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Wyndham Worldwide Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question today comes from Steve Kent with Goldman Sachs. Your line is open, sir.

Steve Kent - Goldman Sachs

Hi, good morning. Two questions, first Steve and Gina, just walk me through the margin improvement in timeshare, again, essentially for late '08 into '09. What I'm struggling with is, it feels like part of it is just reducing marketing expense and at the same time it's also just slowing down timeshare and if you slowdown timeshare sales, you just naturally get an improvement in margins because of the sort of the way the mix of the business is going and I had this conversation with somebody already this morning and we're just trying to understand that.

Then the second question is, just on your pipeline, you seem to be gaining some traction here, are you gaining market share from your competitors in part because you're doing any discounting or offering any financing or doing any of those other things or is it just simply people transitioning from other brands into your brands or independent into your brands?

Steve Holmes

Okay. Thanks for those questions Steve. Gina and I will tackle them. First on the margin improvement question on timeshare, you're right that as we take down the volume of our sales pace and we're not growing at a double-digit rate, we will get some marketing efficiency both from the use of the Wyndham brand as well as from the fact that we go through a process of removing the sales offices that are not performing as well and taking out the marketing programs that aren't performing as well.

So, it's kind of Darwinism, survival of the strongest and the strongest offices are continuing to sell. So, that's a kind of a natural impact of the slowdown of the business. And we would expect to see that continue, but at the same time, obviously we've had to take some steps to remove some of the fixed overhead as well. And then Gina, do you want to address the loan loss?

Gina Wilson

One of the other things that you would see if you look at this quarter or the year-to-date performance is, loan loss is also reducing revenue which has a modest impact on the reported margins and we're doing our very best to analyze and make sure that we're estimating next year appropriately for the impact that that will have as well.

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