Marriott Vacations Worldwide Corp. (VAC) Investor Day, June 16, 2022

Neal Goldner:

I am Neal Goldner, Vice President Investor Relations of Marriott Vacations Worldwide and it is my pleasure to welcome you to our 2022 Investor Day.

Before we start, I need to remind everyone that many of our comments today are considered forward looking statements under federal securities laws. These statements are subject to risks and uncertainties, which could cause future results to differ materially from those expressed or implied by our comments. Our forward-looking statements are effective only today and will not be updated as actual events unfold. Throughout the day we will be making references to non-GAAP financial information. You can find a reconciliation of non-GAAP financial measures in the schedules provided, which for those listening to webcast, can be found on our website at ir.mvwc.com.

We have planned a full afternoon for you, including multiple Q and A sessions and I encourage you to direct your questions to those executives you don't normally have access to. For those listening to the webcast, you can send your questions directly to me at my email at neal.goldner@mvwc.com.

With that, it's my pleasure to welcome our CEO, Steve Weisz, to the stage. Steve

Steve Weisz:

Are we okay? Okay. All right. Thanks, Neal and welcome to all of you in the room as well as those of you who are listening via the webcast. I can tell you, it feels really great to be back in person with all of you after the last couple of years we've all navigated. As Neal mentioned, we have a full agenda today and I trust that when we're done, we will have answered your questions and you will share in our enthusiasm about our company's growth and understand more about our optimism for the future. Let me start by setting up the day for you. John and I will start by talking about our strong recovery from the pandemic and the strength of leisure travel, which is 100% our focus. We'll also talk about our proven resilient business model and our overall growth strategy.

Then Lori Gustafson will talk about an important transformation program for our Marriott branded vacation ownership business called the Vacation Next Initiative and the launch of Abound by Marriott Vacations, which we put out in a press release this morning. Lori will also speak about the introduction of the Hyatt Vacation Club and other new and exciting digital and brand changes that are going to help propel our growth. Jeanette Marbert will talk about the exchange and third-party management business with particular focus on Interval's growth strategy. Then Brian Miller and Stephanie Sobeck Butera will then discuss the vacation ownership business, focusing on our resilient business model, Abound by Marriott Vacations, and expansion of our Hyatt Vacation ownership business to grow contract sales. Then finally, our CFO, Tony Terry, will come up to bring it all together with our view of what the financial performance would look like from 2022 through 2025. We'll also provide you ample time to ask questions both during the day and after Tony has presented our growth outlook.

These presenters are part of a strong and seasoned management team with 210 combined years of industry experience. Together this team will deliver on the growth priorities we will set forth for you today for Marriott Vacations Worldwide. I would point out that one picture that you saw on the screen there, Marcos Agostini, was not going to be able to be with us today because of an illness. I thought I'd lay out what I think are some of the most important messages you'll hear today.

Namely, we have well-positioned leisure focused products and a business model that has exhibited resiliency in recessionary environments as seen most recently with a strong adjusted EBITDA recovery to above pre-pandemic levels. We expect to continue delivering outstanding results thanks to the strength of leisure travel. We are transforming the business, driving growth across the segments by integrating our powerful iconic brands, and leveraging technology enhancements throughout the business. And we have a disciplined capital allocation strategy that produces an efficient free cash flow engine that has allowed us to grow organically and through acquisitions while maximizing shareholder value.

Let's begin by discussing the resilience of our business model and how we are driving sustained, long-term growth through our industry-leading performance over the past years, despite the pandemic. Let me start off by reminding you of the profile of our businesses. In the vacation ownership business, we have a diverse portfolio of seven powerful and iconic brands, which are the best in the vacation ownership business serving the upper upscale and luxury sector of the market. We have grown our vacation ownership business to approximately 700,000 owner families with more than 120 resorts and doubling the number of owners and resorts since 2011. In the exchange and third-party management business, we have the premier exchange company. Our exchange and third-party management business operates under both the Interval International and the Aqua-Aston brands, and we have grown Interval International to approximately 1.6 million members with a portfolio of nearly 3,200 affiliated resorts in over 90 countries and territories. I'd also point out that our exchange business has been generating over 50% adjusted EBITDA margins and requires minimal capital investment.

We are well positioned to sustain the rapid growth we have seen into the future for a number of reasons. First, we are 100% leisure focused with a product that is flexible and accessible in highly desirable locations. Our offerings address some of the needs of younger generations who now see a merging of their work life and home life and want ways to integrate the two. In fact, according to a recent travel survey, it states that 19% of U.S. survey participants said they've taken an extended vacation of more than 10 days, blending both work and leisure. Our spacious villas allow our owners and their families to have space to spread out for both work and play and our high-end customer base is anxious to go on vacation and our high and steady occupancies show that demand is very strong and hasn't shown any signs of waning. Inflation has made our value proposition relative to hotels with smaller accommodations even stronger and we have continued to see strong occupancy across our portfolio, which has allowed us to raise our mix adjusted average daily rental rates well above our previous historical averages.

Speaking of resort occupancy, allow me to point out that despite the slower recovery in urban and international markets, we expect resort occupancy to exceed pre-pandemic levels by the middle of this year. After adjusting for mix of rental inventory, the average daily rate is expected to run 17% higher than 2019 levels. This not only should help us improve our margins, but as more owners and first-time buyer prospects fill our resorts, that translates into more tours from greater in-house penetration.

[To new arrivals] Come on in, guys. Just like church, everybody sits in the back.

To show you how strong our recovery has been, let's look at contract sales for us versus HGV and TNL, excluding our recent acquisition of Welk and HGV's acquisition of Diamond. On this chart, you can see that we recovered at a much quicker pace than our peers. We've achieved industry leading contract sales with just our organic growth while HGV and TNL remain under pre-pandemic levels as of the first quarter of this year. In fact, despite reducing our reliance on OPC channels in both the Westin and Sheraton businesses and lower hotel linkage due to the pandemic, our contract sales have recovered

ahead of our peers due to the powerful benefit of our brands and more efficient marketing channels delivering better quality tours.

Turning to the vacation ownership industry, we've increased our U.S. market share to 17% as of the end of 2021 versus 10% in 2012 through strong organic growth and our two successful acquisitions. I believe that this highlights the fact that despite economic slowdowns of the market that we and the rest of the industry have experienced, we have a strong track record of growing organically and through acquisitions. In fact, from 2015 to 2019 while the industry grew 5%, we grew 7% just based on organic growth.

These results have been driven by consistently high levels of owner satisfaction and a strong desire by many of our owners to increase the size of their vacation portfolio, which in turn have resulted in higher closing rates and VPGs. Not only have contract sales exceeded 2019 in the first quarter, but so has adjusted EBITDA. We experienced a relatively quick recovery in 2021 versus 2020 due to high levels of pent up owner demand. And for 2022, using the midpoint of our recently updated guidance, we expect to be at 119% of 2019 adjusted EBITDA. This results in adjusted EBITDA margin of 28%, 400 basis points above 2019 driven in part by our transformation and synergy programs.

