
Timeshares 2.0: A Forgotten Industry's Path to Re-Rating in 2026

From Distressed Assets to High-Yield Cash Flow Generators.

Investment Horizon: 18-24 Months | Date: Jan 2026 | Subject: Vacation Ownership (VOI)

1. Executive Summary

The vacation ownership business, better known as timeshares, is still widely seen as an outdated, high-pressure sales game. That perception keeps many investors away. (see Figure 1).



Figure 1. Timeshares 2.0: The 'SaaS' of Leisure (cover overview)

Key takeaway: Our view is that modern vacation ownership has evolved into a high-cash-flow model with re-rating potential over the next 18–24 months.

Yet the industry itself has changed far more than most people realize.

Over the past decade, leading hospitality brands have reshaped the model. Fixed weeks and hard sells have largely given way to flexible, points-based ownership, backed by professional management and better customer experiences. In practice, we are now looking at a “Timeshares 2.0” industry, while the market still values it as if nothing has changed.

At MoatPeak Research, we believe this gap between perception and reality is too wide to persist. Our thesis rests on three ideas. (see Figure 2).

The Signal in the Noise

The Thesis

Vacation Ownership is no longer about “selling fixed weeks.” It is a points-based, experience-driven model with 90% customer satisfaction. It operates like a “SaaS for vacations” with high retention.

The Opportunity

The sector trades at a **65-72% discount** to the S&P 500, despite generating **2.5-3x higher** Free Cash Flow (FCF) yields (9-12% vs. market avg ~3.5%).

The Verdict

We project a 60-65% probability of multiple expansion (re-rating) in the next 18-24 months driven by interest rate normalization and AI efficiency.

KEY INSIGHT: We are not buying real estate; we are buying prepaid, recurring discretionary spending. The market is pricing the past, not the current cash conversion.

Figure 2. The signal in the noise: thesis, opportunity, and verdict

Key takeaway: The sector has moved to a points-based, experience-led model with around 90% customer satisfaction, while valuations still reflect legacy perceptions.

First, the structure of the industry has been upgraded. Major hotel brands have consolidated and professionalized the space. The dominant product is now a points-based system, with an average initial purchase of about \$24,040. This has attracted a younger, higher-quality customer base and pushed customer satisfaction to around 90%. (see Figure 3).



Figure 3. From "toxic" to "Wall Street discipline"

Key takeaway: We see a structurally upgraded industry: consolidation under major brands, more disciplined operations, and a younger owner base versus the legacy stereotype.

Second, the business model now behaves much more like a subscription for vacations than a pure real estate sale. Owners pay recurring annual maintenance fees that average \$1,510 per year. These fees, along with other recurring revenue, contribute roughly 30–40% of total revenue. Resorts are highly utilized, with occupancy near 80%, compared with about 63% for traditional hotels. (see Figure 4).

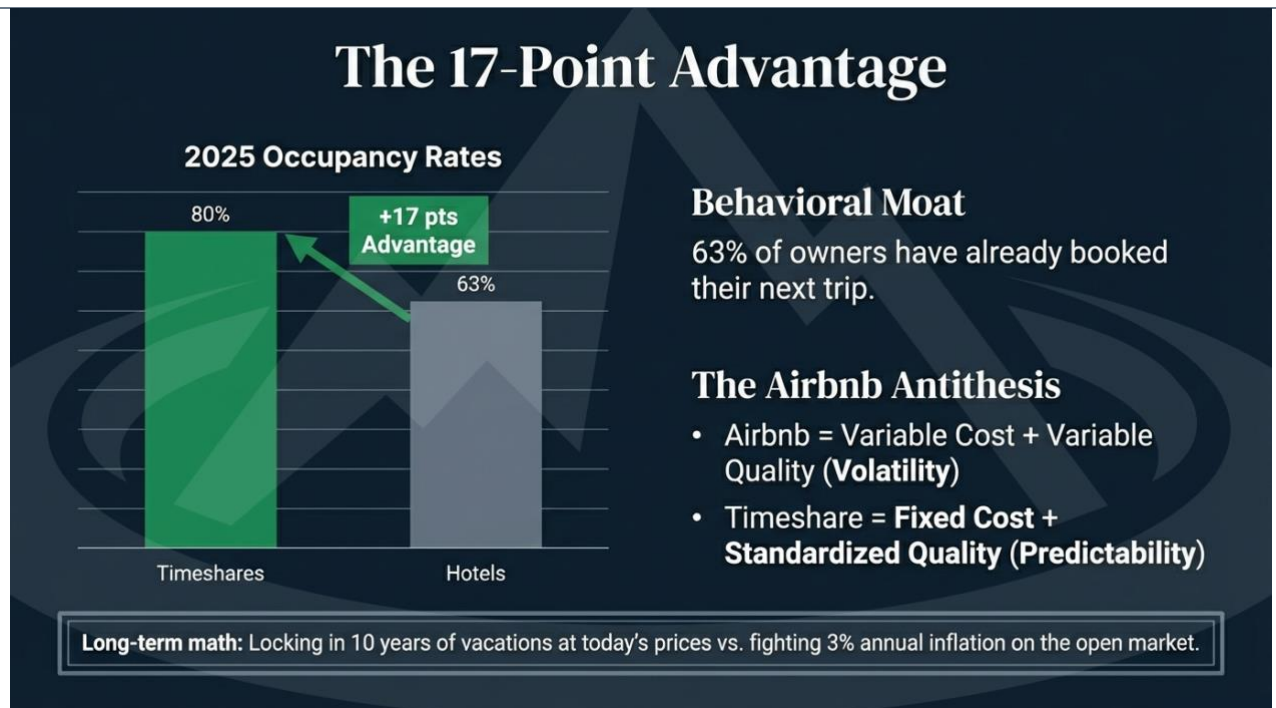


Figure 4. Higher utilization: occupancy advantage versus hotels

Key takeaway: High utilization (near 80% occupancy) supports recurring-fee durability and reinforces the model's subscription-like characteristics.

