Hilton Grand Vacations Inc.

Announcement of the Acquisition of Diamond Resorts International

Wednesday, March 10, 2021

8:30 A.M. Eastern

CORPORATE PARTICIPANTS

Mark Melnyk – *Vice President of Investor Relations*

Mark Wang – *President and Chief Executive Officer*

Daniel J. Mathewes – *Executive Vice President and Chief Financial Officer*

PRESENTATION

Operator
Good morning, and welcome the Hilton Grand Vacations Announcement of the Acquisition of Diamond Resorts International.

A telephone replay will be available for seven days following the call. The number to dial in is 844 512-2921, and enter pin number 13717389.

At this time, all participants have been placed in a listen-only mode, and the floor will be opened for your questions following the presentation.

I'll now turn the floor over to Mark Melnyk, Vice President of Investor Relations. Please go ahead, sir.

Mark Melnyk
Thank you, Operator, and welcome everyone.

Before we get started, please note that we have prepared slides that are available to download from a link on our webcast, and also on the main page of our website at investors.hgv.com. We'll refer to these slides during the course of our call and our question-and-answer session.

Our discussions this morning will include forward-looking statements. Actual results could differ materially from those indicated by these forward-looking statements, and these statements are effective only as of today. We undertake no obligation to publicly update or revise these statements. For a discussion of some of the factors that could cause actual results to differ, please see the Risk Factors section of our 10-K, and any other applicable SEC filings.

We'll also be referring to certain non-GAAP financial measures. You can find definitions and components of such non-GAAP numbers, as well as reconciliations of non-GAAP and GAAP financial measures discussed today in the appendix to the slides that have been prepared in associated with this announcement.

As a reminder, our reported results for both periods in 2020 and 2019 reflect accounting rules under ASC 606, which we adopted in 2018. Under ASC 606, we are required to defer certain revenues and expenses related to sales made in the period when a project is under construction and then hold off on recognizing those revenues and expenses until the period when construction is completed. For ease of comparability and to simplify our discussion today, our comments on Adjusted EBITDA will refer to results excluding the net impact of construction-related deferrals and recognitions for all reporting periods.

In a moment, Mark Wang, our President and Chief Executive Officer, and Dan Mathewes, our Chief Financial Officer, will talk through the transaction and the materials that we released this morning. Mark and Dan will then make themselves available for your questions.

With that, let me turn the call over to our President and CEO, Mark Wang. Mark?

Mark Wang
Thanks, everyone, for joining us on an exciting day for HGV.

Over the past year, we've been diligent in our response to the pandemic, acting decisively to protect our business, strengthen our balance sheet and bolster our liquidity. Now, with improving fundamentals and a recovery in sight, these actions leave us in the unique position to reach an agreement to acquire Diamond Resorts International. This transformational transaction, with compelling economics, not only strengthens our path to recovery in the near term, but also ensures we're well positioned to be the leader in the timeshare industry for years to come. Overall, we're pleased with the trajectory of our business and we believe we're well positioned to maximize the value of this transaction.

If you turn to Slide 2, you'll see this is an opportunity to create something transformational within our industry.

First, this combination brings us significant scale, leveraging the strengths of both HGV and Diamond, doubling our owner base, properties and sales centers. I've always said that consolidation in our industry will be led by the branded players, and this deal pairs Hilton Grand Vacations with the largest independent company in the industry, allowing us to leverage our brand and culture across a significantly bigger footprint. The transaction expands our resort network and, importantly, increases our drive-to leisure market presence.

This acquisition also provides us with product diversity and scale immediately, which would have taken us a decade or more to accomplish organically. We'll also accelerate the launch of a trust offering by re-branding Diamond's properties, and it also opens up a new complementary upscale customer segment for us, while providing a compelling value proposition to upgrade existing HGV and Diamond Club members.

Additionally, the trust product will help to reduce some of the quarter-to-quarter volatility in our earnings and cash flow. The combined scale of these assets will create meaningful run-rate cost synergies of over $125 million, that will be achieved in the 24 months following the close of this transaction. The operational and capital efficiencies of the combined entity will drive more cash flow stability, along with higher EBITDA conversion to free cash flow. The acquisition of Diamond presents us with a rare opportunity to acquire a unique asset at a compelling valuation.

