

We believe that our existing office properties are in good condition and are sufficient and suitable for the conduct of our business. In the event we need to expand our operations, we believe that suitable space will be available on commercially reasonable terms.

ITEM 3. Legal Proceedings

We are involved in various claims and lawsuits arising in the ordinary course of business, some of which include claims for substantial sums, including proceedings involving tort and other general liability claims, employee claims, consumer protection claims and privacy claims. Most occurrences involving liability, claims of negligence and employees are covered by insurance with solvent insurance carriers. For those matters not covered by insurance, which include commercial matters, we recognize a liability when we believe the loss is probable and can be reasonably estimated. The ultimate results of claims and litigation cannot be predicted with certainty. We believe we have adequate reserves against such matters. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or liquidity. However, depending on the amount and timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations in a particular period or our ability to run our business as currently conducted.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "HGV." Our common stock began trading on a "when-issued" basis on December 15, 2016 but did not commence regular-way trading on the NYSE until January 4, 2017, the day after the completion of our spin-off. We have not made any unregistered sales of our equity securities.

Performance Graph

The following graph compares the cumulative share price performance since December 15, 2016 with the Russell 2500 (R2500) Index and the Dow Jones US Travel & Leisure Index GICS Level 3 (DJUSTLE). The graph assumes that the value of the investment in our common stock and each index was $100 on December 15, 2016, which was the first day our common stock began trading on a "when-issued" basis.

Holders of Record

The number of stockholders of record of our common stock as of February 25, 2021 was 260.

Dividends

Although we may return capital to stockholders through dividends or otherwise in the future, we have no current plans to pay dividends on our common stock. Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, general and economic conditions, our results of operations, available cash, current and anticipated cash requirements, financial condition, contractual, legal, tax and regulatory restrictions on the payment of dividends by us to our stockholders or by our subsidiaries to us, and other factors that our board of directors may deem relevant. In addition, our senior secured credit facilities and certain of our non-recourse debt include provisions limiting our ability to make restricted payments, including dividends.

Issuer Purchases of Equity Securities

On March 13, 2020, the Company announced that our Board of Directors approved a share repurchase program authorizing the Company to repurchase up to an aggregate of $200 million of its outstanding shares of common stock. Since the launch of the 2020 share repurchase program, the company has repurchased less than one million shares for $10 million at an average price of $11.92. Due to the significant adverse impact on the global economy, capital markets, travel industry, and various government mandates regarding closures of businesses, all due to the COVID-19 pandemic and various uncertainties related to it, the Company previously announced on March 31, 2020 that it had suspended the 2020 share repurchase program.

ITEM 6. Selected Financial Data

The following selected consolidated statement of operations data for the years ended December 31, 2020, 2019 and 2018 and the selected consolidated balance sheet data as of December 31, 2020 and 2019 are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected historical consolidated statement of operations data for the years ended December 31, 2017 and 2016 and the selected consolidated balance sheet data as of December 31, 2018, 2017 and 2016 are derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K but were included in our previously filed Annual Reports on Form 10-K. Our historical results are not necessarily indicative of the results expected for any future period.

The selected consolidated financial data below should be read together with the audited consolidated financial statements, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
($ in millions, except per share amounts)	**2020**	**2019**	**2018**	**2017**	**2016**
Statement of Operations Data:					
Total revenues	$ 894	$1,838	$1,999	$1,711	$1,583
Total operating expenses	1,139	1,523	1,565	1,374	1,260
Net (loss) income	(201)	216	298	327	168
(Loss) earnings per share[(1)]					
Basic	$ (2.36)	$ 2.43	$ 3.07	$ 3.30	$ 1.70
Diluted	$ (2.36)	$ 2.42	$ 3.05	$ 3.28	$ 1.70

	December 31,				
($ in millions)	**2020**	**2019**	**2018**	**2017**	**2016**
Balance Sheet Data:					
Securitized timeshare financing receivables, net	$ 742	$ 704	$ 617	$ 444	$ 244
Unsecuritized timeshare financing receivables, net	232	452	503	627	781
Total assets	3,134	3,079	2,753	2,384	2,180
Debt, net[(2)]	1,159	828	604	482	490
Non-recourse debt, net[(2)]	766	747	759	583	694
Total liabilities	2,760	2,509	2,137	1,866	2,013

(1) For periods ending prior to the spin-off on January 3, 2017, basic and diluted earnings per share was calculated based on shares distributed our shareholders on January 3, 2017. See Note 20: *(Loss) Earnings Per Share* in our audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion.

(2) Amounts are net of deferred financing costs.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this Annual Report on Form 10-K.

Forward-Looking Statements

This disclosure includes forward-looking statements; and actual results and events may differ substantially from those discussed or highlighted in these forward-looking statements. See "*Cautionary Note Regarding Forward-Looking Statements*."

Overview

Our Business

We market and sell VOIs, manage vacation resorts in top leisure and urban destinations and operate a point-based vacation club. As of December 31, 2020, we have 62 properties, representing 498,524 VOIs, that are primarily located in vacation destinations such as Orlando, Las Vegas, the Hawaiian Islands, New York City, Washington D.C., South Carolina, Barbados and Mexico and feature spacious, condominium-style accommodations with superior amenities and quality service. As of December 31, 2020, we have approximately 328,000 Hilton Grand Vacations Club and Hilton Club (collectively the "Club") members. Club members have the flexibility to exchange their VOIs for stays at any Hilton Grand Vacations resort or any property in the Hilton system of 18 industry-leading brands across approximately 6,300 properties, as well as numerous experiential vacation options, such as cruises and guided tours.

On January 3, 2017, Hilton Worldwide Holdings, Inc. ("Hilton") completed a tax-free spin-off of Hilton Grand Vacations ("HGV") and Park Hotels & Resorts Inc. ("Park"). As a result of the spin-off, HGV became an independent publicly-traded company and our common stock is listed on the New York Stock Exchange under the symbol "HGV." For further details of our history and the development of our business, refer to our Annual Report on Form 10-K for the year ended December 31, 2019, which is incorporated herein by reference.

We operate our business across two segments: (1) real estate sales and financing; and (2) resort operations and Club management.

Real Estate Sales and Financing

Our primary product is the marketing and selling of fee-simple VOIs deeded in perpetuity and right to use real estate interests, developed either by us or by third parties. This ownership interest is an interest in real estate generally equivalent to one week on an annual basis, at the timeshare resort where the VOI was purchased. Traditionally, timeshare operators have funded 100 percent of the investment necessary to acquire land and construct timeshare properties. We source VOIs through fee-for-service and just-in-time agreements with third-party developers and have focused our inventory strategy on developing an optimal inventory mix focused on developed properties as well as fee-for-service and just-in-time agreements. The fee-for-service agreements enable us to generate fees from the sales and marketing of the VOIs and Club memberships and from the management of the timeshare properties without requiring us to fund acquisition and construction costs. The just-in-time agreements enable us to source VOI inventory in a manner that allows us to correlate the timing of acquisition of the inventory with the sale to purchasers. Sales of owned, including just-in-time inventory, generally result in greater Adjusted EBITDA contributions, while fee-for-service sales require less initial investment and allow us to accelerate our sales growth. Both sales of owned inventory and fee-for-service sales generate long-term, predictable fee streams, by adding to the Club membership base and properties under management, that generate strong returns on invested capital.

For the year ended December 31, 2020, sales from fee-for-service, just-in-time and developed inventory sources were 52 percent, 25 percent and 23 percent, respectively, of contract sales. See "*—Real Estate Sales Metrics*" for additional discussion of contract sales. The estimated contract sales value related to our inventory that is currently available for sale at open or soon-to-be open projects and inventory at new or existing projects that will become available for sale in the future upon registration, delivery or construction is approximately $10 billion at current pricing. Capital efficient arrangements represent approximately 52 percent of that supply.

We believe that the visibility into our long-term supply allows us to efficiently manage inventory to meet predicted sales, reduce capital investments, minimize our exposure to the cyclicality of the real estate market and mitigate the risks of entering into new markets.

We sell our vacation ownership products under the Hilton Grand Vacations brand primarily through our distribution network of both in-market and off-sites. Our products are currently marketed for sale throughout the United States and the Asia-Pacific region. We operate sales distribution centers in major markets and popular leisure destinations with year-round demand and a history of being a friendly environment for vacation ownership. We have sales distribution centers in Las Vegas, Orlando, Oahu, Japan, New York, Myrtle Beach, Waikoloa, Washington D.C., Hilton Head, Park City, Chicago, Korea and Carlsbad. Our marketing and sales activities are based on targeted direct marketing and a highly personalized sales approach. We use targeted direct marketing to reach potential members who are identified as having the financial ability to pay for our products and have an affinity with Hilton and are frequent leisure travelers. Tour flow quality impacts key metrics such as VPG, defined in "*Key Business and Financial Metrics and Terms Used by Management—Real Estate Sales Metrics*." Additionally, the quality of tour flow impacts sales revenue and the collectability of our timeshare financing receivables. For the year ended December 31, 2020, 62 percent of our contract sales were to our existing owners.

We provide financing for members purchasing our developed and acquired inventory and generate interest income. Our timeshare financing receivables are collateralized by the underlying VOIs and are generally structured as 10-year, fully-amortizing loans that bear a fixed interest rate typically ranging from 4 percent to 18 percent per annum. Financing propensity was 66.5 percent and 66.2 percent for the year ended December 31, 2020 and 2019, respectively. We calculate financing propensity as contract sales volume of financed contracts originated in the period divided by contract sales volume of all contracts originated in the period.

The interest rate on our loans is determined by, among other factors, the amount of the down payment, the borrower's credit profile and the loan term. The weighted-average FICO score for new loans to U.S. and Canadian borrowers at the time of origination were as follows:

	Year Ended December 31,		
	2020	**2019**	**2018**
Weighted-average FICO score	734	736	739

Prepayment is permitted without penalty. When a member defaults, we ultimately return their VOI to inventory for resale and that member no longer participates in our Club. Historical default rates, which represent annual defaults as a percentage of each year's beginning gross timeshare financing receivables balance, were as follows:

	Year Ended December 31,		
	2020	**2019**	**2018**
Historical default rates[(1)]	6.34%	5.14%	4.71%

(1) A loan is considered to be in default if it is equal to or greater than 121 days past due as of the prior month end.

Some of our timeshare financing receivables have been pledged as collateral in our securitization transactions, which have in the past and may in the future provide funding for our business activities. In these securitization transactions, special purpose entities are established to issue various classes of debt securities which are generally collateralized by a single pool of assets, consisting of timeshare financing receivables that we service and related cash deposits. For additional information see Note 6: *Timeshare Financing Receivables* in our consolidated financial statements included in Item 8 of this Annual Report on form 10-K.

In addition, we earn fees from servicing the loans provided by third-party developers of our fee-for-service projects to purchasers of their VOIs and from our securitized timeshare financing receivables.

Resort Operations and Club Management

We enter into management agreements with the HOAs of the VOI owners for timeshare resorts developed by us or a third party. Each of the HOAs is governed by a board of directors comprised of owner and developer representatives that are charged with ensuring the resorts are well-maintained and financially stable. Our management services include day-to-day operations of the resorts, maintenance of the resorts, preparation of reports, budgets and projections and employee training and oversight. Our HOA management agreements provide for a cost-plus management fee, which means we generally earn a fee equal to 10 percent to 15 percent of the costs to operate the applicable resort. The fees we earn are highly predictable due to the relatively fixed nature of resort operating expenses and our management fees are unaffected by changes in rental rate or occupancy. We are reimbursed for the costs incurred to perform our services, principally related to personnel providing on-site services. The initial term of our management agreements typically ranges from three to five years and the agreements are subject to periodic renewal for one to three year periods. Many of these agreements renew automatically unless either party provides advance notice of termination before the expiration of the term.

We also manage and operate the points-based Hilton Grand Vacations Club and Hilton Club exchange programs, which provide exclusive exchange, leisure travel and reservation services to our Club members. When owners purchase a VOI, they are generally enrolled in the Club and given an annual allotment of points that allow the member to exchange their annual usage rights in the VOI that they own for a number of vacation and travel options. In addition to an annual membership fee, Club members pay incremental fees depending on exchanges they choose within the Club system.

We rent unsold VOI inventory, third-party inventory and inventory made available due to ownership exchanges through our club programs. We earn a fee from rentals of third-party inventory. Additionally, we provide ancillary offerings including food and beverage, retail and spa offerings at these timeshare properties.

Principal Components and Factors Affecting Our Results of Operations

Principal Components of Revenues

- *Sales of VOIs, net* represents revenue recognized from the sale of owned VOIs, net of amounts considered uncollectible and sales incentives.
- *Sales, marketing, brand and other fees* represents sales commissions, brand fees and other fees earned on the sales of VOIs through fee-for-service agreements with third-party developers. All sales commissions and brand fees are based on the total sales price of the VOIs. Also included in *Sales, marketing, brand and other fees* are revenues from marketing and incentive programs, including redemption of prepaid vacation packages and Club bonus points for stays at HGV properties, which are included in *Rental and ancillary services*.
- *Financing* represents revenue from the financing of sales of our owned intervals, which includes interest income and fees from servicing loans. We also earn fees from servicing the loans provided by third-party developers to purchasers of their VOIs.
- *Resort and club management* represents revenues from Club activation fees, annual dues and transaction fees from member exchanges. *Resort and club management* also includes recurring management fees under our agreements with HOAs for day-to-day-management services, including housekeeping services, maintenance, and certain accounting and administrative services for HOAs, generally based on a percentage of costs to operate the resorts.
- *Rental and ancillary services* represents revenues from transient rentals of unoccupied vacation ownership units and revenues recognized from the utilization of Club points and vacation packages when points and packages are redeemed for rental stays at one of our resorts. We also earn fees from the rental of inventory owned by third parties. Ancillary revenues include food and beverage, retail, spa offerings and other guest services provided to resort guests.

- *Cost reimbursements* include costs that HOAs and developers reimburse to us. These costs primarily consist of payroll and payroll-related costs for management of the HOAs and other services we provide where we are the employer and insurance. The corresponding expenses are presented as *Cost reimbursements* expense in our consolidated statements of operations resulting in no effect on net income.

Factors Affecting Revenues

- *Relationships with developers*. In recent years, we have entered into fee-for-service and just-in-time agreements to sell VOIs on behalf of or acquired from third-party developers. The success and sustainability of our capital-efficient business model depends on our ability to maintain good relationships with third-party developers. Our relationships with these third parties also generate new relationships with developers and opportunities for property development that can support our growth. We believe that we have strong relationships with our third-party developers and are committed to the continued growth and development of these relationships. These relationships exist with a diverse group of developers and are not significantly concentrated with any particular third party.
- *Construction activities*. In recent years, we have entered into agreements with third parties to acquire both completed VOIs and property. At the same time, we have increased our own development activities to construct new properties that we will own and from which we are selling, and will continue to sell, units and VOIs. These activities, and in particular the development of real property into inventory, are subject to construction risks including, construction delays, zoning and other local, state or governmental approvals and failure by third-party contractors to perform. The realization of these factors could result in the inability to source inventory and ultimately lead to sales declines.
- *Registration activities.* The registration of VOIs for sale requires time and cost, and in many jurisdictions the exact date of registration approval cannot be predicted accurately. The inability to register our products in a timely, cost-effective fashion could result in the inability to sell our products and ultimately lead to sales declines.
- *Relationship with Hilton.* Following the spin-off, Hilton retained ownership of the Hilton-branded trademarks, tradenames and certain related intellectual property used in the operation of our business. We entered into a license agreement with Hilton granting us the right to use the Hilton-branded trademarks, trade names and related intellectual property in our business for the term of the agreement. The termination of the license agreement or exercise of other remedies would materially harm our business and results of operations and impair our ability to market and sell our products and maintain our competitive position. For example, if we are not able to rely on the strength of the Hilton brands to attract prospective members and guest tours in the marketplace, our revenue would decline and our marketing and sales expenses would increase.
- *Consumer demand and global economic conditions*. Consumer demand for our products and services may be affected by the performance of the general economy, including the ability to generate high quality tours, and is sensitive to business and personal discretionary spending levels. Declines in consumer demand due to adverse general economic conditions, risks affecting or reducing travel patterns, lower consumer confidence and adverse political conditions can subject and have subjected our revenues to significant volatility.
- *Marketing*. We rely on call transfers from Hilton, execution of a successful digital marketing strategy, vacation traffic at key locations, and other critical marketing elements to increase tour flow, VPG, and VOI sales, thereby increasing our revenue. Any significant changes to one or more factors that adversely affect our marketing activities, such as changes in consumer behavior and preference for vacations, decreases in call transfers from Hilton due to increasing consumer reliance on digital tools, and declining quality and/or volume of tour flow may adversely and materially impact our revenue.
- *Interest rates*. We generate interest income from consumer loans we originate and declines in interest rates may cause us to lower our interest rates on our originated loans, which would adversely affect our

income generated on future loans. Conversely, if interest rates increase significantly, it would increase the cost of purchasing VOIs for any purchaser who is financing their acquisition and may deter potential purchasers from buying a VOI, which could result in sales declines.

- *Competition.* We compete with other hotel and resort timeshare operators for sales of VOIs based principally on location, quality of accommodations, price, service levels and amenities, financing terms, quality of service, terms of property use, reservation systems and flexibility for VOI owners to exchange into time at other timeshare properties or other travel rewards. In addition, we compete based on brand name recognition and reputation. Our primary branded competitors in the timeshare space include Marriott Vacations Worldwide (which includes Marriott Vacations Worldwide, Interval Leisure Group, Vistana Signature Club and Hyatt Residence Club brands), Wyndham Destinations, Disney Vacation Club, Holiday Inn Club Vacations, Bluegreen Vacations and Diamond Resorts International.

Principal Components of Expenses

- *Cost of VOI sales* represents the costs attributable to the sales of owned VOIs recognized, as well as charges incurred related to granting credit to customers for their existing ownership when upgrading into fee-for-service projects.
- *Sales and marketing* represents costs incurred to sell and market VOIs, including costs incurred relating to marketing and incentive programs, costs for tours, rental expense and wages and sales commissions.
- *Financing* represents consumer financing interest expense related to our debt securitized by gross timeshare financing receivables (‘‘Securitized Debt’’) and Timeshare Facility, amortization of the related deferred loan costs and other expenses incurred in providing consumer financing and servicing loans.
- *Resort and club management* represents costs incurred to manage resorts and the Club, including payroll and related costs and other administrative costs.
- *Rental and ancillary services* include payroll and related costs, costs incurred from participating in the Hilton Honors loyalty program, retail, food and beverage costs and maintenance fees on unsold inventory.
- *General and administrative* consists primarily of compensation expense for our corporate staff and personnel supporting our business segments, professional fees (including consulting, audit and legal fees), administrative and related expenses. *General and administrative* also includes costs for services provided to us by Hilton.
- *Depreciation and amortization* are non-cash expenses that primarily consist of depreciation of fixed assets such as buildings and leasehold improvements and furniture and equipment at our sales centers, corporate offices, and assets purchased for future conversion to inventory, as well as amortization of our management agreement intangible and capitalized software.
- *License fee expense* represents the royalty fee paid to Hilton under a license agreement for the exclusive right to use the Hilton Grand Vacations mark, which is generally based on a percentage of gross sales volume, of certain revenue streams.
- *Cost reimbursements* include costs that HOAs and developers reimburse to us. These costs primarily consist of payroll and payroll-related costs for management of the HOAs and other services we provide where we are the employer and insurance. The corresponding revenues are presented as *Cost reimbursements* revenue in our consolidated statements of operations resulting in no effect on net income.

Factors Affecting Expenses

- *Costs of VOI sales.* In periods where there is increased demand for VOIs, we may incur increased costs to acquire inventory in the short-term, which can have an adverse effect on our cash flows, margins and profits. In addition, the registration of inventory for sale requires time and cost, and in many jurisdictions the exact date of registration approval cannot be predicted accurately. As we encourage owners to upgrade into other products, we incur expenses when owners upgrade from an interval in a project we developed into fee-for-service projects, on which we earn fees. In periods where more upgrades are occurring and we are not generating increased sales volume on unsold supply, we could see an adverse effect on our cash flows, margins and profits.

  Furthermore, construction delays, zoning and other local, state or federal governmental approvals, particularly in new geographic areas with which we are unfamiliar, cost overruns, lender financial defaults, or natural or man-made disasters, as well as failure by third-party contractors to perform for any reason, could lead to an adverse effect on our cash flows, margins and profits.

- *Sales and marketing expense*. A significant portion of our costs relates to selling and marketing of our VOIs. In periods of decreased demand for VOIs, we may be unable to reduce our sales and marketing expenses quickly enough to prevent a deterioration of our profits and margins on our real estate operations.

- *Rental and ancillary services expense*. These expenses include personnel costs, rent, property taxes, insurance and utilities. We pay a portion of these costs through maintenance fees of unsold intervals and by subsidizing the costs of HOAs not covered by maintenance fees collected. If we are unable to decrease these costs significantly or rapidly when demand for our unit rentals decreases, the resulting decline in our revenues could have an adverse effect on our net cash flow, margins and profits.

- *General and administrative.* Increases in general and administrative expenses associated with operating as a publicly traded company in a competitive and dynamic timeshare industry, regulatory filings and professional fees may affect our net cash flows, margins and profits.

- *Interest rates*. Increases in interest rates would increase the consumer financing interest expense we pay on the Timeshare Facility and could adversely affect our financing operations in future securitization or other debt transactions, affecting net cash flow, margins and profits.

Other Items

- *Seasonality.* We experience modest seasonality in VOI sales at certain resorts, with increased revenue during traditional vacation periods for those locations.

- *Regulation.* Our business activities are highly regulated. We are subject to a wide variety of complex international, national, federal, state and local laws, regulations and policies in jurisdictions in which we operate. These laws, regulations and policies primarily affect four areas of our business: real estate development activities; marketing and sales activities; lending activities; and resort management activities. We seek to actively participate in the determination of new laws or other regulations affecting the timeshare industry. For further detail of these regulations see "*Risk Factors"* and *"Business–Government Regulation*" included elsewhere in this Annual Report on Form 10-K.

Key Business and Financial Metrics and Terms Used by Management

Real Estate Sales Operating Metrics

We measure our performance using the following key operating metrics:

- *Contract sales* represents the total amount of VOI products (fee-for-service and developed) under purchase agreements signed during the period where we have received a down payment of at least

10 percent of the contract price. Contract sales differ from revenues from the *Sales of VOIs, net* that we report in our consolidated statements of operations due to the requirements for revenue recognition, as well as adjustments for incentives. We consider contract sales to be an important operating measure because it reflects the pace of sales in our business and is used to manage the performance of the sales organization. While we do not record the purchase price of sales of VOI products developed by fee-for-service partners as revenue in our consolidated financial statements, rather recording the commission earned as revenue in accordance with U.S. GAAP, we believe contract sales to be an important operational metric, reflective of the overall volume and pace of sales in our business and believe it provides meaningful comparability of our results to the results of our competitors which may source their VOI products differently.

We believe that the presentation of contract sales on a combined basis (fee-for-service and developed) is most appropriate for the purpose of the operating metric, additional information regarding the split of contract sales, is included in "—Real Estate" below. See Note 2: *Basis of Presentation and Summary of Significant Accounting Policies* in our consolidated financial statements included in Item 8 in this Annual Report on form 10-K, for additional information on *Sales of VOI, net.*

- *Sales revenue* represents *Sale of VOIs, net* and commissions and brand fees earned from the sale of fee-for-service intervals.
- *Real estate profit* represents sales revenue less the cost of VOI sales and sales and marketing costs, net of marketing revenue. Real estate profit margin is calculated by dividing real estate profit by sales revenue. We consider this to be an important operating measure because it measures the efficiency of our sales and marketing spending and management of inventory costs.
- *Tour flow* represents the number of sales presentations given at our sales centers during the period.
- *Volume per guest ("VPG")* represents the sales attributable to tours at our sales locations and is calculated by dividing Contract sales, excluding telesales, by tour flow. We consider VPG to be an important operating measure because it measures the effectiveness of our sales process, combining the average transaction price with the closing rate.

EBITDA and Adjusted EBITDA

EBITDA, presented herein, is a financial measure that is not recognized under U.S. GAAP that reflects net income (loss), before interest expense (excluding non-recourse debt), a provision for income taxes and depreciation and amortization.

Adjusted EBITDA, presented herein, is calculated as EBITDA, as previously defined, further adjusted to exclude certain items, including, but not limited to, gains, losses and expenses in connection with: (i) asset dispositions; (ii) foreign currency transactions; (iii) debt restructurings/retirements; (iv) non-cash impairment losses; (v) reorganization costs, including severance and relocation costs; (vi) share-based and certain other compensation expenses; (vii) costs related to the spin-off; and (viii) other items.

