Marriott Vacations Worldwide
First Quarter 2021 Earnings Call
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Presenters
Neal Goldner – Vice President of Investor Relations
Steve Weisz – CEO

Q&A Participants
David Katz, Jefferies
Patrick Scholes, Truist Securities
Brandt Montour, JP Morgan
Chris Woronka, Deutsche Bank

Operator
Greetings and welcome to Marriott Vacations Worldwide first quarter 2021 earnings conference 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 zero on your telephone keypad. As a reminder, this conference call is being recorded. I would now like to turn the conference over your host, Neal Goldner. Thank you. You may begin.

Neal Goldner
Thank you, Rob, and welcome to the Marriott Vacations Worldwide first quarter 2021 earnings conference call. I am joined today by Steve Weisz, Chief Executive Officer, and John Geller, 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 different materially from those expressed in or implied by our comments. Forward looking statements in the press release that we issued last night and the presentation we added to our website this morning, as well as our comments in 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 referred to in our remarks in the schedules attached to our press release, as well as the investor relations page of our website at ir.mvwc.com. With that, it's now my pleasure to turn a call over to CEO Steve Weisz.

Steve Weisz
Thanks, Neal. Good morning everyone, and thank you for joining our first quarter earnings call. It’s now been more than a year since COVID-19 came into our lives, but that certainly didn't mean people forgot about traveling. If anything, the past year reminded us what is really important in life, family, experiences, and togetherness, all the things that travel offers. As a company, whose products enable these unique and memorable occasions, it's been gratifying

to see more and more people at our resorts this year. As vaccination levels rise and even more people return to travel, we look forward to welcoming them, as well.

JW Marriott Senior was fond of saying, “If we treat our employees right, they'll treat our customers right. And if customers are treated right, they'll come back”. This past year has been quite difficult for many of our associates, so I'm very happy to say that, with occupancies recovering as they have, we've been able to bring back most of our associates to work, and they are hard again working to take care of our guests delivering great vacation experiences. Our results this quarter are evidence of the continued recovering in our business. At this point, nearly all of our sales centers have reopened, and contract sales and exchange transactions grew substantially on a sequential basis during the first quarter, exceeding our own expectations. In fact, six of our sales centers in the quarter actually exceeded their first quarter 2019 levels, which is very encouraging.

A review of our vacation ownership occupancies this quarter illustrates just how widespread the recovery has been. For example, occupancy at our Florida beach resorts averaged in the high 80% range during the quarter, including nearly 95% for the month of March. Our Colorado and Utah mountain resorts averaged over 85% for the quarter. Our South Carolina resorts ran almost 80% occupancy during March as the weather improved, and our US Virgin Island resorts averaged nearly 85% for the quarter. Orlando and Hawaii, two of our larger markets that had previously lagged, also continued to recover nicely. For example, Orlando, which represents more than 20% of our North America keys, averaged nearly 60% occupancy during the quarter, including over 75% during March. And Hawaii, excluding Kauai, which was operating under quarantine restrictions for the entire first quarter, averaged over 70% occupancy during the quarter, with March averaging nearly 85%. These strong occupancies, coupled with the continued execution from our sales team, enabled us to achieve 27% sequential contract sales growth in the quarter, with VPGs increasing 21%, even with first time buyer sales becoming a larger portion of the overall sales mix. Adjusted development profit margin was in line with the first quarter 2019 levels despite having two-thirds of the contract sales, illustrating the benefits of our business transformation work and synergy initiatives.

Recovery in our interval international business was also evident during the first quarter, with interval exchange transactions and revenue per member not only growing year-over-year but also increasing compared to the first quarter of 2019. Reflecting members desires to travel and the pent-up demand. During the quarter, interval introduced getaway rentals of less than seven nights for the first time, enabling members more opportunities to use their membership in ways that better fit their schedule.

So, let's talk about where I think we go from here. While we're not providing guidance for the second half of the year, we are very encouraged with the improvement in our business, though Europe and Asia are lagging in recovery, and international travel to the US continues to be hampered. We also shut down certain linkage and other marketing channels during the pandemic, all of which are reminders that a full recovery will still take some time. We closed the Welk acquisition on April 1st and have already begun integrating them into our business. Similar to our vacation ownership business this year, Welk has also experienced a strong recovery in occupancies and contract sales, and we expect that improvement to continue going forward.

