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Wyndham Worldwide Corporation Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Your first question comes from Steven Kent - Goldman Sachs.

Steven Kent - Goldman Sachs

Steve, could you just talk a little bit about the deferred revenue on the Timeshare? I guess I'm still not completely sure of how this is laying out. I think Gina mentioned that there was some construction issues that are causing this quarterly volatility so could you just review that again? And maybe, especially in light of the construction issues, how secure are you that these construction delays or construction issues won't go into '09 or further?

Stephen P. Holmes

It's not really a construction issue. It's not a matter of construction being delayed or there being some slowdown in construction. Really what it is is it's a sales mix issue, and let me try to walk you through an example.

We're building a project in Orlando in our Bonnet Creek site. Because we sell with a distributed system, that Orlando product can be sold in any one of our 100-plus sales offices around the country. Depending on how sales are going in different offices, we'll shift inventory from being sold just out of Orlando, for example, to also selling an Orlando product in both Orlando and Las Vegas, as well as other offices. If that shift results in greater sales in a location that is in the process of being constructed, we then only recognize the revenue to the degree that the site has been built.

So it really is not that there's a slowdown in construction and, in fact, our construction team is incredibly good at meeting their schedules and their timing. It's really just a question of where the sales mix is, both how we're putting the sales product out to the sales offices as well as what offices may have a great month or a great quarter and they're selling a lot of that particular product. So it's really not a function of construction at all.

And what we talked about in the second quarter is a similar situation. We see the mix of the product as we're putting it out to the market through our sales offices to be resulting in a little bit more deferred revenue. The fact is that we're [in] all of our construction plans and so we're confident that that will turn around as that product that is being sold right now is completed for construction and is put into use.

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