EBITDA and Adjusted EBITDA are not recognized terms under U.S. GAAP and should not be considered as alternatives to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP. In addition, our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

We believe that EBITDA and Adjusted EBITDA provide useful information to investors about us and our financial condition and results of operations for the following reasons: (i) EBITDA and Adjusted EBITDA are among the measures used by our management team to evaluate our operating performance and make day-to-day operating decisions; and (ii) EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties as a common performance measure to compare results or estimate valuations across companies in our industry.

EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered either in isolation or as a substitute for net income (loss), cash flow or other methods of analyzing our results as reported under U.S. GAAP. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA and Adjusted EBITDA do not reflect our interest expense (excluding interest expense on non-recourse debt), or the cash requirements necessary to service interest or principal payments on our indebtedness;
- EBITDA and Adjusted EBITDA do not reflect our tax expense or the cash requirements to pay our taxes;
- EBITDA and Adjusted EBITDA do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA and Adjusted EBITDA do not reflect the effect on earnings or changes resulting from matters that we consider not to be indicative of our future operations;
- EBITDA and Adjusted EBITDA do not reflect any cash requirements for future replacements of assets that are being depreciated and amortized; and
- EBITDA and Adjusted EBITDA may be calculated differently from other companies in our industry limiting their usefulness as comparative measures.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as measures of cash that will be available to us to meet our obligations.

Recent Events Related to the COVID-19 Pandemic and Impact on Our Results of Operations, Financial Condition, and Business During the Year Ended December 31, 2020.

In March 2020, a National Public Health Emergency was declared in response to the coronavirus, known as COVID-19. As a result, many local, county and state government officials have issued, and continue to issue, various mandates and orders to close non-essential businesses, impose travel restrictions, and require "stay-at-home" and/or self-quarantine in certain cases, all in an effort to protect the health and safety of individuals and aimed at slowing and ultimately stopping the spread and transmission of the virus. Accordingly, commencing in March 2020, we started to temporarily close substantially all of our properties and suspended our U.S sales operations and closed such sales offices. We took a number of other actions to reduce our expenses and preserve liquidity, including workforce furlough, implementing salary reductions for the remaining active employees primarily during the second quarter of 2020, implementing hiring freezes, eliminating all discretionary spending, and reducing our planned investment in new inventory by approximately $200 million. Recently, we completed a workforce reduction plan that impacted approximately 1,500 team members in order to better align our workforce with the Company's needs in light of the environment, and approximately 1,800 of our team members remain furloughed.

Furthermore, we believe the following actions will provide adequate capital to meet our short-and long-term liquidity requirements for anticipated operating expenses and other expenditures, including payroll and related benefits, legal costs, and additional costs related to complying with various regulatory requirements and best practices for opening under the current environment resulting from the pandemic, and to finance our long-term growth plan and capital expenditures for the foreseeable future.

- In March 2020, we drew down the substantial remainder of our borrowing capacity under our revolver facility through net borrowings of $445 million as a precautionary measure to ensure liquidity for a sustained period in the economic environment resulting from the COVID-19 pandemic. We expect the proceeds would be used for general corporate and working capital purposes in the ordinary course of business.

- In April 2020, we amended certain key definitions related to delinquency level calculations of underlying timeshare loans that are used as collateral for borrowings under our Timeshare Facility, and generated added flexibility to manage any potential increase in the rate of delinquency as a result of the impact of the COVID-19 pandemic.
- In May 2020, we amended our Credit Agreement which amended certain terms of the credit facilities ("Senior Secured Credit Facilities") to provide us with both near-term and long-term flexibility with respect to satisfying certain negative and financial covenants and ratios as may be needed due to the ongoing and uncertain future impact of the COVID-19 pandemic on our business and operations.
- In June 2020, we completed a securitization of $300 million of gross timeshare financing receivables and used the proceeds to pay down the $195 million outstanding balance on our Timeshare Facility and for general corporate operating expenses. As of December 31, 2020, we have $450 million remaining borrowing capacity under our Timeshare Facility.
- In August 2020, we renewed and extended our Timeshare Facility and amended certain provisions relating to advance rate, successor benchmark interest rate, certain used and unused fees, and thresholds for interest rate hedging obligations and transactions.
- In December 2020, we amended our Credit Agreement which provided a waiver period for certain financial covenants for the first three quarters of 2021. In connection with the Amendment we incurred $1 million in debt issuance costs. We also amended the Timeshare Facility to update the definition of seller financial covenants to be consistent with the amended Credit Agreement.

Refer to Note 15: *Debt and Non-Recourse Debt* in our audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for additional information regarding our debt.

The closure of our resorts and sales centers, and the related suspensions of our operations, expectedly have had a materially adverse impact on our revenues, net (loss) income and other operating results during the fourth quarter, as well as our business and operations generally, as more fully discussed below. As discussed in further detail below, substantially all of the unfavorable changes in our operating results during the year ended December 31, 2020 as compared to prior periods were a result of the ongoing impact of the COVID-19 pandemic on travel demand, along with the temporary closure of substantially all of our properties and suspension of our sales and related operations during the first half of 2020.

Outlook

The COVID-19 pandemic has created an unprecedented and challenging time. Our current focus is on taking critical actions that are aimed at positioning the Company in a sound position from an operational, liquidity, credit access, and compliance perspective for a strong recovery when the impact of COVID-19 subsides. As discussed above, we have taken several steps to enhance our liquidity, preserve cash, reduce our expenditures and provide financial flexibility. We will continue to assess the evolving COVID-19 pandemic, including the various government mandates and orders that impact the re-opening of our properties and any new recommended or required business practices, and will take additional actions as appropriate.

Prior to reopening our resorts and sales centers, we introduced the HGV Enhanced Care Guidelines, designed to provide owners, guests and team members with the highest level of cleaning protocols and safety standards recommended by the Center for Disease Control and Prevention and cleaning solutions approved by the Environmental Protection Agency in response to the COVID-19 pandemic. Along with providing personal protective equipment to team members, these Enhanced Care Guidelines include low touch arrivals and departures, frequent and thorough cleaning, reduction of paper items, reduced capacity for our pool decks and fitness centers, and new technologies. While operations were suspended, essential resort personnel worked diligently maintaining the resorts for a safe re-opening. Annual deep cleanings, typically scheduled during slower seasons, were moved up and completed, allowing the resorts to be in top shape when owners and guests arrive.

Beginning in May 2020, various states and counties started to allow gradual relaxation of restrictions on activities and a resumption of businesses. In response, we began a phased reopening of resorts and resumption of our business activities during the second quarter of 2020, but under new operating guidelines and with safety measures. As of December 2020, approximately 85% of our resorts and sales centers are open and currently operating however, many of our resorts and sales centers are operating in markets with significant capacity constraints and various safety measures.

Although we have started re-opening our sales centers, they have initially been operating at lower levels of utilization than they were prior to the temporary shutdown. This includes lower levels of sales staff, modified operating schedules to stagger tours in compliance with social distancing rules, and running a reduced weekly operating calendar. As we respond to changes in tour flow, we intend to adjust our sales operations accordingly while complying with all applicable social distancing rules and our own safety measures.

While we plan to continue to reopen our resorts and resume our business as conditions and applicable rules and regulations permit, the pandemic continues to be unprecedented and rapidly changing, and has unknown duration and severity. Further, ongoing strict travel and other restrictions in regions and locations where we have a significant concentration of our properties and units, in particular, Hawaii and New York, are significantly impacting consumer demand for our resorts in those areas.

Accordingly, there remains significant uncertainty as to the degree of impact and duration of the conditions stemming from the ongoing pandemic on our revenues, net income and other operating results, as well as our business and operations generally. Any significantly extended duration or worsening of the conditions associated with the pandemic may adversely impact our liquidity in the longer term, including our ability to finance our day-to-day business and operations, and may adversely affect our ability to comply with our financial covenants under our debt obligations notwithstanding the recent amendments discussed above.

Please carefully review the risk factors contained in Item 1A of this Form 10-K for the year ended December 31, 2020 for discussions of various factors and uncertainties related to the pandemic that may materially impact us.

Results of Operations

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

The following discussion and analysis of our financial condition and results of operations is for the year ended December 31, 2020 compared with the year ended December 31, 2019. Discussions of our financial condition and results of operations for the year ended December 31, 2019 compared to December 31, 2018 that have been omitted under this item can be found in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the Securities and Exchange Commission on March 2, 2020.

Segment Results

The following table presents our revenues by segment for the year ended December 31, 2020 compared to the years ended December 31, 2019 and 2018. We do not include equity in earnings from unconsolidated affiliates in our measures of segment revenues.

	Year Ended December 31,			2020 vs 2019 Variance		2019 vs 2018 Variance	
($ in millions)	2020	2019	2018	$	%	$	%
Revenues:							
Real estate sales and financing	$494	$1,252	$1,462	$(758)	(60.5)%	$(210)	(14.4)%
Resort operations and club management	276	454	422	(178)	(39.2)	32	7.6
Segment revenues	770	1,706	1,884	(936)	(54.9)	(178)	(9.4)
Cost reimbursements	137	168	147	(31)	(18.5)	21	14.3
Intersegment eliminations[1]	(13)	(36)	(32)	23	(63.9)	(4)	12.5
Total revenues	$894	$1,838	$1,999	$(944)	(51.4)	$(161)	(8.1)

(1) Refer to Note 22: *Business Segments* in our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for details on the intersegment eliminations.

We evaluate our business segment operating performance using segment Adjusted EBITDA, as described in Note 22: *Business Segments* in our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K. For a discussion of our definition of EBITDA and Adjusted EBITDA, how management uses them to manage our business and material limitations on their usefulness, refer to "—Key Business and Financial Metrics and Terms Used by Management—EBITDA and Adjusted EBITDA." The following table reconciles net income, our most comparable U.S. GAAP financial measure, to EBITDA and Adjusted EBITDA:

	Year Ended December 31,			2020 vs 2019 Variance		2019 vs 2018 Variance	
($ in millions)	2020	2019	2018	$	%	$	%
Net Income	$(201)	$216	$298	$(417)	NM[1]	$ (82)	(27.5)%
Interest expense	43	43	30	0	—	13	43.3
Income tax (benefit) expense	(79)	57	105	(136)	NM[1]	(48)	(45.7)
Depreciation and amortization	45	44	33	1	2.3	11	33.3
Interest expense, depreciation and amortization included in equity in earnings from unconsolidated affiliates	2	3	4	(1)	(33.3)	(1)	(25.0)
EBITDA	(190)	363	470	(553)	NM[1]	(107)	(22.8)
Other (gain) loss, net	(3)	3	1	(6)	NM[1]	2	NM[1]
Share-based compensation expense[2]	15	22	16	(7)	(31.8)	6	37.5
Impairment expense[3]	209	—	—	209	NM[1]	—	NM[1]
Other adjustment items[4]	26	20	16	6	30.0	4	25.0
Adjusted EBITDA	$ 57	$408	$503	$(351)	(86.0)	$ (95)	(18.9)

(1) Fluctuation in terms of percentage change is not meaningful.

(2) In the first quarter 2020, we determined that the performance conditions for our 2018, 2019, and 2020 Performance RSUs were improbable of achievement. Therefore, we reversed $8 million of share-based compensation expense recognized in prior years and ceased accruing expenses related to Performance RSUs granted in 2018, 2019, and 2020. In December 2020, the Compensation Committee of the Board of Directors ("Compensation Committee") approved an amendment to the 2018 Performance RSUs. As a result of the amendment, we recognized compensation expense of $2 million based on the number of Performance RSUs vested and the performance conditions for the 2018 Performance RSU awards.

(3) In the fourth quarter 2020, we performed a review over certain of our long-lived assets and committed to a plan to monetize and dispose of certain assets via a sale. As a result, we recorded a non-cash impairment charge of $209 million in the fourth quarter of 2020 related to the identified assets. The non-cash impairment charge was comprised of a $201 million charge related to *Land and infrastructure held for sale* and an $8 million charge related to *Property and equipment*, respectively. See Note 7: *Inventory* and Note 8: *Property and equipment* for more information.

(4) For the year ended December 31, 2020 and 2019, this amount includes costs associated with restructuring, one-time charges and other non-cash items. For the year ended December 31, 2018, this amount also includes costs associated with the spin-off of $11 million.

The following table reconciles our segment Adjusted EBITDA to Adjusted EBITDA.

	Year Ended December 31,			2020 vs 2019 Variance		2019 vs 2018 Variance	
($ in millions)	2020	2019	2018	$	%	$	%
Segment Adjusted EBITDA:							
Real estate sales and financing[1]	$ 33	$ 325	$447	$(292)	(89.8)%	$(122)	(27.3)%
Resort operations and club management[1]	136	265	245	(129)	(48.7)	20	8.2
Adjustments:							
Adjusted EBITDA from unconsolidated affiliates	7	7	4	—	—	3	75
License fee expense	(51)	(101)	(98)	50	(49.5)	(3)	3.1
General and administrative[2]	(68)	(88)	(95)	20	(22.7)	7	(7.4)
Adjusted EBITDA	$ 57	$ 408	$503	$(351)	(86.0)	$ (95)	(18.9)

(1) Includes intersegment transactions, share-based compensation, depreciation and other adjustments attributable to the segments.

(2) Adjusts for segment related share-based compensation, depreciation and other adjustment items, such as spin related costs and restructuring costs.

Real Estate Sales and Financing

In accordance with Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("ASC 606"), revenue and the related costs to fulfill and acquire the contract ("direct costs") from sales of VOIs under construction are deferred until the point in time when construction activities are deemed to be completed. The real estate sales and financing segment is impacted by construction related deferral and recognition activity. In periods where Sales of VOIs and related direct costs of projects under construction are deferred, profit margins will generally contract as the indirect marketing and selling costs associated with these sales are recognized as incurred in the current period. In periods where previously deferred Sales of VOIs and related direct costs are recognized upon construction completion, profit margins will generally expand as the indirect marketing and selling costs associated with these sales were recognized in prior periods.

The following table represents deferrals and recognitions of Sales of VOI revenue and direct costs for properties under construction:

	Year Ended December 31,			2020 vs 2019 Variance	2019 vs 2018 Variance
($ in millions)	**2020**	**2019**	**2018**	**$**	**$**
Sales of VOIs (deferrals)	$(85)	$(84)	$(166)	$ (1)	$ 82
Sales of VOIs recognitions	—	—	299	—	(299)
Net Sales of VOIs (deferrals) recognitions	(85)	(84)	133	(1)	(217)
Cost of VOI sales (deferrals)[1]	(23)	(27)	(54)	4	27
Cost of VOI sales recognitions	—	—	90	—	(90)
Net Cost of VOI sales (deferrals) recognitions[1]	(23)	(27)	36	4	(63)
Sales and marketing expense (deferrals)	(13)	(12)	(23)	(1.0)	11
Sales and marketing expense recognitions	—	—	41	—	(41)
Net Sales and marketing expense (deferrals) recognitions	(13)	(12)	18	(1.0)	(30)
Net construction (deferrals) recognitions	$(49)	$(45)	$ 79	$ (4)	$(124)

(1) Includes anticipated Cost of VOI Sales of VOIs under construction that will be acquired under a just-in-time arrangement once construction is complete for the year ended December 31, 2020 and 2019.

Real estate sales and financing segment revenues decreased by $758 million for the year ended December 31, 2020, compared to the same period in 2019, primarily due to decreases in sales revenue and marketing revenue as a result of the ongoing impact of the COVID-19 pandemic on travel demand, along with the temporary closure of substantially all of our properties and suspension of our sales and related operations during the first half of 2020.

Real estate sales and financing Adjusted EBITDA decreased by $292 million for the year ended December 31, 2020, compared to the same period in 2019, primarily due to the decreases in segment revenues associated with segment performance discussed herein partially offset by a decrease in related expenses. In addition, real estate sales and financing segment Adjusted EBITDA was impacted by $7 million in one-time payroll related expenses, net of an employee retention credit granted primarily under the CARES Act, primarily related to payments made to employees as a result of operational closures caused by the COVID-19 pandemic for the year ended December 31, 2020.

Refer to "—Real Estate" and "—Financing" for further discussion on the revenues and expenses of the real estate sales and financing segment.

Resort Operations and Club Management

Resort operations and club management segment revenues decreased $178 million for the year ended December 31, 2020, compared to the same period in 2019, primarily due to decreases in rental and ancillary revenues as a result of the ongoing impact of the COVID-19 pandemic on travel demand, along with the temporary closure of substantially all of our properties and suspension of our sales and related operations during the first half of 2020.

Resort operations and club management segment Adjusted EBITDA decreased $129 million for the year ended December 31, 2020 compared to the same period in 2019, primarily due to the decreases in segment profit associated with segment performance discussed herein.

Refer to "—Resort and Club Management" and "—Rental and Ancillary Services" for further discussion on the revenues and expenses of the resort operations and club management segment.

Real Estate Sales and Financing Segment

Real Estate

	Year Ended December 31,			2020 vs 2019 Variance		2019 vs 2018 Variance	
($ in millions, except Tour flow and VPG)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
Contract sales	$ 528	$ 1,410	$ 1,410	$ (882)	(62.6)%	$ —	—%
Adjustments:							
Fee-for-service sales[2]	(275)	(760)	(776)	485	(63.8)	16	(2.1)
Provision for financing receivables losses	(75)	(74)	(69)	(1)	1.4	(5)	7.2
Reportability and other:							
Net (deferral) recognition of sales of VOIs under construction[3]	(85)	(84)	133	(1)	1.2	(217)	NM[1]
Fee-for-service sale upgrades, net	16	52	63	(36)	(69.2)	(11)	(17.5)
Other[4]	(1)	(35)	(27)	34	(97.1)	(8)	29.6
Sales of VOIs, net	$ 108	$ 509	$ 734	$ (401)	(78.8)	$ (225)	(30.7)
Tour flow	127,085	383,108	357,861	(256,023)	(66.8)	25,247	7.1
VPG	$ 3,889	$ 3,518	$ 3,743	$ 371	10.5	$ (225)	(6.0)

(1) Fluctuation in terms of percentage change is not meaningful.
(2) Represents contract sales from fee-for-service properties on which we earn commissions and brand fees.
(3) Represents the net impact of deferred revenues related to the Sales of VOIs under construction that are recognized when construction is complete.
(4) Includes adjustments for revenue recognition, including amounts in rescission and sales incentives.

Contract sales decreased $882 million for the year ended December 31, 2020, compared to the same period in 2019, primarily due to a decrease in tour flow related to the ongoing impact of the COVID-19 pandemic on travel demand, along with the temporary closure of substantially all of our properties and suspension of our sales and related operations during the first half of 2020.

Beginning in May 2020, we began a phased reopening of resorts and resumption of our business activities, however many of our resorts and sales centers are operating in markets with significant capacity constraints and various safety measures. As of December 31, 2020, we have approximately 85 percent of our resorts and sales centers open and currently operating.

	Year Ended December 31,			2020 vs 2019 Variance		2019 vs 2018 Variance	
($ in millions)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
Sales, marketing, brand and other fees	$ 221	$ 573	$ 570	$(352)	(61.4)%	$ 3	0.5%
Less:							
Marketing revenue and other fees	57	136	123	(79)	(58.1)	13	10.6
Commissions and brand fees	164	437	447	(273)	(62.5)	(10)	(2.2)
Sales of VOIs, net	108	509	734	(401)	(78.8)	(225)	(30.7)
Sales revenue	272	946	1,181	(674)	(71.2)	(235)	(19.9)
Less:							
Cost of VOI sales	28	127	210	(99)	(78.0)	(83)	(39.5)
Sales and marketing expense, net[(2)]	313	549	575	(236)	(43.0)	(26)	(4.5)
Real estate (loss) profit	$ (69)	$ 270	$ 396	$(339)	NM[(1)]	$(126)	(31.8)
Real estate profit margin	(25.4)%	28.5%	33.5%				

(1) Fluctuation in terms of percentage change is not meaningful.

(2) Includes revenue recognized through our marketing programs for existing owners and prospective first-time buyers and revenue associated with sales incentives, title service and document compliance.

Sales revenue decreased by $674 million for the year ended December 31, 2020, compared to the same period in 2019, due to decrease in sales of VOI revenue, commissions and brand fees and related expenses as a result of the ongoing impact of the COVID-19 pandemic on travel demand, along with the temporary closure of substantially all of our properties and suspension of our sales and related operations during the first half of 2020. Cost of VOI sales, and sales and marketing expense, net, and real estate (loss) profit decreased consistent with sales revenue decrease because of COVID-19 and our closures referenced herein.

Financing

	Year Ended December 31,			2020 vs. 2019 Variance		2019 vs. 2018 Variance	
($ in millions)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
Interest income	$ 141	$ 147	$ 140	$ (6)	(4.1)%	$ 7	5.0%
Other financing revenue	24	23	18	1	4.3	5	27.8
Financing revenue	165	170	158	(5)	(2.9)	12	7.6
Consumer financing interest expense	31	29	24	2	6.9	5	20.8
Other financing expense	22	24	25	(2)	(8.3)	(1)	(4.0)
Financing expense	53	53	49	—	—	4	8.2
Financing profit	$ 112	$ 117	$ 109	$ (5)	(4.3)	$ 8	7.3
Financing profit margin	67.9%	68.8%	69.0%				

Financing revenue decreased $5 million for the year ended December 31, 2020, compared to the same period in 2019 primarily due to a decrease in the timeshare financing receivables portfolio balance. This was offset by an increase in the related weighted average interest rate. The weighted average interest rate increased to 12.61 percent from 12.49 percent for the years ended December 31, 2020 and 2019, respectively. Financing expense remained flat year over year.

Financing profit decreased for the year ended December 31, 2020, compared to the same period in 2019 related to the aforementioned decrease in interest income.

Resort and Club Management

($ in millions)	Year Ended December 31, 2020	2019	2018	2020 vs 2019 Variance $	%	2019 vs 2018 Variance $	%
Club management revenue	$ 96	$ 125	$ 112	$(29)	(23.2)%	$13	11.6%
Resort management revenue	70	66	60	4	6.1	6	10.0
Resort and club management revenues	166	191	172	(25)	(13.1)	19	11.0
Club management expense	24	27	29	(3)	(11.1)	(2)	(6.9)
Resort management expense	12	19	18	(7)	(36.8)	1	5.6
Resort and club management expenses	36	46	47	(10)	(21.7)	(1)	(2.1)
Resort and club management profit	$ 130	$ 145	$ 125	$(15)	(10.3)	$20	16.0
Resort and club management profit margin	78.3%	75.9%	72.7%				

Resort and club management revenues decreased $25 million for the year ended December 31, 2020, compared to the same period in 2019, primarily due to a decrease in club management revenue related to the refunding and waiving of club transaction fees to accommodate our guests impacted by the COVID-19 pandemic. The decrease in revenue was partially offset by (i) an increase of approximately 2,000 Club members and (ii) an increase in resort management revenue from the opening of new properties, compared to the same period in 2019.

Resort and club management profit margin increased for the year ended December 31, 2020, primarily due to a reduction in resort and club management expenses driven by the ongoing impact of the COVID-19 pandemic on travel demand, along with the temporary closure of substantially all of our resort operations during the first half of 2020.

Rental and Ancillary Services

($ in millions)	Year Ended December 31, 2020	2019	2018	2020 vs 2019 Variance $	%	2019 vs 2018 Variance $	%
Rental revenues	$ 90	$ 201	$ 191	$(111)	(55.2)%	$10	5.2%
Ancillary services revenues	7	26	27	(19)	(73.1)	(1)	(3.7)
Rental and ancillary services revenues	97	227	218	(130)	(57.3)	9	4.1
Rental expenses	98	123	110	(25)	(20.3)	13	11.8
Ancillary services expense	9	24	23	(15)	(62.5)	1	4.3
Rental and ancillary services expenses	107	147	133	(40)	(27.2)	14	10.5
Rental and ancillary services (loss) profit	$ (10)	$ 80	$ 85	$ (90)	NM[(1)]	$ (5)	(5.9)
Rental and ancillary services profit margin	(10.3)%	35.2%	39.0%				

(1) Fluctuation in terms of percentage change is not meaningful.

Rental and ancillary services revenues, expenses, and profit margin decreased for year ended December 31, 2020, compared to the same period in 2019, due to the ongoing impact of the COVID-19 pandemic on travel demand, along with the temporary closure of substantially all of our resort operations during the first half of 2020.

Beginning in May 2020, we began a phased reopening of resorts and resumption of our business activities; however, many of our resorts are operating in markets with significant capacity constraints and various safety measures. As of December 31, 2020, we have approximately 85 percent of our resorts open and currently operating.

Other Operating Expenses

	Year Ended December 31,			2020 vs 2019 Variance		2019 vs 2018 Variance	
($ in millions)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
General and administrative	$ 92	$118	$120	$ (26)	(22.0)%	$ (2)	(1.7)%
Depreciation and amortization	45	44	33	1	2.3	11	33.3
License fee expense	51	101	98	(50)	(49.5)	3	3.1
Impairment expense	209	—	—	209	NM[1]	—	NM[1]

[1] Fluctuation in terms of percentage change is not meaningful.

