

**Marriott Vacations Worldwide Corporation**  
**First Quarter 2025 Earnings Conference Call**  
**May 8, 2025**

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**Presenters**

**Neal Goldner, Vice President, IR**  
**John Geller, President and CEO**  
**Jason Marino, EVP, and CFO**

**Q&A Participants**

**Ben Chaiken - Mizuho Securities**  
**Patrick Scholes - Truist Securities**  
**David Katz - Jefferies**  
**Stephen Grambling - Morgan Stanley**  
**Shaun Kelley - Bank of America**

**Operator**

Greetings, and welcome to the Marriott Vacations Worldwide First Quarter 2025 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 Star 0 on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the call over to your host, Mr. Neal Goldner, Vice President, Investor Relations. Thank you, you may begin.

**Neal Goldner**

Thank you, Melissa, and welcome to the Marriott Vacations Worldwide first quarter earnings conference call. I am joined today by John Geller, our 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 which could cause future results to differ materially from those expressed in, or implied by our comments. Forward-looking statements in the press release, as well as 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 in the schedules attached to our press release and on our website.

In response to investor feedback, we changed the presentation of revenue and profit on pages A-7 and A-8 on the press release this quarter to facilitate easier year-over-year comparisons.

Importantly, we have not removed any information that we previously provided. In addition, on page A-7, we also added a bridge from profit to adjusted EBITDA.

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

**John Geller**

Thanks, Neal. Good morning everyone and thank you for joining our first quarter earnings call. We had a strong beginning to the year growing first-time buyer sales and adjusted EBITDA, illustrating the power of our leisure-focused business model. We are also making good progress on our modernization initiative to accelerate revenue growth, reduce costs and enhance operational efficiencies. We remain on track to deliver \$150 to \$200 million in run rate benefits by the end of 2026.

We have some of the best brands in the vacation ownership industry and continue to see people prioritizing their vacations, running more than a 90% resort occupancy in the first quarter with forward bookings remaining strong. It's also important to remember that our owners prepay for a lifetime of vacations and typically pay their annual maintenance fees by the beginning of the year, so we know they will be vacationing with us.

In addition, we offer a very attractive value proposition and create our own demand. About a quarter of our annual tours come from customers we target with subsidized packages and we are leveraging data and analytics to improve the quality of our tours.

Timeshare also remains the sole product that we sell face-to-face every day with around 80% of our sales happening on site, which helps our business relative to others when customers have concerns about the broader macro environment, and we have several tools to employ when sales soften. For example, we adjusted our strategies, helping drive 6% higher first-time buyer sales. But with owners having fewer plus points coming into the year, we saw fewer owner arrivals this quarter than last year, which resulted in fewer owner tours. Some of our modernization initiatives are focused on driving more owner tours as well as higher VPGs. Most importantly, we are seeing owner arrivals improving as we progress through the year. So, we feel confident about our updated contract sales guidance.

We also continue to take actions to drive our package pipeline. For example, we recently launched a new program on Marriott.com that combines a villa rental booking with a tour and we have expanded our call transfer program with Marriott which we expect to help drive higher tour package sales. We will also be implementing a new process to leverage data which we expect will drive profit by increasing qualified tours and driving higher VPGs.

We are making good progress on our comprehensive digital strategy, focusing on increasing product utilization, expanding e-commerce and travel options, and introducing new digital capabilities as we strive to make digital the channel of choice while lowering costs.

For example, our resort operations team is expanding the use of an AI-powered phone agent that provides guests quicker responses, freeing up associate capacity. We are also optimizing room cleaning and scheduling processes to standardize housekeeping operations across sites.

Nearly 70% of Marriott Vacations points reservations for stays at our resorts are being booked online, a substantial jump from just a few years ago. We continue to expand our use of virtual voice agents to lower our costs at our call centers. And this summer, we plan to launch the ability for our Marriott branded owners to seamlessly book directly into nearly any of Marriott's 9,000-plus hotels around the world using their vacation ownership points. All of these initiatives are helping drive higher owner and guest satisfaction while lowering our costs.

Our forward-looking KPIs also give us comfort in our updated projections. Occupancy remained strong and total keys on the books for the summer remains solid. Tours continue to grow and in-house tour capture rates are higher than a year ago.

Package sales have remained healthy, and we ended the quarter with nearly 265,000 packages, 35% of which have already been activated to take a tour this year, slightly higher than the same time last year. And loan and maintenance fee delinquencies are better than last year.

In terms of VPG, we made adjustments in March for first-time buyers and we saw those VPGs grow 10% in April over last year, and we are making promotional adjustments to enhance the owner value proposition to drive owner VPGs.