Our urban markets have now reopened, with New York and San Francisco reopening last week and all of our Kauai sales centers have now reopened, as well. As you know, we have been investing in our tour pipeline package, a tour package pipeline engine to support future contract sales growth, and we sold nearly 80% more tour packages in the first quarter than we did in the fourth quarter of 2020. At the end of March, we had 184,000 tours in our package pipeline, a 9% increase from the end of December, and, more importantly, nearly 74,000 customers have already booked their vacation and tour for 2021. And we expect intervals new short term rental product to lead to more flexible yielding strategies, which we expect will deliver higher overall getaway pricing overtime.

Finally, our research continues to point to a strong recovery this year as customers get back to traveling. For example, owner confidence to travel in the next three months recently hit its highest level since the pandemic began. Online destination searches by owners are more than doubled out of January 2019. We're also seeing very high levels of engagement on our social media pages, reflecting excitement around travel. Google searches for resorts and hotels in the US are at their highest levels in nearly ten years, and the TSA has recorded the most prolonged travel rebound since the pandemic started. We currently have 13% more owner and preview reservations on the books for the second half of this year than we did at the same time in 2019. And finally, occupancies were strong in April, and sales grew sequentially, all of which underpins the confidence we have in the recovery and the strength of our leisure focused business model. As a result, we expect contract sales to grow around 45% sequentially in the second quarter at the midpoint of our guidance range. With that, I'll turn the call over to John.

John Geller
Thanks, Steve, and good morning, everyone. Today I'm going to review our first quarter results, the continued strong recovery across all of our businesses, the strength of our balance sheet and liquidity position, and our second quarter expectations. As Steve noted, we have very strong occupancies in many of our key markets, with our two largest, Orlando and Hawaii, improving nicely, illustrating the resiliency of our leisure focused business model. Reviewing the performance of our segments this quarter, starting first with our vacation ownership business, when the quarter began, our sales centers in both California and Kauai were still closed due to government restrictions. But with the California restrictions being rolled back by the end of January, occupancies quickly started to improve. Overall, as tours grew sequentially and VPG improved compared to the fourth quarter, contract sales increased 27%, even with first time buyers representing a larger portion of our sales mix.

As I mentioned on our last earnings call, we knew revenue reportability was going to be a headwind in the first quarter. So, while contract sales grew nearly $50 million on a sequential basis, development profit only increased $6 million as we do not adjust for reportability when calculating revenue or adjusted EBITDA. Adjusting for the impact of reportability, our development profit would have nearly tripled on the sequential basis to $40 million, and development profit margin would have more than doubled to 21%. As a reminder, since reportability is just timing, the revenue and profit from these sales will be reflected in our second quarter earnings.

Rentals also improved nicely in the quarter with revenues up 29% sequentially, including 14% growth in transient rate. As a result, our rental business generated a $5 million sequential bottom line improvement as leisure travel and rental occupancies continue to recover. The stickier revenue businesses within our vacation ownership segment also performed well in the quarter. Resort management profit increased 3% sequentially, illustrating this table nature of this business. And financing profit was unchanged compared to the fourth quarter despite a declining notes receivable balance, reflecting lower interest expense and the benefit of our synergy and cost saving initiatives. Delinquency rates continue to improve across all of the Marriott brands and were not only lower than the prior year's first quarter but were below 2019, as well. Adjusted EBITDA in our vacation ownership segment declined $5 million sequentially to $68 million despite the $26 million impact from negative revenue reportability, reflecting the strong recovery in contract sales and rental revenue, as well as our business transformation efforts and other cost savings.

Turning to the exchange and third-party management segment, exchange transactions at our interval business were up 27% compared to the fourth quarter. Getaway rentals nearly doubled, and average revenue per member was up 29% sequentially as members booked their vacations, including what looks like the release of some pent-up demand. As a result, adjusted EBITDA increased 53% sequentially to $41 million in the first quarter, benefiting from both the impressive transaction growth and the benefit of our cost saving efforts. After adjusting for share based compensation expense and certain pandemic related expenses and other costs, corporate G&A expense increased $12 million sequentially, primarily related to reinstating our variable compensation plans following 2020. As a result, we delivered $69 million of adjusted EBITDA in the quarter, overcoming $26 million of negative reportability, once again demonstrating the strength of our leisure focused business model.

