Marriott Vacations Worldwide
Fourth Quarter 2023 Earnings Call
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Presenters
Neal Goldner, Vice President, Investor Relations
John Geller, President, and Chief Executive Officer
Jason Marino, Executive Vice President, and Chief Financial Officer

Q&A Participants
Brandt Montour - Barclays
Chris Woronka - Deutsche Bank
Patrick Scholes - Truist Securities
Ryan Lambert - J.P. Morgan
Shaun Kelley - Bank of America
David Katz - Jefferies

Operator
Greetings, and welcome to the Marriott Vacations Worldwide Fourth Quarter 2023 Earnings Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press "*", "0" on your telephone keypad.

As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Neal Goldner, Vice President, Investor Relations for Marriott Vacations Worldwide. Thank you. You may begin.

Neal Goldner
Thank you, and welcome to the Marriott Vacations Worldwide Fourth Quarter 2023 Earnings Call. I'm joined today by John Geller, President and Chief Executive Officer, and Jason Marino, our Executive Vice President, and Chief Financial Officer.

I need to remind everyone that many of our comments, today, are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties as described in our SEC filings, which could cause future results to differ, materially, from those expressed in or implied by our comments.

Forward-looking statements in the press release that we issued last night, as well as our comments on this call, are effective only when made and will not be updated as actual events unfold.

Throughout the call, we will make references to non-GAAP financial information. You can find a reconciliation of non-GAAP financial measures and the schedules attached to our press release, as well as the Investor Relations page of our website.

Before I turn the call over to John, as you saw in our earnings release last night, with four Vacation Ownership resorts in West Maui, the wildfires had a negative impact on our results in the third and fourth quarters, despite having no physical damage to our properties. We added a table to our earnings release, last night, to illustrate the impact of the wildfires on our business.

In addition, during last year's third quarter with the launch of Abound by Marriott Vacations, we aligned the contract terms for our Vacation Ownership sales across our Marriott, Westin, and Sheraton brands. We also aligned and combined their accounting methodologies for the reserve on Vacation Ownership notes receivable for these brands.

These changes, which we refer to as the alignment, resulted in a nonrecurring benefit of $7 million to last year's fourth quarter adjusted EBITDA. The schedules we provided last night illustrate what our results would have been for the prior year, without this benefit.

With that, it's now my pleasure to turn the call over to our CEO, John Geller.

John Geller
Thanks, Neal. And good morning, everyone, and thank you for joining our fourth quarter earnings call.

As you saw in our press release last night, we ended the year on a positive note with contract sales increasing 4%, year-over-year, adjusting for the estimated impact of Maui. We're also very encouraged with how fast travelers have returned to Maui with occupancy during the month of December, approaching the prior year.

Housing in Maui continues to be a challenge for residents, including many of our associates. Fortunately, our operations team was close to fully staffed as we entered the new year, though only approximately 75% of our sales organization was back to pre-fire levels.

Throughout last year, we worked with owners to educate them about the benefits of the Abound by Marriott Vacations program while, at the same time, our sales executives gained experience selling under Abound. Today, more legacy Sheraton and Westin owners are using the Abound program, enabling them to experience its many benefits.

VPG, excluding the estimated impact of the Maui fires, was in line with the prior year, a meaningful improvement compared to where we were just a few quarters ago. And at this point, the impact of the Abound transition is behind us.

2023 was also an exciting year for our Hyatt business. We brought our 22 Hyatt resorts together under the Hyatt Vacation Club brand, unified our customer touch points and introduced the BEYOND program, which provides owners more vacation options.

We also expanded our highly successful preview booking engine, and we'll continue to replace inefficient off-premise marketing channels with more efficient branded channels. This will enable us to grow towards and increase VPG in our Hyatt Vacation Ownership business this year, allowing us to better leverage our marketing and sales spending.

First-time buyers represented roughly half of our tours last year and nearly a third of our contract sales as we continue to focus on driving new owner growth. We also ended the year with more than 250,000 packages in our pipeline, which is an all-important driver of future sales.

We saw strong growth in our international business last year with contract sales growing more than 50%, and we expect strong growth in Asia Pacific again this year, as the market continues to recover.