Third, the market has not fully recognized this evolution. The leading companies trade at forward P/E multiples between 8.5x and 12.4x, while the S&P 500 sits at 23.1x. That implies a 46–63% discount. We agree that some discount is warranted for cyclical and capital intensity, but we estimate that 35–45 percentage points of that gap are no longer justified. They are, in effect, a penalty for a reputation the industry has already outgrown. (see Figure 5).

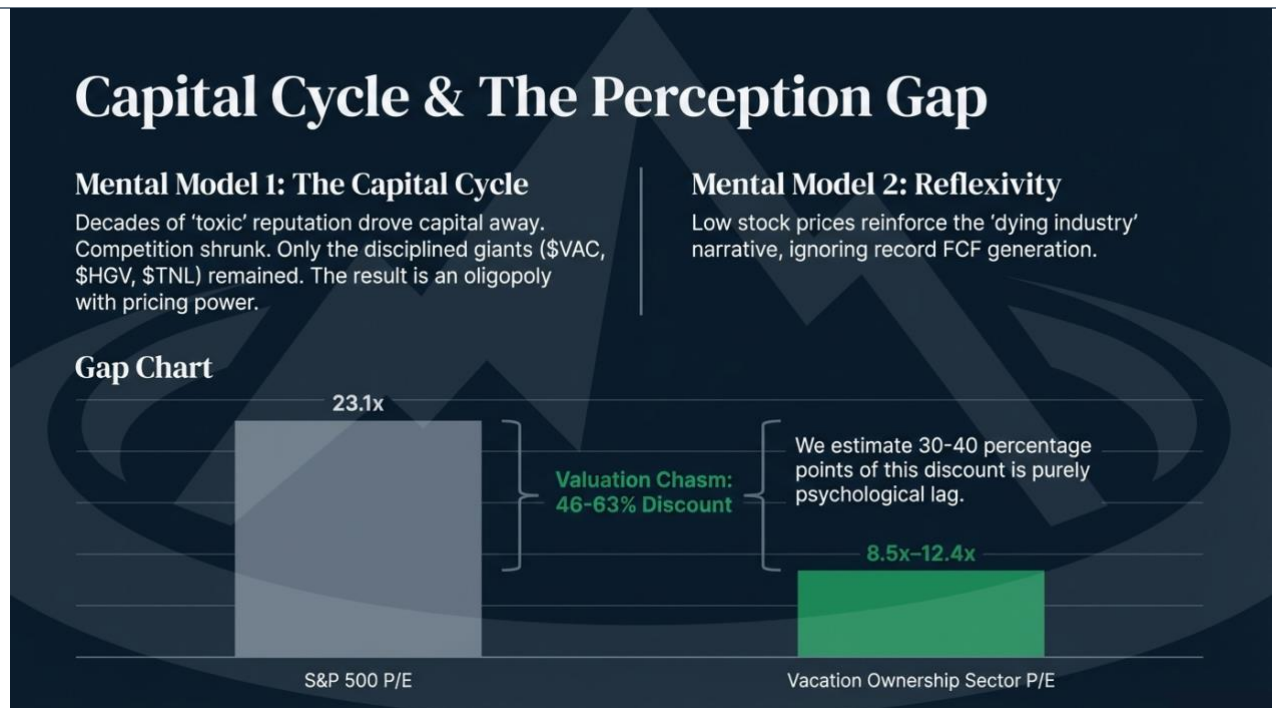


Figure 5. Capital cycle and the perception gap: valuation discount versus the S&P 500

Key takeaway: The sector's 46–63% valuation discount versus the S&P 500 appears excessive versus today's cash-flow profile, in our view.

As catalysts play out over the next 18–24 months, we expect this discount to narrow meaningfully. That makes the sector not just a niche idea, but also a useful barometer of upper-income consumer health and a clear example of how narratives can lag fundamentals for years.

2. Reading the U.S. Market Through Timeshares

Looking closely at vacation ownership is a way to understand a much broader story: how well higher-income U.S. consumers are holding up, how far valuations have stretched in the rest of the market, and how monetary policy is feeding through to real businesses.

Valuations tell a stark story. The main vacation ownership companies trade on 8.5x–12.4x forward earnings, compared with 23.1x for the S&P 500. Embedded in that gap is a heavy risk premium that owes more to the industry's past reputation than to its current economics.

At the same time, U.S. monetary policy has turned from headwind to tailwind. By December 2025, the Federal Reserve had cut the federal funds rate into the 3.5–3.75% range, with further easing expected in 2026. Lower rates help in two ways. They make it cheaper for consumers to finance new vacation ownership purchases. They also lower the companies' own interest expenses, freeing up more cash for debt reduction, growth, and shareholder returns.

The sector is also well matched to today's "K-shaped" economy. The top 10% of earners account for 49% of consumer spending, and the top 40% of households hold 85% of U.S. wealth. This is exactly the consumer the industry serves. (see Figure 6).