In fact, the $930 million high end of our 2022 adjusted EBITDA guidance is within the low end of the 2022 pre-pandemic guidance we shared during the 2019 Investor Day. We believe that we've not only shown that we've been able to grow organically at a strong pace, but also have a proven acquisition playbook. From the launch of a points-based product in 2010 to the spinoff from Marriott International in 2011 and transforming our business with two acquisitions in 2018 and 2021, we have continued to deliver strong, consistent adjusted EBITDA and cash flow. Since we became public in 2011, we have grown adjusted EBITDA at a compounded annual growth rate of 20% for the last 10 years, which we believe is a notable accomplishment. But more importantly, our capital allocation strategy has allowed us to also grow adjusted fully diluted earnings per share over 20% for the same time period.

We believe our strategy of organic growth and acquisitions coupled with our capital allocation approach positions us well to achieve our long term growth targets. In fact, to put things into perspective and demonstrate our impressive track record, this next slide shows that when we look at the S&P 400 - of which we are a part - the S&P 500, and the Russell 2000, only 10% of the companies have grown EPS greater than 20% for the last 10 years showing how MVW is a notable market leader for EPS growth. I'd also point out that only three other companies in the travel and hospitality industry are in the top of these indexes for EPS growth.

Now, let me turn to ESG. We have always had an open and inclusive workplace coupled with a caring culture, which we believe that all of us are truly better together. In addition, we've always been mindful of the impact on the communities where we live and work and we strive to give back whenever and wherever we can. With that said, we continue to refine our focus on other ESG elements and initiatives, including creating an ESG Governance Structure and Steering Committee Charter, surveying our owners and our associates to determine what was important to them regarding the environment and ensuring diversity and inclusion with our US management level positions. We are planning to publish our first ESG and citizenship report later this year, which will give you further details in regards to all things ESG.

MVW has also created a comprehensive philanthropy and corporate citizenship initiative to complement our ESG strategy. This includes identifying specific causes and partnerships that reflect our brand values and culture engages our associates and customers. We also provide annual charitable giving, which is made up of in kind donations, associate volunteer time, and cash donations. In 2021, in cash alone, our

contributions were roughly $2 million. Now, let me turn the mic over to John Geller, president of Marriott Vacations Worldwide. John?

John Geller:

Thanks, Steve, and good afternoon everybody. I appreciate everyone joining us here and online. Before I get to my prepared remarks, I'm going to break one of my management rules, which is your boss should never be surprised at work, don't surprise your boss. But if you'll give me a minute here, indulge me. I wanted to recognize Steve on June 5th celebrated his 50th year with Marriott, which obviously a pretty astonishing career. He's been our president and CEO for the last 25 years and we're going to talk about all the growth and things that he's helped lead the business through. But even with Marriott when he started, I think there was 12 Marriott hotels, 13 Marriott hotels when Steve started at Marriott, right? Put that in perspective, 8,000+ hotels today. Steve was on the cutting edge of leading Marriott's first loyalty program, if you remember it was called the Honored Guest Award program, which is now the Marriott Bonvoy program, as well as a lot of other key initiatives. We put together a short video just to highlight, so if we could play that video, thank you.

Video narrator:

Today we recognize Steve Weisz, CEO of Marriott Vacations Worldwide, and his incredible 50 years of leadership within the hospitality and travel industry, 25 years of hotel experience, and 25 years of service within the vacation ownership space, all connected by a common thread: the Marriott brand, trusted, widely known, and loved by many.

Steve's personal leadership story is one of excellence, integrity, innovation, and caring. His beliefs in taking care of associates and giving back to the community have been at the heart of the company's success. While at Marriott International, Steve had many accomplishments, including starting a customer loyalty program now known as Marriott Bonvoy and helping to open over 30 hotels as a member of the pre-opening team. At MVW, under Steve's leadership the company has experienced strong organic growth from a resilient core business model, to strategic mergers and acquisitions, to a strong associate base dedicated to fulfilling the lives of owners, members, and guests with memorable vacation experiences.

Let's take a quick look back at Steve's remarkable legacy. Steve Weisz started his career in 1972, learning the Marriott hotel business inside and out. In 1997, Steve became president of Marriott Vacation Club International, which then included some 23 resorts. Some accomplishments in Steve's tenure include the 2001 opening of Marriott's Phuket Beach Club in Phuket, Thailand, the company's first resort in Asia, followed by the launch of our first points-based product in Asia, followed by the launch of our first points-based product in Asia in 2006. By 2009, the company celebrated its 25th year with nearly 400,000 owners and members demonstrating the power of the Vacation Ownership experience.

The points-based program was introduced to North America in 2010, providing owners and members more flexibility in choosing their vacation experiences. Then in 2011, Marriott Vacations Worldwide became a separate public company on the New York Stock Exchange. Later, as a strategic compliment to resort experiences, Marriott Vacation Club Pulse is introduced and has grown to include properties in the heart of these vibrant US cities and more.

In 2018, through the steady hand of Steve and the leadership team, MVW acquired ILG, which dramatically expanded the company's growing portfolio of brands and businesses, including Sheraton Vacation Club, Westin Vacation Club, and Interval International.

In 2021 during our 10th year as a publicly traded company, Marriott Vacations Worldwide acquired Welk Hospitality Group to grow the Hyatt Vacation Ownership business. And today, some 700,000 families own their vacation with us across a diverse portfolio that includes some of the most iconic Vacation Ownership brands.

The company also operates exchange networks and membership programs with tremendous reach across the globe. It's a testament to Steve's leadership that the company continues to grow and thrive and is perfectly positioned for the future. Marriott Vacations worldwide is a leader and innovator in the leisure vacation industry, upholding the highest standards of excellence in serving customers, associates, and investors.

We thank Steve for his strong leadership. He's navigated the company through great opportunities and great challenges, and because of him, we have a tomorrow full of new possibilities.

John Geller:

So I think you can all agree, quite the career, quite the legacy, and thank you, Steve, for your leadership. It's been incredible.

All right. So what is it that today's vacation customers are looking for? Since our founding almost 40 years ago, our customers have always looked for great vacation experiences, product consistency, and ease of use. But in addition to that, today's vacation patterns and length of stays have evolved, and consumers continue to look for more flexible options and a wider array of vacation experiences, and we continue to transform and enhance our products to provide these to our customers.

We have the ideal product for the next generation of leisure traveler, and probably even more so today in a post-COVID world, as travelers desire more spacious units that have more to offer than smaller hotel rooms. Guests also want their villas sanitized and cleaned. And finally, we have amenitized resorts within the Marriott and Hyatt brands that people trust, located where families want to go on vacation. And I should point out, in those locations we're typically ocean front, ski-in/ski-out, so in prime locations within the best leisure destinations in the world.