On the development front, we announced two new domestic Westin Vacation Club projects, Charleston, and Savannah, each of which will bring a new sales center when they open in a few years. We'll also be opening our first Marriott Vacation Club Resort in Waikiki during the second half of this year, which comes with a new sales center, as well.

On the international front, I'm happy to announce that we recently signed an agreement for a 58-unit expansion at one of our existing Marriott Vacation Clubs in Bali, bringing our presence in that destination to nearly 200 units. And our team is actively working with other new development opportunities to grow our resort portfolio.

In our Exchange and Third-Party Management segment, Interval ended the year with approximately 1.6 million active members, in line with the prior year, while average revenue per member increased year-over-year for the third quarter in a row.

On the inventory front, we've been working closely with our developer partners to stimulate supply earlier in the year, which we hope will drive higher inventory utilization and exchange transactions.

Despite the growth in leisure travel over the past few years, 92% of Americans, recently surveyed, said they plan to travel as much or more this year as they did last year, and demand for international travel continues to be strong. While demand for domestic travel has

normalized, it does appear that travel will benefit from a more lasting shift in spending with consumers prioritizing experiences.

As a company whose sole focus is providing memorable vacations for our owners and guests, that puts us in a great position to grow. At the same time GDP is growing, consumer confidence remains positive. Wealth indicators such as the stock market and home values remain robust and inflation is normalizing, all of which is good for us.

Looking forward, we've got a great business with the exclusive rights to use the Marriott, Sheraton, Westin, and Hyatt brands in our Vacation Ownership business with products that resonate with customers and opportunities to continue to evolve our core offerings to meet the needs of today's consumer.

We also made significant changes in our business last year that are the right strategic decisions to help position us for growth. We took actions to realign our organization to best deliver long-term results, including hiring a new CIO to drive our IT transformation efforts, while revamping our organizational structure to create efficiencies. We also welcomed our first Global Head of Data Analytics to help us find new ways to unlock the power of data, while also providing more self-service options for our owners.

Our Marriott Vacation Club brand will celebrate its 40th anniversary this year and continues the bold vision to change the way people vacation. I've also had the opportunity to meet many of our associates around the world in my first year as CEO, and the energy and passion our teams bring to delivering consistently exceptional vacation experiences is apparent in each of them.

As we enter 2024, we're also watching our summer bookings closely, given the change in travel patterns we saw last year. Right now, our keys on the books for the summer months in both North America and international are up a few points, which is encouraging, but it's still early days. With that, I'll turn the call over to Jason to discuss our results.

Jason Marino
Thanks, John. Today, I'm going to review our fourth quarter results, the strength of our balance sheet and liquidity and our 2024 outlook.

Starting with our Vacation Ownership segment, contract sales in the fourth quarter declined 2% year-over-year but increased 4%, excluding Maui.

VPG was down 2% year-over-year, but was unchanged adjusting for the estimated Maui impact, illustrating the substantial improvement we've made, since the second quarter.

Adjusted development margin increased 160 basis points, year-over-year, to 33%, driven by lower product cost. As we've mentioned in the past, one of the benefits of the alignment is that

we do not expect to have the kind of quarter-to-quarter reportability impacts that we used to have.

So, while we did report a $20 million net reportability benefit in our development profit in last year's fourth quarter, it was only a $1 million adjustment, this quarter.

As expected, sales reserve as a percent of contract sales increased due to the higher financing propensity and slightly higher reserve on originations as a result of the default trends we've been experiencing, over the last several quarters.

Delinquency and defaults were each up around 60 basis points on a year-over-year basis, largely consistent with what we saw in the third quarter, and we believe our reserve is currently at appropriate levels.

Reviewing the rest of our Vacation Ownership segment, rental profit was largely unchanged compared to the prior year, with more keys rented being partially offset by increased unsold inventory expense. Financing profit was largely unchanged with higher interest income, offset by higher interest expense, and resort management profit increased driven by higher management fees.

Adjusting for the Maui impact in last year's alignment benefit, adjusted EBITDA in our Vacation Ownership segment would have increased 3%, year-over-year.

Moving to our Exchange and Third-Party Management business, higher revenue per member was offset by fewer member exchanges and lower getaway volume. As a result, adjusted EBITDA was $31 million in the quarter, while adjusted EBITDA margin was again strong at 52%.