While this is the most volatile economic environment I've seen in a while, our consumer remains strong and our forward-looking KPIs remain healthy. We are also focused on our initiatives to improve our tour flow and VPGs. But given the lower contract sales we experienced to start the year we thought it was prudent to update our full year sales guidance.

Looking out longer term, our business remains on solid footing, with strong margins, positive free cash flow, a product that resonates with today's consumer, long-term growth opportunities and the bulk of the benefits from our monetization program still ahead of us. We generate around 40% of our adjusted EBITDA contribution from very high margin, recurring revenue streams, which makes our results more consistent. Meanwhile, in the short-term, we are focusing on what we can control, including providing our owners and guests great vacation experiences, reducing our costs, executing on our monetization program and continuing to invest for the long-term.

With that, I'll turn it over to Jason to discuss our results in more detail.

### **Jason Marino**

Thanks, John. Today, I'm going to review our first quarter results, our balance sheet and liquidity position, our cost savings and efficiencies initiatives and our outlook for the year.

Total company revenue increased year-over-year, enabling us to deliver 3% higher adjusted EBITDA. In our development business, tours increased 1.5% and VPG was 4% lower, with half of the decline due to a higher mix of first-time buyer sales, while owner sales declined year-over-year driven by lower arrivals and slightly lower VPG. As a result, total company contract sales declined 2% compared to the prior year.

First-time buyer sales increased 6% year-over-year, which is good for the long-term health of the system, though it negatively impacted our reported VPG this quarter.

Our sales reserve was 12% of contract sales in the quarter, in line with our expectations and prior guidance. As you might expect, we have been very focused on delinquencies given the decline in consumer confidence, but so far we've not seen any softness in our loan book. In fact, delinquencies at the end of the quarter improved 60 basis points on a year-over-year basis and were lower again in April.

Development profit increased 4% compared to the prior year with development margin increasing 70 basis points.

As expected, total company rental profit declined 10% year-over-year to \$46 million with higher rental occupancy and increased transient revenue offset by higher unsold maintenance fees and other variable costs.

Management exchange profit increased 4% to \$98 million with increased revenue in our Vacation Ownership segment partially offset by lower exchange revenue at Interval.

Financing profit increased 6%, driven by higher interest income, partially offset by slightly higher consumer financing interest expense.

And finally, corporate G&A decreased 3% compared to last year.

As a result, total company adjusted EBITDA increased 3% to \$192 million and margins remained strong at 23%.

Moving to the balance sheet, we ended the quarter with \$865 million in liquidity and no corporate debt maturities until early 2026. Our leverage was 4.1 times at the end of the quarter which we expect to reduce longer term through organic growth and benefits from our modernization initiative once the upfront investment spending normalizes. First lien net leverage for covenant purposes was only 1.1 times at the end of the quarter, well below our 3.5 times requirement.

We amended our revolving credit facility in March, upsizing it to \$800 million and reducing the interest rate by 25 basis points. And with our zero percent convertible debt maturing in January

next year, we added a \$450 million delayed draw term loan facility, enabling us to take advantage of the zero percent interest rate for longer while providing us optionality as we look to refinance it later this year.

We returned \$91 million in cash to shareholders in the first quarter. With our shares being materially undervalued, we increased our share buybacks, buying back 1.4% of our outstanding shares in the quarter. We also paid two dividends for \$55 million in total.

And this week we closed on our first securitization of the year, issuing \$450 million in ABS debt at a blended rate of 5.16% and a 98% advance rate.

Looking forward, we are updating our full year contract sales guidance, with tours still expected to grow in the low single digits, consistent with what we've seen this year, but for VPG to decline. And while we feel confident with the midpoint of our updated contract sales range, VPG would have to improve to hit the high end, which our initiatives are designed to do.

We continue to expect total company rental profit to decline around \$15 million this year and now expect corporate G&A to be flat to down slightly.

We are making great progress on our modernization and we are able to accelerate some of our initiatives, increasing this year's savings to \$35 million from \$15 million to \$25 million previously. We've also adjusted our inventory mix and now expect this year's product cost increase to be more modest than we originally planned. We're also actively reducing costs elsewhere. In total, we now expect these changes to generate an incremental \$40 million to \$50 million in savings this year. As a result, we reaffirmed our adjusted EBITDA guidance for the year.