Turning to our business model, let me highlight some of our competitive advantages. We have a unique and resilient business that has driven value across numerous economic downturns, including the recent pandemic. We have diverse revenue streams, including recurring revenues related to our management and exchange businesses, which produce roughly 40% of our recurring adjusted EBITDA. But that doesn't mean that our contract sales and other revenue streams are not as resilient. In fact, we expect contract sales this year could be between $250 to $300 million dollars higher than 2019, or almost 20% at the higher end of that range, based on the updated guidance we gave this morning.

We're also not just Vacation Ownership. The ILG acquisition brought us the leading quality exchange and membership platform, with its recurring revenue streams and high adjusted EBITDA margins. Our Vacation Ownership business has exclusive timeshare access to both the Marriott Bonvoy and World of Hyatt loyalty programs, which drive our strong VPGs, as well as highly efficient marketing channels. And when you combine all this with our capital efficient inventory model, this enables us to deliver strong free cash flow on a consistent basis.

One of our greatest competitive strengths is the power of our brands. We have a broad and diverse portfolio of over 120 resorts around the world, with seven of the best brands in the Vacation Ownership business generating roughly 90% of our business revenues.

And our exchange and third-party management segment, which was slightly less impacted by the pandemic, has recovered nicely. However, there's more to come as we expect owner exchange patterns to return to more normal pre-pandemic levels next year. And Brian and Jeanette will discuss in their updates our plans to grow these segments even further in a few minutes.

The recent inflationary headwinds have helped highlight the value proposition of timeshare. As we've seen hotels increase ADRs quickly in leisure markets, these actions make the future costs of hotel stays more variable and more expensive for the customer.

If you look along the top of this slide, you'll see that for timeshare, remember, a big chunk of an owner's future vacation cost is locked in when they purchase and increases in the annual fees have historically remained relatively stable, thus creating more value to our owners versus renting hotel rooms or similar accommodations, especially in periods of higher inflation.

Starting with the left side of this slide, you'll see resort occupancy has been strong due to the continued pent up demand for vacations, and has returned to pre-pandemic levels despite some of our lower occupancies in some of our urban and Asia Pacific resorts, which are still recovering. But with 85% of our tours coming from onsite guests, including our owners and preview packages, this translates into higher contract sales, which I mentioned before are well above our pre-pandemic levels.

In addition, higher sales and occupancies drive revenue growth across our business - financing, management, exchange, ancillary businesses - so this recovery, as you saw, this not only helped us in the pandemic but also in prior recessions.

Let's take a look at the resorts. At spinoff from Marriott International, we had 64 resorts, so a little over 10 years ago. Now let's take a look at how that footprint has grown, both organically and through the two acquisitions.

Since 2015, we've grown our system of resorts organically. When I say organically for us, that would be the Marriott Vacation Club brand that we developed, by roughly 15%, adding new flags on the map in highly desirable locations such as Waikoloa, San Diego, New York City, Miami Beach, Bali. But also, with the ILG and Welk acquisitions, this has allowed us to continue to broaden our footprint, helping us more than double our resorts since our spinoff in 2011.

Now these acquisitions came with excess built inventory, as well as lower sales from the pandemic, have created a temporary pause on our needs for new resorts, but we expect our capital efficient inventory model to allow us to start adding new destinations soon, and actual timing of the payment would be in the future when we need it to support sales.

Let's look at how our business has grown and evolved over the last few economic cycles. Clearly on the front of everybody's mind here with the market right now. So, just by way of background, for the 30 years prior to the financial crisis, if you looked at industry contract sales, they grew through what I would call more garden variety recessionary periods. And while no two recessions are alike, history would say, that depending on the length and depth of the next recession, we may be able to grow contract sales, albeit at a slower rate.

The other thing that's really changed in our business model, it's evolved and changed tremendously over the last 40 years. With the launch of our North America points product in 2010, we moved to a system sale versus site specific sale, and we moved away from offerings like residential and fractional offerings. So not only is the points product a better value proposition to the customer, it allows us to better match our inventory spend with our contract sales.

In fact, during the recent pandemic, as Steve discussed, you saw the benefits of our resilient business model, as we had limited inventory commitments and we were pretty easily able to manage our cash flows when our operations were virtually shut down for a couple months, as well as through the ensuing recovery.

In addition, with close to $600 million dollars of excess built inventory and minimal near-term inventory commitments, we're better positioned than we were prior to the pandemic. And with the acquisition of ILG in 2018, our brands have expanded. We're about to launch - as we announced this morning - the new combined Marriott product later this summer, which will greatly improve the value proposition, as we'll talk about. And the Welk acquisition has allowed us to jumpstart our Hyatt Vacation Ownership business growth, and we're well on our way to unlocking the value of the combined Hyatt portfolio.

The ILG acquisition also added Interval International and Aqua-Aston, which increased our recurring adjusted EBITDA to almost 40%, and with the low capital needs of this business, brought us strong and consistent cash flow. And finally, as we'll talk about here, our investments in technology should continue to drive even more efficient marketing channels, allowing us to grow sales while containing costs.

Now let's discuss our growth strategy. We think about growing the business in three key ways. First, continuing to transform our business and product offerings. Second, leveraging technology and digital transformation to grow the core businesses - Vacation, Exchange - as well as potentially launch new leisure product offerings. The new offerings would leverage our existing leisure expertise in areas such as marketing and sales, managing resorts and clubs, and delivering vacation experiences, and these products would allow us to expand our portfolio of businesses outside of VO and Exchange and diversify our business over time. And third, drive adjusted EBITDA and cash flow, allowing us to deliver strong, organic growth, as well as potentially invest in strategic acquisitions like we've done in the past, ILG and Welk, and new leisure focused product offerings.

So, since we acquired ILG, we've been on a journey as a company to transform how we grow our business, and you've heard us talk a lot about this. And while a lot of this started as driving synergies, as part of the ILG acquisition, what I've seen is our culture change, and it is more innovative. A good example of this is the launch of the Abound by Marriott Vacations later this summer. To enhance the experience for current owners and future buyers, we're unifying our Marriott-branded products - so Marriott, Westin, Sheraton - into a single global points currency to be used across all of Marriott-branded Vacation Ownership clubs, and Lori and Brian are going to talk about this in more detail here in a few minutes.

Growth strategy two is about leveraging technology for growth and efficiencies. You're also going to hear about continued investments in technology across our Vacation Ownership and Exchange businesses. And this example here is from our Vacation Ownership business. From a sales and marketing perspective, you've heard us say this, it's all about making the right offer to the right person at the right time. So working with Salesforce, we're going to continue to enhance our CRM processes and leverage data to generate more qualified tours that will drive higher closing efficiencies in sales. We're also going to enhance the customer experience to fully engage customers and owners, and deliver an enhanced digital experience across the entire customer journey.

Finally, our ability to deliver 55 to 60% normalized adjusted EBITDA free cash flow conversion in the past has allowed us to successfully acquire and integrate ILG and Welk. In fact, since we started repurchasing shares in 2013, we've repurchased nearly 20 million shares for $1.7 billion dollars, and have issued almost 22 million shares worth $2.6 billion dollars as part of the ILG and Welk acquisitions. The result is our adjusted EBITDA is up roughly 500% since 2012, and we were able to offset almost all of the shares

that were issued from the two acquisitions with the share repurchase program at a much lower average price per share.