Corporate G&A costs increased $22 million year-over-year, due to higher wages due to inflation, cost of transitioning IT service providers and incremental IT project spending to drive our digital and data initiatives.

Finally, total company adjusted EBITDA would have declined 10% year-over-year in the fourth quarter, adjusting for Maui and the prior year alignment benefit, driven largely by those higher G&A costs.

Moving to the balance sheet. We ended the quarter with more than $900 million in liquidity. We repurchased $38 million of common stock in the quarter and $286 million for the year, or 6% of our shares outstanding. We also paid $106 million in dividends last year, bringing our total cash return to shareholders to nearly $400 million.

We ended the year with net debt to adjusted EBITDA of 3.7x, above our long-term target of 2.5 to 3x. Given our current leverage, we think it is prudent to repay corporate debt, while also

returning cash to shareholders in the form of dividends and buybacks. We are targeting to get back to 3x debt to adjusted EBITDA, by the end of 2025.

Moving on to our 2024 guidance. As you saw in our release last night, we expect our adjusted EBITDA to be between $760 million and $800 million, this year. With the Abound transition behind us, growth in international contract sales and a strong package pipeline, we expect both VPG and tours to grow, year-over-year.

While Maui occupancy has recovered nicely, rebuilding our sales force is going to take more time, and we only expect to recoup a small portion of Maui's lost sales this year, making 2024 a rebuilding year for the Maui market.

Because of the timing of the wildfires last year, we will have a more difficult comparison in the first half this year, though we will have an easier comparison in the second half.

Even before Maui, we had a difficult VPG comp in the first quarter due to last year's strong start of the year. So, I would expect sales to be flattish in Q1 this year, but to grow 6% to 9% for the year.

We expect development profit to increase driven by the higher contract sales. We expect development margin to be down a couple of hundred basis points in the first quarter due to the Maui impact and higher costs, including the higher sales reserve on new note originations, which I mentioned on our last call. As a result, we expect development margin to be down slightly for the year.

Financing revenue is expected to increase this year, but financing profit is expected to be down, due to the continued resetting of borrowing costs in the ABS market. And rental profit will be impacted by higher inventory expense, both of which we mentioned on our last call.

In our Exchange and Third-Party Management business, we expect Interval members to remain relatively flat and for average revenue per member to increase slightly.

Finally, we expect G&A expense to increase year-over-year due primarily to the return of variable compensation expense.

Moving to cash flow. We expect our adjusted free cash flow conversion to be in the 55% range this year and adjusted free cash flow to be $400 million to $450 million. This is after our plans to spend $65 million to $85 million in non-inventory capital expenditures for IT investments and upgrades to existing sales centers is roughly $65 million related to our new Waikiki project, which we expect to open, later this year.

We also ended the year with roughly $1 billion of inventory on the balance sheet, enough to support around $4 billion of future sales.

Looking back, we delivered nearly $1.8 billion in contract sales in 2023 and although things didn't go quite as well as expected, we did end the year on a positive note. Looking forward, we have a great business model with attractive margins and global growth opportunities. We also generate substantial free cash flow.

As always, we appreciate your interest in Marriott Vacations Worldwide, and we'll be happy to answer your questions now. Operator.

Operator
Thank you. At this time, we'll be conducting a question-and-answer session. If you would like to ask a question, please press "*", "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "*", "2" if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys.

In the interest of time, we ask that you each keep to one question, and one follow up. Thank you.

Our first question comes from the line of Brandt Montour with Barclays. Please proceed with your question.

Brandt Montour
Hey, everybody, thanks for taking my question.

John Geller
Hey, Brandt.

Brandt Montour
Hey. So, starting out on Abound, it's good to hear that you guys think you're through that. Maybe you could just help us understand the sort of outlook for Abound in the nature of the rollout you have from here because I think we were under the impression that there was still sales centers that hadn't started selling Abound based on the residual supply of Sheraton Flex product.

Just I guess the idea--yeah, the idea that there's sales centers that are used to selling the product; that makes sense. Are there sales centers that haven't started selling it yet? And so I guess, what's the game plan to get them used to it and what makes you confident that there's not going to be growing pains there?