The change in other operating expenses for the year ended December 31, 2020, compared to the same period in 2019, is primarily due to the one-time non-cash charge of impairment expense recorded in December 2020 related to undeveloped land and unallocated infrastructure held for sale and held for use. See Note 7: *Inventory* and Note 8: *Property and equipment* for additional information regarding the assets held for sale. This increase in impairment expense was offset by a decrease in general and administrative expenses related to decreases in salaries and wages from the furloughs and pay decreases announced during the second quarter of 2020 and lower license fee expense related to decreases in real estate sales and resort operations revenue.

Non-Operating Expenses

	Year Ended December 31,			2020 vs 2019 Variance		2018 vs 2018 Variance	
($ in millions)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
Interest expense	$ 43	$43	$ 30	$ —	—	$ 13	43.3%
Equity in (earnings) from unconsolidated affiliates	(5)	(4)	—	(1)	NM[1]	(4)	NM[1]
Other (gain) loss, net	(3)	3	1	(6)	NM[1]	2	NM[1]
Income tax (benefit) expense	(79)	57	105	(136)	NM[1]	(48)	(45.7)

[1] Fluctuation in terms of percentage change is not meaningful.

The change in non-operating expenses for the year ended December 31, 2020, compared to the same period in 2019, is primarily due to a $136 million decrease in income tax expense driven by reduced pre-tax income as a result of the ongoing impacts of the COVID-19 pandemic, as discussed above, in addition to gains associated with foreign currency exchange rate fluctuations.

Liquidity and Capital Resources

Overview

Our cash management objectives are to maintain the availability of liquidity, minimize operational costs, make debt payments and fund future acquisitions and development projects. Our known short-term liquidity requirements primarily consist of funds necessary to pay for operating expenses and other expenditures, including payroll and related benefits, legal costs, operating costs associated with the operation of our resorts and sales centers, interest and scheduled principal payments on our outstanding indebtedness, inventory-related purchase commitments, and capital expenditures for renovations and maintenance at our offices and sales centers. Our long-term liquidity requirements primarily consist of funds necessary to pay for scheduled debt maturities, inventory-related purchase commitments and costs associated with potential acquisitions and development projects.

We finance our short- and long-term liquidity needs primarily through cash and cash equivalents, cash generated from our operations, draws on our senior secured credit facility and our non-recourse revolving timeshare credit facility ("Timeshare Facility"), and through periodic securitizations of our timeshare financing receivables.

- In March 2020, we drew down the substantial remainder of our borrowing capacity under the revolver facility through net borrowings of $445 million as a precautionary measure to ensure liquidity for a sustained period in the economic environment resulting from the COVID-19 pandemic. We do not have a plan for the use of the proceeds other than for general corporate and working capital purposes in the ordinary course of business. As of December 31, 2020, we have $139 million remaining borrowing capacity under the revolver facility ("Revolver").
- In April 2020, we amended certain key definitions related to delinquency level calculations of underlying timeshare loans that are used as collateral for borrowings under our Timeshare Facility, and generated added flexibility to manage any potential increase in the rate of delinquency as a result of the impact of the COVID-19 pandemic.
- In May 2020, we amended our Credit Agreement which amended certain terms of the credit facilities ("Senior Secured Credit Facilities") to provide us with both near-term and long-term flexibility with respect to satisfying certain negative and financial covenants and ratios as may be needed due to the ongoing and uncertain future impact of the COVID-19 pandemic on our business and operations.
- In June 2020, we completed a securitization of $300 million of gross timeshare financing receivables and used the proceeds to pay down the $195 million outstanding balance on our Timeshare Facility and for general corporate operating expenses. As of December 31, 2020, we have $450 million remaining borrowing capacity under our Timeshare Facility.
- In August 2020, we renewed and extended our Timeshare Facility and amended certain provisions relating to advance rate, successor benchmark interest rate, certain used and unused fees, and thresholds for interest rate hedging obligations and transactions.
- In December 2020, we amended our Credit Agreement which provided a waiver period for certain financial covenants for the first three quarters of 2021. In connection with the Amendment we incurred $1 million in debt issuance costs. We also amended the Timeshare Facility to update the definition of seller financial covenants to be consistent with the amended Credit Agreement.
- As of December 31, 2020, we had total cash and cash equivalents of $526 million, including $98 million of restricted cash. The restricted cash balance relates to escrowed cash from our sales of our VOIs and reserves related to our non-recourse debt.

To optimize our liquidity and access to capital in light of the significant adverse impact of the COVID-19 pandemic, particularly as substantially all of our properties were temporarily closed and substantially all of our sales, operations and other activities were suspended during the first and second quarter of 2020, in addition to the steps discussed above, we have undertaken efforts to increase our capital and decrease our expenses. These include workforce furloughs, temporary salary reductions for employees primarily during the second quarter of 2020, eliminating discretionary spending, and reducing our planned investment in new inventory by approximately $200 million. We have also suspended the share repurchase program that was initially authorized by our Board in March 2020. During the fourth quarter of 2020, we executed a workforce reduction plan which resulted in the reduction of our workforce by approximately 1,500 team members.

We utilize surety bonds related to the sales of VOIs in order to meet regulatory requirements of certain states. The availability, terms and conditions and pricing of such bonding capacity are dependent on, among other things, continued financial strength and stability of the insurance company affiliates providing the bonding capacity, general availability of such capacity and our corporate credit rating. We have commitments from surety providers in the amount of $366 million as of December 31, 2020 which primarily consist of escrow and construction related bonds.

We believe that these actions, together with drawing on available borrowings under our Revolver and preserving our capacity under our Timeshare Facility as described above, will provide adequate capital to meet our short- and long-term liquidity requirements for operating expenses and other expenditures, including payroll and related benefits, legal costs, and additional costs related to complying with various regulatory requirements and best practices for opening under the current environment resulting from the pandemic, and to finance our long-term growth plan and capital expenditures for the foreseeable future.

In addition, as noted previously, beginning in May 2020, in response to various states and counties starting to allow gradual relaxation of restrictions on activities and a resumption of businesses, we began a phased reopening of resorts and resumption of our business activities, including our sales activities. However, we are operating under new guidelines and with safety measures that did not exist prior to the onset of the pandemic. As of December 31, 2020, we have approximately 85 percent of our resorts and sales centers open and currently operating; however, many of our resorts and sales centers were operating with significant capacity constraints and are still subject to various safety measures. While we plan to continue to reopen our resorts and resume our business as conditions permit, the pandemic continues to be unprecedented and rapidly changing, and has unknown duration and severity. Any significantly extended duration or worsening of the conditions associated with the pandemic may adversely impact our liquidity in the longer term, including our ability to finance our day-to-day business and operations, and may adversely affect our ability to comply with our financial covenants under our debt obligations notwithstanding the recent amendments discussed above.

We believe that our capital allocation strategy provides adequate funding for our operations, is flexible enough to fund our development pipeline, securitizes the optimal level of receivables, and provides the ability to be strategically opportunistic in the marketplace. We have made commitments with developers to purchase vacation ownership units at a future date to be marketed and sold under our Hilton Grand Vacations brand. As of December 31, 2020, our inventory-related purchase commitments totaled $454 million over 10 years.

Sources and Uses of Our Cash

The following table summarizes our net cash flows and key metrics related to our liquidity:

	Year Ended December 31,			2020 vs 2019 Variance	2019 vs 2018 Variance
($ in millions)	**2020**	**2019**	**2018**	**$**	**$**
Net cash provided by (used in):					
Operating activities	$ 79	$ 143	$(164)	$ (64)	$ 307
Investing activities	(33)	(63)	(57)	30	(6)
Financing activities	328	(108)	104	436	(212)

Operating Activities

Cash flow provided by (used in) operating activities is primarily generated from (i) sales and financing of VOIs and (ii) net cash generated from managing our resorts, Club operations and providing related rental and ancillary services. Cash flows used in operating activities primarily include spending for the acquisition of inventory, development of new phases of existing resorts and funding our working capital needs. Our cash flows provided by operations generally vary due to the following factors related to the sale of our VOIs; the degree to which our owners finance their purchase and our owners' repayment of timeshare financing receivables; the timing of management and sales and marketing services provided; and cash outlays for real estate to be converted to inventory in the future. Additionally, cash flow provided by operations will also vary depending upon our sales mix of VOIs; over time, we generally receive more cash from the sale of an owned VOI as compared to that from a fee-for-service sale.

The change in net cash flows provided by operating activities for the year ended December 31, 2020 compared to the same period in 2019 was primarily due to decreased sources of cash from working capital as a result of the on-going pandemic partially offset by a reduction in purchases and development of real estate for future conversion to inventory.

The following table exhibits our VOI inventory spending for the years ended December 31, 2020, 2019 and 2018.

	Year Ended December 31,		
($ in millions)	2020	2019	2018
VOI spending - owned properties	$106	$ 83	$135
VOI spending - fee-for-service upgrades[(1)]	13	47	51
Real estate for future conversion into inventory	36	168	299
Inventory deposits	—	—	46
Total VOI inventory spending	$155	$298	$531

(1) Includes expense related to granting credit to customers for their existing ownership when upgrading into fee-for-service projects of $9 million, $31 million and $34 million recorded in Costs of VOI sales for the years ended December 31, 2020, 2019 and 2018, respectively.

Investing Activities

The following table summarizes our net cash used in investing activities:

	Year Ended December 31,			2020 vs 2019 Variance	2019 vs 2018 Variance
($ in millions)	2020	2019	2018	$	$
Capital expenditures for property and equipment	$ (8)	$(37)	$(44)	$29	$ 7
Software capitalization costs	(23)	(24)	(14)	1	(10)
Return of investment from unconsolidated affiliates	—	—	11	—	(11)
Investments in unconsolidated affiliates	(2)	(2)	(10)	—	8
Net cash used in investing activities	$(33)	$(63)	$(57)	$30	$ (6)

Our capital expenditures include spending related to technology and buildings and leasehold improvements used to support sales and marketing locations, resort operations and corporate activities. We believe the renovations of our existing assets are necessary to stay competitive in the markets in which we operate.

The change in net cash used in investing activities for the year ended December 31, 2020 compared to the same period in 2019 was due to a decrease in spend for property and equipment in the current year.

Financing Activities

The following table summarizes our net cash provided by (used in) financing activities:

($ in millions)	Year Ended December 31, 2020	2019	2018	2020 vs 2019 Variance $	2019 vs 2018 Variance $
Issuance of debt	$ 495	$ 485	$ 530	$ 10	$ (45)
Issuance of non-recourse debt	495	365	663	130	(298)
Repayment of debt	(165)	(290)	(408)	125	118
Repayment of non-recourse debt	(475)	(376)	(485)	(99)	109
Debt issuance costs	(9)	(6)	(12)	(3)	6
Repurchase and retirement of common stock	(10)	(283)	(183)	273	(100)
Payment of withholding taxes on vesting of restricted stock units	(4)	(4)	(4)	—	—
Proceeds from employee stock plan purchases	2	3	—	(1)	3
Capital contribution	—	—	3	—	(3)
Proceeds from stock option exercises	1	—	—	1	—
Other financing activity	(2)	(2)	—	—	(2)
Net cash provided by (used in) financing activities	$ 328	$(108)	$ 104	$436	$(212)

The change in net cash flows provided by financing activity for the year ended December 31, 2020 compared to the same period in 2019 is primarily due to the decrease of repayment of debt and decrease in repurchase of common stock in 2020.

Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2020:

	Payments Due by Period				
($ in millions)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Debt	$1,164	$ 12	$ 829	$300	$ 23
Non-recourse debt	775	283	261	174	57
Interest on debt[(1)]	203	59	98	33	13
Operating leases	76	18	25	22	11
Inventory purchase commitments	454	227	172	43	12
Other commitments[(2)]	20	12	8	—	—
Total contractual obligations	$2,692	$611	$1,393	$572	$116

(1) Includes interest on our debt and non-recourse debt. For our variable-rate debt, we have assumed a constant 30-day LIBOR rate of 0.14 percent, subject to a 0.25 percent floor, as of December 31, 2020.

(2) Primarily relates to commitments related to information technology and brand licensing under the normal course of business.

We have made commitments with developers to purchase vacation ownership units at a future date to be marketed and sold under our Hilton Grand Vacations brand. As of December 31, 2020, our inventory-related purchase commitments totaled $454 million over 10 years.

We utilize surety bonds related to the sales of VOIs in order to meet regulatory requirements of certain states. The availability, terms and conditions and pricing of such bonding capacity are dependent on, among other things, continued financial strength and stability of the insurance company affiliates providing the bonding capacity, general availability of such capacity and our corporate credit rating. We have commitments from surety providers in the amount of $366 million as of December 31, 2020 which primarily consist of escrow and construction related bonds.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements as of December 31, 2020, consisted of $454 million of certain commitments with developers whereby we have committed to purchase vacation ownership units at a future date to be marketed and sold under our Hilton Grand Vacations brand and $20 million of other commitments under the normal course of business. The ultimate amount and timing of the acquisitions is subject to change pursuant to the terms of the respective arrangements, which could also allow for cancellation in certain circumstances, see Note 23: *Commitments and Contingencies* in our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for additional information.

Guarantor Financial Information

Certain subsidiaries, which are listed on Exhibit 22 of this Annual Report on Form 10-K, have guaranteed our obligations related to our senior unsecured notes (the "Notes"). The notes were issued in November 2016 with an aggregate principal balance of $300 million, an interest rate of 6.125 percent, and maturity in December 2024.

Our senior unsecured notes were co-issued by Hilton Grand Vacations Borrower LLC and Hilton Grand Vacations Borrower Inc. (the "Issuers") and are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by HGV (the "Parent"), Hilton Grand Vacations Parent LLC (the "Intermediate Parent"), the Issuers, and each of the Issuer's existing and future wholly owned domestic restricted subsidiaries (all entities that guarantee the Notes, collectively, the "Obligor group").

The Notes rank equally in right of payment with all of our existing and future senior unsecured obligations, are senior in right of payment to any of our guarantor's subordinated indebtedness, and are subordinate to all existing and future liabilities of our entities that do not guarantee the Notes and our secured indebtedness, including our senior secured credit facilities and securitized non-recourse debt.

The guarantee of each guarantor subsidiary is limited to a maximum amount, subject to applicable U.S. and non-U.S. laws. The guarantees can also be released upon the sale or transfer of a guarantor subsidiary's capital stock or substantially all of its assets, becoming designated as an unrestricted subsidiary, or upon its consolidation into a co-Issuer or another subsidiary guarantor.

The following tables provide summarized financial information of the Obligor group on a combined basis after elimination of (i) intercompany transactions and balances between the Parent and the subsidiary guarantors and (ii) investments in and equity in the earnings of non-guarantor subsidiaries and unconsolidated affiliates:

($ in millions)	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 393	$ 35
Restricted cash	69	59
Accounts receivable, net - due from non-guarantor subsidiaries	25	41
Accounts receivable, net - due from related parties	7	25
Accounts receivable, net - other	77	126
Timeshare financing receivables, net	207	449
Inventory	605	524
Property and equipment, net	490	718
Operating lease right-of-use assets, net	51	58
Intangible assets, net	81	77
Land and infrastructure held for sale	41	—
Other assets	74	69
Total assets	$2,120	$2,181
Liabilities		
Accounts payable, accrued expenses and other - due from non-guarantor subsidiaries	$ 25	$ 41
Accounts payable, accrued expenses and other - other	235	288
Advanced deposits	117	115
Debt, net	1,159	828
Operating lease liabilities	65	74
Deferred revenues	254	186
Deferred income tax liabilities	137	259
Total liabilities	$1,992	$1,791

($ in millions)	Year ended December 31, 2020
Total revenues - transactions with non-guarantor subsidiaries	$ 7
Total revenues - other	762
Operating loss	(108)
Net loss	(277)

Subsequent Events

Management has evaluated all subsequent events through March 1, 2021, the date the audited consolidated financial statements were available to be issued. The results of management's analysis indicated no significant subsequent events have occurred that require considerations adjustments to our disclosures in the audited financial statements.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in the consolidated financial statements and accompanying footnotes. We believe that of our significant accounting policies, which are described in Note 2: *Basis of Presentation and Summary of Significant Accounting Policies* in our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K, the following accounting policies are critical because they involve a higher degree of judgment, and the estimates required to be made are based on assumptions that are inherently uncertain. As a result, these accounting policies could materially affect our financial position, results of operations and related disclosures. On an ongoing basis, we evaluate these estimates and judgments based on historical experiences and various other factors that are believed to reflect the current circumstances. While we believe our estimates, assumptions and judgments are reasonable, they are based on information presently available. Actual results may differ significantly from these estimates due to changes in judgments, assumptions and conditions as a result of unforeseen events or otherwise, which could have a material effect on our financial position or results of operations.

Revenue Recognition

In accordance with ASC 606, revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. To achieve the core principle of the guidance, we take the following steps: (i) identify the contract with the customer; (ii) determine whether the promised goods or services are separate performance obligations in the contract; (iii) determine the transaction price, including considering the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract based on the standalone selling price or estimated standalone selling price of the good or service; and (v) recognize revenue when (or as) we satisfy each performance obligation.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. For arrangements that contain multiple goods or services, we determine whether such goods or services are distinct performance obligations that should be accounted for separately in the arrangement. When allocating the transaction price in the arrangement, we may not have observable standalone sales for all the performance obligations in these contracts; therefore, we exercise significant judgement when determining the standalone selling price of certain performance obligations. In order to estimate the standalone selling prices, we primarily rely on the expected cost plus margin and adjusted market assessment approaches. We then recognize the revenue allocated to each performance obligation as the related performance obligation is satisfied. See Note 2: *Basis of Presentation and Summary of Significant Accounting Policies* in our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion.

Inventory and Cost of Sales

We use the relative sales value method of costing our VOI sales and relieving inventory, which requires us to make estimates subject to significant uncertainty. The estimates include future sales prices, timing and volume, provisions for financing receivables losses on financed sales of VOIs, sales incentives, projected future cost and volume of recoveries, including inventory reacquired from our upgrade programs. We aggregate these factors to calculate total net cost of sales of VOIs as a percentage of net sales of VOIs and apply this ratio to allocate the cost of sales to recognized sales of VOIs. The effect of changes in these estimates over the life of a project are recognized on a retrospective basis through corresponding adjustments to inventory and cost of sales in the period in which the estimates are revised.

Due to the application of the retrospective adjustments, changes in any of our estimates, including changes in our development and sales strategies could have a material effect on the carrying value of certain projects and inventory. We monitor our projects and inventory on an ongoing basis and complete an evaluation each reporting period to ensure that the inventory is stated at the lower of cost or fair value less cost to sell. In addition, we continually assess our VOI inventory and, if necessary, impose pricing adjustments to modify sales pace.

Long-lived Assets and Related Impairment

We evaluate the carrying value of our property and equipment if there are indicators of potential impairment. We perform an analysis to determine the recoverability of the asset's carrying value by comparing the expected undiscounted future cash flows to the net book value of the asset. If it is determined that the expected undiscounted future cash flows are less than the net book value of the asset, we calculate the asset's fair value. The impairment loss recognized is equal to the amount that the net book value is in excess of fair value. Fair value is generally estimated using valuation techniques that consider the discounted cash flows of the asset using discount and capitalization rates deemed reasonable for the type of asset, as well as prevailing market conditions, appraisals, recent similar transactions in the market and, if appropriate and available, current estimated net sales proceeds from pending offers. We review all finite life intangible assets for impairment when circumstances indicate that their carrying amounts may not be recoverable. If the carrying value of an asset group is not recoverable, we recognize an impairment loss for the excess of the carrying value over the fair value in our consolidated statements of operations.

We classify long-lived assets to be sold as held for sale in the period (i) we have approved and committed to a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, (iii) an active program to locate a buyer and other actions required to sell the asset have been initiated, (iv) the sale of the asset is probable, (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. We initially measure a long-lived asset that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. We assess the fair value of a long-lived asset less any costs to sell at each reporting period and until the asset is no longer classified as held for sale. The methodology utilized to determine fair value at the time of classification as held for sale is dependent on the type of long-lived asset reclassified. All methodologies utilized to determine fair value involve judgment. In the current year, certain parcels of undeveloped land and unallocated infrastructure were classified as held-for-sale as of December 31, 2020. We utilized the market approach for the undeveloped land and cost approach for unallocated infrastructure to determine their respective fair values. The fair value calculations are sensitive to key assumptions utilized, including comparative sales for undeveloped land and replacement costs for unallocated infrastructure. We also estimated the costs to sell the assets; however, these estimates do not involve significant judgment.

Allowance for Financing Receivables Losses

The allowance for financing receivables losses is related to the receivables generated by our financing of VOI sales, which are secured by the underlying timeshare properties. We determine our financing receivables to be past due based on the contractual terms of the individual mortgage loans. We use a technique referred to as static pool analysis as the basis for determining our general reserve requirements on our financing receivables. The adequacy of the related allowance is determined by management through analysis of several factors requiring judgment, such as current economic conditions and industry trends, as well as the specific risk characteristics of the portfolio, including historic and assumed default rates.

Changes in the estimates used in developing our default rates could result in a material change to our allowance. A 0.5 percentage point increase to our projected default rates used in the allowance calculation would increase our allowance for financing receivables losses by approximately $8 million.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using currently enacted tax rates. We regularly review our deferred tax assets to assess their potential realization and establish a valuation allowance for portions of such assets that we believe will not be ultimately realized. In performing this review, we make estimates and assumptions regarding projected future taxable income, the expected timing of reversals of existing temporary differences and the implementation of tax planning strategies. A change in these assumptions may increase or decrease our valuation allowance resulting in an increase or decrease in our effective tax rate, which could materially affect our consolidated financial statements.

We use a prescribed more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return if there is uncertainty in income taxes recognized in the financial statements. Assumptions and estimates are used to determine the more-likely-than-not designation. Changes to these assumptions and estimates can lead to an additional income tax (expense) benefit, which can materially change our consolidated financial statements.

Legal Contingencies

We are subject to various legal proceedings and claims, the outcomes of which are subject to significant uncertainty. An estimated loss from a loss contingency should be accrued by a charge to income if it is probable and the amount of the loss can be reasonably estimated. Significant judgment is required when we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially affect our consolidated financial statements.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates, currency exchange rates and debt prices. We manage our exposure to these risks by monitoring available financing alternatives, through pricing policies that may take into account currency exchange rates. We do not foresee any significant changes in either our exposure to fluctuations in interest rates or how we manage interest rates or currency rates or how we manage such exposure in the future.

Interest Rate Risk

We are exposed to interest rate risk on our variable-rate debt, comprised of the term loans and our timeshare facility, of which the timeshare facility is without recourse to us. The interest rate is based on one-month LIBOR and we are most vulnerable to changes in this rate.

We intend to securitize timeshare financing receivables in the asset-backed financing market periodically. We expect to secure fixed-rate funding to match our fixed-rate timeshare financing receivables. However, to the extent we have floating-rate debt, we will monitor the interest rate risk and evaluate opportunities to mitigate such risk through the use of derivative instruments.

To the extent we utilize variable-rate indebtedness, any increase in interest rates beyond amounts covered under any corresponding derivative financial instruments, particularly if sustained, could have an adverse effect on our net income, cash flows and financial position. Hedging transactions we enter into may not adequately mitigate the adverse effects of interest rate increases or that counterparties in those transactions will honor their obligations.

The following table sets forth the contractual maturities, weighted-average interest rates and the total fair values as of December 31, 2020, for our financial instruments that are materially affected by interest rate risk:

($ in millions)	Weighted Average Interest Rate(1)	Maturities by Period 2021	2022	2023	2024	2025	There-after	Total(2)	Fair Value
Assets:									
Fixed-rate securitized timeshare financing receivables	12.258%	$ 98	$101	$104	$107	$105	$290	$ 805	$ 846
Fixed-rate unsecuritized timeshare financing receivables	13.291%	34	35	37	38	40	196	380	402
Liabilities:(3)									
Fixed-rate debt	4.069%	285	133	130	366	108	80	1,102	1,081
Variable-rate debt(4)	2.250%	10	10	817	—	—	—	837	833

(1) Weighted-average interest rate as of December 31, 2020.

(2) Amount excludes unamortized deferred financing costs.

(3) Includes debt and non-recourse debt.

(4) Variable-rate debt includes principal outstanding debt of $837 million as of December 31, 2020. There were no outstanding borrowings as of December 31, 2020 on our non-recourse debt. See Note 15: *Debt & Non-recourse Debt* in our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for additional information.