We still expect to drive \$75 million to \$100 million of annual run rate cost savings and efficiencies over the next two years from our modernization initiative. The savings will primarily come from updating IT systems, increasing automation, lowering procurement costs, and reducing overhead costs as we continue to optimize our organizational structure. We also expect to generate \$75 million to \$100 million of adjusted EBITDA benefits from revenue initiatives that either improve VPGs, increased tours, increase occupancy or drive higher ADRs, some of which John already discussed.

Moving to cash flow. We expect our adjusted free cash flow to be in the \$270 million to \$330 million range this year, excluding roughly \$100 million of one-time cash costs related to our modernization initiatives.

We also have \$150 million to \$200 million of non-core assets we plan to dispose of over the next few years including the Sheraton Kauai Resort and a retail parcel in Waikiki.

So to summarize, we had a strong first quarter despite the challenging operating environment, driving higher year-over-year adjusted EBITDA. Our team also did a great job providing InComm Conferencing

memorable vacations for our owners, members and other guests. Despite the external noise, our consumer remains strong. We're driving tour growth, occupancy remains high, and rental rates are holding up. We are also implementing a number of the revenue initiatives designed to improve VPG.

It's times like this when I think the vacation ownership industry really shines, with a substantial portion of our profit and cash flow coming from high-margin, recurring revenue sources, as well as most of our sales coming from existing owners, preview packages and on-site guests. Our product continues to be a great value, enabling people the ability to lock in a lifetime of family vacations at today's prices.

We plan to participate in the Morgan Stanley, Stifel, and Jefferies conferences in June, and we hope to see some of you there. And as always, our IR team is only a phone call or an email away.

With that, we'll be happy to answer your questions.

**Operator**

Thank you. If you'd like to ask a question, please press Star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press Star 2 if you'd 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. To allow for as many questions as possible, we ask that you each keep to one question and one follow-up. Thank you.

Our first question comes from the line of Ben Chaiken with Mizuho Securities. Please proceed with your question.

**Ben Chaiken**

Hi, good morning. Thanks for taking my question. I guess, can you talk about contract sales in March or April to the extent you have that handy? I guess from the 1Q result, based on how you started the quarter, it looks like contract sales were down around 4% in March. Is that directionally correct? And then what are your assumptions for the remainder of the year?

**John Geller**

Yes, that's correct, about 4% in March. And we saw similar in April, as we talked about with some of the first-time buyer initiatives we put into place. The good news in April was we saw VPGs and contract sales up for first-time buyers in April. With owners, the VPGs were down a little bit, but very manageable, and it was more tour flow. As I talked about, we had slightly less owner arrivals in April, but we see that ramping up as we go through the year so that we'll get that tour flow going from a first-time buyer. And owners are buying, and we are going to adjust some of the promotions here on the owner side to offset some of the lower VPGs that we have seen more recently.

**Ben Chaiken**

Got it. And then, obviously, you guys held EBITDA guide for the full year and in some of the prepared remarks you talked about some of the cost saves that you had. I think you said \$15 million to \$25 million of cost saves in the year that were kind of part of the original plan, I guess, then also maybe a lower assumption for cost of product. Maybe we could hit on that. What is driving that?

And then I believe there was a third piece thrown in there, which was another \$35 million of efficiencies, if I caught that right, could you maybe dive into that \$35 million? Is that also cost related? Is that revenue-related? Thanks.

**John Geller**

So, I'll kick it to Jason here. The \$15 million to \$25 million in the year savings from the modernization what we said last time. We think that will now be closer to \$35 million of in the year savings. And then to your question, which you kind of answered, product cost we expect to be better than we originally anticipated. I will have Jason talk a little bit about that.

**Jason Marino**

Yes, Ben, the product cost is really driven by some of the actions we took to adjust the mix of the inventory that we're selling as well as some of the additional lower cost repurchases that we're doing in the year are flowing through. So, that's really how we're able to drive the product costs a little bit lower than our initial expectations this year.

**Ben Chaiken**

Got it. And then maybe just --

**Neal Goldner**

And there wasn't another \$35 million that you called out, by the way, to bridge --

**John Geller**

Right, \$35 million plus the additional product cost that gets you closer to the \$40 million to \$50 million.

**Ben Chaiken**

Totally understood. I appreciate it. And then on the contract sales side just revisiting that, is there anything outside the consumer getting better that you guys are doing internally that would accelerate revenue? And if so, maybe what are some of the items that would help in the year?

**John Geller**

Sure. We're focused on continuing to drive tour flow, right, with different initiatives and incentives there. And then at the sales table continuing to enhance the offer, drive the value proposition from a consumer standpoint. And as we do that, that should help with VPGs as well. So, teams are super focused. Regardless of the broader economic turmoil and things that we're

seeing, we've got these different offerings and initiatives we're focused on to continue to drive VPG improvement.

