

CLUB WYNDHAM

SOUTH PACIFIC

BUDGET SUMMARY 2020



We are pleased to provide an overview of the 2020 Club Wyndham South Pacific annual budget for your information.

Key Highlights

The Club continues to expand in 2020 with growing options from acquisitions made in 2019 when we increased your holiday choices by adding new destinations in Italy, France, Germany and Japan. In 2020 we plan to increase the room types and availability at Normandy and Japan. In addition, we will open stage 2 of Flynns Beach, which comprises 53 brand new apartments.

From a financial perspective, the Club is budgeting for a net surplus before interest revenue, depreciation expense and income tax expense of \$7,228,053. Reduced interest revenue on term deposits due to the fall in bank interest rates combined with increased depreciation expense due to new capital acquisitions and Club refurbishments will result in an overall annual deficit of \$458,149.

Prior year surpluses held in retained earnings carried over contribute to maintaining the 2020 annual levy increase at 3.5%, and allows a small budget deficit, given the current Club retained earnings. For our New Zealand Owners, the increase equates to 0.46% due to movements in the exchange rate year on year.

The breakdown of your levies to cover the Club's operating expenses is as follows:

Levy	%	\$ Value
Operating Expense	88.15%	77,416,484
Insurance	0.63%	556,079
Reserve Fund	11.22%	9,855,657
GST	0%	-
	100.00%	87,828,220

Housekeeping charges have increased from between \$2 to \$5 per room, depending on room types. No room type increase is greater than 2.5% over the prior year rates and in fact these increases are in many cases less than what is passed down to us for our suppliers of linen and housekeeping services.



Club Revenue

Total operating revenues for the Club are projected to increase in 2020 by 9% or \$8.47m over the forecast 2019 result. The Club is anticipating that over 2,380 new Owners will join the Club in 2020. We are also predicting that some current Owners will take the opportunity to increase their credit holdings, particularly in light of the exciting new destinations that have been added to the Club.

With additional units in Flynns Beach and Normandy and increased availability in the Sundance Japan suite of resorts, we expect to increase the total number of Club rooms by 8% to 1,822 across over 50 properties worldwide in 2020.

Revenue received at resort level will increase by \$1,146,000 or 10% including increases in housekeeping revenue, rental revenue for surplus room nights and food and beverage sales.

Club Expenses

Expenses increase on an annual basis as the number of units and individual resorts in the Club increases. Costs associated with additional units include land tax, utilities and body corporate charges. Body corporate charges in particular are increasing, the main cause relating to insurance premium increases and compliance.

Occupied room nights are budgeted to increase by 12,340 driving an additional 3,100 departure cleans which will increase our interior cleaning and maintenance charges along with variable costs such as water and electricity charges.

The Management Fee to be paid to the Responsible Entity is again budgeted at 9.9% of total operating expenses, below the maximum 15% allowable to be charged under the Club Constitution.

Wyndham continues to lead the way with green initiatives and these are providing savings to our bottom line with real reductions in energy costs coupled with a reduced environmental footprint. During 2020 we will see a continued roll out of LED lighting across our resorts and replacement of unrepairable or obsolete equipment such as pool pumps, heating equipment and white goods with energy efficient models.

Capital Enhancements and Refurbishments

The Club has scheduled a refurbishment of the original 54 units at our Phillip Island property. We have also scheduled a refurbishment of our Port Douglas property that will commence in early 2020. In addition, the Club will be completing some mock or sample refurbishment rooms in Fiji to prepare for a full refurbishment in 2021. These mock rooms ensure the designs and quality of the fixtures and fitting continue to meet the high standards of Club Wyndham. In total we expect to spend in excess of \$5.3m on refurbishment projects in 2020. The Club is also budgeting a further \$2.2m for replacement of capital items and the provision of new capital assets across our resort portfolio.

Budget Summary

Club Wyndham South Pacific is looking forward to expanding our offerings to our Owners in 2020. The recent addition of access to sixteen individual resorts in Japan, which range from mountain retreats to absolute beachfront properties, along with our European property acquisitions, provide our Owners with new and exciting holiday destinations.

We trust you are excited about the direction of the Club and look forward to seeing you at our resorts, creating wonderful memories with your family and friends. Thank you to all our Owners for your continued support.

Key Financial Drivers - CWSP 2020 Budget

Revenue	\$'000's
Owner Levy Income	84,487
Bonus Time Income	292
Food & Beverage Income	3,421
Housekeeping Fees Income	4,978
Rental Income	2,281
Interest Income	820
Other Income	3,646
Total Revenue	99,926

Expenditure	
Resort Operations Costs	73,607
Administration Costs	9,904
Management Fees	8,367
Depreciation	8,506
Total Expenditure	100,384

Net Profit	(458)
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