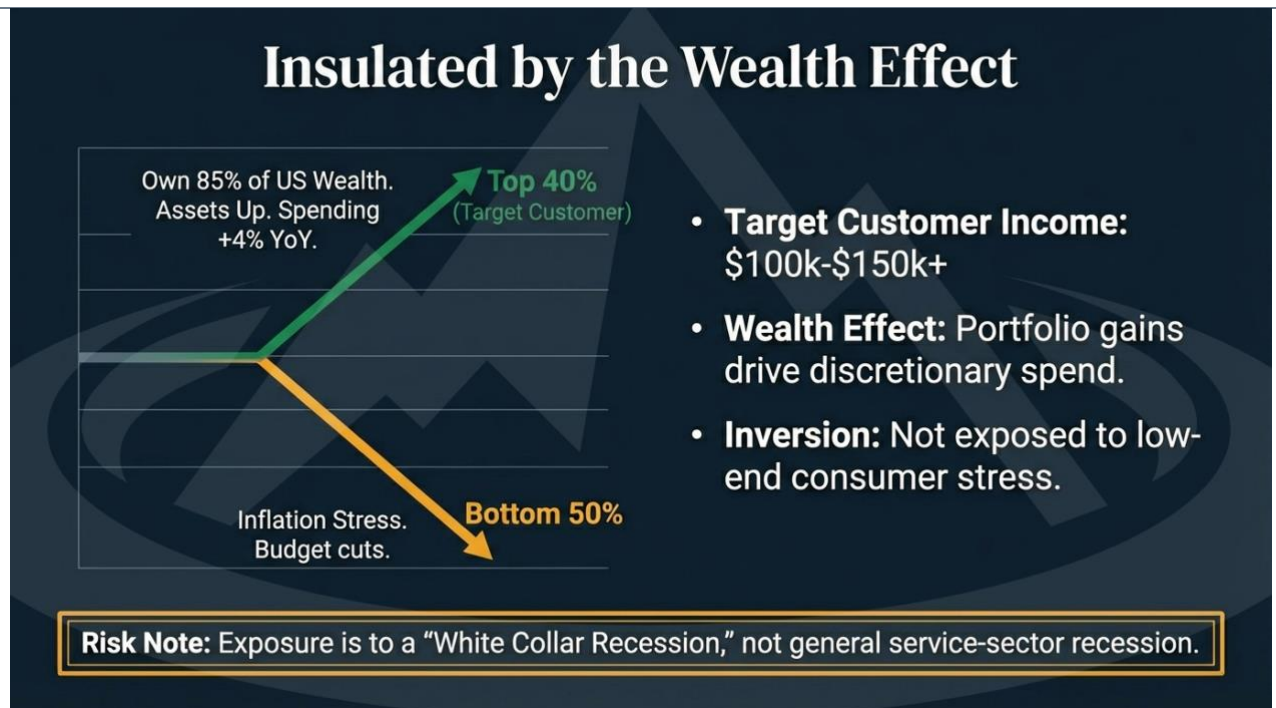


Figure 6. Insulated by the wealth effect: customer mix skewed to upper incomes

Key takeaway: The industry serves upper-income households in a K-shaped economy, which should dampen demand volatility versus broad-based consumer downturns.

That matters, because about 30–40% of revenue comes from recurring maintenance fees, and 79% of owners have already paid off their purchases in full. That means a large portion of revenue is supported by households with strong balance sheets and low sensitivity to short-term credit stress. (see Figure 7).

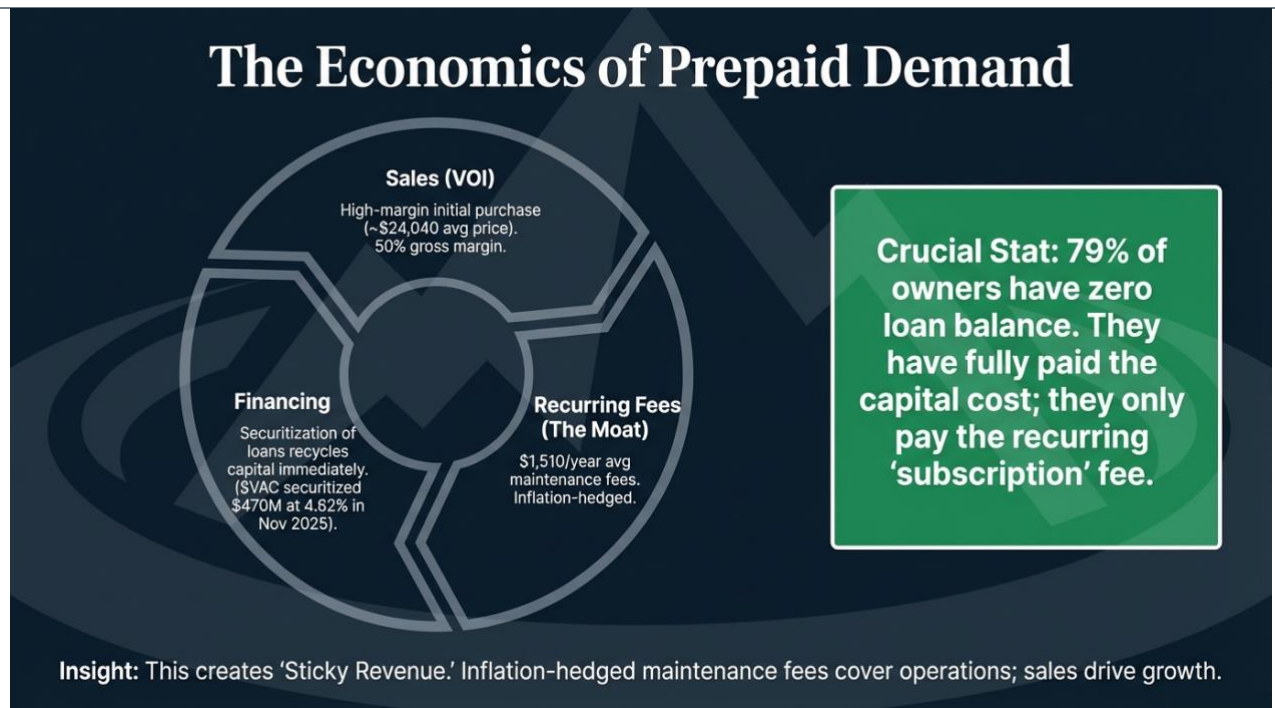


Figure 7. The economics of prepaid demand: recurring fees and a mostly paid-off owner base

Key takeaway: Recurring maintenance fees (about 30–40% of revenue) and an owner base that is largely paid off (79%) underpin cash-flow resilience.

While our analysis is grounded in the U.S. consumer and U.S.-listed companies, the story does not stop at the border. Brands like Marriott, Hilton, and Wyndham give this thesis a global footprint, even if the valuation dislocation we are focused on is primarily in the U.S. equity market.

3. Europe and the Global Dimension

The companies at the heart of this report are U.S.-listed and disclose mainly U.S.-centric financial and operating data. However, the business they run is global.

Marriott Vacations Worldwide (VAC), Hilton Grand Vacations (HGV), and Travel + Leisure Co. (TNL) all operate broad resort networks across multiple regions. This gives them exposure to international travelers and a measure of protection against weakness in any single market.

