

Jonathan Litt
Founder & CIO

April 20, 2021

Hilton Grand Vacations Inc.
6355 MetroWest Boulevard, Suite 180
Orlando, Florida 32835
Attn: Board of Directors

Dear Members of the Board of Directors,

As a shareholder of Hilton Grand Vacations Inc. (“HGV”), we are deeply concerned about HGV’s proposed acquisition of Diamond Resorts International, Inc. (“Diamond”) on current terms. In our view, the transaction amounts to a transfer of control of HGV to Apollo Global Management, Inc. (“Apollo”) and HGV’s existing management without payment of an appropriate control premium and without appropriate exploration of potential alternatives.

The proposed acquisition will give Apollo the right to at least two board seats indefinitely (assuming it maintains its equity position above a specified threshold) and, pursuant to standstill and voting obligations, will lock in Apollo’s support for the current board of directors and management. So long as Apollo maintains a significant equity stake in HGV, these obligations will serve to firmly entrench HGV’s board of directors and management, and inhibit the ability of other potential buyers to acquire HGV, harming accountability to stockholders and stockholder value. As a result, the acquisition has the effect of a transfer of control of HGV, yet stockholders are not cashed out and in fact are heavily diluted at a substantial discount to value.

Our analysis indicates that the 34.5 million shares to be issued to Diamond’s shareholders (including Apollo), which would represent over one-third of HGV’s current shares outstanding, will be materially undervalued at the proposed issuance price of \$40.55.

- 1) The HGV issuance price falls at the low end of the implied per share valuation of the common stock reference range for HGV of \$35.75 to \$50.75 based on the discounted cash flow analysis of BofA Securities, Inc. More concerning is that HGV is paying 10x EBITDA for Diamond using 2019 EBITDA of \$305 million, whereas BofA’s valuation range based on publicly-traded peers for Diamond is 6.5-8.0x, well below the 7.0-9.0x BofA utilized for HGV ⁱ
- 2) HGV chased Diamond from its initial June 2020 offer of \$935 million equity value to \$1.5 billion and increased Diamond’s ownership of HGV from 22% from 29.7% ⁱⁱ
- 3) HGV is trading at a material discount to its closest peer, Marriott Vacations Worldwide Corp. (NYSE: VAC) (“VAC”), based on 2022 EBITDA, whereas HGV historically traded at a comparable multiple to VAC ⁱⁱⁱ
- 4) HGV is effectively betting that \$125 million in synergies will be achieved without strong support or track record, in our view, while management badly missed their 2018 investor day EBITDA forecasts. ^{iv}

HGV does not appear to have appropriately considered alternatives to what effectively is a transfer of control, such as HGV remaining a standalone public company or a sale of the entire company. As recently as October of 2019, affiliates of both Apollo and The Blackstone Group Inc., separately, reportedly expressed an interest in acquiring HGV. On a standalone basis, shares of HGV could be worth approximately \$55 per share, or 30% higher than the current share price by applying VAC’s current EBITDA multiple of 11.2x to HGV management’s 2022 EBITDA forecast disclosed in its proxy statement. The Diamond acquisition further dilutes 1) HGV’s inventory investments that were poised to drive the company’s earnings in the coming years higher and 2) significant

exposure to key leisure markets including Orlando, Las Vegas and Hawaii that are likely to enjoy a strong recovery. As a result, based on our analysis of the price and governance implications of the proposed acquisition, we do not believe that the acquisition is in the best interest of HGV shareholders on current terms.

We trust that you will not take any steps to go definitive prior to our speaking with management on April 30th. Our conversations with other shareholders have indicated that you will have serious issues getting this transaction approved under its current terms. We hope to keep our dialogue private until we speak so that we may find a solution that is in the best interest of all shareholders.

Very truly yours,



Jonathan Litt
Land & Buildings

ⁱ See HGV preliminary proxy statement filed with the SEC on April 15, 2021.

ⁱⁱ See HGV preliminary proxy statement filed with the SEC on April 15, 2021. Current valuation based on HGV's April 16, 2021 share price.

ⁱⁱⁱ See HGV preliminary proxy statement filed with the SEC on April 15, 2021; historical multiples based on Bloomberg data since HGV January 2017 IPO to February 21, 2020.

^{iv} EBITDA multiples and discounted cash flow valuations disclosed in HGV preliminary proxy statement under Fairness Opinion.