Moving to our balance sheet, pro forma for the Welk acquisition, which closed on April 1st, we ended the quarter with $1.2 billion of completed inventory and total liquidity of nearly $1.4 billion, including unrestricted cash of $432 million in gross notes receivable eligible for securitization of $345 million. We had $4.6 billion in principle amount of debt outstanding at the end of the quarter comprised of $3.2 billion of corporate debt and $1.4 billion of non-recourse debt related to our securitized notes receivable. Our corporate debt increased $474 million during the quarter from the issuance of convertible notes and net of the repayment of a portion of our term loan. We have no corporate debt maturities until September 2022, which is our 2017 convertible note, and that's only $230 million . Finally, we recently expanded our $350 million warehouse credit facility for another two years and added the ability to include loans originated by Welk as collateral. We generated an incremental $13 million in run rate synergies this quarter, bringing our total achieved to $145 million, taking us closer to at least $200 million of run rate synergies by the end of the year or early next year.

Looking ahead, while still not ready to start giving guidance for the balance of the year, I do want to help you think through what the second quarter could look like, including having a full quarter of Welk in our results. Our vacation ownership business continues to recover nicely, and we expect that to continue this quarter. Occupancies and tours are projected to grow sequentially from the first quarter. We do expect VPG's to begin to normalize as first-time buyers become a higher percentage of the mix, though we expect VPG's to remain well above pre-COVID levels. So, with occupancy improving and tours growing, contract sales are expected to grow to around $320 million to $340 million in the second quarter, up around 45% at the midpoint. We also expect development profit to increase $40 million to $50 million compared to the first quarter, even after roughly $10 million to $15 million of negative reportability. We expect occupancies and transient rate in our rental business to improve, reflecting the continued recovery in leisure travel. As a result, rental profit could improve by $20 million to $25 million compared to the first quarter.

Moving to the stickier parts of our vacation ownership segment, in our resort management business, we expect the recuring management fees to remain stable and ancillary margins to improve compared to the first quarter, and we expect financing profit to be up on a sequential basis due to the inclusion of Welk. Turning to our exchange at third party management business, with the first quarter benefiting from seasonality, as well as pent up demand I mentioned earlier, adjusted EBITDA could be down slightly on a sequential basis. We expect G&A, excluding share based compensation, could be up roughly $10 million to $15 million to sequentially as we continue to bring our associates back to support the recovery, we incur more normalized spend on IT another corporate initiatives, and with the addition of the Welk G&A, partially offset by our synergy and cost saving efforts. While we're not providing free cash flow guidance today, with $1.2 billion of completed inventory on the balance sheet or roughly $600 million of excess inventory at a normalized sales pace, I would expect our adjusted EBITDA to adjusted free cash flow conversion to be well above our normal 55% range for a number of years once contract sales normalize. With that, we'll be happy to answer your questions. Operator?

Operator
Thank you. At this time, we’ll be conducting a question-and-answer session. If you’d like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press start two 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 key. One moment, please, while we pull for questions. Our first question comes from the line of David Katz with Jeffries. Please proceed with your question.

Steve Weisz
Good morning, David.

David Katz
Hi. Good morning, everyone. Thanks for taking my question. you know, one of the things we'd love a little more color on is, thinking about a recovered new development margin run rate level, once we get through all of this, and, you know, not necessarily, John, looking for a specific number, but if you can help us or guide us to how to get there on our own, I think that'd be helpful.

John Geller
Sure. yeah, I think, you know—I'll do it in terms of, you know, kind of opportunities, as well as, you know, potential risks, right, as you think about, the development margin. obviously, you know, it's—the two expenses, if you will, are your marketing and sales costs and your product costs. given where our product cost is, I would say that, we don't have a lot of new development or commitments, new product. We've got what we've got on our balance sheet. so, the mix, over the next couple of years could be slanted more towards some reacquired inventory, which we know comes in at a lower price. So, I would say, if anything, there's probably some opportunity, right, from product cost, you know, whether that ends up being a point or two or something. But there could be some opportunity, on the product cost side.

I think if you go to the marketing and sales costs, we've obviously been doing a lot, in terms of our transformation, in synergy initiatives. A chunk of the $200 million we expect to get run rate savings comes in marketing and sales. Some of that's more in the fixed costs and overhead and things we've put in place, and that's what you're seeing now. I mean, when you look at our development margin in our marketing and sales costs, even though our contract sales in the first quarter, were a third less, right, than they were in '19, we got back to a very similar development margin. And a lot of that's on the fact that we've been able to leverage some of those, marketing and sales costs as we've done some of the synergy savings. I'd say on the offset, or the other opportunity, like I said, on the digital side, as we sell more packages, the ability to acquire first time buyers, hopefully, at better pricing going forward still to be determined, but it's an opportunity. That's something that is there.