The source material we rely on does not provide detailed information about European indices, currencies, or regional energy markets, so our valuation work is rooted firmly in the U.S. context. That is where the pricing anomaly is clearest.

Operationally, though, the global nature of the model matters. A slowdown in one market can be offset by strength elsewhere, and the points-based system allows owners to use their ownership for international trips and to tap into partner networks for cruises and hotels. For customers, that flexibility adds real value. For companies, it smooths results across cycles and geographies.

With that backdrop, we now turn to the three companies that define this sector and its investment case.

4. Sector Deep Dive: The Big Three

The modern vacation ownership industry is concentrated in three main public players:

- Marriott Vacations Worldwide (VAC)
- Hilton Grand Vacations (HGV)
- Travel + Leisure Co. (TNL)

Each offers a distinct mix of growth, income, and risk. (see Figure 8).

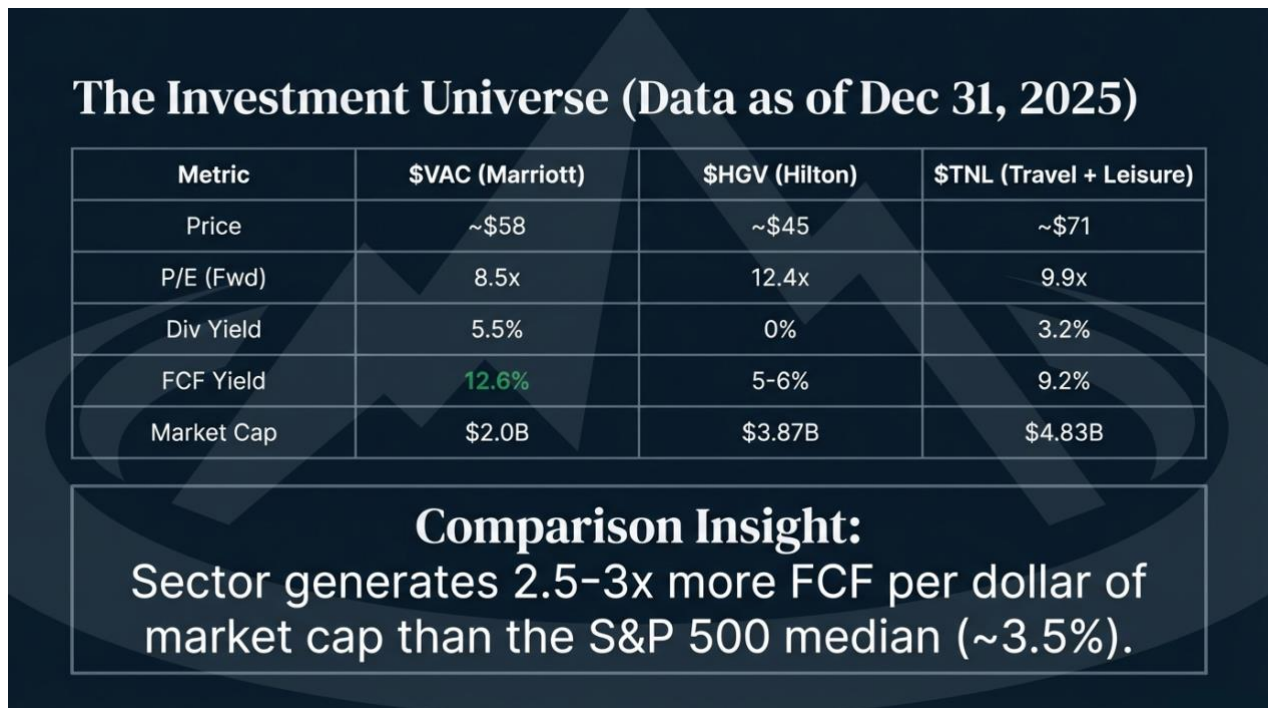


Figure 8. The investment universe: VAC, HGV, and TNL (as of Dec 31, 2025)

Key takeaway: Across the three leaders, free cash flow yields are materially above the S&P 500 while forward multiples remain single-digit to low double-digit.

Marriott Vacations Worldwide (VAC): Conservative, High-Yield

VAC is the conservative, income-tilted option.

It has a market capitalization of roughly \$2.0 billion and trades on a forward P/E of 8.5x, while offering a dividend yield of 5.5%. Its greatest strength is the connection to the Marriott brand, which attracts a loyal, higher-income customer base.

Management is guiding to adjusted free cash flow of \$235-270 million for 2025. In the near term, the main challenge is softer Vacation Ownership Interest (VOI) sales. The company is addressing this

through a modernization program aimed at refreshing the product and upgrading its sales and marketing approach. (see Figure 9).