As you can see, there are many reasons for us to be excited about this opportunity and we think the timing is right to capitalize on the leisure travel recovery.

Now, let me turn it over to Dan to walk through some of the details of the transaction.

Dan Mathewes
Thanks, Mark.

On Slide 3, I'll give a quick rundown of the transaction.

We're acquiring Diamond's equity for $3 billion, or 7x the pro forma EBITDA, including our identified synergies. The $3 billion valuation of Diamond is based net debt balance of $1.6 billion and an equity valuation of $1.4 billion. It's also important to note that Diamond has excess sellable developed inventory at $4 billion, which is approximately four years of contract sales for Diamond.

We'll be issuing approximately 34.5 million shares of common stock to fund the transaction.

We'll also take over their portfolio of securitized debt of roughly $660 million, which is non-recourse to us and thus excluded from the valuation for simplicity.

The HGV Management Team will remain and run the combined entity, with Mark Wang as CEO, Gordon Gurnik as COO, and myself as CFO.

Diamond's current private equity owner, Apollo, will own approximately 28% of the combined entity and have two newly added Board seats while their ownership remains above 15%, and one Board seat while their ownership remains above 10%.

Importantly, the transaction will be free cash flow accretive in the first year and should ramp to 50% to 60% conversion of our economic EBITDA to free cash flow in a steady state. As Mark mentioned, we've already identified over $125 million of cost synergies and expect to reach that run rate in the first 24 months after close. We expect the transaction to close in the summer of 2021, subject to shareholder approval and customary closing conditions.

Mark Wang
All right. Well, thanks, Dan.

Moving to Slide 4, I want to highlight why these two successful companies create such a powerful combination.

As I mentioned, Diamond is the largest independent timeshare operator in the industry. They've built a network of 92 mostly upscale resorts across the U.S. and in select international markets. Most importantly, they have a significant presence in regional and drive-to markets, which we believe is a great complement to our existing footprint. Both of us already use points-based clubs and, over time, we'll link them together, while preserving ownership rights, expanding membership access and improving customer engagement. To that end, we intend to keep Diamond's capital-efficient trust structure as a separate offering and re-brand it with a new Hilton Grand Vacations sub-brand. We believe this broader range of brands and products will appeal to more customers and better align with the current Hilton Honors database.

Over the years, Diamond has proven their innovation with programs like their Events of a Lifetime platform, which is a unique sales and marketing initiative that provides members access to exclusive events and experiences. They've shown that that platform significantly improves strong VPGs, and we believe that the Events of a Lifetime platform will be a great complement to our base of over 325,000 HGV members.

If you turn to Slide 5, you can see how we'll leverage this scale to drive our future growth. This combination more than doubles our owner base and increases our tour flow by 70%, while maintaining our efficiencies with high VPGs.

On Slide 6, you can see how this combination creates significant synergies, and while we've identified material cost synergies, what's really compelling is the revenue opportunities that sit in front of us. If you think about the potential levers we have:

First, we'll be able to offer more products; specifically, a trust product providing us different price points across a wider chain scale, along with substantial benefits of new experiential offerings.

Second, we're going to have more places. We're doubling the number of properties; in particular, drive-to markets, which will result in higher NOG and more owner sales, and the addition of Diamond's inventory to Hilton.com should allow us to yield their rental portfolio much more profitably and effectively.

Third, we're going to have more owners. When you combine Diamond's 400,000 owners, we'll more than double our owner base, increasing the amount of our high-margin upgrade opportunities.