John Geller
Sure. Yeah, great question, Brandt. From--yeah, the Abound transition, really other than the Sheraton sales center here in Orlando, everybody has transitioned to it. We still--as we've

talked about--have inventory left in the Sheraton Flex product that we got to continue to sell out, so we can get to our “one trust” concept going forward. But keep in mind, all of our legacy products never go away. So, to the extent we take back some Westin or Sheraton [Flex], we'll continue to recycle that. And we'll have that inventory available for people that might not be interested in the Abound program for whatever reason because they bought the legacy Westin Flex, and they want more of that. So, I think we've got the right balance.

And I will tell you, for the Sheraton sales centers that have transitioned, they didn't really show a lot of impact. We saw that a little bit more in some of the Westin sales centers, that transition. But like I said, the good news is we've got the VPGs.

And as you can tell in the year-over-year numbers, compared, we were essentially flat in terms of the VPG. So that gives you a sense from just the whole system, we're seeing good stability and positioning ourselves for some growth here on VPG, going forward.

Brandt Montour
That's helpful. Thank you for that John. And then maybe for Jason or anybody, homing in on the rental business, it sounds like there's going--it sounds like you're implying that rental will be down on a profitability--from a profitability standpoint, this year. Just maybe give us a sense--I mean, when we look back at the rental business, back to '19, '21 and '22 [it] was recovering toward that rental profitability number nicely; '23 looks like it took a big step back, even below '21 on a sort of percent recovery of profitability. And then '24, it sounds like it's going to be even lower. So, I guess what's going on in that business from a longer-term lens?

John Geller
Yeah, at this point, we are expecting rental profits for '24, as we talked about on the last quarter, to be down a little bit versus what we saw in '23. We're obviously working extremely hard to get some growth in that this year, but that will really depend on demand here in North America from an occupancy perspective.

So, what we saw from '22 to '23 was in our higher end markets, like we talked about versus our expectations coming into '23, we saw rental rates in places like Hawaii, even Florida Beach--as we said, travel pattern shifts, a lot of your higher-end customer going abroad, [to] Europe last year.

So, you saw some of that and with the lower ADRs, you definitely saw some lower occupancies in those markets, and I'm not sure we are any different than any other resorts in those markets. We kind of performed in line if you will, with some of the STR reports, etc. So, that was some of the shift.

And then this year, right, as we talked about, we've got higher maintenance fees which, on the unsold inventory, we pay. Part of how the market shapes up, we talk about '24, what [keys are] on the books. We're a couple of points higher [versus the] same time last year in total for

North America, as well as international. So that's a good sign at this point, but it will depend a little bit on some of these higher end markets and “does summer demand continue to come back?” and “are we able to drive our rates?,” etc.

So--and then the other thing that we've shifted more, we talk about growing our contract sales and packages. We've got over 250,000 packages on the books. As we sell that, we use rental inventory to drive package growth. So, we've been very successful with some of our different marketing channels to drive package sales. And so, there's been a bit of a shift, too, over the last couple of years of using more of our rental keys to drive contract sales, which we think is the right long-term trade-off, if you will. It's always a balance to drive the long-term growth of the company.

Brandt Montour
Great, thank you.

John Geller
Yep.

Operator
Thank you. Our next question comes from the line of Chris Woronka with Deutsche Bank. Please proceed with your question.

Chris Woronka
Hey, good morning, guys.

John Geller
Good morning, Chris.

Chris Woronka
Thanks for taking the question. So, I guess, can you guys talk a little bit about finance propensity and whether you're seeing any changes there in response to where rates are or just the fact that maybe folks have a little less cash in the bank or in their pockets. Any change there that you're picking up on?

Jason Marino
Yeah, Chris, we're not seeing a whole lot in terms of the propensity that we saw throughout the course of last year. They're a little bit higher than they were in 2022, but we've been running in that, call it mid-50s, high-50s propensity here for a few quarters. So, we don't really see too many changes coming due to the environment out there, as of now.

Chris Woronka
Okay, thanks, Jason. And then as a follow-up, John, I know you just mentioned the maintenance fees are a little bit of a headwind on the unsold inventory. Do you have any visibility? I know

that's sometimes an issue of like property insurance and taxes, especially in Florida, but do you have any visibility on that, going forward? And then also, is there any concern, I guess, if that ultimately--those maintenance fees to the customer, not on your unsold inventory, but on the owned inventory, that becomes a tipping point for some folks?

