

FINAL TRANSCRIPT

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ILG - Q3 2011 Interval Leisure Group Inc Earnings Conference Call

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Interval Leisure Group, Inc. - Chairman, CEO, President

Bill Harvey

Interval Leisure Group, Inc. - CFO

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PRESENTATION

Operator

Good afternoon. At this time I would like to welcome everyone to the Interval Leisure Group earnings conference call. Please be advised that this call is being recorded on Thursday, November 3, 2011. At this time, all participants are in listen-only mode. Later we will conduct a question-and-answer session. (Operator Instructions)

I would now like to turn the call over to Ms. Jennifer Klein, Investor Relations for Interval Leisure Group. Ma'am, you may begin your conference.

Jennifer Klein - Interval Leisure Group, Inc. - IR

Thank you, Vanessa. Welcome to the Interval Leisure Group third-quarter 2011 earnings conference call. I want to remind you that on our call today we will discuss our outlook for future performance. These forward-looking statements typically are preceded by words such as we expect, we believe, we anticipate, or similar statements. These forward-looking statements are subject to risks and uncertainties, and our actual results can differ materially from those views expressed today.

Some of these risk have been set forth in our third-quarter 2011 press release issued earlier today and in our 2010 Form 10-K and other periodic reports filed with the SEC. We will also discuss certain non-GAAP measures. I refer you to our press release posted on our website at www.iilg.com for all comparable GAAP measures and full reconciliation.

Now I would like to turn the call over to Craig Nash, our Chairman, President, and Chief Executive Officer. Craig?

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Craig Nash - Interval Leisure Group, Inc. - Chairman, CEO, President

Thanks, Jennifer. Good afternoon, everyone. Thank you for joining us today. As we anticipated, the third quarter reflected improved year-over-year results for Interval Leisure Group. On the top line, consolidated revenue increased by over 6% which flowed through to a nearly 5% improvement in EBITDA from the same time last year. During the quarter we repurchased 1.6 million shares for \$19.3 million.

Specifically within the Membership and Exchange segment, we experienced a 2.6% year-over-year improvement in average revenue per member due to about a 4% uptick in transaction revenue from increases in average Getaway and exchange fees. Additionally we implemented several marketing promotions that drove a modest improvement in Getaway sales volume.

We closed the quarter with just under 1.8 million members and a retention rate of about 90%. Membership and Exchange member growth remains challenged by stagnant developer sales that have constrained new member flow to the Interval network.

New-member volume is off 15% from the same time last year, as we are competing against the launch of the Marriott Points Club which drove the majority of new-member growth last year. Excluding Marriott Club conversions, new enrollments were down 5.6%, reflecting ongoing financing limitations and declining consumer confidence.

We continue to invest in products and services designed to mitigate our reliance on new developer sales. Our recent product initiatives, Platinum membership and Club Interval Gold, and the acquisition of Trading Places, are exceeding our initial expectations.

We have sold over 30,000 Platinum memberships since its launch in March. The vast majority have been upgrades from existing Interval Gold and basic memberships. In the third quarter we introduced technology that enables developers to originate Platinum members at point of sale.

Club Interval Gold was fully rolled out in early August and has been well received. Today we have 16 developers representing 25 resorts signed up on the program.

Interval International affiliated 27 resorts during the quarter in 12 countries, with a significant concentration in Latin America.

Trading Places, which we acquired almost a year ago, has exceeded our expectations for the first nine months in 2011 and has contributed to both of ILG's segments. In the third quarter TPI added meaningful timeshare resort management contracts in two locations. The first covers agreements with 13 owners associations in Whistler, British Columbia, and represents more than 7,000 owners.

The second is a good example of the many synergies between Trading Places and Interval. TPI will now be providing management services to the more than 20,000 owners in three Grand Crowne vacation ownership resorts in Branson, Missouri. Grand Crowne has been affiliated with Interval International for nearly 14 years.

In the third quarter Trading Places contributed about 16% of Management and Rental's segment revenue, and we are confident that this business has the opportunity to grow. Excluding pass-throughs, the Management and Rental segment saw a nearly 40% top-line increase from the same period last year.

In our Aston business, management fee revenue increased nearly 10% and RevPAR grew over 13%. Aston saw year-over-year improvements in lodging metrics for July and August that outpaced the general Hawaiian market. The Management and Rental segment has rebounded nicely over the past year, and we continue to believe that there is an opportunity to expand our portfolio of nontraditional lodging management services in the second-home rental and shared ownership market.