Clearly, these added revenue and cost synergies will create a very compelling EBITDA story

If you turn to Slide 7, here you can see that Hilton has 18 extraordinary brands, ranging from midscale all the way up to luxury. They have over 6,000 hotels and serve over 112 million Hilton Honors members and we're fortunate to have them as our partner. Currently, our HGV brands serve the upper upscale and luxury markets. Today, I'm excited to announce that, in collaboration with Hilton, we're launching Hilton Vacation Club, a new sub-brand of HGV that will serve the upscale market. We'll use this new brand to rebrand Diamond's trust, which will enable us to begin selling under our new brand and allow our members to start enjoying the benefits of the combined system, and over the next several years we'll rebrand properties throughout Diamond's network as we integrate the two companies. Ultimately, we believe this combination will give HGV the broadest offering in the timeshare industry and will help us to better leverage our relationship with Hilton and their base of Hilton Honors members

You can see how this broader offering benefits us, as you turn to Slide 8. With the addition of our new brand, we'll increase the range of prices and expand our addressable market. Today, the majority of Diamond's prices sit just below ours, giving us a full range of pricing options across our combined offering. The new lower entry price points will allow us to reach a wider segment of Hilton's loyalty base and it also provides new compelling upgrade opportunities for our collective owner bases. Historically, we've focused on customers with incomes of over $100,000. We're now better able to target customers at $75,000 and above, which will expand our marketing universe by over a third.

We'll take this expanded offering and new price points and apply it to a larger system, as you can see when you turn to Slide 9. We dramatically grow the number of opportunities we have to interact with potential buyers. Putting these two networks together increases our portfolio, especially around regional drive-to markets, and it also more than doubles our sales locations. Looking at the map, it's very complementary in terms of the footprint, with a significant number of new, distinct markets. On top of that, it also enhances the value proposition of the Club itself by giving our members so many more travel options, something our owners are always looking for.

The footprint also brings with it a diversity of resort types. Historically, HGV has had strong representation in beach, attraction-based and urban markets. The acquisition of Diamond will bolster that presence, while adding several new leisure destinations in outdoor, desert and ski markets, where we previously had no resorts. The increased sales locations broaden our distribution networks to reach more potential new buyers and allows us to yield more from the Hilton Honors database.

Along with the re-branding and the expanded geographic footprint, if you turn to Slide 10, let me spend a few minutes talking about the benefits of HGVs ability to introduce a new trust offering.

Both our programs are points-based. So, from a customer utility standpoint, they're very similar and offer a lot of flexibility with usage across the system, and there's been strong demand for both. In 2019, HGV sold $1.4 billion of our deeded points product and Diamond sold over $900 million of their trust points product. We're confident that our strategy of offering both of these programs will allow us to maximize market demand.

From a development standpoint, the biggest advantage of the trust is that it supports smoother cash flow generation. The maturity of Diamond's trust will also provide us with the ability to recapture a high level of inventory, which creates a capital-efficient model. We've been exploring the development of our own trust product internally, but the addition of Diamond's trust allows us to accelerate that launch at scale and capitalizes on the advantages of both products immediately. We expect all of this will drive higher levels of owner engagement and retention, adding to our high-margin, recurring revenues.

You can see how this plays out on Slide 11. When we combine these two companies, 50% of our segmented EBITDA will now come from these annuity fee streams, up from 40% as a standalone business, creating more certainty in our business model, and as we've experienced through the pandemic, these fees have held up really well.

Now, let me turn it over to Dan to talk about some of the cost and financial benefits of the transaction.

Dan Mathewes
As outlined on slide 12, these synergies will play a key role in driving operating efficiencies through the business and support the strong historical margin profile of HGV. The acquisition of Diamond will also bring us additional opportunities to manage our balance sheet more efficiently. The addition of Diamond's

portfolio will allow us to significantly expand the amount of product available to our member base without much incremental inventory spend. In addition, Diamond's trust model has historically enabled greater amounts of inventory recapture and reduced the need for new projects. This will enable the combined entity to smooth our working capital outlay and ultimately support sales with a lower level of steady-state inventory investment than we've historically achieved. All of this translates into improved free cash flow performance. In fact, we expect the acquisition to be adjusted free cash flow accretive per share in the first 12 months after close. The combination will also set us on a path to achieve 50% to 60% steady state conversion of our economic EBITDA into free cash flow

Turning to Slide 13, most importantly, in this environment, we'll maintain our financial discipline. We've managed a conservative balance sheet before, and through this pandemic, which has allowed us to take advantage of a compelling opportunity without taking excess risks with the business. Our pro forma 2020 leverage was 6.5x versus 2.14x at the end of the third quarter, and we'll have $1 billion in liquidity, and our focus on maximizing cash flow generation will allow us to rapidly de-lever following the acquisition.