John Geller
To start with your last question, I guess it could. Let me give you a little perspective though, in terms of right now, with--if you're a first-time buyer, you come in and buy our product, [the] average first-time buyer buys about $30,000 worth of product.

Their maintenance fee this year would be $1,350. So, while the percentage increase is big, Chris, right, and we're working to get it back down in that kind of mid- to low single digits, more like we've seen. Even with the higher increases we've seen, if you look at it from like '19 to '24, the compounded annual average increase is in that 4% or 5%. Because you had a little increase because of some of the COVID stuff. And so, on an average basis, you have that. But you hit on some of the things, property taxes, higher insurance. But labor is your biggest cost and maybe a little different than some of our competitors.

If you look at the markets, we're in--we've got 12 resorts in Hawaii, we've got eight in Hilton Head. And in those markets, coming out of COVID, it was--we saw the wage increases in a lot of our markets. We're in higher cost markets. We've seen that stabilize, so that's a good factor, going forward. And notwithstanding inflation is not back to where the Fed wants it, that moderation [as well].

But we're already looking at maintenance fees for next year. We're looking for ways to offset increases we've seen and get that back to what we've seen on a more historic level in terms of inflationary increases in the maintenance fees.

Chris Woronka
Okay, very helpful. Thanks, guys.

John Geller
Yep, 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
Hi, good morning, everyone.

John Geller
Good morning.

Patrick Scholes
A couple of questions here. Can you quantify what you think the lingering EBITDA hit in Hawaii is for this year? That's my first question.

John Geller
Sure. Yeah, that like a lot of questions is not an easy question. I mean, we talked about occupancies in Maui have gotten back close, not--you got to remember, we historically were on a 95%, 96% year-round occupancy in Maui, where in January [2024] we're back to 92%. So, the outlook is good. We're pretty close to where we want to be.

I think you've got to think about recovery in Maui high level on contract sales. What are we doing at our sales centers and are we getting back there? Because when you start to talk about EBITDA, Patrick, obviously, our business isn't static. You've got higher unsold maintenance fees that are going to impact rentals in Hawaii this year that we didn't have last year. So, it is more about our occupancy is at back to where we want it to be, [or] close. Rental occupancy is still running a little bit lower than it would have been at last year. So, we've got to continue to drive transient rental occupancy in Maui.

Rates will be what the market are. That's what I mean. It's just you're not bridging apples-to-apples, if you're trying to calculate what rates are this year versus last year. And how does that--because that's not anything potentially to do with the wildfires, as much as just demand in the market. So, we do expect [full year] contract sales [growth], as Jason mentioned, [but]we've got a tougher comp as we go through the year. We expect, obviously, the easier comp in the second half of the year. And that's where our overhead from a marketing and sales perspective, leadership, and all that, we still retain those people because we are--Maui is going to come back. We're going to be getting sales back to where they were pre-fires, as we go through the year. And then the other wildcard I'll put out there which, once again, is why our contract sales will be--we expect them right now to be slightly higher than actuals in '23.

But we have a major [refurbishment] at our Maui Ocean Club that was unrelated to the wildfires that starts in the second half of the year. So that was always planned, and that work will start, which will impact Maui sales unrelated to the wildfire.

So, contract sales, I think if you go back to the top line, even with the [refurbishment] project, should be up year-over-year, call it, $5-ish million, plus or minus $1 million. But we do expect as we kind of work our way through the second half of the year to be much closer to where we were, last year.

Patrick Scholes
Okay, thank you. And then just two more questions here. When you think about potential for stock buybacks, given your guidance for free cash flow, you also throwed out some $65 million

to $80 million of CapEx, paid a dividend. Ballpark, $50 million a quarter barring any surprises or additional CapEx. Is that a fair way to think about it?

John Geller
Yeah, I mean, as Jason said in his comments, given our lower EBITDA, our leverage is a little bit higher. Our goal has always been to be in that 2.5x to 3x. We're above the 3x. We're going to continue--I'm not going to sit here today and say, yes, we're going to return all that capital. As Jason said, we're going to evaluate, right, in terms of do we bring down debt a little bit as we go forward here as EBITDA recovers or not. That's the plan.