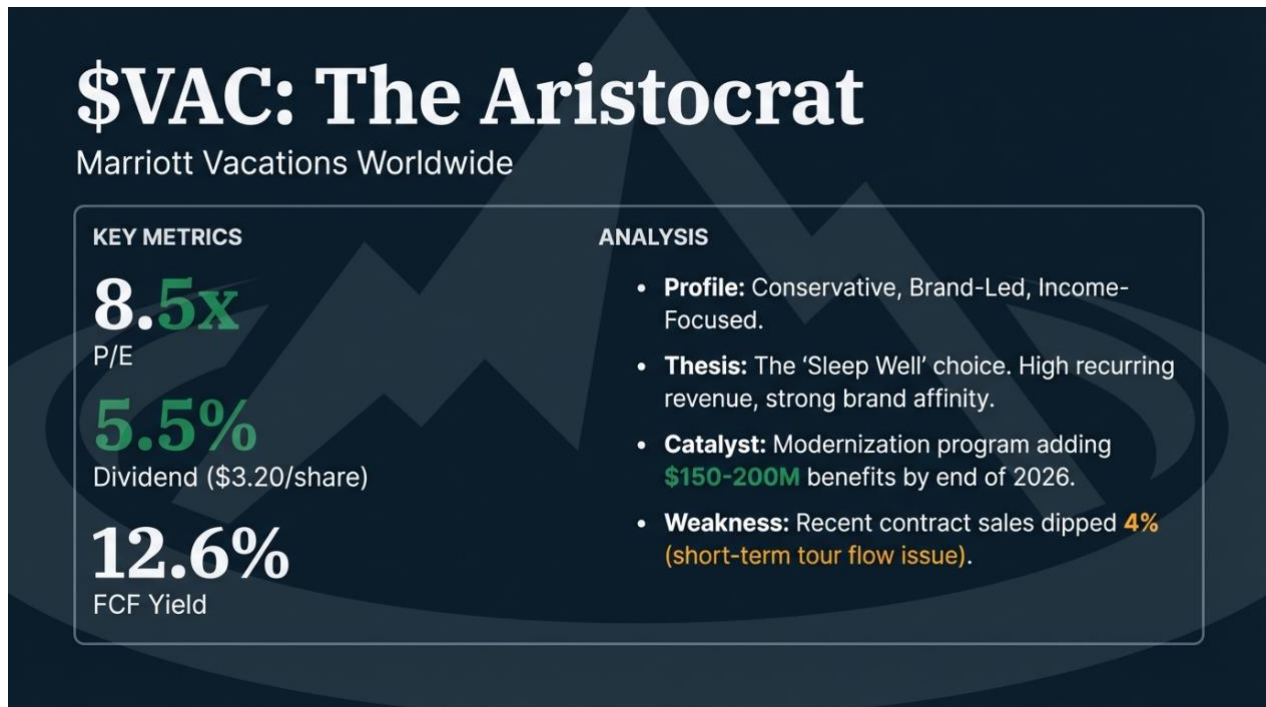


Figure 9. \$VAC: conservative, income-tilted exposure to the thesis

Key takeaway: VAC offers a more defensive expression of the thesis, combining brand strength, a 5.5% dividend yield, and guided 2025 adjusted FCF of \$235–270 million.

For investors, VAC combines brand strength, a solid yield, and exposure to any sector re-rating, with a somewhat more defensive profile than its peers.

Hilton Grand Vacations (HGV): Higher Growth, Higher Leverage

HGV is the most growth-focused name in the group.

It has a market cap of about \$3.87 billion and trades on a forward P/E of 12.4x. It does not currently pay a dividend, preferring to reinvest its cash flow into expansion. High operating margins reflect significant operating leverage.

The flip side is a heavier debt load. That leverage amplifies returns in good times but increases sensitivity to interest rates and credit conditions. Investors who choose HGV are effectively accepting more volatility in exchange for more upside if the bull case plays out.

Travel + Leisure Co. (TNL): Balanced and Cash-Flow Driven

TNL sits between the other two in style.

It is the largest by market cap at about \$4.83 billion, trades at 9.9x forward earnings, and offers a 3.2% dividend yield. Its portfolio includes the Wyndham, Margaritaville, and Sports Illustrated Resorts brands, which spreads its exposure across different customer segments.

TNL is a proven free cash flow generator, with expected 2025 FCF of \$450–470 million. That supports a healthy FCF yield, ongoing shareholder returns, and reinvestment in the business. (see Figure 10).



Figure 10. \$HGV (growth) vs. \$TNL (cash machine): risk/reward contrast

Key takeaway: HGV offers higher-beta upside but with higher leverage, while TNL’s \$450–470 million expected 2025 FCF supports a more balanced compounding profile.

How They Compare to the S&P 500

Metric	VAC	HGV	TNL	S&P 500
Share Price	\$58	\$45	\$71	–
P/E (forward)	8.5x	12.4x	9.9x	23.1x
Discount to S&P 500	63%	46%	57%	–
Dividend Yield	5.5%	0%	3.2%	~1.2%
Market Cap	\$2.0B	\$3.87B	\$4.83B	–
FCF Yield*	12.6%	5–6%	9.2%	~3.5%

*MoatPeak estimate; company guidance focuses more on EBITDA and debt reduction.

Across these names, the pattern is clear. On average, vacation ownership companies generate around two and a half to three times more free cash flow per dollar of market cap than the typical S&P 500 company, but trade at a fraction of the S&P’s multiple.

The value is evident. The next step is to understand the main risks.

5. “Grey Rhinos”: The Risks We Must Respect

Any serious thesis must start by asking what could prove it wrong.

At MoatPeak, we group the key risks into what we call “Grey Rhinos”: visible, plausible, high-impact threats that the market acknowledges but may not fully price. (see Figure 11).



Figure 11. What could break the thesis: credit, white-collar recession, and regulatory risk

Key takeaway: Key risks we monitor include a downturn hitting higher earners, a turn in the credit cycle, and reputational or regulatory shocks.

A Recession That Hits Higher Earners

The core customer for this industry is the white-collar, upper-middle and upper-income household. If a downturn specifically targets this group, for example through a sharp stock market decline or rising unemployment among higher earners, we could see a 20–30% drop in new sales and a rise in payment delinquencies.

A Turn in the Credit Cycle

Timeshares are closely linked to consumer credit. If the credit cycle turns, loan delinquencies could rise from their current 3–4% range to 7–8% or more. That would pressure profitability and balance sheets, especially at more leveraged companies.

Underwriting standards have improved meaningfully since the 2008 crisis, and securitization allows companies to pass some credit risk to institutional investors, but a severe credit downturn would still hurt.

Regulatory or Reputational Shock

The sector’s past reputation remains a vulnerability. A single, widely publicized scandal involving aggressive or deceptive practices, even by a smaller operator, could taint the entire industry. That

would likely draw regulatory attention, raise compliance costs, and restrict some marketing and sales methods.

These risks do not, in our view, negate the opportunity. But they do argue for disciplined position sizing and careful monitoring.

6. Scenarios and Probabilities for 2026–2027

Rather than pinning everything on a single forecast, we look at a range of outcomes over the next 18–24 months: a base case, a bull case, and a bear case. (see Figure 12).