Foreign Currency Exchange Rate Risk

Though the majority of our operations are conducted in United States dollars ("U.S. dollars"), we are exposed to earnings and cash flow volatility associated with changes in foreign currency exchange rates. Our principal exposure results from our timeshare financing receivables denominated in Japanese yen and VAT payables in Mexican peso, the value of which could change materially in reference to our reporting currency, the U.S. dollar. A 10 percent change in the foreign exchange rate of Japanese yen to U.S. dollar would change our gross timeshare financing receivables by less than $1 million. A 10 percent change in the foreign exchange rate of Mexican peso to U.S. dollar would change our VAT receivables by approximately $1 million.

ITEM 8. Financial Statements and Supplementary Data

HILTON GRAND VACATIONS INC.
INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements of Hilton Grand Vacations Inc.

Management's Report on Internal Control Over Financial Reporting

Management of Hilton Grand Vacations Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets of the Company that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2020.

Ernst & Young LLP, the independent registered public accounting firm that has audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2020. The report is included herein.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Hilton Grand Vacations Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hilton Grand Vacations Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Cost of Vacation Ownership Intervals Sales
Description of the Matter	For the year ended December 31, 2020, the Company's cost of vacations ownership interval ("VOI") sales was $28 million. As discussed in Note 2 to the consolidated financial statements, the Company accounts for cost of VOI sales

using the relative sales value method. Changes in estimates within the relative sales value calculations are accounted for as cost of sales true-ups and are included in cost of VOI sales in the consolidated statements of operations to retrospectively adjust the margin previously recognized subject to those estimates.

Auditing management's application of the relative sales value method was complex and highly judgmental due to the significant estimation uncertainty in determining the significant assumptions required to apply the method, including future sales prices and sales incentives, timing and volume of VOI sales, provisions for financing receivables losses on financed sales of VOIs and projected future cost and volume of recoveries.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's cost of VOI sales process. For example, we tested controls over management's review of the cost of VOI sales calculations, used as part of the relative sales value method, including the significant assumptions described above.

To test the cost of VOI sales, we performed audit procedures that included, among others, assessing the methodologies used by management, evaluating the significant assumptions discussed above and testing the underlying data used by the Company within its analysis. We compared the significant assumptions used by management to historical trends and/or the Company's future development plans, as appropriate. We assessed the historical accuracy of management's estimates based on previous assumptions and performed analytical procedures to evaluate the significant assumptions. In addition, we performed analytical procedures to evaluate individual timeshare project cost of VOI sales rates. Given the uniqueness of the cost of VOI sales analysis to the real estate timeshare industry, we involved real estate subject matter resources on our team.

Allowance for Financing Receivables

Description of the Matter

At December 31, 2020, the Company's allowance for financing receivables generated by the financing of VOI sales was $211 million. As discussed in Note 2 to the consolidated financial statements, the Company records an estimate of variable consideration due to uncollectibles as a reduction of revenue from VOI sales at the time revenue is recognized on a VOI sale. The Company uses a technique referred to as static pool analysis as the basis for determining the default rates that are used to estimate variable consideration and allowance for financing receivables. The estimates of the variable consideration are based on default rates that are an output of the Company's static pool and considers current and future economic and market conditions.

Auditing the Company's allowance for financing receivables was challenging and required additional audit effort due to the complex nature of the static pool analysis and the high volume of data which is utilized in applying the static pool analysis. The estimate also required judgment in evaluating management's conclusions regarding which historical default rates most appropriately reflect the current and future market conditions.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's allowance for financing receivables process, including controls over management's review of the static pool analysis and data utilized in the static pool analysis. To test the estimated allowance for financing receivables, we performed audit procedures that included, among others, assessing the methodology discussed above, and testing the completeness and accuracy of the underlying data used by the Company in its analysis. We also compared data used in the static pool analysis to historical data from prior periods. We compared current year default rates to prior year default rates. In addition, we recalculated the allowance for financing receivables for certain pools of loans calculated by the static pool analysis. We evaluated management's analysis in determining the data used to reflect current and future market conditions in estimating the allowance. Given the uniqueness of the static pool analysis to the real estate timeshare industry, we involved real estate subject matter resources on our team.
	Impairment of Undeveloped Land and Unallocated Infrastructure Held for Sale
Description of the Matter	As discussed in Note 2 and Note 7 to the consolidated financial statements, the Company recorded a \$201 million impairment to undeveloped land and unallocated infrastructure as of December 31, 2020. Long-lived assets classified as held for sale are measured at the lower of carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized during the period. Fair value of a long-lived asset less any costs to sell is measured at each reporting period until the asset is sold or no longer classified as held for sale. Auditing management's valuation of undeveloped land and unallocated infrastructure assets held for sale was judgmental and involved subjectivity. In particular, the fair value is sensitive to significant assumptions, such as determining the range of value based on comparable sales for the undeveloped land and the costs for unallocated infrastructure.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's undeveloped land and unallocated infrastructure impairment process, including controls over management's review of significant assumptions used in the impairment analysis. To test the Company's impairment analysis over undeveloped land and unallocated infrastructure assets held for sale, we performed audit procedures that included, among others, assessing the methodologies used by management and testing the underlying data used by management in its analysis. We performed audit procedures over management's significant assumptions, such as benchmarking the value of the land against comparable land sales and evaluating whether unallocated infrastructure costs were within a market-supported range. We involved our real estate valuation specialists to assist in our audit procedures.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2016.
Orlando, Florida
March 1, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Hilton Grand Vacations Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Hilton Grand Vacations Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Hilton Grand Vacations Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated March 1, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Orlando, Florida
March 1, 2021

HILTON GRAND VACATIONS INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	December 31, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ 428	$ 67
Restricted cash	98	85
Accounts receivable, net of allowance for doubtful accounts of $20 and $21	119	174
Timeshare financing receivables, net	974	1,156
Inventory	702	558
Property and equipment, net	501	778
Operating lease right-of-use assets, net	52	60
Investments in unconsolidated affiliates	51	44
Intangible assets, net	81	77
Land and infrastructure held for sale	41	—
Other assets	87	80
TOTAL ASSETS (variable interest entities - $800 and $748)	$3,134	$3,079
LIABILITIES AND EQUITY		
Accounts payable, accrued expenses and other	$ 252	$ 298
Advanced deposits	117	115
Debt, net	1,159	828
Non-recourse debt, net	766	747
Operating lease liabilities	67	76
Deferred revenues	262	186
Deferred income tax liabilities	137	259
Total liabilities (variable interest entities - $771 and $750)	2,760	2,509
Commitments and contingencies - see Note 23		
Equity:		
Preferred stock, $0.01 par value; 300,000,000 authorized shares, none issued or outstanding as of December 31, 2020 and 2019	—	—
Common stock, $0.01 par value; 3,000,000,000 authorized shares, 85,205,012 and 85,535,501 issued and outstanding as of December 31, 2020 and 2019, respectively	1	1
Additional paid-in capital	192	179
Accumulated retained earnings	181	390
Total equity	374	570
TOTAL LIABILITIES AND EQUITY	$3,134	$3,079

See notes to consolidated financial statements.

HILTON GRAND VACATIONS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Year Ended December 31, 2020	2019	2018
Revenues			
Sales of VOIs, net	$ 108	$ 509	$ 734
Sales, marketing, brand and other fees	221	573	570
Financing	165	170	158
Resort and club management	166	191	172
Rental and ancillary services	97	227	218
Cost reimbursements	137	168	147
Total revenues	894	1,838	1,999
Expenses			
Cost of VOI sales	28	127	210
Sales and marketing	381	719	728
Financing	53	53	49
Resort and club management	36	46	47
Rental and ancillary services	107	147	133
General and administrative	92	118	120
Depreciation and amortization	45	44	33
License fee expense	51	101	98
Impairment expense	209	—	—
Cost reimbursements	137	168	147
Total operating expenses	1,139	1,523	1,565
Interest expense	(43)	(43)	(30)
Equity in earnings from unconsolidated affiliates	5	4	—
Other gain (loss), net	3	(3)	(1)
(Loss) income before income taxes	(280)	273	403
Income tax benefit (expense)	79	(57)	(105)
Net (loss) income	$ (201)	$ 216	$ 298
(Loss) Earnings per share:			
Basic	$ (2.36)	$ 2.43	$ 3.07
Diluted	$ (2.36)	$ 2.42	$ 3.05

See notes to consolidated financial statements.

HILTON GRAND VACATIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2020	2019	2018
Operating Activities			
Net (loss) income	$(201)	$ 216	$ 298
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	45	44	33
Amortization of deferred financing costs, contract costs and other	18	17	10
Provision for financing receivables losses	75	74	69
Impairment expense	209	—	—
Other (gain) loss, net	(1)	3	1
Share-based compensation	15	22	16
Deferred income tax (benefit) expense	(123)	3	20
Equity in losses (earnings) from unconsolidated affiliates	(5)	(4)	—
Distributions received from unconsolidated affiliates	—	—	2
Net changes in assets and liabilities:			
Accounts receivable, net	56	(20)	(41)
Timeshare financing receivables, net	107	(111)	(118)
Inventory	(91)	(4)	16
Purchases and development of real estate for future conversion to inventory	(36)	(168)	(299)
Other assets	(11)	(18)	(36)
Accounts payable, accrued expenses and other	(56)	(17)	(24)
Advanced deposits	2	14	14
Deferred revenues	76	91	(126)
Other	—	1	1
Net cash provided by (used in) operating activities	79	143	(164)
Investing Activities			
Capital expenditures for property and equipment	(8)	(37)	(44)
Software capitalization costs	(23)	(24)	(14)
Return of investment from unconsolidated affiliates	—	—	11
Investments in unconsolidated affiliates	(2)	(2)	(10)
Net cash used in investing activities	(33)	(63)	(57)
Financing Activities			
Issuance of debt	495	485	530
Issuance of non-recourse debt	495	365	663
Repayment of debt	(165)	(290)	(408)
Repayment of non-recourse debt	(475)	(376)	(485)
Debt issuance costs	(9)	(6)	(12)
Repurchase and retirement of common stock	(10)	(283)	(183)
Payment of withholding taxes on vesting of restricted stock units	(4)	(4)	(4)
Proceeds from employee stock plan purchases	2	3	—
Capital contribution	—	—	3
Proceeds from stock option exercises	1	—	—
Other financing activity	(2)	(2)	—
Net cash provided by (used in) financing activities	328	(108)	104
Net increase (decrease) in cash, cash equivalents and restricted cash	374	(28)	(117)
Cash, cash equivalents and restricted cash, beginning of period	152	180	297
Cash, cash equivalents and restricted cash, end of period	$ 526	$ 152	$ 180

Supplemental Disclosures[1]

(1) For supplemental disclosures, see Note 24: *Supplemental Disclosures of Cash Flow Information.*

See notes to consolidated financial statements.

HILTON GRAND VACATIONS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Common Stock		Additional Paid-in	Accumulated Retained	Total
	Shares	Amount	Capital	Earnings	Equity
Balance as of December 31, 2018	94	1	174	441	616
Net income	—	—	—	216	216
Activity related to share-based compensation	—	—	22	—	22
Repurchase and retirement of common stock	(9)	—	(17)	(266)	(283)
Other	—	—	—	(1)	(1)
Balance as of December 31, 2019	85	$ 1	$179	$ 390	$ 570
Net loss	—	—	—	(201)	(201)
Activity related to share-based compensation	—	—	15	—	15
Repurchase and retirement of common stock	(1)	—	(2)	(8)	(10)
Balance as of December 31, 2020	84	$ 1	$192	$ 181	$ 374

See notes to consolidated financial statements.

HILTON GRAND VACATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Organization

Our Business

Hilton Grand Vacations Inc. (“Hilton Grand Vacations,” “we,” “us,” “our,” “HGV” or the “Company”) is a global timeshare company engaged in developing, marketing, selling and managing timeshare resorts primarily under the Hilton Grand Vacations brand. Our operations primarily consist of: selling vacation ownership intervals (“VOIs”) for us and third parties; financing and servicing loans provided to consumers for their timeshare purchases; operating resorts; and managing our points-based Hilton Grand Vacations Club and Hilton Club exchange program (collectively the “Club”). As of December 31, 2020, we had 62 properties, comprised of 498,524 VOIs, located in the United States (“U.S.”), Japan, the United Kingdom, Italy, Barbados and Mexico. A significant number of our properties and units are concentrated in Florida, Hawaii, Nevada, New York, and South Carolina, with particular concentration of our units in Florida, Hawaii and New York.

Note 2: Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements presented herein include 100 percent of our assets, liabilities, revenues, expenses and cash flows as well as all entities in which we have a controlling financial interest. Our accompanying consolidated financial statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of the interim periods. All material intercompany transactions and balances have been eliminated in consolidation.

The consolidated financial statements reflect our financial position, results of operations and cash flows as prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). Certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and, accordingly, ultimate results could differ from those estimates. Interim results are not necessarily indicative of full year performance.

The determination of a controlling financial interest is based upon the terms of the governing agreements of the respective entities, including the evaluation of rights held by other interests. If the entity is considered to be a variable interest entity (“VIE”), we determine whether we are the primary beneficiary, and then consolidate those VIEs for which we have determined we are the primary beneficiary. If the entity in which we hold an interest does not meet the definition of a VIE, we evaluate whether we have a controlling financial interest through our voting interests in the entity. We consolidate entities when we own more than 50 percent of the voting shares of a company or otherwise have a controlling financial interest. The consolidated financial statements reflect our financial position, results of operations and cash flows as prepared in conformity with U.S. generally accepted accounting principles (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and, accordingly, ultimate results could differ from those estimates.

Impact of the COVID-19 Pandemic

The novel coronavirus ("COVID-19") pandemic continues to significantly negatively impact the hospitality, travel and leisure industries due to various mandates and orders to close non-essential businesses, impose travel restrictions, require "stay-at-home" and/or self-quarantine, and require similar actions. Such restrictions and directives have resulted in cancellations and significant reductions in travel around the world, as well as the negative global economic conditions. As a result of the reduction in travel, during the first quarter of 2020 we closed substantially all of our resorts and sales centers resulting in a significant reduction to revenue.

In response to the impact of COVID-19, we have taken a variety of actions to ensure the continuity of our business and operations, including workforce furlough, implementing temporary salary reductions for the remaining active employees primarily during the second quarter of 2020, eliminating all discretionary spending, and reducing our planned investment in new inventory by approximately $200 million. Further, during the first quarter of 2020, we drew down on the availability under our credit facility as a precautionary measure to ensure liquidity for a sustained period and on May 8, 2020, we amended our Credit Agreement which amended certain terms of the credit facilities ("Senior Secured Credit Facilities") to provide us with both near-term and long-term flexibility with respect to satisfying certain negative and financial covenant ratios as may be needed due to the ongoing and uncertain future impact of the COVID-19 pandemic on our business and operations.

In October 2020, we completed a workforce reduction plan that impacted approximately 1,500 team members in order to better align our workforce with the Company's needs in light of the environment, and approximately 1,800 of our team members remain furloughed as of December 31, 2020. For the year ended December 31, 2020, the Company incurred $7 million of expenses in restructuring and related expenses and charges. The majority of these expenses are included within Sales and marketing in our consolidated statements of operations. As of December 31, 2020, $1 million of such restructuring costs were included in Accounts payable, accrued expenses and other in our consolidated balance sheet.

In December 2020, we amended our Credit Agreement to provide a waiver period for certain financial covenants, while at the same time imposing certain temporary restrictions during the waiver period. In December 2020, we amended the Timeshare Facility to update the definition of seller financial covenants to be consistent with the amended Credit Agreement. See Note 15: *Debt and Non-recourse debt* for additional actions taken with respect to our financial flexibility.

Prior to re-opening our resorts and sales centers, we introduced the HGV Enhanced Care Guidelines, designed to provide owners, guests and team members with the highest level of cleaning protocols and safety standards recommended by the Center for Disease Control and Prevention and cleaning solutions approved by the Environmental Protection Agency in response to the COVID-19 pandemic. Along with providing personal protective equipment to team members, these Enhanced Care Guidelines include low-touch arrivals and departures, frequent and thorough cleaning, reduction of paper items, reduced capacity for our pool decks and fitness centers, and new technologies. While operations were suspended, essential resort personnel worked diligently maintaining the resorts for a safe reopening. Annual deep cleanings, typically scheduled during slower seasons, were moved up and completed, allowing the resorts to be in top shape when owners and guests arrive.

Beginning in May 2020, various states and counties started to allow gradual relaxation of restrictions on activities and a resumption of businesses. In response, we began a phased reopening of resorts and resumption of our business activities during the second quarter of 2020, but under new operating guidelines and with safety measures. As of December 31, 2020, we have approximately 85 percent of our resorts and sales centers open and currently operating however, many of our resorts and sales centers are operating in markets with significant capacity constraints and various safety measures. In addition, ongoing strict travel and other restrictions in regions and locations where we have a significant number of resorts and concentration of units, particularly, Hawaii and New York, are significantly impacting consumer demand for our resorts in those areas.

While we plan to continue to reopen our resorts and resume our business as conditions permit, the pandemic continues to be unprecedented and rapidly changing, and has unknown duration and severity. Further, various state and local government officials may issue new or revised orders that are different than current ones under which we are operating. Accordingly, there remains significant uncertainty as to the degree of impact and duration of the conditions stemming from the ongoing pandemic on our revenues, net income and other operating results, as well as our business and operations generally. Any significantly extended duration or worsening of the conditions associated with the pandemic may adversely impact our liquidity in the longer term, including our ability to finance our day-to-day business and operations, and may adversely affect our ability to comply with our financial covenants under our debt obligations notwithstanding the recent amendments discussed above.

Summary of Significant Accounting Policies

Revenue Recognition

On January 1, 2018, we adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (commonly referred to as Accounting Standards Codification ("ASC") Topic 606 ("ASC 606"). We adopted ASC 606 using the modified retrospective method in which the cumulative effect of applying the new standard has been recognized at the date of initial application with an adjustment to our opening balance of retained earnings. This approach applies to all contracts as of January 1, 2018. The new standard, as amended, replaces all current U.S. GAAP guidance on this topic and eliminates all industry-specific guidance. The reported results as of and for the years ended December 31, 2020, 2019 and 2018 reflect the application of ASC 606.

In accordance with ASC 606, revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. To achieve the core principle of the new guidance, we take the following steps: (i) identify the contract with the customer; (ii) determine whether the promised goods or services are separate performance obligations in the contract; (iii) determine the transaction price, including considering the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract based on the standalone selling price or estimated standalone selling price of the good or service; and (v) recognize revenue when (or as) we satisfy each performance obligation.

Contracts with Multiple Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. For arrangements that contain multiple goods or services, we determine whether such goods or services are distinct performance obligations that should be accounted for separately in the arrangement. When allocating the transaction price in the arrangement, we may not have observable standalone sales for all of the performance obligations in these contracts; therefore, we exercise significant judgement when determining the standalone selling price of certain performance obligations. In order to estimate the standalone selling prices, we primarily rely on the expected cost plus margin and adjusted market assessment approaches. We then recognize the revenue allocated to each performance obligation as the related performance obligation is satisfied as discussed below.

- *Sales of VOIs, net*—Customers who purchase vacation ownership products, whether paid in cash or financed, enter into multiple contracts, which we combine and account for as a single contract. Revenue from VOI sales is recognized at the point in time when control of the VOI is transferred to the customer which is when the customer has executed a binding sales contract, collectability is reasonably assured, the purchaser's period to cancel for a refund has expired and the customer has the right to use the VOI. Revenue from sales of VOIs under construction is deferred until the point in time when construction activities are deemed to be completed, occupancy of the development is permissible, and the above criteria has been met. For financed sales, we estimate the variable consideration to be received under such contracts and recognize revenue net of amounts deemed uncollectible as the VOI is returned to inventory upon customer default. Variable consideration which has not been included within the transaction price is presented as a reserve on the financing receivable. See Note 6:

Timeshare Financing Receivables for more information regarding our estimate of variable consideration.

We award Club Bonus Points ("Bonus Points") to our customers. These points are valid for a maximum of two years and may be used toward reservations at Club resorts, hotel reservations within Hilton's system and VOI interval exchanges with other third-party vacation ownership exchanges. At the time of the VOI sale, we estimate the fair value of the incentives to be redeemed, including an adjustment for estimated breakage, to determine the standalone selling price of the first day incentive ("FDI"). We defer a portion of the total transaction price for the combined VOI contract as a liability for the FDI and recognize the corresponding revenue at the point in time when the customer receives the benefits of the FDI, which is upon the customer's redemption of the Bonus Points. At that time, we also determine whether we are principal or agent for the redeemed good or service and recognize revenue on a gross or net basis accordingly.

- *Sales, marketing, brand and other fees*—We enter into contracts with third-party developers to sell VOIs on their behalf through fee-for-service agreements for which we earn sales commissions and other fees. These commissions are variable as they are based on the sales and marketing results, which are subject to the constraint on variable consideration and resolved on a monthly basis over the contract term. We estimate such commissions to the extent that it is probable that a significant reversal of such revenue will not occur and recognize the commissions as the developer receives and consumes the benefits of the services. Any changes in these estimates would affect revenue and earnings in the period such variances are realized.

  Additionally, we enter into contracts to sell prepaid vacation packages. Our obligation in such contracts is satisfied when customers stay at our property; therefore, we recognize revenue for these packages when they are redeemed. On a portfolio basis, we exercise judgement to estimate the amount of expected breakage related to unused prepaid vacation packages and recognize such breakage in proportion to the pattern of packages utilized by our portfolio of customers.

- *Financing*—We offer financing to qualifying customers purchasing our VOI. Revenue from the financing of timeshare sales is recognized on the accrual method as earned based on the outstanding principal, interest rate and terms stated in each individual financing agreement. We also recognize revenue from servicing the loans provided by third-party developers to purchasers of their VOIs over the period services are rendered.

- *Resort and club management*—As part of our VOI sales, our customers enter into a Club arrangement which gives the customer an annual allotment of Club points that allow the customer to exchange the Club points for a number of vacation options. We manage the Club, receiving Club activation fees, annual dues and transaction fees from member exchanges. Club activation fees and the member's first year of annual dues are payable at the time of the VOI sale. The Club activation fee relates to activities we are required to undertake at or near contract inception to fulfill the contract, and does not result in the transfer of a promised good or service. Since our customers are granted the opportunity to renew their membership on an annual basis for no additional activation fee, we defer and amortize the activation fee on a straight-line basis over the seven year average inventory holding period. Annual dues for membership renewals are billed each year, and we recognize revenue from these annual dues over the period services are rendered. A member may elect to enter into an optional exchange transaction with their allotted Club points at which point the member pays their required transaction fee. This option does not represent a material right as the transactions are priced at their standalone selling price. Revenue related to the transaction is recognized when the services are rendered.

  As part of our resort operations, we contract with homeowner's associations ("HOAs") to provide day-to-day-management services, including housekeeping services, operation of a reservation system, maintenance, and certain accounting and administrative services. We receive compensation for such management services, which is generally based on a percentage of costs to operate the resorts, on a monthly basis. These fees represent a form of variable consideration and are estimated and recognized over time as the HOAs receive and consume the benefits of the management services. Management fees received related to the portion of unsold VOIs at each resort which we own are recognized on a net basis given we retain these VOIs in our inventory.

- *Rental and ancillary services*—Our rental and ancillary services consist primarily of rental revenues on unoccupied vacation ownership units, inventory made available due to ownership exchanges through our club program and ancillary revenues. Rental revenue is recognized when occupancy has occurred. Advance deposits on the rental unit and the corresponding revenue is deferred and recognized upon the customer's vacation stay. Ancillary revenues consist of food and beverage, retail, spa offerings and other guest services. We recognize ancillary revenue when goods have been provided and/or services have been rendered.

  We account for rental operations of unsold VOIs, including accommodations provided through the use of our vacation sampler programs, as incidental operations. Incremental carrying costs in excess of incremental revenues are recognized in the period incurred. In all periods presented, incremental carrying costs exceeded incremental revenues and all revenues and expenses are recognized in the period earned or incurred.

- *Cost reimbursements*—As part of our management agreements with HOAs and fee-for-service developers, we receive cost reimbursements for performing the day to day management services, including direct and indirect costs that HOAs and developers reimburse to us. These costs primarily consist of insurance, payroll and payroll related costs for management of the HOAs and other services we provide where we are the employer and insurance. Cost reimbursements are based upon actual expenses with no added margin, and are billed to the HOA on a monthly basis. We recognize cost reimbursements when we incur the related reimbursable costs as the HOA receives and consumes the benefits of the management services.

We capitalize all incremental costs incurred to obtain a contract when such costs would not have been incurred if the contract had not been obtained. We elect to expense costs incurred to obtain a contract when the deferral period would be one year or less. Commissions for VOI sales for resorts under construction are expensed when the associated VOI revenue is recognized which is upon completion of the resort. These commissions are classified as *Sales and marketing expense* in our consolidated statements of operations.

As of December 31, 2020, the ending asset balance for costs to obtain a contract was $26 million relating to deferred commission costs for certain vacation package sales and VOI sales of resorts under construction. For the year ended December 31, 2020, we recognized $2 million of expense relating to certain vacation packages.