I'll now turn it back to Mark for some closing comments. Mark?

Mark Wang
Thanks Dan.

In closing, this is truly a transformational opportunity for us. Our proven model and Diamond's network, backed by the strength of the Hilton Grand Vacations brand, creates a powerful combination. This will dramatically increase our scale, benefitting both our members with additional locations, additional product and wider price points, and it'll establish HGV as the leader with the broadest chain scale offering in the timeshare industry. We believe the valuation is attractive, with significant cost and revenue synergies to be realized for our shareholders, and we think the timing is right, as it positions our business to take full advantage of the leisure travel recovery.

With that, Dan and I will be happy to take your questions. Operator?

Operator
Thank you. Our first question comes from the line of Stephen Grambling with Goldman Sachs. Please proceed with your question.

Stephen Grambling
Hey, good morning. Congrats on the announcement. In terms of—first, on the financials of Diamond, I realize there's a lot of moving parts with maybe how they were accounting for things previously versus how you all you look at things. Maybe you can just give us a little bit of history, if you can, in terms of how that business had been performing under new ownership, as we look at—I think the last disclosures in, call it, 2017, had them at something $374 million in EBITDA—how they performed through the pandemic and how that might influence how you're thinking about the business on a standalone business, and then I've got more of a strategic follow-up.

Dan Mathewes
Sure. Hi, Stephen, it's Dan. Thanks for the question. I think, first and foremost, what I would say is since the acquisition of Diamond by Apollo, Apollo has done an excellent job on just reinforcing and enhancing the financial discipline of the entity. When we started our due diligence, we were pleasantly surprised by what we found, so there's a lot of improvements from what you saw in Diamond pre-Apollo ownership.

From a performance perspective, what we want to emphasize is—I think everybody probably recalls, back when Diamond was public, they had an interesting way of calculating EBITDA. Obviously, the figures that we've presented here is consistent with industry standards. If you go back and look at 2019 EBITDA for

Diamond, obviously adjusting out some of the add-backs that you would have seen in a pre-Apollo acquisition, their EBITDA came in at roughly $305 million.

From a performance perspective, I think 2020 actually underscores what a solid job Apollo and Diamond's Management Team has done. From a tour flow, from a contract sales perspective, from a VPG year-over-year perspective, Diamond outperformed all the other time share companies, not only in Q4, but also for Fiscal Year 2020, from a recovery standpoint. So, we are obviously very impressed by that.

Mark Wang
Yes, Stephen, Mark, just to follow up, I'll echo what Dan said. It's clear Apollo has done a great job with the business, and the current Management Team has done a really good job, too, really improving their—you know, putting in best practices, processes and controls, and so very, very pleased with that, and they're going to be on our Board, they understand the business really well and are very experienced, and we look forward to their representation.

Stephen Grambling
Then, strategically, on the points-based trust, I guess, can you just clarify, can you put HGV existing inventory in there over time or do you anticipate new properties will eventually go in there, or can we assume that at some point maybe it's all points-based, or are there limitations? Thanks.

Mark Wang
Steve, a really good question. I think, as we said in our prepared remarks, our plan right now is to continue with both product forms, and so—and we think there's real value in continuing to offer both products. Our goal is about providing exceptional vacation experiences and both of these product forms provide both of that very well. I think, if you look back at 2019, collectively, between us and Diamond, we sold $2.3 billion in contract sales, $1.4 billion in the deed and $900 million in the trust. So, there's benefits.

We know the deeded product from a customer standpoint, because we've been selling it since our inception. There's some real value for our customers. We know it creates pricing power. For example, our Japanese customers who visit Hawaii on a repeat basis, they liked it certainly as a deed, and they're willing to pay for that, so preserves that pricing power, while still maintaining the ability for us, also, to do fee-for-service deals. The trust product is also compelling. It has all the same vacation experiences as the deed, but it provides customers with more options, and from a company perspective, it smooths out our inventory delivery. Again, both from a utility standpoint, they work very much the same and provide great vacation experiences, and having the combination of this means we can deliver the product form that best aligns with a customer.