And then, I think on the negative side, David, you know, obviously there's a lot of reports out there, the costs of some—more towards hourly people but getting people back to work, things like that to be determined, right? Are we going to see some wage cost inflation, things like that. You know, my sense is maybe some of that, but I think we have, I would say—when you put it all together, I think we have more opportunity than cost increases around some of that. So, those kind of give you the components about how to think about it.

Steve Weisz
And, David, this is Steve. Just a little bit more color if I could on a couple of things, one of which about the, you know, wage cost increases. Keep in mind, the majority of our associates in the

field are associates that are paid for by the condominium owners, the timeshare owners through their maintenance fees. So, our exposure there is relatively limited. There could be a little bit of cost creep on the sales and marketing side, but we don't think that's material. and then, you know, pandemic, no pandemic, I mean, the name of the game in terms of optimizing your development margin is always around, yes, you can try to get a little bit of an improvement in your product costs, but it's all about marketing and sales. And that is, you know, constantly looking at your channel mix, optimizing, those channels that give you the highest yield and the lowest cost, and stepping away from those that are the converse. I think John articulated it very well.

David Katz
Perfect. And my follow up—thank you for that—is, you know, with Welk now closed, you know, there's always some little surprises, you know. Some may be good, some may not be, you know—may be less good. Can you talk about any that you may have come upon so far?

John Geller
Yeah. I mean, I think from the positive side at—which I guess makes sense. Their recovery that we're seeing in their business is probably a little bit faster than our recovery, right. They don't have the international exposure like we have. Not a big part of our business, but we are seeing, you know, their sales, similar VPG trends, things like that but, quite frankly, a little bit better, in terms of how quickly they're starting to come back. So, that's been a positive thing. On the negative side, you know, I'm not sure we found anything not saying we won't. So, it's been great. We feel even better the more we get into the integration work and working with the Welk management team and, forming the new Hyatt, business, gives me more excitement about, what this is going to mean for our growth opportunities going forward.

David Katz
Super. Good luck. Thank you.

Steven Weisz
Thank you, David.

Operator
Our next question comes from Patrick Scholes with Truist Securities. Please proceed with your questions.

Patrick Scholes
Good morning, everyone.

John Geller
Morning.

Patrick Scholes

apologies if I missed this first question in the prepared remarks. On that, 320 million to 340 million in second quarter expected contract sales, how much you expect, the Welk acquisition to contribute to that?

John Geller
Yeah, I mean, within the range, call it plus or minus $25 million in the quarter. So, about 10% of 45% growth is from Welk. The other's organic, if you will, from our existing legacy MVW.

Patrick Scholes
Okay. thank you. And do you see that percentage similar for the remaining quarters of the year?

John Geller
To be determined.

Patrick Scholes
Okay.

John Geller
If anything, I would expect—if that's what we do in the second quarter, there should be some form of recovery. In the relative scheme of things, right, not big numbers for all of our contract sales, but I would expect that hopefully $25 million should continue to come back. I mean, we did disclose, I think, as a point of reference, Patrick, that, pre-COVID in 2019, Welk reported I think roughly $123 million of contract sales. So, that kind of gives you where the business was back pre-COVID, just as, once again, a little bit of a baseline as to what we're trying to get back to here in the nearer term.

Patrick Scholes
Okay. fair enough. and then my second question here, certainly, sizable M&A with Welk, that's not your first rodeo in, M&A. You know, with the acquisition of interval several years ago, you know, what would you say are the top one or two most important wordings learnings or best practices from that type of, M&A that, you see carrying over to the, acquisition of Welk? Thank you.

Steve Weisz
Actually—this is Steve. I think, first and foremost, having a well thought out plan of integrating, the leadership of both the Welk organization and our organization into a seamless team, so that we can keep focused on all the right things. I think the next thing and, that certainly comes to mind is channel mix, looking at each channel to understand where, by virtue of some of the things we do versus some of the things they do where there is some opportunity for improvement. and then—this is going to sound a little soft, but it's really important. It's making sure that the cultures are well aligned. I'm sure you have heard countless examples of where companies have made acquisitions, and ultimately the cultures don't line up, and things don't

turn out well. I think we did a very fine job with the interval acquisition. I think we're on a great track and a great pace for the Welk acquisition.

Patrick Scholes
Okay. thank you. That's it.

Steve Weisz
Thank you.

Operator
Our next question comes from Brandt Montour with JP Morgan. Please proceed with your question.