Our goal is to get back to that 3x through a combination of EBITDA growth and, potentially, paying down some debt. The good news is when you look at that free cash flow as well as what we'd expect to grow free cash flow next year, we can do both. I think we can pay down some debt and continue to return capital to shareholders, which we think is the right balance, and that will be based on facts and circumstances as we go forward.

Patrick Scholes
Okay, thank you. And just last question. It looks like G&A was up about a little over 30% for the quarter. You may have talked about it in the prepared remarks why that was. Can you just remind me, number one, what was driving that increase in G&A? And what's a right way to think about it, a quarterly run rate going forward for the year? Thank you. That's it.

Jason Marino
Yeah, thanks, Patrick. So yeah, in our prepared remarks, we did talk a little bit about what drove the $20 million increase, year-over-year. We had some, call it, more one-time transition costs, moving our IT service providers. We did have some timing and some incremental project expense and then we did see some wage increases, year-over-year.

So that was really the bulk of it. Some of that is not really a good run rate number, going forward. So, I would look more towards the guidance in terms of G&A. We're going to see a little bit higher G&A next year due to the return of the variable compensation, and that's the way I would think about it. I wouldn't look to Q4 as a run rate.

Patrick Scholes
Okay, thank you for that information. All set.

John Geller
Thanks, Patrick.

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

Ryan Lambert
Hi, thanks for taking my question. Just going back to the IT spend real quick. And you talked about how some of that was related to transitioning providers and some was more investment related. Can you talk about what kind of enhancements that spend is driving. And then after that, I have a follow-up. Thanks.

Jason Marino
Yeah, so, as we've been talking about modernizing our operating platforms, that's a lot of the continuation that you see in terms of the spending that we did in Q4. A fair amount of this is still a little bit foundational, but it's all in an effort to really enhance the self-service and our data analytics capability. So, self-service for both the associates as well as the owners in terms of bookings, searching, and things like that. So, that's really where the bulk of our spending was in Q4 from a project standpoint.

Ryan Lambert
Thanks. And last quarter, you kind of called out a bit of a difference between the higher-end and lower-end customer spending patterns. Has this gap kind of changed at all why lender contracted in any meaningful way?

John Geller
What was the—I'm sorry, what did we call out last quarter that you were referencing?

Ryan Lambert
Just kind of the bifurcation between the higher and lower end, specifically to referring to the FICO bands, is that different at all?

John Geller
I don't think we're—I'll defer to Jason a little bit--that we haven't really seen any changes in our FICO average, FICO scores, and where the loans are coming from. As we've always talked about, our marketing--because we do direct marketing, and we're looking for certain customer demographics, right, in terms of household income and people that can afford our price point that--when people show up to our sales centers, because we don't do OPC, off-premise and things like that, they're usually very well qualified, and that's why we've always had a 720, 730 FICO score. So, I don't--I'm not aware of any shifts in things like that. That's been pretty consistent, over 10, 15 years.

Jason Marino
And when you look at our average transaction size across the board, they've increased slightly over the years, mostly due to the pricing increases that we've implemented, fairly consistently. So average transaction size doesn't really change too much for us, as we look forward.

Ryan Lambert

Thanks.

Operator
Thank you. Our next question comes from the line of Shaun Kelley with Bank of America. Please proceed with your question.

Shaun Kelley
Hi, good morning, everyone, thanks for taking my questions. Just wanted to go back to some of the core underlying drivers for the contract sales if we could. So, I apologize, I think I missed a part of this in the prepared remarks, but you did talk a little bit about the breakdown between, or anticipated breakdown between tour flow and VPG to get to the 6% to 9% [contract sales growth]. Could you just give us a little bit more color?

And specifically, I think, obviously, if we assume some tougher comps in Q1, which I think you alluded to or certainly the--or maybe even in the first half, it implies some pretty significant acceleration. Should we see--in the second half, should we see that more in tour flow, I think particularly around Maui in the second half? Or how should VPG balance in there too, do we also see some mix benefit from Hawaii coming back online in the back half, too?