**Operator**

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

**Patrick Scholes**

Great. Good morning, everyone. Thank you. On the prepared remarks, you had noted adjusting inventory mix, can you explain a little bit what exactly that means and how you plan to go about that? Thank you.

**Jason Marino**

Yes. Thanks, Patrick. This is Jason. So, as we just sort of talked about, it's a combination of lower cost repurchases that are coming in this year as well as some of the inventory that we have, we can modulate to sell different products, whether it's in Asia or the U.S. our points products versus some of the newer inventory and things like that. So, it's really changing the mix of what we're selling. Everyone's got the same usage, right, through the Abound program. So, to the customer, it's not really transparent, but we modulate that to drive the cost down a little bit since we had cheaper inventory available to sell.

**John Geller**

And Patrick, this is something we always do. We're always looking to get the best product cost, right? And so we're focused on that. We've been focused on that for the last 10 years, right, in terms of driving better product costs.

**Patrick Scholes**

Understood. And just a couple of follow-up questions here. How do you feel about availability of new inventory at this point? I know if we go back a year or two, I believe it was the Westin brand had been a bit light on inventory. How are you feeling about availability of product across all your brands, new products, today? Thank you.

**John Geller**

Yes, we're in a good position on inventory. As we talked about a few years ago, we did shift a lot of our sales centers to the Marriott Vacation Points product, regardless of brand. But we still have inventory in the other trusts we continue to do upgrades and buybacks and things like that of some of the legacy Westin and Sheraton and resell the MVCD. So, there's inventory in all the products, so we're able to get the owner what they want to buy.

**Patrick Scholes**

Okay. So, you feel comfortable on that. Shifting to buybacks, but in another variety that being share repurchase buybacks, looks like you bought about 1% in the quarter, which is certainly a

step up. I know you had been -- the priority had been to get the balance sheet back closer to target. How do you think about that for the rest of the year here? Will you continue to see modest -- I would call modest amounts of share repurchases going forward? How should we think about that? What's your expectation in compare and contrast hitting that -- getting back to target leverage as well? Thank you.

**Jason Marino**

Yes. I think, Patrick, that's right. I mean, obviously, as we saw the share prices decline here in March and then obviously continue in April, as we said in the prepared remarks, we think it's materially undervalued for what we're doing with the business and the long-term prospects of growth as well as cash flow generation.

Obviously, we're comfortable operating in this leverage. We've talked about that for a few quarters now up at the four times area, long-term the goal is still to get that leverage closer to three times. But the opportunity here is as the shares, in our opinion, are cheap. And so, we're going to have to balance all of those capital priorities as we move forward.

**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. Thanks for taking my questions. Appreciate it.

**John Geller**

Hey David.

**David Katz**

So, a lot from the remarks I wanted to touch on. You mentioned that you're getting a little better tour flow activation. Just curious sort of what you may be doing to drive that? Or is there something different about the packages?

And I would ask the same question. I think Jason mentioned some less expensive acquisitions, I think, was the comment. And I'm just curious if you're doing something to drive that or it's just sort of happening more organically?

**John Geller**

Yes, it's a lot of the data and analytics work. We continue to leverage targeting the right people that are going to be the best tours, the highest propensity to buy. And then even evaluating our packages after they're sold to prioritize and how we rank the different packages and likelihood to buy. So, that's been an ongoing focus. We can continue to get better at that. And we're rolling out some additional data and analytics to continue to improve. Like we've always said, it's making

that right offer to the right person at the right time. And that's where the -- having the right data and being able to do that to improve the package pipeline and who we're making those offers to.

**Jason Marino**

Yes, David, on the inventory side, it's really where we've taken a fresh look at some of our repurchase programs that we have from owners, and we're changing some of the cost of that as we operate it to the owners. So, still giving owners an off-ramp, but we're modulating the prices on how we buy some of that inventory back to drive that cost lower.

**David Katz**

Understood. And if I can just ask about the comment about noncore asset sales, I know you've done some of that in the past. This seems to be incremental or new. Would you mind just sort of talking about that process and sort of what's being sold and how we got there?

**John Geller**

Sure. We've got a number of assets. The two of the larger ones, which Jason mentioned is in the ILG acquisition, we got a hotel in Kauai, beautiful hotel, Sheraton for a lot of reasons, we've been -- it's just contractually working through getting that positioned to sell, and so we're going to get that on the market. But that was one that we had always identified as an excess kind of asset, if you will, from that ILG acquisition.