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With that I will turn the call over to Bill for a more comprehensive review of the financials. Following his remarks, I will return to provide some color on the fourth quarter to date. Bill?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Thank you, Craig, and good afternoon everyone. I trust that you have a copy of our earnings release that summarizes our third-quarter 2011 results. Let me recap and go into more detail on some of the numbers.

Interval Leisure Group delivered \$106.7 million of consolidated revenue for the third quarter of 2011, which is 6.2% more than the third quarter of 2010. Membership and Exchange segment revenue improved just over 3% year-over-year due to \$1.8 million in incremental transaction revenue that was driven by a 7% increase in average fee per transaction and partially offset by a decrease of 3.2% in exchange and Getaway transaction activity. This reflects the continued effect of a shift in the mix and availability of exchange and Getaway inventory and changes in travel patterns.

At the close of Q3 the Interval Network had nearly 1.8 million members. Our active member count is off from last year by about 1%, reflecting the periodic reconciliation with corporate accounts and a reduction in new members entering the Interval Network.

The Management and Rental segment reported another quarter of expansion, with revenue of \$20.5 million, a 21.7% increase from a year ago. Management fee and Rental revenue, which excludes pass-through revenue, grew by 39.7%.

Despite weakening tourism numbers for Hawaii, Aston RevPAR for the quarter was \$113.12 compared to \$99.74, an increase of 13.4%. Higher average daily rate and, to a lesser extent, occupancy over the prior year led to the improvement in RevPAR.

Consolidated EBITDA was \$38.3 million for the third quarter versus \$36.6 million for the same period last year. There were two accounting items in the quarter that were nearly net neutral to consolidated EBITDA but impacted the segment level.

First, the Membership and Exchange segment benefited from a \$1.1 million change in the estimated accrual of EU value-added taxes. The second item was a \$1.2 million charge related to the increase in the estimated earnout associated with the acquisition of Trading Places, as TPI is exceeding our initial expectations. Of this amount, \$600,000 was allocated to the Management and Rental segment.

Membership and Exchange segment EBITDA was \$36.3 million in the third quarter, an increase of nearly 5% from last year, while Management and Rental segment EBITDA was \$2.1 million, up 3.6%. Excluding the TPI purchase accounting adjustment, this segment's EBITDA would have been \$2.7 million, up 32.4% year-over-year.

Consolidated gross profit was \$72 million versus \$69.3 million in Q3 2010. Gross margin decreased by 150 basis points due to a greater contribution from Management and Rental segment, as well as increased cost and volume of sales related to the use of purchased space when compared to the same time last year. The increase in the price of purchased space is tied to general lodging market-specific ADRs and tends to fluctuate accordingly.

Overall we did a solid job of containing costs as a percentage of revenue. Sales and marketing remained at 12.5% and G&A declined slightly from last year as a percentage of revenue.

ILG's effective tax rate for the third-quarter was 41.1%, a slight increase from the third-quarter 2010, resulting from a reduction of deferred tax assets due to a lowering of future UK tax rates. Going forward the lower UK corporate tax rates will decrease income tax expense and favorably impact our effective tax rate.

In the third quarter, net income was \$11.4 million versus \$9.3 million in the same period of 2010, reflecting a \$2.7 million improvement in gross profit, largely due to the inclusion of TPI in our results; the benefit of \$1.5 million due to a change in the



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estimated accrual for EU VAT; and favorable foreign currency exchange-related impact of \$4 million. These items were partially offset by the \$1.2 million charge pertaining to a change in the earnout estimate for our TPI acquisition; an incremental \$700,000 in depreciation; and \$1 million in IT costs.

Diluted earnings per share were \$0.20 compared to \$0.16.

Regarding the balance sheet, as of September 30 the Company had \$191 million in cash and cash equivalents, \$85 million of which is held by foreign subsidiaries, mostly in the United Kingdom. Net cash provided by operating activities was \$76.9 million for the nine months ended September 30, 2011.

Free cash flow was \$66.9 million. Since the beginning of the year we have deployed nearly \$32 million, almost \$20 million more than in 2010, for acquisitions or internal investments, including about \$10 million in CapEx related to IT initiatives.

In the third quarter we made another voluntary principal payment of \$5 million on our term loan. Year to date we have prepaid \$15 million.