Steve Weisz
Good morning.

Brandt Montour
Good morning, everyone. Hey, guys. Thanks for, all the details this morning. just quick question on, the sort of the outlook and the tone of the outlook. You know, I mean, as your guidance obviously implies, you're getting most of the way back to 2019 levels even backing out, the incremental, contract sales from Welk. So, I guess my question is, you know, how should we think about the cadence, from here? You know, I know that you're not going to give guidance, but my point is that it sounds like you think that international is going to take a little bit longer. So, should we expect a little bit of a plateauing and that one piece to just take longer and the core business to sort of fully recover, maybe even in the near to medium term? Is that the way we should think about it?

Steve Weisz
I think, keep in mind, you know, when we gave you the 20% increase over the fourth quarter in Q1, that that included, really, below our expectations for both, Europe and Asia Pacific. Lots been written, and I'm sure you're very well aware of some of the travel restrictions etcetera that exists in both parts of the world there. And I expect that will continue. So, if anything, the 27%--I don't have the number off the top of my head would have been greater had it not included those two component parts. I think you should think about and certainly our hope is that, the rest of the system will continue to grow sequentially, and, there'll still be some drag, as I said, on the, on the international stuff.

The, the other thing that I would point out, everybody would like to see us be back at 2019 numbers at the end of the year. There are still a couple of other things in play here. Linkage, which you know is where we source customers staying at, Marriott affiliated or now Hyatt affiliated properties, and coming to take tours with us. They're going to be slow to come back because of hotel occupancies etcetera. and, and so, I think there'll be some drag there, but, generally speaking, I think the way for us to characterize our view is that we are very optimistic about what we think the second half of the year holds, and starting actually, you know, continuing here in the second quarter. And then, there'll be a few things that we'll have to continue to work against to try to offset some of that other stuff.

Brandt Montour
Okay. That's helpful. Thanks for that. And then a question on VPG, obviously a really, you know, strong step up quarter-over-quarter, and you mentioned that, despite, you know, unfavorable mix or let's say, dilutive impact of VPG from new owner sales. So, I guess the question is, you know, how did that step up, right? was it closed rate? Was it, location based mix? what drove those numbers just so we can try and get a handle on how it should normalize from here?

Steve Weisz
Yeah, I'll give you a couple of stats for what they're worth. So, our contract sales in Q1, for, owners was 74%, and first time buyers was 26%. Now, the good news is that first time buyer mix in Q1 was actually four points better for first time buyers than it was. So, it was 26% versus 22% in Q1. tours, in a similar fashion, if you look at a quarter-over-quarter basis, owner tours actually were down 3%, and first time buyers were up 3%. All of that is a function of resort occupancy and people being in market. As you get more people in markets that are non-owners, we have an opportunity to, talk to them about, trying to make sure that, if they're interested in taking a timeshare tour and becoming an owner with us, we try to do that. As occupancies continue to improve, as previews, continue to come into the system, where people will—who have already bought a package that are not an owner, they become a first time buyer. that's where that's where the shift will be.

You may recall that, as late as 2019, I think we're at roughly 60: 40 owners to first time buyers, on a percentage basis, and, I think we're inching our way there. It's going to take a while, but, I'm encouraged by what we see. And just to close the loop, obviously VPG's on first time buyers are lower, because of a lower close rate, than they are for owners. so, that's where you get the negative drag on VPG for first time buyers. But, ultimately, the best thing for our system is to get more first time buyers into the system. it grows the system and allows us to give them further upgrades later on and all the other things that come along with that.

John Geller
The only other point I'd add is just, the mix—Hawaii became a bigger mix in the first quarter versus, the fourth quarter, and Hawaii, generally comes with a higher VPG. So, there was a little bit of mix in terms of that location piece.

Brandt Montour
Okay. Thanks for that, guys. Appreciate it.

Operator

As a reminder, if you'd like to ask a question, please press star one on your telephone keypad. One moment, please, while we pull for questions. Our next question comes from Chris Woronka with Deutsche Bank. Please proceed with your question.

Steve Weisz
Good morning, Chris.

Chris Woronka
Hey. Morning, guys. thanks for all the details and taking the questions. So, maybe we could drill into a little bit about on the spend pattern from, you know, not so much on VPG but on actual, you know, dollars realized. And the question is really just, given how healthy the consumer is, are you seeing a like for like customer, whether it's an existing customer? I guess it would have to be an existing customer. You know, are they spending more than they might have in 2019? Or are first time buyers spending more than first time buyers did in 2019 when they make a purchase?