We expect to continue to evaluate opportunistic and strategic M&A, expand our portfolio of leisure focused travel products, and repurchase shares and provide dividends, delivering even more shareholder value, as we target a 65% to 70% adjusted free cash flow conversion for the future. And all that is after investing in our organic growth through new development projects and strategic IT investments to grow our resort system and sales.

So here are the growth targets over the next few years, which we expect will result in a strong compounded adjusted EBITDA. Tony's going to discuss these in more details in a few minutes.

In summary, we have an experienced management team that has delivered strong growth and results, and we've recovered quicker than our peers and the industry from the pandemic due to our iconic brands and proven resilient business model.

Over the last 10 years, we've grown the business rapidly, both organically and through accretive acquisitions, with a disciplined approach to returning excess cash flow to our shareholders. That has allowed us to deliver a 20+% compounded annual growth of our EPS over the last 10 years. And we have clear growth strategies, as we expect to drive 7% to 10% annual contract sales growth, and a 7% to 11% adjusted EBITDA growth.

With that, it's my pleasure to welcome Lori Gustafson to the stage to talk more about all the exciting things we're doing in the brand and digital arena. Lori?

Lori Gustafson:

Thank you, John. It's incredibly exciting to be with you all today, and I'm going to talk a little bit about our powerful strategy underway, which is really about our digital transformation and business transformation driven a lot by our brands, so let's dive into it.

You can see here, we've got three key areas, and we're going to start off by talking about our great brand portfolio. Hard to replicate this brand bar, as each are powerful, trusted, globally recognized, premium brands, and each with a high level of customer preference and satisfaction.

And what does our brand portfolio provide? First, our brands give us a solid customer base. That base is built on the lodging loyalty programs, with the largest being Marriott Bonvoy with 164 million members across 30 brands, and World of Hyatt with 19 brands and 30 million members. So, great base. Second, the power of the Marriott and Hyatt brands give us a great opportunity for global expansion, which John just touched on earlier. Last, Interval International is a leading exchange provider with a 45 year history and prestigious affiliations like Disney Vacation Club. In summary, our brands provide a great foundation for innovation and growth.

So how will we use our powerful brand foundation to transform and grow in the future? Let's take a look at some trends driving travel and digital innovation. One, you can see here, there is pent up demand for leisure travel. We're all seeing this in the marketplace. We know this to be true. Two, leisure travel is back and booming, and is anticipated to grow at a CAGR of 22% between 2021 and 2027. Third, digital is the channel of choice when it comes to travel. Two years ago, less than half of our owners' points reservations were made online, and today that number has grown to more than 50%. And with our Interval business, more than 50% of exchange members are transacting on Interval's website and mobile app, and we only expect that trend to continue. Fourth, the next generation of travelers are further

driving the leisure boom. In fact, 67% of millennial respondents want to book a once in a lifetime vacation this year. We are also seeing this trend in our business, with 66% of first-time buyers being Gen X or millennial. And lastly, vacations and leisure are all about experiences. As a company focused exclusively on vacation experiences, we are perfectly positioned to meet this need.

So how are we addressing these trends? How do we appeal to the next generation of traveler, and how can we provide a new level of service leveraging best in class technology solutions? Well, let me introduce you to our Vacation Next initiative, our answer to designing the Vacation Ownership experience to current owners and the next generation of travelers.

Vacation Next is a multi-year journey, and it's going to do three things. First, it supports unification of our Marriott-branded Vacation Ownership product and introduces a new owner program, which is Abound, and we'll tell you more about that. Two, it connects our powerful Marriott brands into an integrated singular digital experience And three, it transforms marketing, sales, and service for owners and our next generation of travelers.

Vacation Next is really our overall program and big picture enabler for our business transformation efforts. And to illustrate this a bit more for you, let's turn to this video so we can show you what Vacation Next is all about.

Video narrator:

Introducing the Vacation Next initiative, Marriott Vacations Worldwide's answer to what the next generation of ownership looks like. It includes flexibility and access to a broad portfolio of destinations, personalized experiences, and a more seamless transition from online planning to actual vacationing. As a part of this multi-year transformation, we are launching Abound by Marriott Vacations, an exclusive owner exchange and benefit program that provides access to a combined portfolio of premium branded resorts and experiences around the globe.

The Vacation Next initiative also enables an integrated, customized digital experience with transformed service that helps simplify how our associates work and enhances how we market, sell, and service our products to current and future owners. We know the world wants to go on vacation, and at Marriott Vacations Worldwide, we're more than just Vacation Ownership. We're about vacation experiences.

Lori Gustafson:

So as part of our Vacation Next effort, we are bringing to life Abound by Marriott Vacations, set debut later this summer. It is an exclusive new owner benefit and exchange program which provides more options and access for owners.

Today, owners have to call an agent in order to book a vacation experience outside of their specific club or type of ownership, and navigate multiple web experiences. With Abound by Marriott Vacations, we have integrated our five Marriott-branded Vacation Ownership clubs into a single program that simplifies our offerings, unifies our Vacation Ownership products with a common currency, which we will call Club Points, and amplifies program benefits.

Through this new program, owners have access to 90+ vacation club resorts, more vacation experiences, including 2,000 cruises, guided tours, and more, access to the 8,000+ Marriott-branded hotels through Marriott Bonvoy, and continued ability to leverage and use Interval International from an exchange

perspective. In summary, with Abound by Marriott Vacations, vacationing is about to get even better, with more brands, more destinations, and more choices.

As I mentioned before, Vacation Next has three elements, so let's turn to the second, which is all about enhancing our sales and marketing process through new tools. To illustrate this, let's imagine that James, who's in his early forties from Florida, is looking to take his family on summer vacation. He receives a direct marketing offer from us for a preview package to go to St. Thomas, and up until recently he would've had to call us to purchase that package and then call us back to finalize dates and preparation for his trip.

In our future state, leveraging Salesforce, this will help significantly enhance our marketing and sales capabilities by delivering new tools. First, we're going to be digitizing the online preview package purchase and activation process that James just experienced. Second, we'll be using personalization to better target leads with the most relevant offers, and then continue a personalized pre-arrival journey by giving prospects new planning and booking tools. And lastly, for our marketing and sales associates, we'll be delivering next best action recommendations to inform which offers and destinations to lead with when speaking to prospects about their next vacation. Clearly this has several benefits, most notably driving efficiencies by reducing the number of manual steps it takes to convert leads.

Moving on to servicing our owners, which is another key enhancement on our Vacation Next journey. We're doing this by consolidating our owner reservation platforms, which will lead to more personalized service and an increase in productivity among our associates. And to illustrate this, let's imagine a recent new owner named Susan. She's in her fifties and calls to make a reservation. On the other side of the line, our Vacation Ownership advisors have to navigate over nine different systems and applications, and today see a pretty limited portfolio, or I would say profile of Susan's preferences.