Other than the United States, there were no countries that individually represented more than 10 percent of total revenues for the years ended December 31, 2020, 2019 and 2018.

We earn commission and other fees related to fee-for-service agreements to sell VOIs. For the years ended December 31, 2020, 2019 and 2018, we did not earn more than 10 percent of our total revenue from one customer.

We are required to collect certain taxes and fees from customers on behalf of government agencies and remit these back to the applicable governmental agencies on a periodic basis. We have a legal obligation to act as a collection agent with respect to these taxes and fees. We do not retain these taxes and fees and, therefore, they are not included in revenues. We record a liability when the amounts are collected and relieve the liability when payments are made to the applicable taxing authority or other appropriate governmental agency.

Investments in Unconsolidated Affiliates

We account for investments in unconsolidated affiliates under the equity method of accounting when we exercise significant influence, but do not maintain a controlling financial interest over the affiliates. We evaluate our investments in affiliates for impairment when there are indicators that the fair value of our investment may be less than our carrying value.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Restricted Cash

Restricted cash includes deposits received on VOI sales that are held in escrow until legal requirements of the local jurisdictions are met with regards to project construction or contract status and cash reserves required by our non-recourse debt agreements.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable primarily consists of trade receivables and is reported as the customers' outstanding balances, less any allowance for credit losses. The expected credit losses are measured using an expected-loss model that reflects the risk of loss and considers the losses expected over the outstanding period of the receivable.

Cloud Computing Arrangements

We capitalize certain costs associated with cloud computing arrangements ("CCAs"). These costs are included in *Other assets* in our consolidated balance sheets and are expensed in the same line as the hosting arrangement in our consolidated statements of operations using the straight-line method over the assets' estimated useful lives, which is generally three to five years. We review the CCAs for impairment when circumstances indicate that their carrying amounts may not be recoverable. If the carrying value of an asset group is not recoverable, we recognize an impairment loss for the excess of carrying value over the fair value in our consolidated statements of operations.

Derivative Instruments

We use derivative instruments as part of our overall strategy to manage our exposure to market risks primarily associated with fluctuations in interest rates and do not use derivatives for trading or speculative purposes. We record the derivative instrument at fair value either as an asset or liability. We assess the effectiveness of our hedging instruments quarterly and record changes in fair value in accumulated other comprehensive income ("AOCI") for the effective portion of the hedge and record the ineffectiveness of a hedge immediately in earnings in our consolidated statement of operations. We release the derivative's gain or loss from AOCI to match the timing of the underlying hedged items' effect on earnings.

Timeshare Financing Receivables and Allowance for Financing Receivables Losses

Our timeshare financing receivables consist of loans related to our financing of VOI sales that are secured by the underlying timeshare properties. We determine our timeshare financing receivables to be past due based on the contractual terms of the individual mortgage loans. We recognize interest income on our timeshare financing receivables as earned. The interest rate charged on the notes correlates to the risk profile of the borrower at the time of purchase and the percentage of the purchase that is financed, among other factors. We record an estimate of variable consideration as a reduction of revenue from VOI sales at the time revenue is recognized on a VOI sale.

We evaluate this portfolio collectively, since we hold a large group of homogeneous timeshare financing receivables, which are individually immaterial. We monitor the credit quality of our receivables on an ongoing basis. There are no significant concentrations of collection risk with any individual counterparty or groups of counterparties. We use a technique referred to as static pool analysis as the basis for determining our financing receivables losses reserve requirements on our timeshare financing receivables. The static pool analysis includes several years of default data through which we stratify our portfolio using certain key dimensions including: FICO scores and equity percentage at the time of sale. The adequacy of the related allowance is determined by management through analysis of several factors, such as current economic conditions and industry trends, as well as the specific risk characteristics of the portfolio including assumed default rates, aging and historical write-offs of these receivables. The allowance is maintained at a level deemed adequate by management based on a periodic analysis of the mortgage portfolio.

We apply payments we receive for loans, including those in non-accrual status, to amounts due in the following order: servicing fees; interest; principal; and late charges. Once a note is 91 days past due we cease accruing interest and reverse the accrued interest recognized up to that point. We resume interest accrual for loans for which we had previously ceased accruing interest once the loan is less than 91 days past due. We fully reserve for a timeshare financing receivable in the month following the date that the loan is 121 days past due and, subsequently, we write off the uncollectible note against the reserve once the foreclosure process is complete and we receive the deed for the foreclosed unit.

Inventory and Cost of Sales

Inventory includes unsold, completed VOIs; VOIs under construction; and land and infrastructure held for future VOI product development at our current resorts. We carry our completed VOI inventory at the lower of cost or estimated fair value, less costs to sell, which can result in impairment losses and/or recoveries of previous impairments. Projects under development, along with land and infrastructure for future development are under a held and use impairment model and are reviewed for indicators of impairment quarterly.

We capitalize costs directly associated with the acquisition, development and construction of a real estate project when it is probable that the project will move forward. We capitalize salary and related costs only to the extent they directly relate to the project. We capitalize interest expense, taxes and insurance costs when activities that are necessary to get the property ready for its intended use are underway. We cease capitalization of costs during prolonged gaps in development when substantially all activities are suspended or when projects are considered substantially complete.

We account for our VOI inventory and cost of VOI sales using the relative sales value method. Also, we do not reduce inventory for the cost of VOI sales related to anticipated defaults, and accordingly, no adjustment is made when inventory is reacquired upon default of the related receivable. This results in changes in estimates within the relative sales value calculations to be accounted for as real estate inventory true-ups, which we refer to as cost of sales true-ups, and are included in *Cost of VOI sales* in our consolidated statements of operations to retrospectively adjust the margin previously recognized subject to those estimates.

Property and Equipment

Property and equipment includes land, buildings and leasehold improvement and furniture and equipment at our corporate offices, sales centers and management offices which are recorded at cost. Additionally, certain property and equipment is held for future conversion into inventory. Construction in progress primarily relates to development activities. Costs that are capitalized related to development activities are classified as property and equipment until they are registered for sale. Costs of improvements that extend the economic life or improve service potential are also capitalized. Capitalized costs are depreciated over their estimated useful lives. Costs for normal repairs and maintenance are expensed as incurred. Other than the United States, there were no countries that individually represented over 10 percent of total property and equipment, net as of December 31, 2020 and 2019.

Depreciation is recorded using the straight-line method over the assets' estimated useful lives, which are generally as follows: buildings and improvements (eight to 40 years); furniture and equipment (three to eight years); and computer equipment and acquired software (three years). Leasehold improvements are depreciated over the shorter of the estimated useful life, based on the estimates above, or the lease term.

We evaluate the carrying value of our property and equipment if there are indicators of potential impairment. We perform an analysis to determine the recoverability of the asset's carrying value by comparing the expected undiscounted future cash flows to the net book value of the asset. If it is determined that the expected undiscounted future cash flows are less than the net book value of the asset, we calculate the asset's fair value. The impairment loss recognized is equal to the amount that the net book value is in excess of fair value. Fair value is generally estimated using valuation techniques that consider the discounted cash flows of the asset using discount and capitalization rates deemed reasonable for the type of asset, as well as prevailing market conditions, appraisals, recent similar transactions in the market and, if appropriate and available, current estimated net sales proceeds from pending offers.

If sufficient information exists to reasonably estimate the fair value of a conditional asset retirement obligation, including environmental remediation liabilities, we recognize the fair value of the obligation when the obligation is incurred.

Assets Held for Sale

We classify long-lived assets to be sold as held for sale in the period (i) we have approved and committed to a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, (iii) an active program to locate a buyer and other actions required to sell the asset have been initiated, (iv) the sale of the asset is probable, (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. We initially measure a long-lived asset that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset until the date of sale. Upon designation as an asset held for sale, we stop recording depreciation expense on the asset. We assess the fair value of a long-lived asset less any costs to sell at each reporting period and until the asset is no longer classified as held for sale. The methodology utilized to determine fair value at the time of classification as held for sale is dependent on the type of long-lived asset reclassified. All methodologies utilized to determine fair value involve judgment.

Leases

We lease sales centers, office space and equipment under lease agreements. We determine if an arrangement is a lease at inception. Amounts related to operating leases are included in *Operating lease right-of-use ("ROU") assets, net* and *Operating lease liabilities* in our consolidated balance sheets. Operating lease ROU assets are adjusted for lease incentives received.

ROU assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term as of the commencement date. Because most of our leases do not provide an explicit or implicit rate of return, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments on an individual lease basis. Our incremental borrowing rate for a lease is the rate of interest we would have to pay on a collateralized basis to borrow an amount equal to the lease payments for the asset under similar terms.

We have lease agreements with lease and non-lease components. Our operating leases may require minimum rent payments, contingent rent payments based on a percentage of revenue or income or rental payments adjusted periodically for inflation or rent payments equal to the greater of a minimum rent or contingent rent. Our leases do not contain any residual value guarantees or material restrictive covenants. Leases with a lease term of 12 months or less are not recorded on the consolidated balance sheets and lease expense is recognized on a straight-line basis over the lease term.

We monitor events or changes in circumstances that change the timing or amount of future lease payments which results in the remeasurement of a lease liability, with a corresponding adjustment to the ROU asset. ROU assets for operating and financing leases are periodically reviewed for impairment losses under ASC 360-10, *Property, Plant, and Equipment*, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

Intangible Assets

Our intangible assets consist of management agreements and certain proprietary technologies with finite lives. We have management agreements that were recorded at their fair value at the time of the completion of a merger on October 24, 2007 where Hilton became a wholly-owned subsidiary of an affiliate of The Blackstone Group L.P. ("Blackstone"). Additionally, we capitalize costs incurred to develop internal-use computer software, including costs incurred in connection with development of upgrades or enhancements that result in additional functionality. These capitalized costs are included in *Intangible assets, net* in our consolidated balance sheets. Intangible assets with finite useful lives are amortized using the straight-line method over their respective useful lives, which for management agreements is the contract term. In our consolidated statements of operations, the amortization of these intangible assets is included in depreciation and amortization expense and the amortization of costs to obtain a contract is recognized as a reduction to the related revenues.

We review all finite life intangible assets for impairment when circumstances indicate that their carrying amounts may not be recoverable. If the carrying value of an asset group is not recoverable, we recognize an impairment loss for the excess of the carrying value over the fair value in our consolidated statements of operations.

Deferred Financing Costs

Deferred financing costs, including legal fees and upfront lenders fees, related to the Company's debt and non-recourse debt are deferred and amortized over the life of the respective debt using the effective interest method. These capitalized costs are included in *Other assets* or *Debt, net* in our consolidated balance sheets (see Note 15: *Debt & Non-recourse debt* for additional information. The amortization of deferred financing costs is included in interest expense in our consolidated statements of operations.

Costs Incurred to Sell VOIs and Vacation Packages

We expense indirect sales and marketing costs we incur to sell VOIs and vacation packages when incurred. Deferred selling expenses, which are direct selling costs related either to a contract for which revenue has not yet been recognized, were $29 million and $19 million as of December 31, 2020 and 2019, respectively, and were included in *Other assets* on our consolidated balance sheets.

Fair Value Measurements—Valuation Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (an exit price). We use the three-level valuation hierarchy for classification of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our own assumptions about the data market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-level hierarchy of inputs is summarized below:

- Level 1—Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2—Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument; and
- Level 3—Valuation is based upon unobservable inputs that are significant to the fair value measurement.

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety.

Currency Translation and Remeasurement

The United States dollar ("USD") is our reporting currency and is the functional currency of the majority of our operations. For operations whose functional currency is not the USD, assets and liabilities measured in foreign currencies are translated into USD at the prevailing exchange rates in effect as of the financial statement date and the related gains and losses are reflected within *Total Equity* in our consolidated balance sheets. Related income and expense accounts are translated at the average exchange rate for the period. Gains and losses from foreign exchange rate changes related to other transactions denominated in a currency other than an entity's functional currency or intercompany receivables and payables denominated in a currency other than an entity's functional currency that are not of a long-term investment nature are recognized as gain or loss on foreign currency transactions included in *Other loss, net* in our consolidated statements of operations.

Share-Based Compensation Costs

Certain of our employees participate in our 2017 Omnibus Incentive Plan (the "Stock Plan") which compensates eligible employees and directors with restricted stock units ("RSUs"), time and performance-vesting restricted stock units ("PSUs") and nonqualified stock options ("options"). We record compensation expense based on the share-based awards granted to our employees.

Share-based compensation awards issued prior to the spin-off have been converted to reflect the separation from Hilton. Upon the separation on January 3, 2017, holders of Hilton share-based awards received an adjusted award based on our shares. The adjustments were designed to generally preserve the fair value of each award before and after the separation.

- RSUs vest in annual installments over three years from the date of grant, subject to the individual's continued employment through the applicable vesting date. Vested RSUs generally will be settled for Hilton Grand Vacation's common stock. The grant date fair value is equal to Hilton Grand Vacation's closing stock price on the date of grant.
- PSUs are settled at the end of a three-year performance period, with 70 percent of the PSUs subject to achievement based on the Company's adjusted earnings before interest expense, taxes and depreciation and amortization. This metric is further adjusted by sales of VOIs under construction. The remaining 30 percent of the PSUs are subject to the achievement of certain VOI sales targets.
- Options vest over three years in annual installments from the date of grant, subject to the individual's continued employment through the applicable vesting date and will terminate 10 years from the date of grant or earlier on the unvested portion of an individual whose service was terminated. The exercise price is equal to the closing price of the Hilton Grand Vacation's common stock on the date of grant. The grant date fair value is estimated using the Black-Scholes-Merton Model.

We recognize the cost of services received in share-based payment transactions with employees as services are received and recognize a corresponding change in *Total Equity* in our consolidated balance sheets. The measurement objective for these equity awards is the estimated fair value at the grant date of the equity instruments that we are obligated to issue when employees have rendered the requisite service and satisfied any other conditions necessary to earn the right to benefit from the instruments. Compensation expense is recognized ratably over the requisite service period. The requisite service period is the period during which an employee is required to provide service in exchange for an award. We recognize forfeitures of awards as they occur.

Income Taxes

We account for income taxes using the asset and liability method. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year, to recognize the deferred tax assets and liabilities that relate to tax consequences in future years, which result from differences between the respective tax basis of assets and liabilities and their financial reporting amounts, and tax loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the respective temporary differences or operating loss or tax credit carryforwards are expected to be recovered or settled. The realization of deferred tax assets and tax loss and tax credit carryforwards is contingent upon the generation of future taxable income and other restrictions that may exist under the tax laws of the jurisdiction in which a deferred tax asset exists. Valuation allowances are provided to reduce such deferred tax assets to amounts more likely than not to be ultimately realized.

We use a prescribed recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. For all income tax positions, we first determine whether it is “more-likely-than-not” that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If it is determined that a position meets the more-likely-than-not recognition threshold, the benefit recognized in the financial statements is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement.

Earnings Per Share

Basic earnings per share (“EPS”) is calculated by dividing the earnings available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated to give effect to all potentially dilutive common shares that were outstanding during the reporting period. When there is a year-to-date loss, potential common shares should not be included in the computation of diluted EPS; hence, diluted EPS would equal basic EPS in a period of loss.

Defined Contribution Plan

We administer and maintain a defined contribution plan for the benefit of all employees meeting certain eligibility requirements who elect to participate in the plan. Contributions are determined based on a specified percentage of salary deferrals by participating employees. We recognized compensation expense for our participating employees totaling \$5 million and \$13 million for the year ended December 31, 2020 and 2019, respectively.

Reclassifications

Certain prior period amounts in the consolidated financial statements have been reclassified to conform to the current period presentation with no effect on previously reported total assets and total liabilities, net income or stockholders’ equity.

Recently Issued Accounting Pronouncements

Adopted Accounting Standards

On January 1, 2020, we adopted Accounting Standards Update (ASU) No. 2016-13, ("ASU 2016-13"), *Financial Instruments Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* ("ASC 326"), using the modified retrospective approach. The new standard requires that expected credit losses relating to financial assets measured on an amortized cost basis are measured using an expected-loss model, replacing the current incurred-loss model, and recorded through an allowance for credit losses. The adoption of ASU 2016-13 did not have a material impact on our consolidated financial statements and related disclosures and no cumulative adjustment was recorded primarily as our timeshare financing receivables are recorded net of an allowance that is calculated in accordance with ASC 606, *Revenue from Contracts with Customers*.

On January 1, 2020, we adopted ASU 2018-15 ("ASU 2018-15"), *Customer's Accounting Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*, which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification 350-40 to determine which implementation costs to defer and recognize as an asset. ASU 2018-15 generally aligns the guidance on recognizing implementation costs incurred in a cloud computing arrangement that is a service contract with that for implementation costs incurred to develop or obtain internal-use software, including hosting arrangements that include an internal-use software license. This ASU has been adopted using the retrospective approach. Accordingly, previously reported financial information has been restated to reflect the application of the new standard to the comparative periods presented. The adoption of ASU 2018-15 did not have a material impact on our consolidated financial statements.

In March 2020, the SEC issued a final rule, *Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities*, which simplifies the disclosure requirements related to registered securities under Rule 3-10 of Regulation S-X. The rule replaces the requirement for a parent entity to provide detailed disclosures with regard to guarantors of registered debt offerings within the footnotes to the consolidated financial statements. Under the final rule, a parent entity is required to present summarized financial information of the issuers' and guarantors' balance sheets and statements of operations on a consolidated basis. It also requires qualitative disclosures with respect to information about guarantors and the terms and conditions of guarantees. These disclosures may be provided outside the footnotes to the Company's consolidated financial statements. We early adopted the reporting requirements of the rule in the second quarter of 2020 and elected to provide these disclosures in Item 2: *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Accounting Standards Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12 ("ASU 2019-12"), *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* ASU 2019-12 is intended to simplify various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and which also clarifies and amends existing guidance to improve consistent application. The provisions of this ASU are effective for reporting periods after December 15, 2020. We are currently evaluating the effect of this ASU but we do not expect it to have a material impact on consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04 ("ASU 2020-04"), *Reference Rate Reform* (*Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. The amendments are effective for all entities as of March 12, 2020 through December 31, 2022. We are currently evaluating the effect of this ASU but we do not expect it to have a material impact on our consolidated financial statements.

Note 3: Revenue from Contracts with Customers

Disaggregation of Revenue

The following tables show our disaggregated revenues by segment from contracts with customers. We operate our business in the following two segments: (i) *Real estate sales and financing* and (ii) *Resort operations and club management*. Please refer to Note 22: *Business Segments* below for more details related to our segments.

	Year Ended December 31,		
($ in millions)	2020	2019	2018
Real Estate and Financing Segment			
Sales of VOIs, net	$108	$ 509	$ 734
Sales, marketing, brand and other fees	221	573	570
Interest income	141	147	140
Other financing revenue	24	23	18
Real estate and financing segment revenues	$494	$1,252	$1,462

	Year Ended December 31,		
($ in millions)	2020	2019	2018
Resort Operations and Club Management Segment			
Club management	$ 96	$125	$112
Resort management	70	66	60
Rental[(1)]	91	201	191
Ancillary services	7	26	27
Resort operations and club management segment revenues	$264	$418	$390

(1) Excludes intersegment eliminations. See Note 22: *Business Segments* for additional information.

Contract Balances

The following table provides information on our accounts receivable with customers which are included in *Accounts Receivable, net* on our consolidated balance sheets:

	December 31,	
($ in millions)	2020	2019
Receivables	$64	$129

The following table presents changes in our contract liabilities for the year ended December 31, 2020.

	December 31	
($ in millions)	2020	2019
Contract liabilities:		
Advanced deposits	$117	$115
Deferred Sales of VOIs of projects under construction	169	84
Club activation fees, annual dues and other	77	86
Club Bonus Point incentive liability[(1)]	48	59

(1) Amounts related to the Club Bonus Point incentive liability are included in *Accounts payable, accrued expenses and other* on our consolidated balance sheets. This liability is comprised of revenue for incentives from VOI sales and sales and marketing expenses in conjunction with our fee-for-service arrangements.

Revenue earned for the year ended December 31, 2020 that was included in the contract liabilities balance at December 31, 2019 was approximately $81 million. Revenue earned for the year ended December 31, 2019 that was included in the contract liabilities balance at December 31, 2018 was approximately $121 million.

Our accounts receivables that relate to our contracts with customers includes amounts associated with our contractual right to consideration for completed performance obligations related primarily to our fee-for-service arrangements and homeowners' associations ("HOA") management agreements and are settled when the related cash is received. Accounts receivable are recorded when the right to consideration becomes unconditional and is only contingent on the passage of time. Refer to Note 6: *Timeshare Financing Receivables* for information on balances and changes in balances during the period related to our timeshare financing receivables.

Contract assets relate to incentive fees that can be earned for meeting certain targets on sales of VOIs at properties under our fee-for-service arrangements; however, our right to consideration is conditional upon completing the requirements of the annual incentive fee period. There were no contract assets as of December 31, 2020.

Contract liabilities include payments received or due in advance of satisfying our performance obligations, offset by revenues recognized. Such contract liabilities include advance deposits received on prepaid vacation packages for future stays at our resorts, deferred revenues and the liability for Club Bonus Points awarded to our customers for purchase of VOIs at our properties or properties under our fee-for-service arrangements that may be redeemed in the future.

Transaction Price Allocated to Remaining Performance Obligations

Transaction price allocated to remaining performance obligations represents contract revenue that has not yet been recognized. Our contracts with remaining performance obligations primarily include (i) sales of VOIs under construction, (ii) Club activation fees paid at closing of a VOI purchase, (iii) customers' advanced deposits on prepaid vacation packages and (iv) Club Bonus Points that may be redeemed in the future.

The following table represents the deferred revenue, cost of VOI sales and direct selling costs from sales of VOIs related to projects under construction as of December 31, 2020.

($ in millions)	December 31, 2020	December 31, 2019
Sales of VOIs, net	$169	$84
Cost of VOI sales[(1)]	50	27
Sales and marketing expense	25	12

(1) Includes anticipated Cost of VOI sales related to inventory associated with Sales of VOIs under construction that will be acquired under a just-in-time arrangement once construction is complete.

We expect to recognize the revenue, costs of VOI sales and direct selling costs upon completion of the projects in 2021.

The following table includes the remaining transaction price related to Advanced deposits, Club activation fees and Club Bonus Points as of December 31, 2020:

($ in millions)	Remaining Transaction Price	Recognition Period	Recognition Method
Advanced deposits	$117	18 months	Upon customer stays
Club activation fees	65	7 years	Straight-line basis over average inventory holding period
Club Bonus Points	48	24 months	Upon redemption

Note 4: Restricted Cash

Restricted cash was as follows:

($ in millions)	December 31, 2020	December 31, 2019
Escrow deposits on VOI sales	$69	$59
Reserves related to non-recourse debt	29	26
	$98	$85

Note 5: Accounts Receivable

The following table represents our accounts receivable, net of allowance for credit losses. Following the adoption of ASC 326 on January 1, 2020, accounts receivable within the scope of ASC 326 are measured at amortized cost.

($ in millions)	December 31, 2020
Fee-for-service commissions(1)	$ 22
Real estate and financing	11
Resort and club operations	23
Tax receivables	54
Other receivables(2)	9
Total	$119

(1) Net of allowance.

(2) Primarily includes individually insignificant accounts receivable recognized in the ordinary course of business, the allowances for which are individually insignificant.

Our accounts receivable are all due within one year of origination. We use delinquency status and economic factors as credit quality indicators to monitor our receivables within the scope of ASC 326 and use these as a basis for how we develop our expected loss estimates.

We sell VOIs on behalf of third-party developers using the Hilton Grand Vacations brand in exchange for sales, marketing and brand fees. We use historical losses and economic factors as a basis to develop our allowance for credit losses. Under these fee-for-service arrangements, we earn commission fees based on a percentage of total interval sales. Additionally, the terms include provisions requiring the reduction of fees earned for defaults and cancellations.

The changes in our allowance for fee-for-service commissions were as follows:

($ in millions)	December 31, 2020
Balance as of December 31, 2019	$19
Current period provision for expected credit losses	7
Write-offs charged against the allowance	(8)
Balance as of December 31, 2020	$18

Note 6: Timeshare Financing Receivables

Timeshare financing receivables were as follows:

($ in millions)	December 31, 2020 Securitized	Unsecuritized[1]	Total
Timeshare financing receivables	$805	$ 380	$1,185
Less: allowance for financing receivables losses	(63)	(148)	(211)
	$742	$ 232	$ 974

[1] Includes amounts used as collateral to secure a non-recourse revolving timeshare receivable credit facility ("Timeshare Facility") as well as amounts held as future collateral for upcoming securitization activities.