And finally, we bought 1.6 million shares of ILG common stock for \$19.3 million, which had a negligible impact on EPS. As of September 30 we had about \$5.8 million available for future purchases under the terms of the repurchase program approved by the Board in August.

Now I will turn the call back over to Greg for some closing remarks.

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

Thanks, Bill. Looking at the core Interval business for October, transaction revenue is slightly ahead of last year and inventory levels have improved. You may recall that in the fourth quarter of 2010 Interval's transaction revenue was impacted by our deployment of i-services in November. Today we are expecting that Interval's fourth-quarter top-line results will benefit from an easier year-over-year comp.

A moment ago Bill brought up some important points that clearly demonstrate our priorities for capital allocation. First, we are investing in our business directly in the innovation of new products and services such as Club Interval Gold and Platinum. These products are designed to add value to both Interval developer clients and consumer members. And we are deploying capital through acquisitions or in initiatives that strengthen our client relationships; in fact, more of these opportunities may be on the horizon.

While the securitization market is a good option for the large branded developers, and we are pleased to see Capital One as a new player in the hypothecation market, many vacation ownership resort developers still struggle to obtain financing. This has created an environment where we can leverage our balance sheet to cement existing or win new contracts in both segments of our business and create long-term shareholder value.

Finally, we have used our cash to invest in the business we know best through our share repurchase program. As the vacation ownership industry further consolidates, we expect to see additional opportunities develop. We strive to keep ahead of this shifting landscape as we evaluate the various areas of investment that will position ILG best for growth and shareholder returns.

Thank you for your time and participation in our third-quarter 2011 earnings call. Operator, please open the call for questions.

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Patrick Scholes, FBR Capital Markets.

Patrick Scholes - FBR Capital Markets - Analyst

Good afternoon. A couple questions here. Certainly you saw the revenue per member turning positive year-over-year in the third quarter, and that was a big turnaround from what we had seen in the last two quarters. Can you just drill down a little bit more into that?

How much -- or talk about when you started to institute some price increases? Is that really -- is that what -- those taking hold, is that what is driving this right here, the third-quarter increase?

Bill Harvey - Interval Leisure Group, Inc. - CFO

That is a good part of the increase. We increased the transactions by \$10 on July 1.

Patrick Scholes - FBR Capital Markets - Analyst

Okay. So that is the exchange transaction increased by \$10, correct?

Bill Harvey - Interval Leisure Group, Inc. - CFO

Yes.

Patrick Scholes - FBR Capital Markets - Analyst

Okay. How about -- did you raise the membership rate for the pricing?

Bill Harvey - Interval Leisure Group, Inc. - CFO

No, in addition to the exchange fee increase, average Getaway prices have gone up.

Patrick Scholes - FBR Capital Markets - Analyst

Okay, thank you. Then I have two more questions here. When I look at your quarterly year-over-year increases in SG&A, the growth rates are pretty volatile. It was up 9% in the first quarter, up 15% in the second quarter, but only up 2% in this quarter.

How should we think about that, given that volatility, going forward?

Bill Harvey - Interval Leisure Group, Inc. - CFO

I think if you are looking at the total number, don't forget a chunk of that was TPI.

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Patrick Scholes - *FBR Capital Markets - Analyst*

Okay.

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

So on a going forward basis I would like to drill down into the current quarter, but we have been trying to very conscientiously control costs in the other two segments on a year-over-year basis. So incremental piece.

Also in the G&A you have got -- depending on the pieces you are looking at -- we had an FX pickup there, and we had a VAT. The VAT charge was in G&A as well as the additional earnout component for TPI that I mentioned.

Patrick Scholes - *FBR Capital Markets - Analyst*

Okay. So that was in that line item?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Right.

Patrick Scholes - *FBR Capital Markets - Analyst*

Then lastly sort of an open-ended question here. I was at the Marriott Investor Day for their timeshare business a week ago, and they had talked about obviously moving their new customers over to the points, which I think probably would mean that those point members wouldn't be joining IIL, Interval Leisure.

What -- do you have any programs or how are you trying to think about this going forward, or how to counter that with new incentives or programs for your customers?

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

Well, firstly, the points base -- Marriott owners are enrolled as corporate members of Interval International, so they are members. They continue to do exchanges through the Interval Network. The difference is that the internal transactions that weeks owners do through Interval International are now done within their Club.