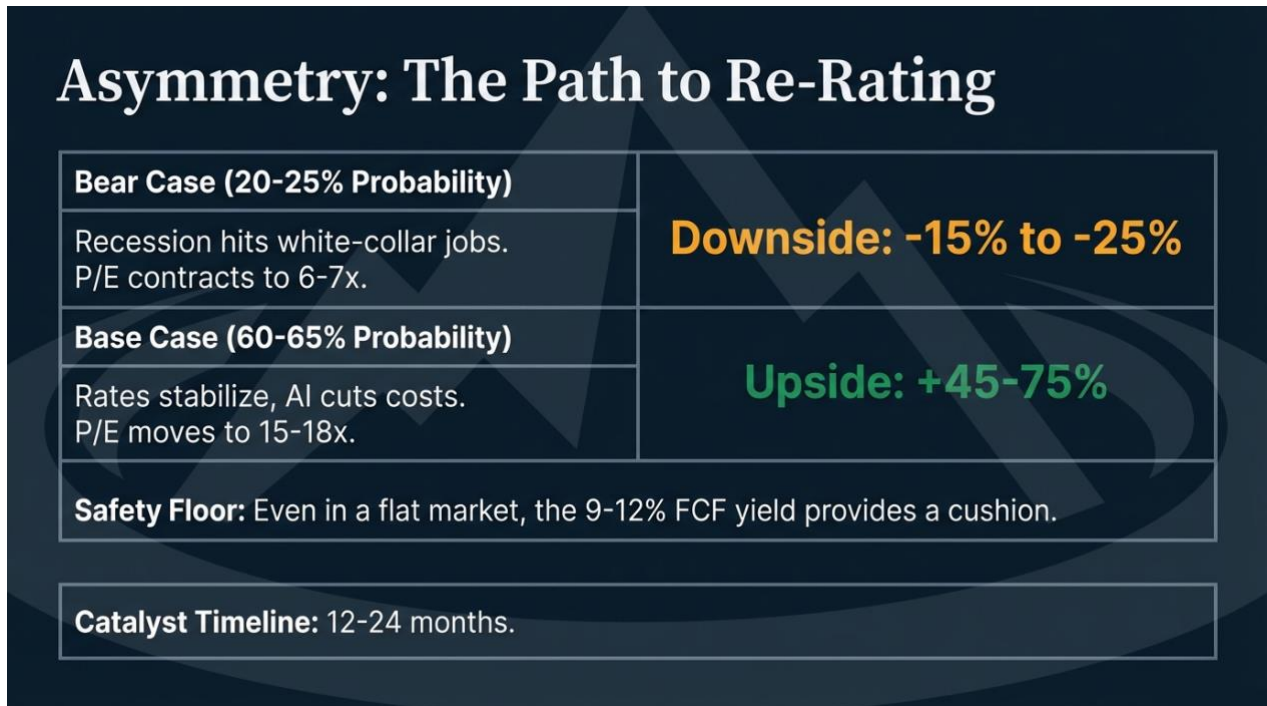


Figure 12. Asymmetry over 18–24 months: downside versus re-rating upside

Key takeaway: We see 15–25% downside in a bear case versus 45–75% upside in a full narrative shift, with recurring fees providing a cushion.

Base Case: Gradual Re-Rating

In our base case, the market slowly closes part of the valuation gap as it recognizes that the industry’s business model and customer base are more resilient than old stereotypes suggest.

We assume that VOI sales are broadly stable, free cash flow generation stays strong, and early AI investments deliver modest but visible margin gains. In this scenario, investors benefit from some multiple expansion on top of underlying cash flow and dividends.

Bull Case: A Full Narrative Shift

In the bull case, we see room for 45–75% share price appreciation in core names such as VAC and TNL.

For this to happen, several things likely need to line up: new contract sales stabilize and return to growth, AI initiatives start showing up as clear cost savings in the \$20–50 million per year range, the Federal Reserve cuts rates by another 25–50 basis points, and management teams successfully reposition the story with investors as a recurring-revenue, high-FCF business rather than a cyclical property trade. (see Figure 13).