($ in millions)	December 31, 2019 Securitized	Unsecuritized[1]	Total
Timeshare financing receivables	$758	$ 582	$1,340
Less: allowance for financing receivables losses	(54)	(130)	(184)
	$704	$ 452	$1,156

[1] Includes amounts used as collateral to secure a non-recourse revolving timeshare receivable credit facility ("Timeshare Facility") as well as amounts held as future collateral for upcoming securitization activities.

As of December 31, 2020, we had timeshare financing receivables with a carrying value of $17 million securing the Timeshare Facility in anticipation of future financing activities. As of December 31, 2019, we had no timeshare receivables pledged to the Timeshare Facility. We record an estimate of variable consideration for estimated defaults as a reduction of revenue from VOI sales at the time revenue is recognized on a VOI sale. We record the difference between the timeshare financing receivable and the variable consideration included in the transaction price for the sale of the related VOI as an allowance for financing receivables and record the receivable net of the allowance. In March 2020, we recorded an incremental $23 million revenue reduction related to the changes in estimates primarily driven by economic factors surrounding the COVID-19 pandemic. During the year ended December 31, 2020, we recorded an adjustment to our estimate of variable consideration of $75 million, which includes a $12 million remaining balance of the original $23 million in revenue reduction related to economic factors.

In June 2020, we completed a securitization of $300 million of gross timeshare financing receivables, which included a $15 million cash deposit that was subsequently released during the third quarter of 2020 upon pledging of qualified collateral, and issued approximately $186 million of 2.74 percent notes, $66 million of 4.22 percent notes and $48 million of 6.42 percent notes, which have a stated maturity date of February 25, 2039. The securitization transaction did not qualify as a sale and, accordingly, no gain or loss was recognized. The transaction is considered a secured borrowing; therefore, the proceeds from the transaction are presented as non-recourse debt (collectively, the "Securitized Debt"). The proceeds were primarily used to pay down the remaining borrowings on our Timeshare Facility and general corporate operating expenses. See Note 15: *Debt and Non-recourse Debt* for additional information.

Our timeshare financing receivables as of December 31, 2020 mature as follows:

($ in millions)	Securitized	Unsecuritized	Total
Year			
2021	$ 98	$ 34	$ 132
2022	101	35	136
2023	104	37	141
2024	107	38	145
2025	105	40	145
Thereafter	290	196	486
	805	380	1,185
Less: allowance for financing receivables losses	(63)	(148)	(211)
	$742	$ 232	$ 974

We evaluate this portfolio collectively for purposes of estimating variable consideration, since we hold a large group of homogeneous timeshare financing receivables which are individually immaterial. We monitor the collectability of our receivables on an ongoing basis. There are no significant concentrations of collection risk with any individual counterparty or groups of counterparties. We use a technique referred to as static pool analysis as the basis for determining our allowance for financing receivables losses on our timeshare financing receivables. For static pool analysis, we use certain key dimensions to stratify our portfolio, including FICO scores, equity percentage at the time of sale and certain other factors. The adequacy of the related allowance is determined by management through analysis of several factors, such as current economic conditions and industry trends, as well as the specific risk characteristics of the portfolio including assumed default rates, aging and historical write-offs of these receivables. The allowance is maintained at a level deemed adequate by management based on a periodic analysis of the mortgage portfolio.

We recognize interest income on our timeshare financing receivables as earned. As of December 31, 2020 and 2019, we had interest receivable outstanding of $7 million and $9 million, respectively, included in our consolidated balance sheets. The interest rate charged on the notes correlates to the risk profile of the borrower at the time of purchase and the percentage of the purchase that is financed, among other factors. As of December 31, 2020, our timeshare financing receivables had interest rates ranging from 1.5 percent to 20.5 percent, a weighted-average interest rate of 12.6 percent, a weighted average remaining term of 7.5 and maturities through 2035.

Our gross timeshare financing receivables balances by average FICO score were as follows:

	December 31,	
($ in millions)	2020	2019
FICO score		
700+	$ 711	$ 818
600-699	266	292
<600	36	39
No score[(1)]	172	191
	$1,185	$1,340

(1) Timeshare financing receivables without a FICO score are primarily related to foreign borrowers.

The following table details our gross timeshare financing receivables by the origination year and average FICO score as of December 31, 2020:

($ in millions)	2020	2019	2018	2017	2016	Prior	Total
FICO score							
700+	$128	$214	$142	$ 95	$60	$ 72	$ 711
600-699	46	78	52	34	22	34	266
<600	7	11	6	4	3	5	36
No score[(1)]	33	50	33	17	12	27	172
	$214	$353	$233	$150	$97	$138	$1,185

We apply payments we receive for loans, including those in non-accrual status, to amounts due in the following order: servicing fees; interest; principal; and late charges. Once a loan is 91 days past due, we cease accruing interest and reverse the accrued interest recognized up to that point. We resume interest accrual for loans for which we had previously ceased accruing interest once the loan is less than 91 days past due. We fully reserve for a timeshare financing receivable in the month following the date that the loan is 121 days past due and, subsequently, we write off the uncollectible note against the reserve once the foreclosure process is complete and we receive the deed for the foreclosed unit.

As of December 31, 2020 and 2019, we had ceased accruing interest on timeshare financing receivables with an aggregate principal balance of $117 million and $74 million, respectively. The following tables detail an aged analysis of our gross timeshare financing receivables balance:

	December 31, 2020		
($ in millions)	Securitized	Unsecuritized	Total
Current	$783	$265	$1,048
31 - 90 days past due	11	9	20
91 - 120 days past due	5	3	8
121 days and greater past due	6	103	109
	$805	$380	$1,185

	December 31, 2019		
($ in millions)	Securitized	Unsecuritized	Total
Current	$743	$502	$1,245
31 - 90 days past due	9	12	21
91 - 120 days past due	3	4	7
121 days and greater past due	3	64	67
	$758	$582	$1,340

The changes in our allowance for financing receivables losses were as follows:

($ in millions)	Securitized	Unsecuritized	Total
December 31, 2017	$ 27	$114	$141
Write-offs	—	(38)	(38)
Securitizations	28	(28)	—
Provision for financing receivables losses[1]	(12)	81	69
December 31, 2018	43	129	172
Write-offs	—	(62)	(62)
Securitizations	27	(27)	—
Provision for financing receivables losses[1]	(16)	90	74
December 31, 2019	54	130	184
Write-offs	—	(48)	(48)
Securitizations	30	(30)	—
Provision for financing receivables losses[1]	(21)	96	75
December 31, 2020	$ 63	$148	$211

(1) Includes incremental provision for financing receivables losses, net of activity related to the repurchase of defaulted and upgraded securitized timeshare financing receivables.

Note 7: Inventory

Our Inventory was comprised of the following:

	December 31,	
($ in millions)	2020	2019
Completed unsold VOIs	$515	$241
Construction in process	186	59
Land, infrastructure and other	1	258
	$702	$558

Land, infrastructure and other decreased by $257 million as of December 31, 2020 compared to the same period in 2019, due to a change in HGV's strategy for certain parcels of undeveloped land and unallocated infrastructure. In the fourth quarter of 2020, we performed a review over certain of our long-lived assets. These assets include undeveloped parcels of land and certain unallocated infrastructure costs related to future phases of existing resorts. During the review, we concluded that based on our current inventory pipeline, we will have sufficient inventory in Hawaii, Orlando and Las Vegas to support future business operations without the need to utilize the undeveloped land and unallocated infrastructure. As a result, we committed to a plan to monetize and dispose of these assets via a sale, which was approved by the Board of Directors on December 22, 2020. Certain identified undeveloped land and unallocated infrastructure assets in Orlando are not currently part of the planned sale and are therefore held in *Property and equipment* as of December 31, 2020. The remaining identified assets are included in *Land and infrastructure held for sale* as of December 31, 2020. We plan to execute the sales of these assets within one year.

As a result of the plan to dispose of these assets via sale, we recorded a non-cash impairment charge of $209 million in the fourth quarter of 2020 related to the identified assets. The non-cash impairment charge was comprised of a $201 million charge related to *Land and infrastructure held for sale* and an $8 million charge related to *Property and equipment*, respectively. Refer to Note 8: *Property and equipment* for further detail on the held-for-use impairment charge.

During the year ended December 31, 2020, we recorded non-cash operating activity transfers from Property and equipment to Inventory which increased completed unsold VOIs. We also recorded a non-cash operating activity transfer from *Inventory* to *Land and infrastructure held for sale* and from *Inventory* to *Property and equipment* in connection with the impairment charges discussed above, which decreased Land, infrastructure and other. See Note 24: *Supplemental Disclosure of Cash Flow Information* for additional information.

Shown below are (i) costs of sales true-ups relating to VOI products and the related impacts to the carrying value of inventory and (ii) expenses incurred, recorded in Cost of VOI sales, related to granting credit to customers for their existing ownership when upgrading into fee-for-service projects.

	December 31,		
($ in millions)	**2020**	**2019**	**2018**
Cost of sales true-ups[(1)]	$6	$14	$10
Cost of VOI sales related to fee-for-service upgrades	9	31	34

(1) Cost of sales true ups reduced costs of VOI sales and increased inventory in all periods presented.

Note 8: Property and Equipment

Property and equipment were as follows:

	December 31,	
($ in millions)	**2020**	**2019**
Land	$ 109	$ 154
Buildings and leasehold improvements	250	286
Furniture and equipment	65	65
Construction in progress	208	383
	632	888
Accumulated depreciation	(131)	(110)
	$ 501	$ 778

During the year ended December 31, 2020, we recorded non-cash operating activity transfers of $301 million related to the registrations for timeshare units under construction from *Property and equipment* to *Inventory*. We also recorded a non-cash operating activity transfer from *Inventory* to *Property and equipment* for $16 million related to certain undeveloped land and unallocated infrastructure in Orlando which no longer have a plan for timeshare development. Refer to Note 7: *Inventory* for further details regarding the strategic change related to assets transferred from inventory. Non-cash transfers are reflected in our consolidated statements of cash flows. See Note 24: *Supplemental Disclosure of Cash Flow Information* for additional information.

As a result of our long-lived asset impairment analysis, we identified the unallocated land and undeveloped infrastructure mentioned above had indicators of impairment. The analysis resulted in an impairment charge of $8 million related to the undeveloped land and unallocated infrastructure assets previously transferred from *Inventory* to write-down the assets to their estimated fair value. The remaining estimated fair value is included within Land and Building and leasehold improvements within the table above.

Depreciation expense on property and equipment was $30 million, $35 million, and $23 million for the years ended December 31, 2020, 2019 and 2018 respectively.

Note 9: Consolidated Variable Interest Entities

As of December 31, 2020 and 2019, we consolidated 4 variable interest entities ("VIEs") that issued Securitized Debt, secured by pledged assets primarily consisting of a pool of timeshare financing receivables, which is without recourse to us. We are the primary beneficiaries of these VIEs as we have the power to direct the activities that most significantly affect their economic performance. We are also the servicer of these timeshare financing receivables and we are required to replace or repurchase timeshare financing receivables that are in default at their outstanding principal amounts. Additionally, we have the obligation to absorb their losses and the right to receive benefits that could be significant to them. Only the assets of the VIEs are available to settle the obligations of the respective entities.

Our consolidated balance sheets included the assets and liabilities of these entities, which primarily consisted of the following:

	December 31,	
($ in millions)	**2020**	**2019**
Restricted cash	$ 28	$ 26
Timeshare financing receivables, net	742	704
Non-recourse debt[1]	766	747

(1) Net of deferred financing costs.

During the years ended December 31, 2020, 2019 and 2018, we did not provide any financial or other support to any VIEs that we were not previously contractually required to provide, nor do we intend to provide such support in the future.

Note 10: Investments in Unconsolidated Affiliates

As of December 31, 2020, we have 25 percent and 50 percent ownership interests in BRE Ace LLC and 1776 Holdings LLC, respectively, that are deemed as VIEs. We do not consolidate BRE Ace LLC and 1776 Holdings LLC because we are not the primary beneficiary. Our investment interests in and equity earned from both VIEs are included in the consolidated balance sheets as Investments in unconsolidated affiliates and in the consolidated statements of operations as Equity in earnings from unconsolidated affiliates, respectively.

We held investments in our two unconsolidated affiliates with aggregated debt balances of $454 million and $479 million as of December 31, 2020 and 2019, respectively. The debt is secured by their assets and is without recourse to us. Our maximum exposure to loss as a result of our investment interests in the two unconsolidated affiliates is primarily limited to (i) the carrying amount of the investments which totals $51 million and $44 million as of December 31, 2020 and December 31, 2019, respectively and (ii) receivables for commission and other fees earned under fee-for-service arrangements. See Note 21: *Related Party Transactions* for additional information.

Note 11: Intangible Assets

Intangible assets and related amortization expense were as follows:

($ in millions)	December 31, 2020 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Management agreements	$ 89	$ (51)	$38
Capitalized software	94	$ (51)	43
	$183	$(102)	$81

($ in millions)	December 31, 2019 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Management agreements	$ 88	$(46)	$42
Capitalized software	73	(38)	35
	$161	$(84)	$77

Amortization expense on intangible assets was $15 million, $9 million, and $10 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, the weighted average amortization period on management agreements was 12 years and capitalized software was 2.5 years.

As of December 31, 2020, we estimated our future amortization expense for our amortizing intangible assets to be as follows:

($ in millions)	Future Amortization Expense
Year	
2021	$23
2022	19
2023	12
2024	3
2025	3
Thereafter	21
	$81

Note 12: Other Assets

Other assets were as follows:

($ in millions)	December 31, 2020	2019
Inventory deposits	$ 7	$ 7
Deferred selling, marketing, general and administrative expenses	25	12
Prepaid expenses	12	13
Cloud computing arrangements	10	12
Other	33	36
	$87	$80

For non-cash transfers see Note 24: *Supplemental Disclosure of Cash Flow Information* for additional information.

Note 13: Accounts Payable, Accrued Expenses and Other

Accounts payable, accrued expenses and other were as follows:

	December 31,	
($ in millions)	2020	2019
Accrued employee compensation and benefits	$ 75	$ 77
Accounts payable	20	24
Bonus point incentive liability	48	59
Due to Hilton	12	19
Income taxes payable	2	8
Other accrued expenses	95	111
	$252	$298

Note 14: Deferred Revenues

Deferred revenues were as follows:

	December 31,	
($ in millions)	2020	2019
Deferred VOI sales	$184	$100
Club activation fees	65	71
Other	13	15
	$262	$186

Deferred VOI sales include the deferred revenues associated with: the sales associated with incomplete phases or buildings; the sales of unacquired inventory; and deferred sales associated with our long-term lease product with a reversionary interest. We deferred $169 million and $84 million of revenues associated with Sales of VOIs under construction as of December 31, 2020 and 2019, respectively. Club activation fees are paid at closing of a VOI purchase, which grants access to our points-based Club. The revenue from these fees are deferred and amortized on a straight-line basis over the average inventory holding period. Deferred revenues do not include prepaid vacation packages or other prepayments for future stays at our resorts, which are included in *Advanced deposits* in our consolidated balance sheets.

Note 15: Debt & Non-recourse Debt

Debt

The following table details our outstanding debt balance and its associated interest rates:

($ in millions)	December 31 2020	December 31 2019
Debt[1]		
Senior secured credit facilities:		
Term loans with an average rate of 2.25%, due 2023	$ 177	$187
Revolver with an average rate of 2.25%, due 2023	660	320
Senior notes with a rate of 6.125%, due 2024	300	300
Other debt	27	27
	1,164	834
Less: unamortized deferred financing costs and discount[2][3]	(5)	(6)
	$1,159	$828

(1) As of December 31, 2020 and 2019, weighted-average interest rates were 3.357 percent and 4.571 percent, respectively.

(2) Amount includes deferred financing costs related to our term loan and senior notes of $1 million and $4 million, respectively as of December 31, 2020 and $1 million and $5 million, respectively as of December 31, 2019.

(3) Amount does not include deferred financing costs of $4 and $5 million as of December 31, 2020 and 2019, respectively, relating to our revolving facility included in *Other Assets* in our consolidated balance sheets.

Senior Secured Credit Facilities

In May 2020, we amended our Credit Agreement which amended certain terms of the Senior Secured Credit Facilities to provide flexibility with respect to satisfying certain negative and financial covenants and ratios as may be needed due to the ongoing and uncertain future impact of the COVID-19 pandemic on our business and operations. The borrowing capacity under the Credit Agreement remained the same. In connection with the Amendment we incurred $1 million in debt issuance costs. In December 2020, we amended our Credit Agreement which provided a waiver period for certain financial covenants for the first three quarters of 2021. In connection with the Amendment we incurred $1 million in debt issuance costs.

In addition, we are required to pay a commitment fee to the lenders under the Revolving Facility with respect to the unutilized commitments thereunder. The commitment fee will be determined based on a first lien net leverage ratio and will range from 0.30% to 0.50% per annum. We are also required to pay customary letters of credit fees. As of December 31, 2020 and 2019, we had $1 million of outstanding letters of credit under the revolving facility.

During the year ended December 31, 2020, we borrowed $495 million and repaid $165 million, including recurring payments, under the senior secured credit facilities with an interest rate based on one-month LIBOR plus 2.00 percent, subject to a 0.25 percent floor.

We primarily use interest rate swaps as part of our interest rate risk management strategy for our variable-rate debt. As of December 31, 2020, we had approximately $177 million of our Term Loan subject to interest rate swaps. Such interest rate swaps converted the LIBOR-based variable rates on our Term Loan to an average fixed annual rate of 0.53 percent per annum through November 2023. Our interest rate swaps have been designated and qualify as cash flow hedges of interest rate risk and recorded as a liability in *Accounts payable, accrued expenses and other* in our consolidated balance sheets as of December 31, 2020. We characterize payments we make in connection with these derivative instruments as interest expense and a reclassification of accumulated other comprehensive income for presentation purposes. For the year ended December 31, 2020, we recorded less than $1 million in accumulated other comprehensive loss related to the hedge.

The obligations under the senior secured credit facility are unconditionally and irrevocably guaranteed by us and certain of our subsidiaries. We are in compliance with all applicable financial covenants as of December 31, 2020.

Senior Notes

In November 2016, we issued $300 million aggregate principal amount of 6.125 percent senior unsecured notes due 2024 (the "Senior Unsecured Notes") and incurred $8 million of debt issuance costs. Interest on the senior unsecured notes (the "Senior Unsecured Notes" is payable semi-annually in arrears on June 1 and December 1 of each year, beginning on June 1, 2017. In January 2018, the Subsidiary Issuers completed an exchange offer pursuant to which substantially all of the outstanding Senior Unsecured Notes, which were originally issued without registration under the Securities Act of 1933, as amended (the "Securities Act"), were exchanged for substantially identical notes that were registered under Securities Act, as required by the terms of the original issuance. As used in As used in these notes to the consolidated financial statements, the term Senior Unsecured Notes refers to both the originally unregistered Senior Unsecured Notes and such registered exchange notes, collectively, without duplication.

We may, at our sole option, redeem the Senior Unsecured Notes, in whole or in part, at any time prior to December 1, 2021, at a price equal to 100 percent of the principal amount, plus an applicable make-whole premium and accrued and unpaid interest. On and after, December 1, 2021, we may, at our sole option, redeem the Senior Unsecured Notes at 103.25 percent, 101.625 percent or 100 percent of the principal amount in 2021, 2022 or 2023, respectively, without any make-whole premium.

The Senior Unsecured Notes are guaranteed on a senior unsecured basis by certain of our subsidiaries. We are in compliance with all applicable financial covenants as of December 31, 2020.

Non-recourse Debt

The following table details our outstanding non-recourse debt balance and its associated interest rates:

	December 31	
($ in millions)	**2020**	**2019**
Non-recourse debt[1]		
Securitized Debt with an average rate of 1.810%, due 2026	$ —	$ 46
Securitized Debt with an average rate of 2.711%, due 2028	106	149
Securitized Debt with an average rate of 3.602%, due 2032	202	275
Securitized Debt with an average rate of 2.421%, due 2033	216	285
Securitized Debt with an average rate of 3.658%, due 2039	251	—
	775	755
Less: unamortized deferred financing costs[2]	(9)	(8)
	$766	$747

(1) As of December 31, 2020 and 2019, weighted-average interest rates were 3.173 percent and 2.876 percent, respectively.

(2) Amount relates to Securitized Debt only and does not include deferred financing costs of $3 million as of December 31, 2020 and 2019, respectively, relating to our Timeshare Facility included in *Other Assets* in our consolidated balance sheets.

In June 2020, we completed a securitization of $300 million of gross timeshare financing receivables, which included a $15 million cash deposit that was subsequently released during the third quarter of 2020 upon pledging of qualified collateral, and issued approximately $186 million of 2.74 percent notes, $66 million of 4.22 percent notes and $48 million of 6.42 percent notes due February 2039. The Securitized Debt is backed by pledged assets, consisting primarily of a pool of timeshare financing receivables secured by first mortgages or deeds of trust on timeshare interests. The Securitized Debt is a non-recourse obligation and is payable solely from the pool of timeshare financing receivables pledged as collateral to the debt. The proceeds were primarily used to pay down the remaining borrowings on our Timeshare Facility and general corporate operating expenses. In connection with the securitization we incurred $5 million in debt issuance costs.

In September 2020, we exercised our call option on the remaining outstanding principal balance on our securitized debt with an average rate of 1.810%, due 2026 (“2014-A Notes”) and prepaid the remaining balance in accordance with the terms of the arrangement.

The Timeshare Facility is a non-recourse obligation with a borrowing capacity of $450 million and is payable solely from the pool of timeshare financing receivables pledged as collateral and related assets. As of December 31, 2020 and 2019, we had $450 million remaining borrowing capacity under our Timeshare Facility. During the second quarter of 2020, we amended the Timeshare Facility, temporarily changing certain covenant requirements pricing and advance rates to be consistent with the amended Credit Agreement. During the third quarter of 2020, we amended the Timeshare Facility to extend the maturity date from April 2022 to August 2023. Additionally, the amendment reduces the maximum advance rate, replaces LIBOR with a successor benchmark interest rate, increases the excess spread percentage level that will trigger interest hedging obligations, and increases certain used and unused fees. In connection with the Amendment we incurred $2 million in debt issuance costs. In December 2020, we amended the Timeshare Facility to update the definition of seller financial covenants to be consistent with the amended Credit Agreement.

We are required to deposit payments received from customers on the timeshare financing receivables securing the Timeshare Facility and Securitized Debt into depository accounts maintained by third parties. On a monthly basis, the depository accounts are utilized to make required principal, interest and other payments due under the respective loan agreements. The balances in the depository accounts were $29 million and $26 million as of December 31, 2020 and 2019, respectively, and were included in *Restricted cash* in our consolidated balance sheets.

Debt Maturities

The contractual maturities of our debt and non-recourse debt as of December 31, 2020 were as follows:

($ in millions)	Debt	Non-recourse Debt	Total
Year			
2021	$ 12	$283	$ 295
2022	11	132	143
2023	818	129	947
2024	300	66	366
2025	—	108	108
Thereafter	23	57	80
	$1,164	$775	$1,939

Note 16: Fair Value Measurements

The carrying amounts and estimated fair values of our financial assets and liabilities were as follows:

	December 31, 2020		
		Hierarchy Level	
($ in millions)	Carrying Amount	Level 1	Level 3
Assets:			
Timeshare financing receivables(1)	$ 974	$ —	$1,248
Liabilities:			
Debt(2)	1,159	315	871
Non-recourse debt(2)	766	—	732

(1) Carrying amount net of allowance for financing receivables losses.
(2) Carrying amount net of unamortized deferred financing costs and discount.

	December 31, 2019		
		Hierarchy Level	
($ in millions)	Carrying Amount	Level 1	Level 3
Assets:			
Timeshare financing receivables(1)	$1,156	$ —	$1,446
Liabilities:			
Debt(2)	828	326	544
Non-recourse debt(2)	747	—	749

(1) Carrying amount net of allowance for financing receivables losses.
(2) Carrying amount net of unamortized deferred financing costs and discount.

Our estimates of the fair values were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop the estimated fair values. The table above excludes cash and cash equivalents, restricted cash, accounts receivable, accounts payable, advance deposits and accrued liabilities, all of which had fair values approximating their carrying amounts due to the short maturities and liquidity of these instruments.

The estimated fair values of our timeshare financing receivables were determined using a discounted cash flow model. Our model incorporates default rates, coupon rates, credit quality and loan terms respective to the portfolio based on current market assumptions for similar types of arrangements.

The estimated fair values of our Level 1 debt was based on prices in active debt markets. The estimated fair value of our Level 3 debt and non-recourse debt were as follows:

- Debt—based on indicative quotes obtained for similar issuances and projected future cash flows discounted at risk-adjusted rates
- Non-recourse debt—based on projected future cash flows discounted at risk-adjusted rates.