As we talked about in previous quarters, that was a stimulus in those conversions for an increase in new members coming into the Interval system. So there is an offset. There were new members that came in; but yes, it affected the internal exchanges, the number of them, and we have seen that throughout the year.

Obviously we consider them a strategic partner, as they do us. And hopefully we will have opportunities to grow more with them after the spinoff.

Patrick Scholes - *FBR Capital Markets - Analyst*

Great. I appreciate the color. Thanks.

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Operator

(Operator Instructions) [Adam Maylen], Anchorage Capital Group.

Adam Maylen - Anchorage Capital Group - Analyst

Thanks for taking my call. I had a follow-up on the Club Interval Gold point program that you are currently rolling out. Can you help us frame the size of that opportunity, perhaps the size of the addressable market as you see it, and how the economics flow back to you? As compared to the Platinum or current Gold programs.

Craig Nash - Interval Leisure Group, Inc. - Chairman, CEO, President

Well, what Club Interval Gold is, is our basic membership and our Gold membership but allows developers and HOAs an opportunity to go back to their existing customers and sell them a points-based exchange overlay. It is very important for developers who want to convert usage from fixed or floating weeks into a more flexible system. And particularly for developers who are having issues with their hypothecation, getting hypothecation financing, it gives them an area to get more wallet share and provide a very good service to their existing members and owners.

As it relates to the size of the market we have, what was it, 20? What do we have? 13 developers; I think I discussed it before. Within a short period of time we have 16 developers, 25 properties already signed up on the program. And we are doing this through the developer or HOA conduit. So if we take a look at our entire network across the world, it is sizable but it is early stages.

Adam Maylen - Anchorage Capital Group - Analyst

But in terms of the fees to you guys, I guess how do transaction fees work? Are developers paying fees to you guys? How do you guys make money on this?

Craig Nash - Interval Leisure Group, Inc. - Chairman, CEO, President

Yes. The developers who sell the product will pay us a membership fee similar to the basic and Gold combined fee. The consumers will renew similarly; it is going to be one renewal as opposed to basic and Gold.

So the option will be Interval Gold to renew. So it will be a direct renewal with the consumer.

Adam Maylen - Anchorage Capital Group - Analyst

Got it. And is there --

Craig Nash - Interval Leisure Group, Inc. - Chairman, CEO, President

The fees that will be paid are very similar to our ShortStay fees.

Adam Maylen - Anchorage Capital Group - Analyst

Is there anything you guys can do to help further the program getting to critical mass?



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Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

Well, we are -- we had some pent-up demand from developers and we are going to be rolling out more initiatives around Club Interval Gold. Our sales and marketing team is excited about having the product.

We will continue to refine and enhance the product as the quarters go on. We are excited about its opportunities. So we are doing everything we can to make sure it is a success.

Adam Maylen - *Anchorage Capital Group - Analyst*

Thanks very much.

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

Thank you.

Operator

DeForest Hinman, Walthausen & Co.

DeForest Hinman - *Walthausen & Co. - Analyst*

Yes, I had a question on the -- it looks like the investment loan receivable on the balance sheet. I know the original draw was around \$14.5 million; and it looks like it ticked up.

Is that related to the same original agreement? Or is that a new agreement with a different developer?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

That is related to the same agreement. There was some additional construction financing.

DeForest Hinman - *Walthausen & Co. - Analyst*

Okay. How much remaining draw is on that facility?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

I believe it is less than \$1 million.

DeForest Hinman - *Walthausen & Co. - Analyst*

Okay. I noticed you also did a transaction on the acquisition side, and you mentioned it in the press release, \$5.6 million for a management contract. Is that related to one facility, or is that related to multiple resorts?

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Bill Harvey - *Interval Leisure Group, Inc. - CFO*

It is related to multiple resorts.

DeForest Hinman - *Walthausen & Co. - Analyst*

Okay. Can you talk about the rationale around that purchase and some of the return assumptions that you are using? Because I am just looking at the Aston segment; I know you keep changing the name of it, but I will just call it the Aston segment.

You struggled with profitability over the last few years. Are these contracts that you acquired similar to what the segment looks like now? Are these better performing? Or are these something you are going to need to try to fix and you need that macro tailwind to make the numbers look better?

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

No, this is in the timeshare space. This was acquisitions that have come under the Trading Places management infrastructure. They are not like the Aston contracts, which are really vacation rental contracts, where the success of those contracts is around your ability to move consumers in and out of those properties.