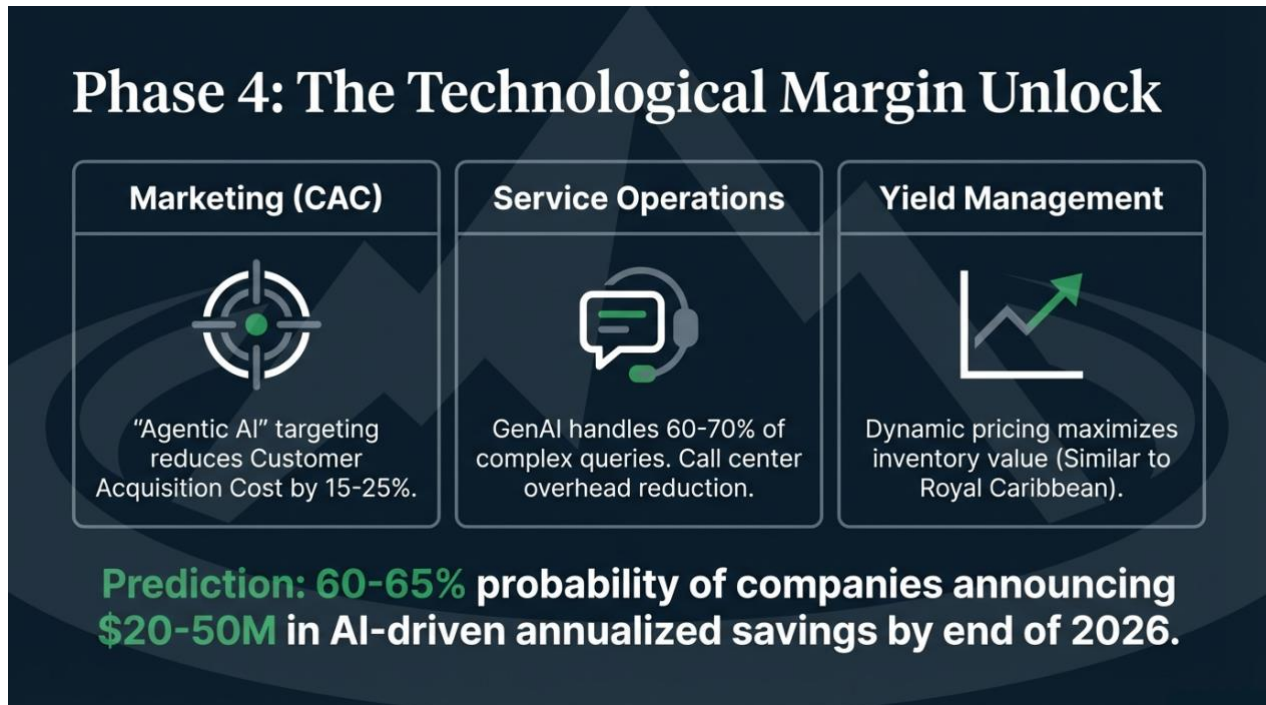


Figure 13. Technological margin unlock: AI as a direct cost and yield lever

Key takeaway: Visible AI-driven savings in the \$20–50 million/year range would be a key catalyst for margin expansion and multiple re-rating in our bull case.

Individually, none of these conditions is extreme. Together, they could support a powerful re-rating.

Bear Case: Macro, Credit, or Rates Break the Thesis

In the bear case, share prices fall 15–25% as a result of a sharp macro downturn, a meaningful credit shock, or interest rates staying higher for longer than expected.

In that world, new sales slow and financing costs rise. However, the recurring maintenance fee stream, supported by an owner base that is mostly paid off, provides real downside protection. Even in a recession, the business is unlikely to collapse in the way a purely transactional or heavily leveraged real estate model might.

On balance, we believe the probabilities are skewed toward some degree of positive re-rating, not because the sector is risk-free, but because the underlying cash flows and customer base are stronger than the current multiples imply.

7. MoatPeak Insights: Why the Market Is Still Mispricing This

The key to this opportunity is psychological as much as financial. The numbers describe Timeshares 2.0. The market still reacts to Timeshares 1.0.

A Subscription-Like Model in Disguise

Roughly 30–40% of revenue comes from recurring maintenance fees. The average fee is about \$1,510 per owner, and nearly four out of five owners have already paid off their initial purchase.

When you step back, that looks more like a subscription plus a financing arm than a one-off property sale. It has many of the same traits investors like in software and other subscription models: recurring revenue, high engagement, and strong visibility. Yet it trades on single-digit to low double-digit P/E multiples, where software names with similar revenue stability often command 30–50x.

An Overdone Discount

We are not suggesting that timeshare businesses should trade like software companies. They are more capital-intensive and more cyclical.

But the degree of discount looks excessive. We estimate that 35–45 percentage points of the gap between sector multiples and the S&P 500 are more about old stories and headline risk than current fundamentals. The products are better, the customers are happier, and the operations are more disciplined than the prevailing narrative assumes.

AI as a Direct Profit Lever

In many sectors, AI is still treated as a vague, long-term bet. In vacation ownership, it already has clear, practical uses.

Companies can use AI to lower customer acquisition costs by improving targeting and lead qualification, and to raise lifetime value through better pricing, personalized offers, and proactive retention. Because these businesses operate at scale, relatively small percentage improvements in acquisition and retention translate into meaningful gains in margins and free cash flow.

As those gains become visible in reported results, they should support a gradual repricing of the sector.

A Clear Contrast With Airbnb

It is also useful to look at this through a consumer lens. For many travelers, Airbnb represents flexibility and variety. You can stay anywhere, in almost anything. That is ideal for experimentation, unique stays, or irregular travel.

Timeshares offer something different: predictability and control. For families and repeat vacationers, knowing the quality of the accommodation, the likely cost, and the brand standard can be more valuable than the ability to choose a completely new place every time.

For a meaningful segment of upper-income households who want to lock in and smooth future vacation costs, vacation ownership is often the more rational and less stressful choice. The market has not fully reflected that.

8. What This Means for the Retail Investor in 2026

For individual investors, the practical question is how to participate in this potential re-rating without taking on undue risk.

How to Build Exposure

We do not recommend putting everything into a single name. A more balanced approach is to build a small basket across VAC, TNL, and HGV. That way you capture the shared upside of the sector while diversifying away from company-specific issues. (see Figure 14).



Figure 14. How to construct exposure: basket approach and phased entry

Key takeaway: We prefer diversified exposure across VAC, TNL, and HGV, scaled in over three to six months to manage volatility.

A gradual entry over three to six months, rather than a single large purchase, can also help smooth out the impact of market volatility and macro headlines.

Time Horizon

This is a medium-term idea, not a quick trade. The catalysts we have described, from AI-driven efficiencies to changes in investor perception, will take time to show up clearly.

We think a reasonable holding period runs through the end of 2026 and into mid-2027. Investors who lack the patience to hold through that window may struggle to realize the full benefit of the thesis.

What to Watch

To track whether the thesis is on course, we suggest focusing on a few key indicators each quarter:

- Contract sales and tour volumes, as a direct gauge of demand and the health of the sales funnel.
- Free cash flow generation and conversion, to confirm that accounting profits are turning into real, distributable cash.
- Occupancy rates, as a straightforward measure of how engaged the owner base is and how attractive the resorts remain.
- Provisions for loan losses, which offer an early signal of any deterioration in credit quality among financed owners.

At present, the market continues to value these businesses as if they were simply cyclical real estate developers. Their balance sheets and cash flows suggest something closer to cash-flow compounders with a sizable, recurring revenue component.

We believe 2026 is likely to be the year when that gap between story and reality begins to close. For patient, value-oriented investors, that closing gap may prove to be one of the most attractive and underappreciated opportunities available in today's equity markets. (see Figure 15).