Non-recurring fair value measurements

As of December 31, 2020, our assets that were measured at fair value on a non-recurring basis as of this date include land, estimated fair value $47 million, and infrastructure, estimated fair value $5 million, held for sale and property and equipment held for use. These assets are measured at fair value as a result of their classification as held for sale and our overall property and equipment impairment analysis. Refer to Note 2: *Basis of Presentation and Significant Accounting Policies* for further detail on the held for sale classification and measurement as well as the property and equipment impairment analysis and measurement. We utilized the market approach for the land and cost approach for infrastructure to determine their respective fair values. The fair value calculations involve judgement and are sensitive to key assumptions utilized, including comparative sales for land (level 2) and replacement costs for infrastructure (level 3). For the year ended December 31, 2020, we recorded an impairment charge of $209 million related to the land and infrastructure, which represents the excess of the carrying value over the estimated fair value. This charge is reflected on our consolidated statements of operations and the remaining carrying value of the assets is reflected in *Land and infrastructure held for sale* and *Property and equipment* on our consolidated balance sheets. See Note 7: *Inventory* and Note 8: *Property and equipment* for more information.

Note 17: Leases

We lease sales centers, office space and equipment under operating leases. Our leases expire at various dates from 2021 through 2030, with varying renewal and termination options. Our lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

We recognize rent expense on leases with both contingent and non-contingent lease payment terms. Rent expense associated with non-contingent lease payments are recognized on a straight-line basis over the lease term. Rent expense for all operating leases for the year ended December 31, 2020, 2019 and 2018 was as follows:

	Year Ended December 31,		
($ in millions)	**2020[(1)]**	**2019[(1)]**	**2018**
Minimum rentals	$19	$19	$21
Contingent rentals	1	2	3
	$20	$21	$24

(1) These amounts include $3 million and $5 million of short term and variable rent for the years ended December 31, 2020 and 2019, respectively.

Supplemental cash flow information related to operating leases was as follows:

	Twelve Months Ended December 31,	
($ in millions)	**2020**	**2019**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$18	$16
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating Leases	5	10

Supplemental balance sheet information related to operating leases was as follows:

	December 31, 2020	December 31, 2019
Weighted-average remaining lease term of operating leases (in years)	5.4	6.1
Weighted-average discount rate of operating leases	4.95%	5.34%

The future minimum rent payments under non-cancelable operating leases, due in each of the next five years and thereafter as of December 31, 2020, were as follows:

($ in millions)	Operating Leases
Year	
2021	$18
2022	13
2023	12
2024	11
2025	11
Thereafter	11
Total future minimum lease payments	$76
Less: imputed interest	(9)
Present value of lease liabilities	$67

Note 18: Income Taxes

Our effective tax rate was 28% and 21% for the years ended December 31, 2020 and December 31, 2019, respectively. The increase in our effective tax rate is primarily due to the impact of our 2020 loss before taxes compared to our 2019 income before taxes. The calculation of our effective tax rates for both 2020 and 2019 includes reconciling items that provide an overall beneficial impact to the statutory worldwide income tax rates. Our 2020 effective tax rate was higher than the statutory worldwide tax rate primarily due to U.S. federal income tax benefits attributable to Foreign Derived Intangible Income ("FDII") deductions, and state income tax benefits attributable to 2020 credit incentives and prior year favorable provision to return adjustments. The Tax Cuts and Jobs Act ("TCJ Act") established a deduction for FDII. On July 9, 2020, the U.S. Treasury Department issued final tax regulations related to FDII effective on a retroactive bases to the year ended December 31, 2018, which clarified that certain items of our income qualified for FDII treatment. Our 2019 effective tax rate was lower than the statutory worldwide tax rate primarily due to the tax benefit derived from the IRS approval of a tax accounting method change effective for a pre-TCJ Act year related to the allocation of inventory costs.

We believe the income tax provisions of the relief provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted on March 27, 2020 and the Consolidated Appropriations Act, 2021 enacted on December 27, 2020 and have no effect on our income tax rate for year ended December 31, 2020. We will continue to evaluate the income tax provisions of both Acts and monitor the developments in the jurisdictions where we have significant operations for tax law changes that could have income tax implications.

Our net deferred tax liability decreased by $124 million as of December 31, 2020, as compared to the same period in 2019, primarily due to the IRS approval of a tax accounting method change effective for our 2020 taxable year related to certain timeshare upgrade transactions and the impairment of certain long-lived assets during the fourth quarter of 2020.

Our tax provision includes federal, state and foreign income taxes payable. The domestic and foreign components of our (loss) income before taxes were as follows:

	Year Ended December 31,		
($ in millions)	2020	2019	2018
U.S. (loss) income before tax	$(287)	$234	$380
Foreign income before tax	7	39	23
Total (loss) income before taxes	$(280)	$273	$403

The components of our provision for income taxes were as follows:

($ in millions)	Year Ended December 31, 2020	2019	2018
Current:			
Federal	$ 36	$37	$ 62
State	5	9	15
Foreign	3	8	8
Total current	44	54	85
Deferred:			
Federal	(98)	3	17
State	(23)	1	4
Foreign	(2)	(1)	(1)
Total deferred	(123)	3	20
Total provision for income taxes	$ (79)	$57	$105

Reconciliations of our tax provision at the U.S. statutory rate to the provision for income taxes were as follows:

($ in millions)	Year Ended December 31, 2020	2019	2018
Statutory U.S. federal income tax provision	$(59)	$ 57	$ 85
State and local income taxes, net of U.S. federal tax benefit	(17)	11	19
Impact of foreign operations	(5)	1	2
Interest on installment sales, net of U.S. federal tax benefit	1	4	3
Effects of the TCJ Act	—	—	(4)
Tax accounting method change	—	(18)	—
Other	1	2	—
Provision for income taxes	$(79)	$ 57	$105

Deferred income taxes represent the tax effect of the differences between the book and tax bases of assets and liabilities plus carryforward items.

The compositions of net deferred tax balances were as follows:

($ in millions)	December 31, 2020	2019
Deferred income tax assets	$ 4	$ 2
Deferred income tax liabilities	(137)	(259)
Net deferred taxes	$(133)	$(257)

The tax effects of the temporary differences and carryforwards that give rise to our net deferred tax liability were as follows:

($ in millions)	December 31, 2020	December 31, 2019
Deferred tax assets:		
Compensation	$ 16	$ 12
Domestic tax loss and credit carryforwards	5	4
Foreign tax loss carryforwards	2	1
Other reserves	89	86
	112	103
Valuation allowance	(4)	(4)
Deferred tax assets	108	99
Deferred tax liabilities:		
Property and equipment	(70)	(87)
Amortizable intangible assets	(7)	(9)
Deferred income	(164)	(259)
Other liabilities	—	(1)
Deferred tax liabilities	(241)	(356)
Net deferred taxes	$(133)	$(257)

Tax loss and credit carryforwards as of December 31, 2020 have expiration dates ranging between 9 years and no expiration in certain instances. The amount of foreign tax loss carryforwards as of December 31, 2020 and December 31, 2019 was $6 million and $2 million, respectively. The amount of state tax loss carryforwards as of December 31, 2020 and December 31, 2019 was $8 million. The amount of federal tax credit carryforwards as of December 31, 2020 and December 31, 2019 was $4 million and $3 million, respectively. The amount of state tax credit carryforwards as of December 31, 2020 was $2 million. There were no state tax credit carryforwards as of December 31, 2019.

The total valuation allowance did not change during the year and remained at $4 million as of December 31, 2020. The valuation allowance has been established for financial reporting purposes to offset certain federal and state deferred tax assets due to uncertainty regarding our ability to realize them in the future.

Note 19: Share-Based Compensation

Stock Plan

We issue service-based restricted stock units (“Service RSUs”), service and performance-based restricted stock units (“Performance RSUs”) and nonqualified stock options (“Options”) to certain employees and directors. We recognized share-based compensation expense of $15 million, $22 million and $16 million during the years ended December 31, 2020, 2019 and 2018, respectively. The total tax benefit recognized related to this compensation was $4 million for the years ended December 31, 2020, 2019 and 2018.

As of December 31, 2020, unrecognized compensation costs for unvested awards were approximately $14 million, which is expected to be recognized over a weighted average period of 1.7 years. As of December 31, 2020, there were 5,234,270 shares of common stock available for future issuance under this plan.

Service RSUs

The following table provides information about our RSU grants for the last three fiscal years:

	Year Ended December 31, 2020	2019	2018
Number of shares granted	672,123	500,925	378,069
Weighted average grant date fair value per share	$ 25.14	$ 33.07	$ 42.63
Fair value of shares vested (in millions)	$ 10	$ 10	$ 13

The following table summarizes the activity of our RSUs during the year ended December 31, 2020:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of period	825,591	$34.46
Granted	672,123	25.14
Vested	(442,666)	33.39
Forfeited	(81,063)	29.94
Outstanding, end of period	973,985	28.89

Options

The following table provides information about our option grants for the last three fiscal years:

	Year Ended December 31, 2020	2019	2018
Number of options granted	566,401	544,209	312,141
Weighted average exercise price per share	$ 25.80	$ 33.32	$ 46.48
Weighted average grant date fair value per share	$ 9.14	$ 12.29	$ 14.78

The grant date fair value of each of these options was determined using the Black-Scholes-Merton option-pricing model with the following assumptions:

	Year Ended December 31, 2020	2019	2018
Expected volatility[(1)]	35.4%	33.1%	26.6%
Dividend yield[(2)]	—%	—%	—%
Risk-free rate[(3)]	1.0%	2.6%	2.7%
Expected term (in years)[(4)]	6.0	6.0	6.0

(1) Due to limited trading history for our common stock, we did not have sufficient information available on which to base a reasonable and supportable estimate of the expected volatility of its share price. As a result, we used an average historical volatility of our peer group over a time period consistent with its expected term assumption. Our peer group was determined based upon companies in our industry with similar business models and is consistent with those used to benchmark our executive compensation.

(2) At the date of grant we had no plans to pay dividends during the expected term of these options.

(3) Based on the yields of U.S. Department of Treasury instruments with similar expected lives.

(4) Estimated using the average of the vesting periods and the contractual term of the options.

As of December 31, 2020, we had 1,066,190 Options outstanding that were exercisable. The following table summarizes the activity of our options during the year ended December 31, 2020:

	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding, beginning of period	1,541,082	$31.67
Granted	566,401	25.80
Exercised	(34,010)	22.87
Forfeited, canceled or expired	(59,534)	32.31
Outstanding, end of period	2,013,939	30.15
Exercisable, end of period	1,066,190	30.19

Performance Shares

During the year ended December 31, 2020, we issued 168,529 Performance RSUs with a grant date fair value of $25.69. The Performance RSUs are settled at the end of a three-year performance period, with 70 percent of the Performance RSUs subject to achievement based on the Company's adjusted earnings before interest expense, taxes and depreciation and amortization further adjusted for net deferral and recognition of revenues and related direct expenses related to sales of VOIs of projects under construction. The remaining 30 percent of the Performance RSUs are subject to the achievement of certain contract sales targets. In March 2020, we determined that the performance conditions for the 2018, 2019, and 2020 Performance RSU awards were improbable of achievement due to the significantly negative impact of the COVID-19 pandemic on the global economy, demand for travel and leisure, and our business. As a result, we reversed $8 million of previously recognized share-based compensation expense related to our 2018 and 2019 Performance RSUs and ceased accruing expense related to Performance RSUs granted in 2018, 2019, and 2020, during the three months ended March 31, 2020.

In December 2020, the Compensation Committee approved an amendment to the Performance RSUs Agreement relating to the 2018 Performance RSUs. As a result of the amendment, we recognized compensation expense of $2 million based on the number of Performance RSUs vested and the performance conditions for the 2018 Performance RSU awards.

The following table provides information about our Performance RSU grants, which is based on our Adjusted EBITDA metric described in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* of this Annual Report on Form 10-K, further adjusted by sales of VOIs under construction for the last three fiscal years:

	Year Ended December 31,		
	2020	2019	2018
Number of shares granted	117,975	93,566	64,809
Weighted average grant date fair value per share	$ 25.69	$ 33.32	$ 42.94
Fair value of shares vested (in millions)	2	—	—

The following table provides information about our Performance RSU grants, which is based on contract sales as defined in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* of this Annual Report on Form 10-K for the last three fiscal years:

	Year Ended December 31,		
	2020	2019	2018
Number of shares granted	50,554	40,094	27,769
Weighted average grant date fair value per share	$ 25.69	$ 33.32	$ 42.94
Fair value of shares vested (in millions)	1	—	—

The following table summarizes the activity of our Performance RSUs during the year ended December 31, 2020:

	Adjusted EBITDA[1]		Contract Sales	
	Number of Shares	Weighted Average Grant Date Fair Value per Share	Number of Shares	Weighted Average Grant Date Fair Value per Share
Outstanding, beginning of period	150,867	$36.79	64,646	$36.79
Granted	117,975	25.69	50,554	25.69
Vested	(54,436)	30.30	(23,326)	30.30
Forfeited, canceled or expired	—	—	—	—
Outstanding, end of period	214,406	29.08	91,874	29.08

(1) Represents our Adjusted EBITDA metric described in Part 1 of this Form 10-K, further adjusted by net recognition and deferral activity from sales of VOIs under construction.

Employee Stock Purchase Plan

In March 2017, the Board of Directors adopted the Hilton Grand Vacations Inc. Employee Stock Purchase Plan (the "ESPP"), which became effective during 2017. In connection with the Plan, we issued 2.5 million shares of common stock which may be purchased under the ESPP. The ESPP allows eligible employees to purchase shares of our common stock at a price per share not less than 95 percent of the fair market value per share of common stock on the purchase date, up to a maximum threshold established by the plan administrator for the offering period. For the year ended December 31, 2020, we issued 81,520 shares and recognized less than $1 million of compensation expense related to this plan. For the year ended December 31, 2019, we issued 101,244 shares and recognized less than $1 million of compensation expense related to this plan.

Note 20: (Loss) Earnings Per Share

The following table presents the calculation of our basic and diluted (loss) earnings per share ("EPS"). The weighted average shares outstanding used to compute basic and diluted EPS for the year ended December 31, 2020 is 85,181,106. The weighted average shares outstanding used to compute basic and diluted EPS for the year ended December 31, 2019 is 88,758,859 and 89,291,176, respectively. The weighted average shares outstanding used to compute basic and diluted EPS for the year ended December 31, 2018 is 97,209,889 and 97,898,242, respectively.

	Year Ended December 31,		
($ in millions, except per share amounts)	**2020**	**2019**	**2018**
Basic EPS			
Numerator:			
Net (loss) income[(1)]	$ (201)	$ 216	$ 298
Denominator:			
Weighted average shares outstanding	85	89	97
Basic EPS	$(2.36)	$2.43	$3.07
Diluted EPS			
Numerator:			
Net (loss) income[(1)]	$ (201)	$ 216	$ 298
Denominator:			
Weighted average shares outstanding	85	89	98
Diluted EPS	$(2.36)	$2.42	$3.05

(1) Net (loss) income for years ended December 31, 2020, 2019, and 2018 was ($200,709,244), $215,695,961, and $298,124,983, respectively.

The dilutive effect of outstanding share-based compensation awards is reflected in diluted earnings per common share by application of the treasury stock method using average market prices during the period.

For the years ended December 31, 2020, 2019 and 2018, we excluded 2,192,591, 836,677 and 384,860 share-based compensation awards, respectively, because their effect would have been anti-dilutive under the treasury stock method.

Note 21: Related Party Transactions

BRE Ace LLC and 1776 Holding, LLC

We hold a 25 percent ownership interest in BRE Ace LLC, a VIE, which owns a timeshare resort property and related operations, commonly known as "Elara, by Hilton Grand Vacations." In July 2020, we contributed an additional $1.5 million in cash to BRE Ace LLC.

We hold a 50 percent ownership interest in 1776 Holdings, LLC, a VIE, which will construct a timeshare resort property, known as "Liberty Place Charleston, by Hilton Club."

We record Equity in earnings from our unconsolidated affiliates in our consolidated statements of operations. See Note 10: *Investments in Unconsolidated Affiliates* for additional information. Additionally, we earn commissions and other fees related to fee-for-service agreements with the investees to sell VOIs at Elara, by Hilton Grand Vacations and Liberty Place Charleston, by Hilton Club. These amounts are summarized in the following table and are included in our consolidated statements of operations as of the date they became related parties.

	December 31,		
($ in millions)	**2020**	**2019**	**2018**
Equity in earnings from unconsolidated affiliates	$ 5	$ 4	$ —
Commission and other fees	55	136	132

We also have $7 million and $25 million of outstanding receivables related to the fee-for-service agreements as of December 31, 2020 and 2019.

HNA Tourism Group Co., Ltd

On March 13, 2018, HNA entered into an underwriting agreement with several underwriters to sell 22,250,000 shares of our common stock. In connection with the underwriting offer, we elected to purchase 2,500,000 shares at a price of approximately $44.75 per share. The transactions were completed on March 19, 2018 and HNA ceased to be a related party.

Note 22: Business Segments

We operate our business through the following two segments:

- *Real estate sales and financing*—We market and sell VOIs that we own. We also source VOIs through fee-for-service agreements with third-party developers. Related to the sales of the VOIs that we own, we provide consumer financing, which includes interest income generated from the origination of consumer loans to customers to finance their purchase of VOIs and revenue from servicing the loans. We also generate fee revenue from servicing the loans provided by third-party developers to purchasers of their VOIs.
- *Resort operations and club management*—We manage the Club, earn activation fees, annual dues and transaction fees from member exchanges for other vacation products. We earn fees for managing the timeshare properties. We generate rental revenue from unit rentals of unsold inventory and inventory made available due to ownership exchanges under our Club program. We also earn revenue from food and beverage, retail and spa outlets at our timeshare properties.

The performance of our operating segments is evaluated primarily based on adjusted earnings before interest expense (excluding non-recourse debt), taxes, depreciation and amortization ("EBITDA"). We define Adjusted EBITDA as EBITDA which has been further adjusted to exclude certain items, including, but not limited to, gains, losses and expenses in connection with: (i) asset dispositions; (ii) foreign currency transactions; (iii) debt restructurings/retirements; (iv) non-cash impairment losses; (v) reorganization costs, including severance and relocation costs; (vi) share-based and other compensation expenses; (vii) costs related to the spin-off; and (viii) other items.

We do not include equity in earnings (losses) from unconsolidated affiliates in our measures of segment operating performance. The following table presents revenues for our reportable segments reconciled to consolidated amounts:

($ in millions)	Year Ended December 31, 2020	2019	2018
Revenues:			
Real estate sales and financing	$494	$1,252	$1,462
Resort operations and club management[1]	276	454	422
Total segment revenues	770	1,706	1,884
Cost reimbursements	137	168	147
Intersegment eliminations[1][2]	(13)	(36)	(32)
Total revenues	$894	$1,838	$1,999

(1) Includes charges to the real estate sales and financing segment from the resort operations and club management segment for fulfillment of discounted marketing package stays at resorts. These charges totaled $13 million, $35 million and $31 million for the years ended December 31, 2020, 2019 and 2018, respectively.

(2) Includes charges to the real estate sales and financing segment from the resort operations and club management segment for the rental of model units to show prospective buyers. These charges totaled less than $1 million for the year ended December 31, 2020 and $1 million for the years ended December 31, 2019 and 2018.

The following table presents Adjusted EBITDA for our reportable segments reconciled to net income:

($ in millions)	Year Ended December 31, 2020	2019	2018
Adjusted EBITDA:			
Real estate sales and financing[1]	$ 33	$ 325	$ 447
Resort operations and club management[1]	136	265	245
Segment Adjusted EBITDA	169	590	692
General and administrative	(92)	(118)	(120)
Depreciation and amortization	(45)	(44)	(33)
License fee expense	(51)	(101)	(98)
Other gain (loss), net	3	(3)	(1)
Interest expense	(43)	(43)	(30)
Income tax benefit (expense)	79	(57)	(105)
Equity in earnings from unconsolidated affiliates	5	4	—
Impairment expense	(209)	—	—
Other adjustment items[2]	(17)	(12)	(7)
Net income	$(201)	$ 216	$ 298

(1) Includes intersegment eliminations. Refer to our table presenting revenues by reportable segment above for additional discussion.

(2) This amount includes costs associated with restructuring, one-time charges and other non-cash items.

The following table presents total assets for our reportable segments, reconciled to consolidated amounts:

($ in millions)	December 31, 2020	2019
Real estate sales and financing	$2,839	$2,753
Resort operations and club management	79	196
Total segment assets	2,918	2,949
Corporate	175	130
Land and infrastructure held for sale	41	—
Total assets	$3,134	$3,079

The following table presents capital expenditures for property and equipment for our reportable segments, reconciled to consolidated amounts:

($ in millions)	December 31, 2020	2019	2018
Real estate sales and financing	$18	$19	$36
Resort operations and club management	—	5	—
Total segment capital expenditures for property and equipment	18	24	36
Corporate	8	13	8
Total capital expenditures for property and equipment	$26	$37	$44

Note 23: Commitments and Contingencies

We have entered into certain arrangements with developers whereby we have committed to purchase vacation ownership units or other real estate at a future date to be marketed and sold under our Hilton Grand Vacations brand. As of December 31, 2020, we were committed to purchase approximately $454 million of inventory and land over a period of 10 years and $20 million of other commitments under the normal course of business. Additionally, we have committed to develop additional vacation ownership units at an existing resort in Japan. During the second quarter of 2020, we entered into an agreement to exchange parcels of land in Hawaii, subject to the successful completion of zoning, land use requirements and other applicable regulatory requirements. The actual amount and timing of the acquisitions is subject to change pursuant to the terms of the respective arrangements, which could also allow for cancellation in certain circumstances. During the years ended December 31, 2020 and 2019, we purchased $23 million and $75 million, respectively, as required under our commitments. As of December 31, 2020, our remaining obligation pursuant to these arrangements was expected to be incurred as follows:

($ in millions)	2021	2022	2023	2024	2025	Thereafter	Total
Inventory purchase obligations	$227	$114	$58	$40	$ 3	$12	$454
Other commitments(1)	12	8	—	—	—	—	20
Total	$239	$122	$58	$40	$ 3	$12	$474

(1) Primarily relates to commitments related to information technology and brand licensing under the normal course of business

We are involved in litigation arising from the normal course of business, some of which includes claims for substantial sums. Management has evaluated all legal matters and we believe that possible losses derived from an unfavorable outcome that is reasonably possible or remote is not reasonably estimable. While the actual results of claims and litigation cannot be predicted with certainty, we expect that the resolution of all pending or threatened claims and litigation as of December 31, 2020, will not materially affect our consolidated financial statements.

Note 24: Supplemental Disclosures of Cash Flow Information

Cash paid for interest during the years ended December 31, 2020, 2019 and 2018, was $64 million, $63 million and $49 million, respectively. Cash paid for income taxes during the years ended December 31, 2020, 2019 and 2018 was $54 million, $74 million and $153 million, respectively.

The following non-cash activities were excluded from the consolidated statements of cash flows:

- In 2020, we recorded non-cash operating activity transfers of $41 million related to the classification of certain undeveloped land and infrastructure as available for sale from *Inventory to Land and infrastructure held for sale* and $16 million related to the classification of certain undeveloped land and infrastructure from *Inventory* to *Property and equipment*.
- In 2020, we recorded non-cash operating activity transfers of $301 million related to the registrations for timeshare units under construction from *Property and equipment* to *Inventory*.
- In 2019, we recorded a $23 million non-cash issuance of other debt related to the acquisition of property for future conversion to inventory involving a note payable financed by the seller.
- In 2019, we recorded net non-cash operating activity transfers of $25 million from *Property and equipment* to *Inventory* related to the registration of timeshare units under construction.
- In 2019, we recorded non-cash operating activity transfers of $40 million related to the reclassification of deposits on properties for future development into timeshare inventory from *Other assets* to *Property and equipment.*
- In 2018, we recorded a cumulative non-cash adjustment of $38 million related to the adoption of ASC 606.
- In 2018, we recorded a $3 million non-cash operating activity transfer from *Property and Equipment, net* to *Inventory*.
- In 2018, we recorded a $3 million non-cash financing activity adjustment to equity related to the write-off of expenses due to Hilton prior to the spin-off.

Note 25: Selected Quarterly Financial Information (unaudited)

The following table sets forth the historical unaudited quarterly financial data for the periods indicated. The information for each of these periods has been prepared on the same basis as the audited consolidated financial statements and, in our opinion, reflects all adjustments necessary to present fairly our financial results. Operating results for previous periods do not necessarily indicate results that may be achieved in any future period.

	2020[1]				
($ in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Total revenues	$ 351	$ 123	$ 208	$ 212	$ 894
Total operating expenses	337	165	210	427	1,139
Income (loss) before income taxes	9	(56)	(12)	(221)	(280)
Net income (loss)	8	(48)	(7)	(154)	(201)
Basic earnings (loss) per share	$0.09	$(0.56)	$(0.08)	$(1.81)	$ (2.36)
Diluted earnings (loss) per share	$0.09	$(0.56)	$(0.08)	$(1.81)	$ (2.36)

(1) The sum of the earnings per share for the four quarters may differ from annual earnings per share due to the required method of computing the weighted average shares in interim periods.