Steve Weisz
We're not seeing any particular evidence of that. what you have seen is, obviously, as our owner mix of sales vis-à-vis, 2019 has gone up, they're adding more points to their portfolio, than, than, you know, they may have done in the past. However, they are in smaller slugs. So, the actual average sales price of an owner is still lower than what you get in the first time buyer. First time buyer average sales price is up but not materially different from what we saw before. so—and we've not seen really any inflection point in terms of things like FICO scores or anything else that's notable, that we can point to that would suggest, you know, there's something that we haven't seen. The great news is, our owners continue to like to buy more of our product. We think that's a very good sign. But like I said, we're not seeing bigger checks or something like that as a result of something in the economy.

John Geller
Yeah, I mean I think we're seeing more, Chris, is in the closing efficiencies. If that's people—not necessarily people spending more on average but more people buying more, right, in terms of closing or whether that's owners or first time buyers. Maybe that's some of the pent up demand. Maybe that's our product form resonating even more in a COVID world in terms of, you know, the size of our units and the amenities and all the things we've talked about in the past. But you are seeing it there obviously with the higher VPGs driving it, driving generally higher closing efficiencies.

Chris Woronka
Okay. Yeah, very helpful. And then just a follow up on the progression of the revenue recognition. Do you guys expect that to kind of fully normalized by the end of year, or do you think that obviously could potentially bleed over into '21, even though it should, I guess, be less of an impact quarter-by-quarter, right?

John Geller
Yeah, remember, Chris, quarter-by-quarter if contract sales in a recovery are continuing to increase sequentially, right, on average, it just means, until you get to back to more of the seasonal quarters, right, and just normal growth, you are going to have negative reportability from that recovery. So, what you saw, right, you know, $50 million increase in sales, a lot of that being weighted, in the first quarter in March as things progressively got better, you know, we just guided, even higher sales, right, in terms of contract sales for the second quarter. So, the implication is, yeah, that's why we said, notwithstanding that reportability will get recognized, if you have the higher contract sales, you're still going to have 10 million to 15 million that'll get pushed into the third quarter and then, not giving guidance for the third or the fourth quarter, but if those continue to grow. So, not saying we will but if we got back to a more normalized fourth quarter contract sales, right, then I think you'd start to get back to more of the seasonal reportability like we've always had where on a full annual basis, your reportability, or negative reportability would essentially be your growth year-over-year, a percentage of that. So, unfortunately because of the recovery, have continued negative reportability till we get back to more normalized sales.

Steve Weisz
By virtue of timeshare accounting—and I'm certainly not the expert, John is. But, essentially lose the last two weeks of the quarter in terms of contract sales. It may be a little bit more, but generally speaking—because you have to get through the various hoops to make sure that its revenue to be recognized and the like. so, you'll always have some carryover from the end of the year out of '21 into '22. Our belief is, as we've seen in the past, is that generally unreportable sales that happened in the first part of the year by and large come back through before the end of the year. But you'll always still have some of that.

Chris Woronka
Right. Okay. Understood. very, very helpful. Appreciate that. Thanks, guys.

Steve Weisz
Sure. Thank you.

Operator
We have reached the end of the question-and answer-session. At this time, I would like to turn the call back over to Steve Weisz for closing comments.

Steve Weisz
Thank you, Rob, and thank you, everyone, for joining our call today. As we've always known, whether it's to relax, spend time with loved ones, or see new and exciting places, at their core, people want to vacation, and being at a business whose sole products enable these experiences is a great business to be in. So, while the past year has been difficult for all of us, it's also been a reminder of just how resilient our business model really is. The review of our first quarter gives you a sense of that. We grew contract sales 27% sequentially, beating our own expectations.

Interval exchange transactions increased 17% year-over-year, and our adjusted EBITDA would have grown 47% from the fourth quarter were not for revenue reportability, which is just timing. Looking forward, people are flying again. Owner confidence is at a post-pandemic high, and occupancies at our resorts are strong and growing. 74,000 customers who have purchased a tour package from us have already booked their vacation for this year while our total package pipeline continues to grow. And we currently have 13% more owner and preview reservations on the books for the second half of this year than we did it same time in 2019, illustrating the pent up demand we think is starting to manifest itself. As always, thank you for your interest in Marriott Vacations Worldwide. Take care of yourselves. And finally, to everyone on the call and your families, stay safe and enjoy your next vacation.

Operator
This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.