Leveraging Salesforce for our owner servicing teams, we'll have a holistic view of Susan's transactional history, usage patterns, and we can proactively recommend ways for her to use her ownership. And we'll also be delivering owners like Susan a one stop portal, kind of online access, that reduces the number of times she has to call, so she can see all of what she owns right in one view.

All of this will deliver an improved owner experience, an improved owner onboarding experience, and we believe will greatly increase engagement, thus reducing rescission in the future.

Another key work stream for us is delivering a modern and end to end data capability and platform so that we have a wholistic view of our customer, both on the prospecting side and current owners. Today, imagine Ben, a customer who shares his information about his vacation preferences with us, or with a sales executive. Well, all the data and insights that Ben shared during that discovery process stays at the sales table and isn't captured into any singular source for future use across marketing sales or service.

We know that data is an asset, and through new tools, we'll be able to give sales and service associates much more information about Ben and keep it all in one singular place. They'll be able to see Ben's profile, ownership and usage, tour history, vacation preferences, and all the historical information that's relevant. This will serve as the foundation for all personalized messaging, offers, and engagement, and will drive a consistent customer experience across all touch points.

So, let's talk about all of the benefits from our Vacation Next program. For owners, it enables better flexibility through a unified product in a single global points currency - Club Points - and access to a full view of their ownership through self-service way. For our associates, it results in simplified processes and a better view of our customer, which I shared before positively impact sales, marketing, and service.

And for the business, here are a few key milestones from selling a unified product to onboarding owners online. We expect to deliver $25 to $50 million dollars in incremental value to the business, and Brian will go into more detail later today in terms of the sales and marketing upside as a result of this important initiative.

So we spoke all about our Marriott Vacation Ownership business. Now let's move to Hyatt. As a reminder, we purchased Welk resorts in April of 2021 to grow the Hyatt Vacation Ownership business, and since then, we've invested in a brand narrative for Hyatt and converted Welk to Hyatt Vacation Ownership by introducing the Hyatt Platinum program. These efforts will accelerate growth on the Hyatt side, and Stephanie will speak to them later today.

Building a brand just isn't about a new name and look. Building a brand is about connecting with a target customer and offering a great product that drives business growth. We started with consumer research of our Welk owners and then really dug into what the Welk resorts were known for. This research helped serve as the starting point for how this unified brand will deliver world class experiences and great vacations.

We then looked at Hyatt's reputation and heritage as the cornerstone. Hyatt's reputation provides trust, expertise, and genuine care to deliver vacations that lead the industry. United, these two become Hyatt Vacation Club, with a culture of vacation champions who are passionate about vacations and the differences they make. At Hyatt Vacation Club, we believe in the power of a great vacation and that vacations make humans better. Let's see how Hyatt Vacation Club comes to life in this quick video.

Video narrator:

We believe we should all know what we work for: for memories, that shouldn't just be pictures on a cell phone; and face time that should really be face time; for smiles, lots of them, over breakfast, over lunch, over dinner, over a campfire, over anything really, because smiling is a good thing, and laughing is too; for play, play, play, and play time; lazy times in the hammock, the dive in the pool, the slopes on the mountains, the 100th round of golf, for a week, for life. We are for vacations, for getting back lost time, and for making time. We are vacation champions, because vacations make humans better, on and after and in every way. So, for a better world, a happier world, a kinder world, a more wonderful world. Pack your bags, people.

Lori Gustafson:

Okay, moving over to our Exchange business. At Interval, we are looking to broaden the brand's appeal and deliver a new member-centric digital experience, making it more convenient, more personal, and inspiring to search and book through our digital channels. Jeanette will speak to this later today, but at a high level, we will be applying our focus on modernizing, enhancing our data and analytics platforms, and delivering new digital solutions that will drive member retention and share of wallet.

A good example of this is leveraging Adobe Campaign to drive more one to one or personalized messages. Through Adobe and other technology solutions, we'll reinforce the value of membership by educating and wowing our members in critical vacation planning and booking moments.

Okay. So to bring it all together, let's talk about the strategic priorities that are going to unlock growth. As we talked earlier, priority one is about delivering a next generation Vacation Ownership experience powered by Salesforce and delivered in an omnichannel way that's relevant to our customers.

Priority two is about delivering modernized data platforms and predictive analytic capabilities. This will help us accomplish several things, including better targeting of our prospects, segmenting our customer bases, optimizing tour flow by understanding propensity to purchase, and applying business intelligence solutions to make data driven decisions.

And lastly, priority three is about maximizing the power of our brand portfolio. For the Marriott Vacation Clubs, it's all about differentiated experiences and unique brand positionings. For Hyatt Vacation Ownership, we will accelerate growth by building on our new Hyatt Vacation Club brand. And for Interval, we will re-energize the brand and create a member-centric digital experience to broaden its appeal.

In summary, I'd like to leave you with these four takeaways. First, our best-in-class brand portfolio will fuel growth. Second, through our investments in data and analytics, we will deliver more personalization and a single view of our customers, helping to fuel our business. Third, Vacation Ownership is being redesigned for the next generation of traveler who desires experiences and views travel as highly aspirational. And lastly, through digital, we will transform how our associates work, how our owners and members experience and interact with our brands.

So as you can see, we have an incredible journey ahead of us with the best brands in the industry. I appreciate the time. And at this point, we'll have Steve join us as the moderator to do a Q and A session. Thank you.

Steve Weisz:

All right. Have John come up and rejoin us. So we're going to do questions and answers. I'm going to ask something, particularly for the benefit of folks that are on the webcast, if you would raise your hand, and when someone with a mic comes to you to ask your question, please identify yourself and your organization, and then of course proceed with your question,. And then I'll do our best to figure out which of us is going to try to answer that. Okay? So, who wants to go first?

John Geller:

Got some over here.

Farshid Javar:

Well, good afternoon. It's Farshid from Jefferies. Abound sounds like a great initiative, an opportunity for owners. Can you maybe help place additional numbers around it, and how you kind of think about the long-term opportunity?

Steve Weisz:

Lori?

Lori Gustafson:

Well, we definitely can speak to the growth targets which are baked into the numbers we shared, but we definitely think it strengthens the value proposition significantly at the table. You know, for us, it's all about new news, and being able to say to an owner, "Now you can go to one singular location and

access this entire Marriott-branded portfolio," is differentiated in the industry. Nobody else, I believe, in our category is able to say the same. As we think about growth - John, if you can speak to that too - we can talk a little bit more about that too.