	2019[1]				
($ in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Total revenues	$ 450	$ 454	$ 466	$ 468	$1,838
Total operating expenses	365	390	384	384	1,523
Income before income taxes	75	54	70	74	273
Net income	55	39	50	72	216
Basic earnings per share	$0.59	$0.43	$0.59	$0.83	$ 2.43
Diluted earnings per share	$0.58	$0.43	$0.59	$0.83	$ 2.42

(1) The sum of the earnings per share for the four quarters may differ from annual earnings per share due to the required method of computing the weighted average shares in interim periods.

Note 26: Subsequent Events

Management has evaluated all subsequent events through March 1, 2021, the date the audited consolidated financial statements were available to be issued. The results of management's analysis indicated no significant subsequent events have occurred that require considerations adjustments to our disclosures in the audited financial statements.

ITEM 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with our accountants on accounting and financial disclosure matters.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) or our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of the controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error and mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness of controls and procedures to future periods are subject to the risk that the controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the controls and procedures may have deteriorated.

In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the period covered by this annual report, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as of the end of the period covered by this annual report, were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

We have set forth management's report on internal control over financial reporting and the attestation report of our independent registered public accounting firm on the effectiveness of our internal control over financial reporting in Item 8 of this Annual Report on Form 10-K. Management's report on internal control over financial reporting is incorporated in this Item 9A by reference.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 of this Report will be included in our definitive proxy statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2020 (the "2021 Proxy Statement"), which information is incorporated herein by this reference.

ITEM 11. Executive Compensation

The information required by Item 11 will be included in our 2021 Proxy Statement, which is incorporated herein by this reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will be included in our 2021 Proxy Statement, which is incorporated herein by this reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be included in our 2021 Proxy Statement, which is incorporated herein by this reference.

ITEM 14. Principal Accountant Fees and Services

The information required by Item 14 will be included in our 2021 Proxy Statement, which is incorporated herein by this reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Form 10-K:

1. All financial statements. See Index to Consolidated Financial Statements on page 71 of this Form 10-K.
2. Financial Statement Schedules. The financial statement schedule entitled "Schedule II – Valuation and Qualifying Accounts" has been omitted since the information required is included in the consolidated financial statements and notes thereto. Other schedules are omitted because they are not required.
3. Exhibits. See Exhibit Index.

ITEM 16. Form 10-K Summary

None.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Distribution Agreement among Hilton Worldwide Holdings Inc., Park Hotels & Resorts Inc. and Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on January 4, 2017).
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on March 17, 2017).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on March 17, 2017).
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock of Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on April 16, 2020).
4.1(a)	Indenture, dated as of October 24, 2016, among Hilton Grand Vacations Borrower LLC, as the issuer, Hilton Grand Vacations Borrower Inc., as the co-issuer, the guarantors from time to time party thereto, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 10.21 of the Registrant's Registration Statement on Form 10-12B/A (File No. 001-27794) filed on November 23, 2016).
4.1(b)	Form of First Supplemental Indenture, dated as of November 29, 2016, among Hilton Grand Vacations Borrower LLC, as the issuer, Hilton Grand Vacations Borrower Inc., as the co-issuer, the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form 10-12B/A (File No. 001-37794) filed on November 23, 2016).
4.1(c)	Second Supplemental Indenture, dated as of May 29, 2019, by and among the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee, to the Indenture, dated as of October 24, 2016, by and among Hilton Grand Vacations Borrower LLC, as the issuer, Hilton Grand Vacations Borrower Inc., as the co-issuer, the guarantors party thereto from time to time, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on August 1, 2019).
4.2	Forms of 6.500% Senior Note due 2024 (included in Exhibit 4.1(a)).
4.3	Registration Rights Agreement dated as of November 29, 2016, among Hilton Grand Vacations Borrower LLC, Hilton Grand Vacations Borrower Inc., Hilton Grand Vacations Inc., the Subsidiary Guarantors, as defined therein, and Goldman, Sachs & Co. as representative of the several initial purchasers (incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement on Form S-4 (File No. 333-221194-02) filed on October 27, 2017).
4.4	Description of the Registrant's Securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K (File No. 001-37794) filed on March 2, 2020).
4.5	Rights Agreement, dated as of April 16, 2020, between Hilton Grand Vacations Inc. and Equiniti Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on April 16, 2020).
10.1	Employee Matters Agreement by and among Hilton Worldwide Holdings Inc., Park Hotels & Resorts Inc., Hilton Grand Vacations Inc. and Hilton Domestic Operating Company Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on January 4, 2017).

Exhibit No.	Description
10.2	Tax Matters Agreement by and among Hilton Worldwide Holdings Inc., Park Hotels & Resorts Inc., Hilton Grand Vacations Inc. and Hilton Domestic Operating Company Inc. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on January 4, 2017).
10.3	License Agreement, by and between Hilton Worldwide Holdings Inc. and Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on January 4, 2017).
10.4(a)	Receivables Loan Agreement, dated as of May 9, 2013, among Hilton Grand Vacations Trust I LLC, as borrower, Wells Fargo Bank, National Association, as paying agent and securities intermediary, the persons from time to time party thereto as conduit lenders, the financial institutions from time to time party thereto as committed lenders, the financial institutions from time to time party thereto as managing agents, and Deutsche Bank Securities, Inc., as administrative agent and structuring agent (incorporated by reference to Exhibit 10.7 to Hilton Worldwide Holdings Inc.'s Registration Statement on Form S-1 (No. 333-191110) filed on September 11, 2014).
10.4(b)	Amendment No. 1 to Receivables Loan Agreement, effective as of July 25, 2013, among Hilton Grand Vacations Trust I LLC, as borrower, Wells Fargo Bank, National Association, as paying agent and securities intermediary, Deutsche Bank AG, New York Branch, as a committed lender and a managing agent, Montage Funding, LLC, as a conduit lender, Deutsche Bank Securities, Inc., as administrative agent, and Bank of America, N.A., as assignee (incorporated by reference to Exhibit 10.8 to Amendment No. 2 to Hilton Worldwide Holdings Inc.'s Registration Statement on Form S-1/A (No. 333-191110) filed on November 8, 2013).
10.4(c)	Omnibus Amendment No. 2 to Receivables Loan Agreement, Amendment No. 1 to Sale and Contribution Agreement and Consent to Custody Agreement, effective as of October 25, 2013, among Hilton Grand Vacations Trust I LLC, as borrower, Grand Vacations Services LLC, as servicer, Hilton Resorts Corporation, as seller, Wells Fargo Bank, National Association, as custodian, the financial institutions signatory thereto, as managing agents, and Deutsche Bank Securities, Inc., as administrative agent (incorporated by reference to Exhibit 10.9 to Amendment No. 2 to Hilton Worldwide Holdings Inc.'s Registration Statement on Form S-1/A (No. 333-191110) filed on November 8, 2013).
10.4(d)	Amendment No. 3 to Receivables Loan Agreement, effective as of December 5, 2014, among Hilton Grand Vacations Trust I LLC, as borrower, Wells Fargo Bank, National Association, as paying agent and securities intermediary, Deutsche Bank AG, New York Branch, as a committed lender and a managing agent, Bank of America, N.A., as a committed lender and a managing agent, and Deutsche Bank Securities, Inc., as administrative agent (incorporated by reference to Exhibit 10.1 to Hilton Worldwide Holdings Inc.'s Current Report on Form 8-K (File No. 001-36243) filed on December 8, 2014).
10.4(e)	Omnibus Amendment No. 4 to Receivables Loan Agreement and Amendment No. 2 to Sale and Contribution Agreement, effective as of August 18, 2016, among Hilton Grand Vacations Trust I LLC, as borrower, Hilton Resorts Corporation, as seller, Wells Fargo Bank, National Association, as paying agent and securities intermediary, the financial institutions signatory thereto, as managing agents, the financial institutions signatory thereto as committed lenders and Deutsche Bank Securities, Inc., as administrative agent (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form 10-12B/A (File No. 001-37794) filed on September 16, 2016).

Exhibit No.	Description
10.4(f)	Amendment No. 5 to Receivables Loan Agreement, effective as of October 4, 2016, among Hilton Grand Vacations Trust I LLC, as borrower, Wells Fargo Bank, National Association, as paying agent and securities intermediary, Deutsche Bank AG, New York Branch, as a committed lender and a managing agent, Bank of America, N.A., as a committed lender and a managing agent, and Deutsche Bank Securities, Inc., as administrative agent (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form 10-12B/A (File No. 001-37794) filed on October 25, 2016).
10.4(g)	Amendment No. 6 to Receivables Loan Agreement and Assignment and Acceptance, effective as of December 14, 2016, among Hilton Grand Vacations Trust I LLC, as borrower, Wells Fargo Bank, National Association, as paying agent and securities intermediary, the financial institutions signatory thereto, as managing agents, the financial institutions signatory thereto as committed lenders and Deutsche Bank Securities, Inc., as administrative agent (incorporated by reference to Exhibit 10.37 to the Registrant's amended Annual Report on Form 10-K/A (File No. 001-37794) filed on March 13, 2018).
10.4(h)	Amendment No. 7 to Receivables Loan Agreement, effective as of April 19, 2017, among Hilton Grand Vacations Trust I LLC, as borrower, Wells Fargo Bank, National Association, as paying agent and securities intermediary, the financial institutions signatory thereto, as managing agents, the financial institutions signatory thereto as committed lenders and Deutsche Bank Securities, Inc., as administrative agent (incorporated by reference to Exhibit 10.38 to the Registrant's amended Annual Report on Form 10-K/A (File No. 001-37794) filed on March 13, 2018).
10.4(i)	Omnibus Amendment No. 8 to Receivables Loan Agreement and Amendment No. 3 to Sale and Contribution Agreement, effective as of March 9, 2018, by and among Hilton Grand Vacations Trust I LLC, as borrower, Hilton Resorts Corporation, as seller, Wells Fargo Bank, National Association, as paying agent and securities intermediary, the financial institutions signatory hereto as managing agents, the financial institutions signatory hereto as managing agents, the financial institutions signatory hereto as conduit lenders, the financial institution signatory hereto as committed lenders, and Deutsche Bank Securities, Inc., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on March 13, 2018).
10.4(j)	Omnibus Amendment No. 9 to Receivables Loan Agreement, Amendment No. 4 to Sale And Contribution Agreement effective as of May 14, 2018 by and among Hilton Grand Vacations Trust I LLC, as borrower, Hilton Resorts Corporation, as seller, Wells Fargo Bank, National Association, as paying agent and securities intermediary, the financial institutions signatory thereto as managing agents, the financial institutions signatory thereto as conduit lenders, the financial institutions signatory thereto as committed lenders, and Deutsche Bank Securities, Inc., as administrative agent (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on August 2, 2018).
10.4(k)	Amendment No. 10 to Receivables Loan Agreement effective as of February 14, 2019 by and among Hilton Grand Vacations Trust I LLC, as borrower, the financial institutions signatory thereto as managing agents, the financial institutions signatory thereto as conduit lenders, the financial institutions signatory thereto as committed lenders and Deutsche Bank Securities, Inc., as administrative agent (incorporated by reference to Exhibit 10.9(k) to the Registrant's Annual Report on Form 10-K (File No. 001-37794) filed on February 28, 2019).

Exhibit No.	Description
10.4(l)	Omnibus Amendment No. 11 to Receivables Loan Agreement and Amendment No. 5 to Sale and Contribution Agreement, effective as of April 25, 2019, by and among Hilton Grand Vacations Trust I LLC, as borrower, Hilton Resorts Corporation, as seller, the financial institutions signatory thereto as managing agents, the financial institutions signatory thereto as conduit lenders, the financial institutions signatory thereto as committed lenders, and Bank of America, N.A., as administrative agent and managing agent, and Wells Fargo Bank, National association as securities intermediary and paying agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on April 25, 2019).
10.4(m)	Omnibus Amendment No. 12 to Receivables Loan Agreement, effective as of September 19, 2019, by and among Hilton Grand Vacations Trust I LLC, as borrower, Hilton Resorts Corporation, as seller, the financial institutions signatory thereto as managing agents, the financial institutions signatory thereto as conduit lenders, the financial institutions signatory thereto as committed lenders, Bank of America, N.A., as administrative agent, and Wells Fargo Bank, National Association, as securities intermediary and paying agent. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on October 31, 2019).
10.4(n)	Omnibus Amendment No. 13 to Receivables Loan Agreement, effective as of January 17, 2020, by and among Hilton Grand Vacations Trust I LLC, as borrower, Hilton Resorts Corporation, the financial institutions signatory thereto as managing agents, the financial institutions signatory thereto as conduit lenders, the financial institutions signatory thereto as committed lenders, Bank of America, N.A., as administrative agent, and Wells Fargo Bank, National Association as securities intermediary and paying agent (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on April 30, 2020).
10.4(o)	Omnibus Amendment No. 14 to Receivables Loan Agreement and Amendment No. 6 to Sale and Contribution Agreement, effective as of April 22, 2020, by and among Hilton Grand Vacations Trust I LLC, as borrower, the financial institutions signatory thereto as managing agents, the financial institutions signatory thereto as conduit lenders, the financial institutions signatory thereto as committed lenders, and Bank of America, N.A., as administrative agent and Wells Fargo Bank, National Association, as paying agent and securities intermediary (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on April 28, 2020).
10.4(p)	Omnibus Amendment No. 15 to Receivables Loan Agreement and Amendment No. 7 to Sale and Contribution Agreement, effective as of May 8, 2020, by and among Hilton Grand Vacations Trust I LLC, as borrower, the financial institutions signatory thereto as managing agents, the financial institutions signatory thereto as conduit lenders, the financial institutions signatory thereto as committed lenders, and Bank of America, N.A., as administrative agent and Wells Fargo Bank, National Association, as paying agent and securities intermediary (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on May 12, 2020).
10.4(q)	Omnibus Amendment No. 16 to Receivables Loan Agreement, Amendment No. 8 to the Sale and Contribution Agreement, and Amendment No. 1 to the Servicing Agreement, effective as of August 14, 2020, by and among Hilton Grand Vacations Trust I LLC, as borrower, Hilton Resorts Corporation, as seller, Grand Vacations Services LLC, as servicer, the financial institutions signatory thereto as managing agents, the financial institutions signatory thereto as conduit lenders, the financial institutions signatory thereto as committed lenders, Bank of America, N.A., as administrative agent, and Wells Fargo Bank, National Association, as paying agent, securities intermediary and backup servicer (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on August 17, 2020.

Exhibit No.	Description
10.5(a)†	Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on January 4, 2017).
10.5(b)†	2017 Declaration of Amendment to Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement on Schedule 14A (File No. 001-37794) filed on March 24, 2017).
10.6†	Hilton Grand Vacations Inc. 2017 Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on January 4, 2017).
10.7(a)†	Hilton Resorts Corporation 2017 Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.10 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on January 4, 2017).
10.7(b)†	Hilton Resorts Corporation Executive Deferred Compensation Plan, as amended and restated effective as of September 1, 2018 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on November 1, 2018).
10.9†	Employment Letter Agreement, dated April 17, 2017, between Mark D. Wang and Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on April 17, 2017).
10.10(a)†	Severance Agreement, dated April 17, 2017, between Mark D. Wang and Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on April 17, 2017).
10.10(b)†	Severance Agreement, dated April 17, 2017, between Stan R. Soroka and Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on April 17, 2017).
10.10(c)†	Severance Agreement, dated April 17, 2017, between Barbara L. Hollkamp and Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on April 17, 2017).
10.10(d)†	Severance Agreement, dated April 17, 2017, between Charles R. Corbin and Hilton Grand Vacations, Inc. (incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on August 3, 2017).
10.10(e)†	Severance Agreement, dated November 30, 2017, between Dennis A. DeLorenzo and Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K (File No. 001-37794) filed on March 1, 2018).
10.10(f)†	Severance Agreement, dated November 30, 2017, between Sherri A. Silver and Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K (File No. 001-37794) filed on March 1, 2018).
10.10(g)†	Severance Agreement, dated effective as of November 28, 2018, between Daniel J. Mathewes and Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 10.15(h) to the Registrant's Annual Report on Form 10-K (File No. 001-37794) filed on February 28, 2019).
10.10(h)†	Severance Agreement, dated effective as of December 3, 2019, between Gordon S. Gurnik and Hilton Grand Vacations Inc. (incorporated by reference to Exhibit 10.15(i) to the Registrant's Annual Report on Form 10-K (File No. 001-37794) filed on February 28, 2019).
10.10(i)†	Severance Agreement, effective as of September 21, 2020, by and between Hilton Grand Vacations Inc. and Matthew A. Sparks (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on October 29, 2020).

Exhibit No.	Description
10.10(j)*†	Severance Agreement, effective as of October 7, 2020, by and between Hilton Grand Vacations Inc. and Jorge Pablo Brizi.
10.11†	Form of Indemnification Agreement entered into between Hilton Grand Vacations Inc. and each of its directors and executive officers (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form 10-12B/A (File No. 001-37794) filed on November 14, 2016).
10.12(a)	Credit Agreement, dated as of December 28, 2016 among Hilton Grand Vacations Parent LLC, as parent, Hilton Grand Vacations Borrower LLC, as the borrower, the other guarantors party thereto from time to time, Deutsche Bank AG New York Branch, as administrative agent, collateral agent, swing line lender and l/c issuer and the other lenders party thereto from time to time (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on January 4, 2017).
10.12(b)	Amendment No. 1 to the Credit Agreement, dated as of November 28, 2018, by and among Hilton Grand Vacations Borrower LLC, Hilton Grand Vacations Parent LLC, the other lender parties thereto, the other guarantors thereto, and Bank of America, N.A., as successor administrative agent, collateral agent, L/C issuer and swing line lender (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on November 29, 2018).
10.12(c)	Joinder Agreement, dated as of April 9, 2019, by and among subsidiary guarantors party thereto and Bank of America N.A., as administrative agent and collateral agent, related to the Credit Agreement, dated as of December 28, 2016, as amended by Amendment No. 1 to the Credit Agreement, dated as of November 28, 2018, by and among Hilton Grand Vacations Borrower LLC, Hilton Grand Vacations Parent LLC, the other guarantors party thereto from time to time, the other lender parties thereto, and Bank of America, N.A., as successor administrative agent, collateral agent, L/C issuer and swing line lender (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on August 1, 2019).
10.12(d)	Amendment No. 2 to the Credit Agreement, dated as of May 8, 2020, to the Credit Agreement, as amended by Amendment No. 1 to the Credit Agreement dated as of November 28, 2018, by and among Hilton Grand Vacations Borrower LLC, Hilton Grand Vacations Parent LLC, Hilton Grand Vacations Inc., the other lender parties thereto, the other guarantors thereto, and Bank of America, N.A., as successor administrative agent, collateral agent, L/C issuer and swing line lender (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on May 12, 2020).
10.12(e)	Amendment No. 3 to the Credit Agreement, dated as of December 10, 2020, to the Credit Agreement, as amended, by and among Hilton Grand Vacations Borrower LLC, Hilton Grand Vacations Parent LLC, Hilton Grand Vacations Inc., the other lender parties thereto, the other guarantors thereto, and Bank of America, N.A., as administrative agent, collateral agent, L/C issuer and swing line lender (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on December 10, 2020).
10.13	Hilton Grand Vacations Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-218056) filed on May 17, 2017).
10.14(a)†	Form of Restricted Stock Unit Agreement under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on March 15, 2017).
10.14(b)†	Form of Restricted Stock Unit Agreement for Mr. Mark Wang under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's amended Current Report on Form 8-K/A (File No. 001-37794) filed on May 16, 2018).

Exhibit No.	Description
10.15(a)†	Form of Nonqualified Stock Option Agreement under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on March 15, 2017).
10.15(b)†	Form of Nonqualified Stock Option Agreement (Converted Award – 2014 Grant) under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.14(b) to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on May 4, 2017).
10.15(c)†	Form of Nonqualified Stock Option Agreement (Converted Award – 2015 Grant) under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.14(c) to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on May 4, 2017).
10.15(d)†	Form of Nonqualified Stock Option Agreement (Converted Award – 2016 Grant) under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.14(d) to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on May 4, 2017).
10.15(e)†	Form of Nonqualified Stock Option Agreement for Mr. Mark Wang under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's amended Current Report on Form 8-K/A (File No. 001-37794) filed on May 16, 2018).
10.16(a)†	Form of Performance and Service Based Restricted Stock Unit Agreement (for use for all named executive officers other than Mr. Mark Wang) under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed March 8, 2018).
10.16(b)†	Form of Amended and Restated Performance and Service Based Restricted Stock Unit Agreement (for use for all named executive officers other than Mr. Mark Wang) under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on August 9, 2018).
10.16(c)†	Form of Performance and Service Based Restricted Stock Unit Agreement for Mr. Mark Wang under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registrant's amended Current Report on Form 8-K/A (File No. 001-37794) filed on May 16, 2018).
10.16(d)†	Form of Amended and Restated Performance and Service Based Restricted Stock Unit Agreement for Mr. Mark Wang under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on August 9, 2018).
10.16(e)†	Form of Amendment to Amended and Restated Performance and Service Based Restricted Stock Unit Agreement under Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (for 2018 Performance RSUs) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on March 8, 2019).
10.16(f)†	Form of Second Amended and Restated Performance and Service Based Restricted Stock Unit Agreement under the Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (for use for all named executive officers other than Mr. Mark Wang) (2018 awards) (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on April 30, 2020).
10.16(g)†	Form of Second Amended and Restated Performance and Service Based Restricted Stock Unit Agreement for Mr. Mark Wang under the Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (2018 awards) (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on April 30, 2020).

Exhibit No.	Description
10.16(h)†	Form of Second Amended and Restated Performance and Service Based Restricted Stock Unit Agreement under the Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (for use for all named executive officers other than Mr. Mark Wang) (2019 awards) (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on April 30, 2020).
10.16(i)†	Form of Second Amended and Restated Performance and Service Based Restricted Stock Unit Agreement for Mr. Mark Wang under the Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (2019 awards) (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on April 30, 2020).
10.16(j)†	Form of Second Amended and Restated Performance and Service Based Restricted Stock Unit Agreement for Mr. Mark Wang under the Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (2020 awards) (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on April 30, 2020).
10.16(k)†	Form of Second Amended and Restated Performance and Service Based Restricted Stock Unit Agreement under the Hilton Grand Vacations Inc. 2017 Omnibus Incentive Plan (for use for all named executive officers other than Mr. Mark Wang) (2020 awards) (incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on April 30, 2020).
10.17†	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under Hilton Grand Vacations Inc. 2017 Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on May 4, 2017).
10.18	Amended and Restated Limited Liability Company Agreement of BRE Ace LLC, a Delaware limited liability company, dated as of July 18, 2017 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37794) filed on July 21, 2017).
10.19†	Separation, Waiver and Release Agreement, dated as of June 6, 2020, between Hilton Grand Vacations Inc. and Barbara L. Hollkamp (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-38894) filed on July 30, 2020).
21.1*	Subsidiaries of the Registrant.
22	List of Issuer Subsidiaries of Guaranteed Securities and Guarantor Subsidiaries (incorporated by reference to Exhibit 22 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-37794) filed on July 30, 2020).
23.1*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS***	Inline XBRL Instance Document
101.SCH***	Inline XBRL Taxonomy Extension Schema Document.
101.CAL***	Inline XBRL Taxonomy Extension Calculation Linkbase Document.

Exhibit No.	Description
101.DEF***	Inline XBRL Taxonomy Extension Definitions Linkbase Document.
101.LAB***	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE***	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, has been formatted in Inline XBRL.

* Filed herewith.

** Furnished not filed.

*** These interactive data files shall not be deemed filed for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections.

† Denotes management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 1st day of March 2021.

HILTON GRAND VACATIONS INC.

By: /s/ Mark D. Wang

Name: Mark D. Wang
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on this 1st day of March 2021.

Signature	Title
/s/ Mark D. Wang Mark D. Wang	President and Chief Executive Officer (principal executive officer)
/s/ Daniel J. Mathewes Daniel J. Mathewes	Executive Vice President and Chief Financial Officer (principal financial officer)
/s/ Carlos Hernandez Carlos Hernandez	Senior Vice President and Chief Accounting Officer (principal accounting officer)
/s/ Leonard A. Potter Leonard A. Potter	Chairman of the Board of Directors
/s/ Brenda J. Bacon Brenda J. Bacon	Director
/s/ David W. Johnson David W. Johnson	Director
/s/ Mark H. Lazarus Mark H. Lazarus	Director
/s/ Pamela H. Patsley Pamela H. Patsley	Director
/s/ Paul W. Whetsell Paul W. Whetsell	Director

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