Now, as far as what inventory can move around, we can move HGV product that we have into a trust if we want. We were looking at developing our own trust. The benefit we're getting here is we're going to be able to roll out a new trust at scale. I think, over time, the market is really going to tell us what percentage of our business will be sold trust and what percentage will be sold deed. So, we're excited that we have both products, they're both proven, and we think it's going to give us the best opportunity to capture the strongest market demand.

Stephen Grambling
Got it.

Operator
Thank you. Our next question comes from the line of Patrick Scholes with Truist Securities. Please proceed with your question.

Patrick Scholes

Hey, good morning, everyone. Congratulations. A question here. Back in the day, one of the knots (phon) on Diamond stem from a New York Times article that accused them of some pretty aggressive sales practices, and as I recall, when that article came out, it really hurt the stocks of the group. Do you see yourselves perhaps—I don't know if they've internally changed since then, but do you see yourselves bringing in more of the Hilton sales practices to prevent, perhaps, any negative publicity in that regard again?

Mark Wang
Yes, Patrick, I think, as we commented earlier, we've been really pleased with what we've seen. We did significant due diligence as we looked at Diamond, and clearly Apollo has done a great job with the current Management Team cleaning it up. That being said, there are opportunities, from a consumer-facing standpoint, and that's where the power of our culture and our brand will play a big part in creating significant value. We're not going to be running Diamond as a separate business. This business is going to be merged into our business and will be under the umbrella of Hilton Grand Vacations. So, our sales culture, our overall company culture, our sales training, our sales practices will all apply throughout Diamond. But, I have to say, again, I think the business has improved considerably since 2016, and we're excited to welcome the Diamond team members into the HGV family.

Patrick Scholes
Okay, great, and then just curious. Is this a deal that Hilton Corporation needed to approve, or will they need to approve it?

Mark Wang
Yes, Hilton approved the deal. We've got a great relationship with them and have been communicating with them along the way. They understand our strategy. As they've grown their brand and Honors in the midmarket quickly, they understand the strategy of us launching this upscale brand, Hilton Vacation Club, and the benefits that will provide. This relationship has really matured since Chris Nassetta took over when it became a private company under Blackstone's sponsorship, and it really—that relationship was really built over the last 10 years, before we spun, and it's continued since we've spun. Hilton is very—they're very cautious about their brand, as they should be. I mean, it's their reputation, and we're stewards of that Hilton brand. They understand the strategy that's playing out here. The fact of the matter is this opportunity presents us something that could have taken us well over a decade.

If you think about the locations, the assets that Diamond has, you can't replicate these locations. You're talking about oceanfront properties in Hawaii and Maui, you're talking about ocean-front properties on the California coastline, you're talking about lakefront properties on Lake Tahoe, Sadono, oceanfront properties in Virginia Beach. They have some amazing assets in their portfolio. When you think about the ability to wrap the Hilton Grand Vacation brand around this, there's significant synergies and upside across all the operating metrics. So, we think Hilton is—well, we know Hilton is—they approved the deal and they're excited about the opportunity going forward, and they're going to be supporting us along the way.

Patrick Scholes
Great, that's excellent to hear. Thank you.

Mark Wang
Thank you.

Operator
Thank you. Our next question comes from the line of Brandt Montour with JPMorgan. Please proceed with your question.

Brandt Montour

Good morning, everyone, and I echo congrats on the transformational transaction. A question, a follow-up on that Hilton question—that was well understood, I think, on a per-property basis, so what are the hurdles to up-brand each individual property to the new brand, Hilton Vacation Club? Is that something that can happen right away, does it have to be approved on a per-property basis with the Hilton Brand Team—or, yes, what are those hurdles, if you could help us understand that? Thanks.