And then the other bigger one is in Waikiki, the resort that we opened last year. First couple of floors are retail. And so, we've got the option. There's no reason to own the retail, and that's another big disposition that we're focused on right now. And then there are a handful of other things that we've got in the acquisitions that are smaller that we are positioning and can get those out to the market as well.

**David Katz**

Okay. Thanks very much. Appreciate it.

**Operator**

Thank you. Our next question comes from the line of Stephen Grambling with Morgan Stanley. Please proceed with your question.

**Stephen Grambling**

Hi, thank you. I may have missed this in the remarks or somewhere in the release, but I mean, I guess, given all the focus on new owners, any details on kind of where owner growth has been trending? And is there any kind of targets in terms of where you think owner growth should be?

**John Geller**

Just so I understand, when you say where owner growth should be in terms of -- I just want to make sure.

**Stephen Grambling**

How much do you need to add to basically offset any kind of attrition, natural attrition?

**John Geller**

Yes. We're continuing, as we said, to drive that mix. We've done it the last couple of quarters. I expect us to continue to do it, get it above that 35%, 40% would be awesome, right? The more first-time buyers, as we've always talked about for the long-term health of the system is very important. So, we don't have a set number. We're going to continue to do the best to drive the mix towards first-time buyers, but also drive our development margin. As you know, VPGs for first-time buyers are less than what they are for owners. So, it's a higher customer acquisition cost, if you think about it that way, but it's the right thing to do, and we're going to continue to focus in on that.

**Stephen Grambling**

And so, just to be clear, so, as we think about the guidance for the rest of the year, you're still anticipating basically the new owner growth to stay in that higher range but also accelerate VPGs based on some of the initiatives that you're talking to. That's the balance?

**John Geller**

That's right.

**Jason Marino**

As I talked about even in our prepared remarks, we're not assuming huge VPG growth on a year-over-year basis from here, right? So, we did assume VPG was down for the rest of the year. At the midpoint, at the higher end, it's probably closer to flat to up a little bit, right?

**Stephen Grambling.**

Right. And so just to be clear with your kind of net of attrition owner growth be flat at that pace? Or would it still be slightly down?

**John Geller**

It should be up net-net.

**Stephen Grambling.**

Okay. Great. That's helpful. Thank you.

**Operator**

Thank you. Our final question this morning 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 question. Just two for me. So, first off, just to kind of finish off on Stephen's point, just to level set for contract sales for the year. The change in the contract sale is roughly \$100 million at the midpoint. Is that just higher first-time buyer mix, lower VPG? Is that the assumption that kind of we should now be using?

**John Geller**

I mean that's a component of it, right? It's really more -- also, as we talked about just kind of how we started the year for the first three or four months and being down a little bit. So, net-net to get to the midpoint or to the higher we're going to drive higher VPGs, increase more owner sales than we did in the first quarter, right? That's in the mix as well. But the overall mix of first-time buyers to owners, right? I expect that to continue to remain higher, right, as we got a strong package pipeline. We're seeing good VPGs from owners, which is typically where you would see softness, right? So, we're continuing to drive that first-time buyer.

**Shaun Kelley**

Great. And then just going back to the inventory point, I just want to be crystal clear on this. So, what you're doing, are you just paying owners who -- when you're recycling inventory and buying back, are you just paying them less and then that is effectively lowering your weighted average product cost. And I'm just trying to understand relative to the size of your inventory, how quickly does that flow through? It seems like it would be very fast for you to be able to make a change in a relatively short period of time that would affect all of your weighted average product cost. I just don't quite understand the mechanic.

**Jason Marino**

Yes, that's a component of it. It's also, as we talked about, shifting the mix of what we're selling as well. And so, it's kind of two-fold.

**Shaun Kelley**

Okay. Thank you.

**Operator**

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Mr. Geller for any final comments.

**John Geller**

Thank you everyone for joining our call today.

We had a solid start to the year, with adjusted EBITDA exceeding our expectations and first-time buyer contract sales growing 6%. We're also making good progress on our modernization initiative which we expect to generate \$150 to \$200 million in adjusted EBITDA benefit by the end of 2026 on a run rate basis.

Our business modernization is running ahead of plan and we have accelerated initiatives to drive more of the savings into the current year. We are also focused on cash flow and optimizing inventory and corporate cap ex spending.

And while the current economic environment could stay around for a while, our business and customers remain strong, and 40% of our adjusted EBITDA contribution comes from sticky, recurring revenue sources, high margins, positive free cash flow and strong owner satisfaction scores.

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

Thank you.

**Operator**

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