John Geller:

Brian's going to talk more about the sales growth prospects, including this value proposition with the new club. So there'll be more discussion on that, but obviously heretofore, we've been selling the Marriott Vacation Club, the Westin, the Sheraton club, and they have different use options. Obviously the portfolios are smaller on the legacy Westin and Sheraton versus the Marriott. So the opportunity really of bringing this all together - and especially for the Westin and Sheraton owners - we've talked about our Explorer program within Marriott Vacation Club. The Marriott Vacation Club Explorer program, that's your ability to go on African safaris, go to the Super Bowl, 8,000+ vacation experiences that you can use your points for. The Westin and Sheraton had some things around cruises, but very limited, right?

So now those owners are… As you sell a consolidated product, and Abound, if you will, brings that all together. That's what customers want. They want more flexibility. They want to be able to use their ownership on things outside necessarily going on a vacation club every year. We've historically on the Marriott side seen roughly 20% to 25% of our ownership base opt into these Explorer programs. So they are great value additions in terms of how people think about vacationing and clearly people want experiences more and more, and this really adds to that across the portfolio.

Steve Weisz:

Okay, who's next?

Unidentified analyst 1:

Hey everyone and thanks for taking the time. Just wanted to ask about the booking process. There was a lot said there about the difference between digitization and actually calling in legacy historical. You guys have done a lot of calling between your guests and the booking process. Maybe you could just clarify for us at what point now in the new process, would you actually have to call to book as a member or call to book in the pre-member process. And then if you could, in any way quantify what you think is lost historically on the conversion between-

John Geller:

Are you talking about booking packages?

Unidentified analyst 1:

Well, both. Booking packages, as well as existing members; what you can do online versus what you need to call for?

John Geller:

Yeah. I mean today, and it's gotten better, I think the owners are booking, call it roughly 50% of their vacations online. But heretofore, it's really been booking within the system of vacation ownership. So when I talk about all those Explorer packages, you clearly would have to call to do that. Envision a world

in the future with whether you're on your computer omnichannel, On your phone and app, Where everything that we can offer, tens of thousands of vacation options, You can do it right on your phone. I mean that's going to take some time on the technology side, but that in my mind is where you want to get to that's what the customer expectation is at some level. So, it's hard to say, but now we've offered the online booking on packages. We talked about that historically.

It's hard to say, but clearly if you click on something and now you either have to call or get your number to call, there's a lot of people that are going to X out of that, You're not going to- but now you can actually book and book your vacation, your package, online. And so I think you're going to see better conversion. And then clearly everything we want to do more on the analytics side of making that right offer to the right person. That ultimately is going to be more likely to buy timeshare when they come. That's a lot of all the things that we think we can improve and enhance through technology and a lot of the initiatives you'll hear us talk about with Salesforce and things that we're going to be working on.

Lori Gustafson:

And I would just add of the idea of connecting it between marketing, sales, and service. Today we don't have that horizontal view, so the power of being able to kind of capture that information, when you click on that St. Thomas package, we know you're interested in beach and you love the Caribbean. That's going to carry through to the sales executive who will then be able- and then when you go to book your first vacation, if you do have a question and you were to call, what a great opportunity to surprise and delight you and maybe upsell potential other options. And then furthermore, if you just want to go online and take care of all of that yourself, now you have one singular view and then to be able to leverage the data and analytics on the back end of that, for us, as we look toward the future is really the vision.

Steve Weisz:

Okay. Other questions? Neal, do you have something online...?

Neal Goldner:

I do, I have one from email. "I think John mentioned growing sales over the next recession. Can we run through what you have seen in the past? Maybe '08 and '09? And maybe why growing contract sales over the next recession could be possible?"

John Geller:

What was the last part?

Neal Goldner:

"And why growing contract sales over the next recession could be a possibility."

John Geller:

So when you think about the sales at the table, we have a very structured offer, Based on the environment. So the more you buy, you get a greater discount and then you also get first day benefits

and things like that. So the great thing about timeshare is if you see some softness in the market, you can adjust the offer. You can offer a little bit more incentive, especially for owners, owners who have been in, and they see what some of the pricing or what the first day benefits look like when they see those opportunities. They might be waiting for that to reload. So historically being able to adjust that offer is what gives you a lot of the ability in a normal recession. I would also say, I don't know about for everybody in here, but I do think vacations in general, especially on the customer demographic that we target, are not really discretionary anymore.

When you think about your budget, people are going on vacation every year. I go back to the financial crisis: Steve and I used to joke, we knew somebody, I knew somebody, their house was under foreclosure, but they were on vacation. I mean, it's in a lot of people, that's a major part of what you want to do and you need to do every year, Get on vacation. So that demand, even in a higher recessionary environment, I think with a customer demographic, our first-time buyers are typically 50, our owners, call it 60 and a household income of $130,000-$140,000 a year. Our owners have a self-reported net worth of a million and a half on average. That customer's pretty resilient. And so I think the ability to adjust an offer, but at the same time, our customer demographic, even in a higher recessionary environment.

And more generally, like I said, if you go back over the last 30 years in normal recessions - not the financial crisis - and who knows, what this recession, if it happens, what it looks like, the depth, the length and all that. But we have those proverbial levers that we can pull to help drive business. And then on the exchange side of the business, go back to the financial crisis. Their revenues and EBITDA actually grew, People own their business- own their timeshare. They want to exchange, they want to go on vacation, it's just very resilient.

Steve Weisz:

I'd also like to recognize Jason Gamel. Jason, can you just raise your hand? Jason is the President of the American Resort Development Association, which is essentially the timeshare trade association and the numbers that John has been reciting have borne out in kind of what he's characterized as the normal garden variety recession; that in fact, the industry has grown during that period of time. So this isn't just an MVW phenomenon. This is actually something that's has been seen across the industry, largely because we do have other levers to pull in an environment where there is maybe a little bit more price sensitivity, because we can do things creatively in terms of providing additional incentives for people to buy. So we feel reasonably confident that if the R word does rear its ugly head in the not too distant future, that we'll have an opportunity to do pretty well through it. Other questions?

Unidentified Analyst 2:

Hi, can you just go through in a little more detail, the legwork behind the scenes to be able to go across brands and across platforms, and equitize the points and why that's a differentiator and why it's not easy for everyone to do? And then also, mechanically, is the Abound incremental? So is it extra cost? Are you automatically opted into that? Or how does that work for... As you have your existing and new members?

Steve Weisz:

I'll start with the first part and then we'll ask Lori to chime in on the second part. There is no question that when you have three different platforms, whether it be Marriott Vacation Club, Westin Vacation

Club, or Sheraton Vacation Club, they were all started in different iterations, different currencies, etc.. Trying to find the common denominator between those and make sure that no one is disadvantaged as a result of joining Abound, which in fact is just another overlay. It's another use option that you have. If I'm a Sheraton member and I don't choose to become a member of Abound, that's fine, I still have everything that I bought, but if you're a member of Abound, what happens is there's a currency translation for what was Sheraton currency now into the Abound currency. So there's the mental gymnastics of going through how you control inventory and point levels and all the other things.