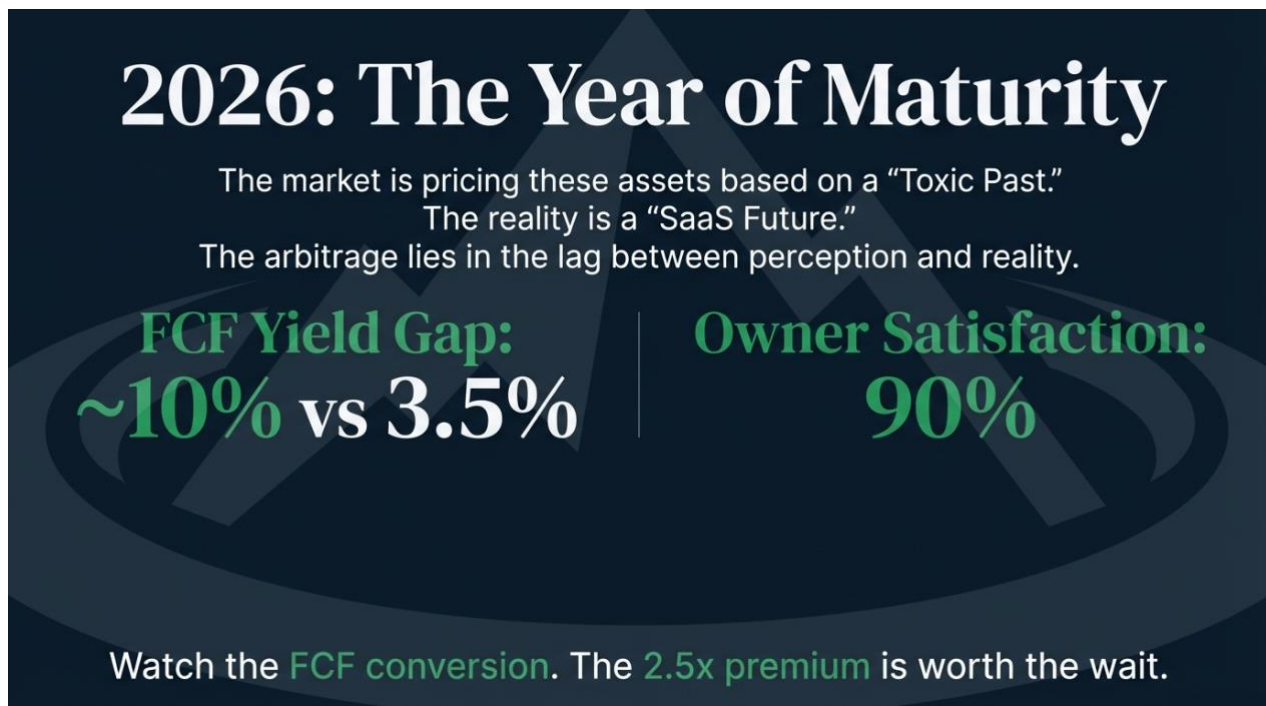


Figure 15. 2026: the year of maturity (watch perception catch up to cash conversion)

Key takeaway: Our central view is that 2026 could mark the start of perception converging with cash-flow fundamentals, supporting a gradual re-rating.

Important Disclosures & Disclaimer

MoatPeak — Independent Research

MoatPeak is an independent macroeconomic and sector-focused research platform dedicated to helping investors navigate complex market regimes through scenario-based analysis, institutional synthesis, and disciplined risk frameworks. Our research integrates insights from global investment banks, asset managers, and macroeconomic data sources, translated into clear, actionable perspectives for long-term, strategic investors.

MoatPeak is not affiliated with any financial institution, broker-dealer, or asset manager.

Important Disclosures & Disclaimer

This report is provided for informational and educational purposes only and does not constitute investment advice, a recommendation, an offer, or a solicitation to buy or sell any securities, financial instruments, or investment products. (see Figure 16).

MoatPeak — Independent Research
MoatPeak is an independent macroeconomic and sector-focused research platform dedicated to helping investors navigate complex market regimes through scenario-based analysis, institutional synthesis, and disciplined risk frameworks. Our research integrates insights from global investment banks, asset managers, and macroeconomic data sources, translated into clear, actionable perspectives for long-term, strategic investors.
MoatPeak is not affiliated with any financial institution, broker-dealer, or asset manager.

Important Disclosures & Disclaimer
This report is provided for informational and educational purposes only and does not constitute investment advice, a recommendation, an offer, or a solicitation to buy or sell any securities, financial instruments, or investment products. All views expressed reflect the author's judgment at the time of publication and are subject to change without notice. Past performance is not indicative of future results. Investing involves risk, including the potential loss of principal. MoatPeak does not provide personalized investment advice and does not consider the investment objectives, financial situation, or specific needs of any individual reader. Readers are encouraged to conduct their own research and consult with professional advisors before making any investment decisions.
While the information contained herein is believed to be reliable, it is derived from publicly available sources and third-party materials. MoatPeak makes no representation or warranty as to the accuracy, completeness, or timeliness of the information provided.

Intellectual Property & Usage
© 2025 MoatPeak. All rights reserved.
This report, including its content, structure, analysis, charts, and visual elements, is the intellectual property of MoatPeak and may not be reproduced, redistributed, or transmitted, in whole or in part, without prior written permission.

Contact
research@moatpeak.com www.moatpeak.com



Figure 16. Important disclosures and disclaimer

Key takeaway: This report is for informational purposes only and does not constitute investment advice; investing involves risk, including loss of principal.

All views expressed reflect the author's judgment at the time of publication and are subject to change without notice. Past performance is not indicative of future results. Investing involves risk, including the potential loss of principal.

MoatPeak does not provide personalized investment advice and does not consider the investment objectives, financial situation, or specific needs of any individual reader. Readers are encouraged to

conduct their own research and consult with professional advisors before making any investment decisions.

While the information contained herein is believed to be reliable, it is derived from publicly available sources and third-party materials. MoatPeak makes no representation or warranty as to the accuracy, completeness, or timeliness of the information provided.

Intellectual Property & Usage

© 2026 MoatPeak. All rights reserved.

This report, including its content, structure, analysis, charts, and visual elements, is the intellectual property of MoatPeak and may not be reproduced, redistributed, or transmitted, in whole or in part, without prior written permission.

Contact

research@moatpeak.com www.moatpeak.com