The timeshare properties are not as dependent upon rentals. They are operating property management and association management and are more stable contracts. So we feel that it was a very good acquisition and the infrastructure, and we are already seeing returns on that -- on those contracts.

DeForest Hinman - *Walthausen & Co. - Analyst*

So can you talk about what your return on equity targets are on those and your cost of capital?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

No, we generally don't talk about that; but they are profitable from day one because we are just picking up fees per member.

DeForest Hinman - *Walthausen & Co. - Analyst*

Okay. And then --

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Immediately (multiple speakers). Sorry?

DeForest Hinman - *Walthausen & Co. - Analyst*

Sorry, go ahead.

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

I just said it was immediately accretive.

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DeForest Hinman - *Walthausen & Co. - Analyst*

Okay. Can you talk about your share repurchase strategy? It looks like you were fairly aggressive given your initial buyback authorization.

Can you give us an update on how you are thinking about capital deployment and potentially using up that facility in the fourth quarter? Would you look for another authorization, potentially?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Sure. We have got about \$5 million available for future stock repurchases under the current plan. Once we have exhausted the capital we have got available to us in the current plan, then we will be in a position to consider another program or other appropriate uses of cash.

Obviously our decision to repurchase shares is based on a combination of things, and that includes market conditions, the prioritization of other uses of capital and stuff. And also don't forget -- just keep in mind that about half -- almost half our cash is tax-trapped or offshore.

DeForest Hinman - *Walthausen & Co. - Analyst*

Okay. Can you talk about the acquisition environment that you are seeing at this point in time? What kind of multiples you are seeing relative to maybe last year or two years ago?

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

We are seeing very similar environment as last year. We are looking at the right fit strategically, and accretive, that is in our complementary spaces. We have been focused on vacation rental and vacation ownership management opportunities, and other complementary spaces in the leisure membership space. But these things take time, and we continue to be working on opportunities.

DeForest Hinman - *Walthausen & Co. - Analyst*

So should I take it that multiples are still fairly high?

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

Multiples are always high for good businesses and we try to be very selective in how we do these.

DeForest Hinman - *Walthausen & Co. - Analyst*

All right, thank you.

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

(multiple speakers) Thank you.

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Operator

(Operator Instructions) Jordan Teramo, Brigade Capital.

Jordan Teramo - *Brigade Capital - Analyst*

I got on late. Can you just explain this, the investment in loan receivable quickly? And then I think you might have talked about Q4, just current trends. Apologize, I think those both might be repeats.

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

We will talk a little bit about the fourth quarter. So far October on the Interval International side in October the transaction revenue is slightly ahead of last year and our inventory situation has improved. So that is what we talked about there.

Jordan Teramo - *Brigade Capital - Analyst*

Okay.

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

And your question was on the loan receivable?

Jordan Teramo - *Brigade Capital - Analyst*

Yes; what is that again?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Up slightly. That was loans in conjunction with solidifying some contracts, or new contracts that we layered on in the last quarter.

Jordan Teramo - *Brigade Capital - Analyst*

Solidifying contracts on new contracts? Is that what you just said?

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

It is solidifying contracts or acquire new contracts.

Jordan Teramo - *Brigade Capital - Analyst*

Okay.

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Standard. We have done this for years.

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Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

Over the course of our operating history we have deployed capital in a variety of ways. We have done loans, we have done revenue share, revenue share advances, key money, operating advances. This is to lock in long-term meaningful contracts.

It is standard practice for both segments of our business, and something that we have done for years and years.

Jordan Teramo - *Brigade Capital - Analyst*

And lastly, what is your view on your leverage? I know you have been asked this before. Obviously very consistent, stable EBITDA and free cash. You are comfortable running as low a leverage as you have here, or what?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

I am sorry, what was the -- we are comfortable?

Jordan Teramo - *Brigade Capital - Analyst*

I mean are you comfortable at this level? It just seems like the business could clearly function well at a higher leverage level if you wanted to do something to enhance stockholder value here besides -- I know you are doing some buybacks; but something more substantial.

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

Right. We continue to evaluate that. Obviously we have got the bonds that are callable in next September. They are at a high rate. So we continuously evaluate our leverage and balance that with other opportunities that we are constantly evaluating.

Jordan Teramo - *Brigade Capital - Analyst*

Okay, thanks.

Operator

(Operator Instructions) Dennis Hong, Altimeter Capital.