There's also the regulatory side of things, our legal department working with not only our team, but also some outside entities, have worked very hard to make sure that we can get to this point without tripping over anything, because let's face it, timeshare is a regulated real estate product. So you have to go through those kinds of things. Then of course, there's the whole communication.; internally communicating and training our associates about what's different about Abound versus what they were selling before. And also how we communicate that to our owners so that they understand what benefits are going to come to them as a result of choosing to avail themselves of the Abound opportunity. Regarding the additional, I think you said incremental costs?

Lori Gustafson:

Mechanics.

Steve Weisz:

To owners, etc.?

Lori Gustafson:

So it's completely additive and there's no incremental cost to an owner. So this is a great, again, value proposition. Another reason to buy, another reason to be part of the Marriott Vacation- I'd say the Marriott Vacation Club's family. As it relates to the technology, it is a journey. We're simultaneously retiring legacy systems and really moving to more modern solutions. You've heard us reference Salesforce numerous times. So we're looking at that across multiple brands, so we're sort of making these product changes at the same time as we're also trying to... I would say leapfrog a bit from some of the legacy technology solutions that we acquired and some of the technical debt that we've had. So that's a key differentiator in this whole process.

We believe it's about a three-year journey for us. We've already begun that, we're about a year into it as we speak and Abound is really sort of the first launch moment, sort of enabling the ability through our reservation systems and our kind of product. And then next, it's really about that omnichannel experience we just talked about. So really moving all the booking- I'd say the booking path and all of our web experiences. Everything moves over so that we have opportunities to continue to innovate and grow.

Unidentified Analyst 2:

Is that one sales motion across all the brands or will they all have their own flavor of Abound?

Steve Weisz:

Let me ask you to repeat the question for the folks on the webcast, please.

Unidentified Analyst 2:

So would that be one sales motion across all the brands or will they each have their own flavor of Abound through Sheraton and Hyatt and Marriott?

Lori Gustafson:

Abound will be consistently presented, but when you go to a Westin Vacation Club... I mean, that's a Westin Vacation Club experience. So we want to keep those resort experiences really distinct. If you are a loyalist to Westin only, that's wonderful. If you want to be able to elect and that's a yearly election, that process that you'll get the opportunity to do, so if you want to participate and kind of jump into the pool one year, but not do it the next? You will also have that option. So it's very much being able to sort of say, okay, I'd like to maybe see what else I can do with my points. And there's a lot that Brian will also speak to about how, from a business perspective, that gives us a lot more flexibility in how we sell our product and how it's- the makeup. So there's some upside into product cost and things of that nature too.

Steve Weisz:

Other ones? Yes. Question right here, please. Thank you.

Unidentified Analyst 3:

Thanks. So you updated guidance this morning based on greater ownership- owner percentage in the business, right? Users. Is there a leading indicator that gives you guys a sense for how long that persists? I know you said 2023 you expect more normal mix in the business. So I just was wondering if there's kind of an indicator that you look at. And then secondly, as you go through that normalization, can you just talk about how that affects the business? Whether it's the VPG's or other KPI's that you guys look at or other things we should think about in terms of the overall profitability?

Steve Weisz:

Yeah, I'll start and John, I'll ask you to chime in. The numbers that you see in our presentation have anticipated the updated guidance that we have announced this morning, so you don't need to layer in anything on top of that to say, "Okay, I've got to add a hundred million or something like it to the base case" as you'll hear Brian talk about in particular, in the areas of VPG's, we believe that while there will be some- I mean, VPG's have been very robust and we've reported that each quarter that we've been going forward.

As you increase the percentage of first time buyers that traditionally have a lower VPG than existing owners, arithmetically you get a little bit of change in the VPG but based on everything that we see at this point in time, based on demand, on what our updated tour flow looks like, and everything else, we expect VPG's to remain reasonably high relative to what they have been in the past. Again, those numbers have been baked into what you see in the presentation in front of you. That was part of your question. I'm sorry if I didn't get to all of it.

Unidentified Analyst 3:

It is okay. I just was wondering if there was something you guys look at? So obviously demand overall, right? But is there a way that you can look at unused points or anything like that that gives you a sense of how much sort of pent up demand we might have from the owner side?

Steve Weisz:

I'll give you a stat for what it's worth, and we update this every quarter. So for instance, one point of reference, as you can appreciate, often times, particularly because of the pandemic, many organizations point back to pre-pandemic 2019 as a reference point. So here's one stat for you. If you look at the reservations that we have on the books for the second half of 2022 for both owners and preview guests, those numbers, those room nights are 14% higher than they were at the same point in time in 2019, looking towards the end of 2019. And 2019 was a pretty good year, right?

We've also looked at those advance bookings into 2023, etc. They look reasonably strong. I'm not going to share with you a number because it's a little early yet for some of the ‘23 stuff, but to say that we hadn't taken that into consideration as we started to put forth in our projections, as we go into ‘23, ‘24 and ‘25, that would be misleading, because we certainly have. Question right here.

Unidentified Analyst 4:

On page 12, you talk about your performance versus HGV and TNL. Can you talk about what you believe is driving that outperformance?

Steve Weisz:

Well, I think the first thing I would point to is the strength of our brands. Nobody has the stable brands that we have, particularly in the upper upscale and luxury segments that we enjoy. I couple that with we're almost 40 years old as a company and we've been to this rodeo a few times and each time we have continued to try to enhance the performance of our sales and marketing organization. And I would put our sales and marketing organization up against anybody in the business in terms of their ability to not only uncover potential prospects, but also get them to a point where we can present the product to them and hopefully make a sale. I think that's what leads us to this and the fact that there was a whole lot of pent up demand during the pandemic. We saw it come running back in the summer of ‘21. In fact had not the Omicron variant reared its head in August of ‘21, we would've even had a better ‘21 than we had, which was a pretty good one, relative to the others. So I think those things coupled together have led us to this outperformance, not to say that- this is not attempted to be a shot at those two organizations at all. It's just facts.

Unidentified Analyst 4:

Thank you.

Steve Weisz:

Okay. I’ve got time for one more question. I got the signal from the back. Any other questions? Either in the room or from the webcast? Okay.

So just a reminder, we're going to take a quick break. I'm going to give you about 15 minutes for your break. So my watch says it's, call it 1:40. So if you could plan on being back at 1:55, I would appreciate it. Then we'll go into the next section, which is about our exchange and third-party management business and our vacation ownership business. We'll have a similar Q and A with Jeanette, Brian and Stephanie. And we'll go through that, then we'll bring Tony up. He'll do the numbers and then all of us will be up here together to answer any further questions you have. So if you said "I should have asked that and it didn't come up," just jot it down, you'll have another shot at it. Okay? All right. We'll see you in 15 minutes. Thank you.

Neal Goldner:

If everybody could find their seats. Hi. If everybody could find their seats, we're about get started in a few minutes.

All right. At this point, it's my pleasure to welcome Jeanette Marbert, our President of Exchange and Third-Party Business. Jeanette.

Jeanette Marbert:

Hi. Good afternoon. I'm Jeanette Marbert, President of MVW's Exchange and Third-party management segment. To begin, I will share an overview of the businesses in our segment, and then focus on the core strengths of our proven business model and those we are leveraging for growth and conclude by providing insight on our strategic growth initiatives.