Mark Wang
No, great question. Our plan is to re-brand (inaudible), as I mentioned, with a new HVC brand, and many of those properties already qualify. The majority of those properties will be converted over the next few years. We've been very pleased with out site visits to date. Diamond actually began a property improvement plan back in 2018, so they're well underway. They were upgrading their overall portfolio. We have developed brand standards with Hilton and there will be conditions to re-brand these properties on a one-by-one basis, but they've been working side-by-side with us to develop the criteria. We're currently estimating approximately $200 million to $225 million of investment into the properties over the next two to three years, but—so this is going to take some time. There's going to be a good amount of properties that we'll be able to move under the brand here in the next 12 to 18 months, and then you're going to have some properties that may take two or three years before we get them upgraded to the standard that's required by Hilton.

Brandt Montour
Got it, that's really helpful, and then the second question is on revenue synergies and the VPGs of Diamond relative to yours. I think you laid out in the slides pretty clearly that the VPGs are slightly below the Hilton Grand Vacations, and I guess the question is, when you look at the sort of overlap of the customers you're trying to reach, and it looks like in your slide, where you say the combined customer reach in terms of—or let's say the purchase price average, the purchase price of a 26 percentile is the lowest, Diamond standalone, the lowest price of $18,000, for the 25 percentile was $18,000, and the 25 percentile for the combined entity will be $28,000. So, I guess my question is, it's implied in that you can pull up the lower end in terms of what you're selling these usages for, because now it's going to be a new higher sort of combined Hilton umbrella band, and is that a VPG revenue synergy and something you can quantify for us?

Mark Wang
I don't know that we can give—we're not going to provide any quantification on it, but what we can say is that Diamond's done a really great job with their Events for Lifetime program, and one of the things, if you look at their VPG on a standalone basis, it's very comparable to some of the major brands out there, so they're already carrying a significantly high VPG on a relative basis. But, when you look at their customer mix today, their mix is more 80/20, 80% owners, 20% new buyers, we're closer to 50/50, so part of it is mix-driven, but the other part of it is they're doing a great job penetrating their owners.

If you step back and you bifurcate the owners and new buyers, their new buyer closing percentages and VPGs are much lower than ours, so there's a real opportunity, not only in generating more new buyers through this expanded network of sales centers that we're going to have, but also improving the closing of VPG and new buyers. Additionally, the opportunities of applying the Events of a Lifetime to our owner base should help us better penetrate our owner base and move VPG up.

So, we're really excited about the revenue synergies. Obviously, cost synergies are an important part of a transaction like this, but what really gets us excited are the opportunities around the additional revenue we can drive through the business.

Brandt Montour
That's helpful. Congrats again. Thanks.

Mark Wang
Thank you.

Operator
Thank you. Our next question comes from the line of David Katz with Jefferies. Please proceed with your question.

David Katz
Hi, good morning, everyone. Congratulations. I think all of the strategic detail is quite clear and appreciated. I think that there may have been some mention in and around a potential capital commitment and I'm just wondering about the Diamond network of properties and the degree to which you may have to invest either in hard or software, investments just in general, and what the magnitude and timing of those kinds of things would be, and the degree to which any of those may roll into the fees paid by Diamond owners.

Dan Mathewes
Hey, David, it's Dan. Great question. When we take a step back and we look at the investments, there are investments that need to be made. Mark alluded to capital commitments of roughly $200 million and $225 million. That's effectively our share of those capital commitments, and that includes everything from property re-brands, from soft, hard, to also re-branding the sales centers. Now, in addition to that—and I think Mark alluded to this, as well—Diamond has already started a property re-branding, or refresh, which is primarily funded, as with all other time share companies, through the HOA. So, the HOAs and the maintenance fees will fund a part of this, but from a corporate perspective, that capital commitment is between $200 million and $225 million. When it comes to maintenance fees, their maintenance fees are relatively consistent with ours. We do not see any material increases in maintenance fees, outside of the ordinary course of business to be able to manage this.

Now, these investments will, as Mark alluded to, happen over the next few years, as we start to re-brand the properties, so that $200 million to $225 million is split across three-ish years, probably rolls into four with some lagging properties, but that's effectively how it rolls in.

David Katz
Got it, appreciate that, and I hope I'm not asking something that, again, Mark has already alluded, apologies if I am, but in looking at the Diamond population of owners, what work have you done around the degree to which those people may already be Hilton loyalists, in the Hilton loyalty base already, versus new people?