John Geller
Yeah. You didn't miss anything. We didn't guide any around VPG and tour growth. So, I will say, high level, we expect to get growth in both. That's the plan. Generally, we probably should get some higher tour growth than VPG, if you think about it that way.

And as you hit on and Jason mentioned, yeah, you've got a tougher comp in the beginning of the year, just not only from the Maui impact but, if you recall, coming out of '22 into '23, I mean, first quarter last year, our contract sales were up 10% over 2022. So, you do have some tougher overall comps in the beginning of the year.

And as we talked about last year, you saw VPGs trend down a bit as you went through the balance of the year. But then as we got into the third and fourth quarter, you really got that stabilization, and we feel good that that's where we have the ability to, hopefully, push some pricing and drive VPGs.

The other place we'll continue, as we mentioned on the call, and we didn't guide growth, but we had international contract sales grow 50% last year. Now, it's only 10% of our business versus North America in terms of how to think about that. But Asia is still recovering in terms of coming out of COVID. And so, we expect stronger growth in some of our international that's going to be driven by tour flow and some VPG, as well.

And then within the Hyatt business, as we talked about, as we brought together the Hyatt and legacy Welk portfolios. And we shifted in terms of our marketing channels and driving some growth that way. So, there's a lot of moving parts in there. But when you put it all together, we

expect first half of the year to be a little bit less growth, given the tougher comp. Second half, as you mentioned as well, you had the Maui fires and, obviously, that impacted contract sales $50-plus million in the second half of the year. So, that should be helpful from an easier comp and growth year-over-year.

Shaun Kelley
And my second question would just be, are there any constraints on the tour flow side that are company specific? And the reason I ask is we see the peers, they've been growing tour flow low double digits, maybe even a little bit better than that over the last three--two, three, four quarters. VAC is obviously--and again, a lot of the noise from Maui.

So, I appreciate that it's not entirely apples-to-apples, but it's been much more in the low single digits even in the 4Q, even if we add back Maui, you're only at 4% versus, I think, one of the peers, which was low double digit.

So, to accelerate that, are there any constraints, any issues with inventory or challenges to do so? Anything—or is it basically just turning on tour channels? And how do you not compromise that higher-quality guest and purchaser that you're looking for and still [be] able to drive that type of level of growth?

John Geller
Sure. Yeah, so for us, when you think about where our tours come from, like we've talked about in-house: our owners, first and foremost, staying at our resorts. The good news is to get owners to take tours, get them interested maybe in buying more, you have to have stuff to talk to them about. So, things like the Abound program and coming in and getting tour capture rates there. Announcing new resorts like Waikiki that's opening later this year. Charleston and Savannah, more resorts in Asia Pacific. That's always going to be how do we continue to drive those tours.

Rentals, when we can get tours from people that are renting our product. They're--they can be very good tours because they're usually paying a lot to rent our product, and then they see the value proposition coming off some of the--what they're paying to rent, it makes a lot of sense. So, we're always going to continue to look at what we call our "capture rate" and drive in-house [tours].

I mentioned packages, and we continue to increase tours by taking rentals [rooms] that we'd otherwise rent on the open market and sell packages into that. And we're growing our tour flow on the package side.

And then the stuff that happens in our markets like linkage, we still have linkage opportunity in a lot of our markets. We do what we call road shows and events, which can drive tour flow. We continue to focus on driving tours through virtual methods that we learned to do very well, coming out of COVID.

So, you've got a lot of channels but, at the same time, yes, while our tour growth isn't 15%, you haven't seen our VPG drop; it's been flattish. And this is where I think, as we talk about the investments in technology, what we're doing with sales force, how we're investing in data and analytics, for us, it's all about focusing and getting the right tours, right, to drive those VPGs. And that's where I think the opportunity continues to be, how do we open up the funnel, get more folks, market to the right folks, and then be able to sell to them. And that's always going to be the focus here, as we go forward.

Shaun Kelley
Thank you very much.

Operator
Thank you. As a reminder, if you would like to join the question queue, please press "*", "1" on your telephone keypad. Our next question comes from the line of David Katz with Jefferies. Please proceed with your question.

David Katz
Hi, good morning, everyone, thanks for taking my question.

John Geller
Hey, David.