Dennis Hong - *Altimeter Capital - Analyst*

Thanks for taking my question. Could you just go over again the increase in the effective tax rate, why that occurred? And then what we can expect that to -- I understand it is going to drop down on a go-forward basis. But what can we expect as the effective tax rate to assume in our model on a go-forward basis?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Well, the UK lowered their corporate tax rates twice this year by 1% each time. When they do that we have got deferred tax assets on the balance sheet that we have to write down because their future value will be less. So you take an immediate charge for that writedown, which flows through your tax rate.

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But obviously because you are going to be paying less incremental tax in the future, you will have a benefit from that.

Dennis Hong - *Altimeter Capital - Analyst*

So on a go-forward basis we should expect to see the effective tax rate drop down?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Correct. That will be slightly, but yes.

Dennis Hong - *Altimeter Capital - Analyst*

Okay, but just slightly you mean?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Right. The UK tax went from I think 28% to 27% to 26%.

Dennis Hong - *Altimeter Capital - Analyst*

Okay.

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

And it is going down I think to 25%, and I think they have indicated it is supposed to go down another maybe one more after that, or maybe it stops at 25%. But we will get the benefit from that.

And obviously you can see our foreign revenue runs about 15%, so that is part of the impact. It is not on the whole business. It's on the overseas income.

Dennis Hong - *Altimeter Capital - Analyst*

Okay. Then just may I ask one other follow-up question?

Craig Nash - *Interval Leisure Group, Inc. - Chairman, CEO, President*

Sure.

Dennis Hong - *Altimeter Capital - Analyst*

You mentioned something about the offshore cash on the balance sheet. I am just wondering. Have you given any thought of how you would repatriate that offshore cash?



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Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Sure. You can repatriate it; it is just expensive to do so, because generally it has been accruing or accumulating if you will at lower tax rates than in the US. So their position is, as long as you reinvest it overseas you don't have to bring it back.

If you bring it back you just have to pay the tax on that when you do it. So it is expensive to bring back. if you will.

Dennis Hong - *Altimeter Capital - Analyst*

Okay. And so is the plan right now -- go ahead.

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Our position is just that we are permanently reinvested for taxes and for books.

Dennis Hong - *Altimeter Capital - Analyst*

In the overseas market?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Correct.

Dennis Hong - *Altimeter Capital - Analyst*

Okay. Thank you.

Operator

Gary Steiner, Huber Capital Management.

Gary Steiner - *Huber Capital Management - Analyst*

Could you just break out -- you talked about the \$4 million benefit from foreign exchange in the period. I am just trying to go through where all of that is located.

It looks like about \$800,000 is in the Exchange segment. So is the other \$3.2 million below the line, or is part of that in Management and Rental? Can you just break that out?

Bill Harvey - *Interval Leisure Group, Inc. - CFO*

Sure, the \$3.2 million is in the other income number. Effectively it's the flip from year to year. Probably if you look at the numbers it is about \$2.5 million in the current quarter in the other income line.

It is -- the Mexican peso devalued considerably, and Mexico holds its excess cash in US dollars. So we had a large pickup in particular from Mexico. That was about three-quarters of it, and I think the other quarter is Colombian. Of which (multiple speakers)

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Gary Steiner - Huber Capital Management - Analyst

Got it, okay so --

Bill Harvey - Interval Leisure Group, Inc. - CFO

Which also holds its cash in US dollars. So we have to convert because the functional currency for the financial statement is in the local currency. The fact that we hold US dollars or subject to FX that flows through in the other income line due to exchange rate fluctuations.

Gary Steiner - Huber Capital Management - Analyst

Got it. So the \$4 million, that is the year-over-year benefit, not the benefit in the -- not the income that went through in the current period?

Bill Harvey - Interval Leisure Group, Inc. - CFO

Correct. Actually the current period you will see the \$2.5 million in the other income line, in the other income expense net line. And of the \$800,000, \$200,000 was in the current period. \$600,000 is the swing.

Gary Steiner - Huber Capital Management - Analyst

Got it. Thank you.

Operator

Ladies and gentlemen, that does conclude the Q&A portion of today's call. I would now like to turn it back over to Mr. Craig Nash for closing remarks.

Craig Nash - Interval Leisure Group, Inc. - Chairman, CEO, President

I thank you again for listening on today's call. Have a good evening. Goodbye.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect.

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