Mark Wang
Yes, David, we don't have the exact details on that. We know there are Diamond owners that are part of the Hilton loyalty base today. What I can tell you, though, because we have done some work and we've done some survey work, is Diamond's owners have very similar attributes to our owners, and when you look at what some of those attributes are, they value vacations, they spend more on experiences versus products, and they think time share is a great way to travel. One of the benefits we've talked about, from an entry price standpoint, is, from a demographic standpoint, their a bit earlier in their life stage. We're seeing more Millennials in their base of owners and the Diamond product has provided a great entry point for customers, and we think we're going to be able to yield better off the Hilton database having this entry-level price point, and from a household income standpoint, it's fairly similar, they're just right below $100,000 and we're above $100,000. You look at the quality of their customers from a FICO standpoint, they're 726, which is just 20 points below ours, but it's still a good FICO score. So, very good customer, with a lot of the same attributes as our owners, and we think there's tremendous benefit for us in the long term, as we'll have more opportunities for more of the high-margin upgrades. When you think about the combination, we'll now have over 700,000 owners.

David Katz
Yes, strategically clear. Thank you very much.

Mark Wang
Thank you.

Operator
Thank you. Our next question comes from the line of Stephen Grambling of Goldman Sachs. Please proceed with your question.

Stephen Grambling
Hey, thanks for getting me back in. One clarification. I'm just trying to reconcile on the sources and uses versus the deal values. I think you said a $3 billion (inaudible) deal value, sources and uses of $4.6 billion. Is there anything in there that we should be thinking about that bridges that gap? Perhaps it's related to securitization or financing receivables. Thanks.

Dan Mathewes
Hey, Stephen, good question. The sources and uses is primarily driven by our need to recapitalize our sales, as well. We're paying down our debt, in particular, the senior notes, and then we're also anticipating taking out some of their secured notes. So, it's just really just a flow-through of recapitalization the company on a debt basis.

Stephen Grambling
Then, one other follow-up on, I guess, my question around the trend and their financials. Do you have sense for how owners or net owner growth has trended for Diamond, and any color you can—you can get a sense of what might be driving that trajectory?

Mark Wang
Yes, Steve, we don't have the exact information here, but their net owner growth, it's been basically, I'd say, flat to slightly negative, and part of it has to do with just the maturity of their base. If you look at Diamond, it's a culmination of 12 acquisitions, right? Nobody has done a better job at doing a rollup—from a rollup strategy than Diamond. You have some of the base which is older and—I shouldn't say older, been in the system longer, and so you're getting more people leaving the system than you're getting with HGV, but on the other side, it creates a really great opportunity, as we can recycle that inventory.

Our goal and our focus going forward is to, again, drive more new customers. When you think about our sales platform now, we're going to more than double it, and so we're going now be able to flag and re-brand these sales centers Hilton Vacation Club and drive more new buyers into the system, into the trust system. So, net/net, we expect positive net owner growth going forward.

Dan Mathewes
Look, just to add one thing to that point—I mean, this also speaks volumes to the current Management Team and some of Apollo's influence obviously, but if you look at recent years, the net owner growth has been modestly positive, in particular, 2019, when they refocused on new buyers. It still trails behind ours, but there has been an emphasis on that.

Stephen Grambling
Great, and then on financing receivables, maybe I missed this, but is there—have they securitized any financing receivables they have out there? Is there a balance that could be used as a source of financing post-close?

Dan Mathewes
Yes, there is a balance out there. It's roughly—it's a little bit north of $100 million—actually, it's a little bit more than that. They anticipate—well, we anticipate. We've actually got all the warehouse facilities, effectively, rolling over, so securitization or non-securitization, we still have that source of capital.

Stephen Grambling
Okay, and one last quick one to sneak in. The HOA's, I think, for Diamond, historically, were pretty high relative to the industry. Do you generally think about the stability of the HOAs of their underlying system as being stable in your (inaudible) around here, or is that something that could come down over time? Thanks.

Mark Wang
Yes, look, all our diligence shows that the HOAs are stable, they're reserved, and so we're pleased with what we've seen. We've been out, we've looked at—we've been through basically every property they have and feel good where the reserves are and where the current costs associated with those are.