David Katz
I wanted to just circle--you've given us a ton of detail, and I appreciate that in the outlook. What I wanted to just drill down a little deeper on is, in the release and in the opening remarks that Abound, "the conversion is behind us." And I wanted to see if there are some specific data points or specifics around how--what's behind that and how do we know, so to speak?

John Geller
Sure. VPG is always the best data point, David, when you look at what VPGs were down in the second quarter and why we were talking about the transition to Abound, even before the second quarter. We said any time you launch a new product, there's transition impact, owners understanding the new product, the salespeople, notwithstanding a lot of training and retraining, selling a different product, and owners--like we talked about, they bought a different product; now you're selling them something new.

And that's where you saw the impact in Vistana. I want to say all of the VPG down in the second quarter last year was the transition, but I think our VPGs are down 15%, year-over-year. It was a tougher comp, but I think we talked about at the time, our Marriott non-transitioned sites, they were down probably low single digits.

And so fast forward, we saw third quarter--we talked about it--sequentially, those legacy sites, we saw the VPGs bounce back up in the third quarter, and we continued to see improvement as

we got into the fourth quarter. And now when you look at overall VPGs for the system, fourth quarter, adjusting for Maui, they were essentially flat fourth quarter this year versus fourth quarter last year.

And fourth quarter last year was probably a tougher comp. Our VPGs from a system [perspective] were running better. So that is a combination of all our sales centers, but that's how I feel pretty confident and that we're there and we're moving forward, in that softness that we really saw mostly in the second quarter is behind us.

David Katz
Perfect. The VPG is the focus. And with respect to the IT and analytics investments, can you just color that in a bit more as to sort of what you're getting and why now? And is that something that continues beyond 2024, as well? Or is this more of a one-time focused investment?

John Geller
Sure. No, let's take a step back, not just data and analytics, but we're going to continue to enhance our IT capabilities. So, what do I mean by that? We obviously have been a company in business for 40 years, and we've talked about how you've got a lot of legacy homegrown IT systems, there's a lot better technology.

And then as you go forward, we've done a couple of acquisitions. Vistana had their own legacy systems. And while we integrated that and drove synergies, a lot of that work going forward is how do you continue to get efficiencies and leverage our technology platforms, and we're going to continue to focus on that.

And with those enhancements, whether it's data and analytics, right, [or] getting our IT cost down by continuing to modernize applications that we're using, platforms, things like that. That's where we'll--and it's an ongoing journey. I think it is for any company. Technology changes so fast, and there's more and more opportunities to leverage technology.

And ultimately, with things like AI, right, and the ability, I think, over time to drive more efficiencies in the business and self-service of our owners, it's a huge opportunity, I think, for us as we go forward. And that, with our new CIO, is we're really focused on.

Now, are we going to see continued increase in investments? No, I think we're on a pretty good clip, and we're going to continue to do things that are really going to either drive efficiencies at the bottom line or top line growth. That's the focus, going forward.

David Katz
Got it. Thank you very much.

John Geller
Thank you, David.

Operator
Thank you. Ladies and gentlemen, I'm showing no other questions at this time. Mr. Geller, I'll turn the floor back to you for final comments.

John Geller
Thank you, everyone, for joining our call, today. After last year's challenges, it was great to end the year on a strong note. Contract sales grew 4%, year-over-year, excluding the impact of the Maui wildfires. International contract sales grew 36%, year-over-year, with strong growth seen in both Europe and Asia Pacific. And resort occupancy was nearly 90%, even with the Maui impact, illustrating our owners and customers' demand to get on vacation.

As we move into a new year, the transition to Abound is behind us, and we look forward toward growing contract sales this year, driven by a mix of higher tours and improved VPG.
We made significant changes in our Hyatt business that will enable us to more efficiently drive tours, grow contract sales, and better leverage our marketing and sales spending.

Economic indicators remain positive, and our reservations on the books for the summer are up, both domestically and internationally. We have realigned our organization to improve our long-term results, and we are looking forward to opening our first Waikiki resort, later this year.

On behalf of all of our associates, owners, members, and customers around the world, I want to thank you for your continued interest in the company and hope to see you on vacation, soon. Thank you.

Operator
Thank you. This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.