Dan Mathewes
Stephen, we probably mentioned this on our last quarterly call, but one of the elements that we were actually holding our breath at about our own business was how maintenance fees would be paid in 2021, given, obviously, the pandemic in 2020, and the people, our owner base not having the ability to utilize their asset. We were pleasantly pleased. We obviously saw—we reported this on our last quarterly call—but year-over-year, we were in line with the collection of maintenance fees despite that gap in being able to utilize the resorts by our owner base. Diamond experienced the same thing. They are consistent with year-over-year collections. So, that is also encouraging and just underscores Mark's point.

Stephen Grambling
Awesome. Thanks so much.

Mark Wang
Thank you.

Operator
Thank you. Our next question comes from the line of Patrick Scholes with Truist Securities. Please proceed with your question.

Patrick Scholes
A couple follow-up questions for you. In this acquisition, have you been able to—or maybe there's some non-EBITDA-generating assets—anything you've identified that we should think about? Basically, what are you getting for what you're paying, such as land or whatnot that you could possibly sell?

Mark Wang
No, there's not any—just to make it akin to our recent disclosures—we have not identified any undeveloped land that would be available for sale. From an inventory perspective, and I mentioned this in our prepared remarks, they do have four years plus of sellable, developed inventory. We're not looking to dispose of that, obviously, but that puts us in a very solid position to control our inventory spend moving forward. But, we have not identified any assets for disposition at this point in time.

Patrick Scholes
Okay, and then—and I think I suspect I know the answer to this one, but does this open you up for further tuck-in acquisitions in, I would say, more the moderately priced mass market time share world, whereas, historically, HGV was more upscale, sort of Hawaii, where there's only so many opportunities to buy in Hawaii? Is that a fair assumption?

Dan Mathewes
You know, I think we'd like to close this one first, but …

Patrick Scholes
Getting ahead here. Fair enough.

Dan Mathewes
But, generally speaking, we plan to go out and execute on this. Clearly, once you do one that's significant, you might possibly look at another, but our focus is on executing this deal, because it is truly transformational for us, and so that's our focus.

Patrick Scholes
Okay.

Mark Wang
Yes, Patrick, again, very strategic opportunity. It not only strengthens our path in the recovery in the near term, but it positions us really well in the long run. With the help of Hilton and launching the new Hilton Vacation Club brand, it gives us the opportunity in what we think is a really important space in this industry, that's maybe been underserved, with some of the larger brands out there, and so we're really excited and we'll continue—as Dan said, we're going to get this one closed, we're going to execute on the cost and revenue synergies that are in front of us, but we're always going to keep our eyes open for opportunities that will improve the returns for our shareholders.

Patrick Scholes
Okay, very good. Thank you.

Mark Wang
Thank you.

Operator
Thank you. Our next question comes from the line of Brandt Montour with JPMorgan. Please proceed with your question.

Brandt Montour
Hey, thanks for squeezing me back in, and I'm apologizing if you said it and I missed it, but you guys are targeting 3x leverage, or pro forma leverage, or net leverage within 24 months. Just curious what sort of is being baked into that, that path, in terms of recovery in the core businesses after the crisis.

Dan Mathewes
Good question. We're not giving specific guidance today, but what it effectively does is it assumes a recovery to roughly 2019 levels over that time period, and pulls into play the cost synergies that we said were going to be achieved over the 24-month period.

Brandt Montour
Perfect. Thanks, guys.

Operator
Thank you. Ladies and gentlemen, this concludes our time allowed for questions. I'll turn the floor back over to Mr. Wang for any final remarks.

Mark Wang
Well, thanks again, everyone, for joining us this morning. This is an exciting day for us at HGV, as we combine the strength of our brand and culture with Diamond's network. We look forward to welcoming Diamond into the Hilton Grand Vacations family and to be speaking with you further about this transaction in the coming months. Have a great day.

Operator
Thank you. Ladies and gentlemen, this concludes today's conference. As a reminder, a replay will be available for seven days. The dial-in number for that replay is 844 512-2921, and please enter pin number 13717389. Thank you, and have a wonderful day.