This segment consists of two businesses: Interval International and Aqua-Aston Hospitality. Interval is an established, well-respected brand in the vacation ownership industry. It operates membership programs for timeshare owners worldwide and provides value- added services to our members, developer clients, homeowner associations, and other affinity groups. Foundational to the Interval business is its exchange network of nearly 3,200 resorts around the globe and the 1.6 million families who are members of this network.

Aqua-Aston Hospitality is a leading resort operator based in Honolulu, Hawaii. It manages full-service resorts, stylish boutique hotels, and condominium resorts to deliver leisure lodging across a broad range of consumer preferences. Aqua-Aston has a strong presence in Hawaii, with most of the managed properties located in the Hawaiian Islands. It operates under its own proprietary brands and also as an approved manager for properties branded by Marriott International, Hilton, and IHG. A key focus for this business is expanding its presence through recognized global hospitality brands.

A key attribute of this segment is that it delivers significant free cash flow back to the company, as its business model is asset-light and its capital needs are low, historically in the range of 1% to 4% of revenues. In addition, a significant portion of its revenue is both recurring and predictable. This is primarily a byproduct of the membership model for the Interval business, which is the majority of the segment's adjusted EBITDA.

Given the significance of the Interval International business to the segment, we'll now dedicate the rest of the time to this business. The Interval exchange business has several compelling attributes and key strengths. I'll touch on each of these items in the coming slides.

First, Interval has a proven business model. Founded in 1976, its focus has always been about quality, affiliating leading resorts in key regional and international destinations. We have maintained strong

multiyear exclusive relationships with resort developers globally, with an average tenure of 18 years among our largest clients. We serve members that own a variety of product structures, including points-based vacation clubs, traditional week-based timesharing, fractional resorts, private residence clubs, and all-inclusive vacation clubs. Through our core exchange memberships, we provide customers with the ability to exchange their usage rights to a particular resort or club for a different resort, hotel accommodations, or other leisure accommodations, such as a cruise or an experiential vacation.

In addition to the ability to exchange, all our membership programs offer leisure travel services, with special member pricing on many of the offerings. We also offer non-exchange membership programs, which leverage all the core capabilities developed for the exchange customer. This has broadened our addressable market.

Second, the Interval business has proven resilient during challenging economic times. During the Great Recession, Interval member revenues grew while industry vacation ownership sales declined. The pandemic also had a well-documented impact on the global travel industry. For the timeshare sector, while U.S. vacation ownership sales were down more than 50% between '19 and '20, Interval fared much better. These demonstrate Interval's resiliency and the stability of its revenue streams. And these revenue streams are both recurring and predictable, with 38% coming from membership fees and 60% generated from predictable transaction revenue due to the prepaid nature of the vacation ownership product.

Additionally, through the pandemic, the segment - driven almost exclusively by Interval - continued to maintain high margins, which is another key strength of the business. Interval and the timeshare sector in general are well-positioned coming out of the pandemic to capitalize on market trends. Timeshare is 100% focused on the leisure segment. Many markets have already returned to pre-pandemic demand and occupancy. This should result in new member growth for Interval as more developers return to their pre-pandemic levels of new member generation.

The Interval global network of resorts includes the top-tier brands of our parent company in addition to quality independents and world-class brands, such as the recently affiliated Disney Vacation Club. Our resort network is comprised of properties that are generally professionally managed with amenities, such as pools or other water features. Many also offer experiences unique to the destination. All of this is in line with consumer trends and preferences, and our membership products help connect customers to these varied travel offerings, helping them make the most of their vacation time.

The Interval business is also highly complementary to vacation ownership business. Owners from our parent company brands make up 39% of our membership base, and the inventory from these upper upscale properties fortify the exchange platform. This high-quality branded inventory when deposited in the network is highly desirable and utilized at a very efficient 96%.

Our customer base is another great strength of the business, with 95% citing exchange as a critical component of their ownership and more than 40% owning multiple weeks, which show the strong affinity to the timeshare product. And these customers are affluent and highly engaged, with 54% of member families with income greater than $100,000 as compared to an industry average of 29%.

I highlighted earlier how important exchange was to our members, and in a recent survey 53% of our members indicated that they intended to exchange within the next year and their predominant preference is to do so via digital channels. These highly engaged members provide Interval with insight that can be utilized to provide more personalized and relevant offers as well as evolve our membership

features. In the coming slides, I will highlight how digital initiatives and data analytics fit into our growth strategy.

Now turning to our strategic growth priorities. Our key initiatives are centered on three priorities that will keep Interval at the forefront of the ever-changing travel market and creates a roadmap to reach a broader target audience. One of Interval's assets is its members. Our ability to make them feel special and address their travel needs will ultimately increase our share of wallet. I'll touch on each of these in detail in the coming slides.

We all want to connect with brands now how and when we want to and increasingly via digital channels. Interval's members are no different. Not only does digital deepen levels of customer engagement, it also presents opportunities for the monetization of new services. Earlier in the presentation, I shared that 50% of our members intend to transact with us through digital channels. Our mobile app was designed so that customers can easily shop and transact with us, featuring a single search engine for exchange or rental, and leverages many of the key features of the smartphone.

Lori also shared the importance of enhancing the digital experience across our enterprise to drive member retention and share of wallet. For Interval, it starts with the ability to map the member journey from the moment they purchase the product to when they become an Interval member. Leveraging enhanced analytics, we will have deeper insight into our customers. This will inform our approach to creating more connected experiences and relevant content. This allows us to better meet customer expectations, which results in enhanced brand perception, deeper member engagement, and increased recurring revenue.

This leads me to our second growth priority, which is increasing wallet share by providing personalized content and products to our members. Just as enhanced analytics will support our digital first strategy, we are also modernizing our approach to data management and customer segmentation. We are currently in the process of upgrading the way we engage our members with Adobe Campaign. This work will allow us to shift from multichannel to omnichannel marketing and provide a seamless customer experience across all channels.

To illustrate, Marcos is an Interval member and a golfer. Because Interval will have greater insight into his preferences and the ability to communicate with him more easily, we will be able to target him and others with similar interest to offer an amazing members-only golf vacation, driving an incremental purchase and growing wallet share.

And we will continue to leverage customer insights to expand our product offerings. Our varied and diverse mix of travel benefits and exchange options were developed by listening to our members needs and their preferences. We have a global member base, and we are currently undergoing a review of our product mix to ensure that we are offering products that both resonate and are relevant in our key markets. By deepening the relationship with our 1.6 million members, we will continue to increase engagement and drive recurring revenue streams, all of which strengthens our core business.

And so while core exchange products continue to be a strategic focus, our third growth strategy involves expanding our business by building out our membership and travel platform to reach a broader audience. To support this initiative, we are using our Leisure Time Passport platform, which was originally developed for the vacation ownership industry. Earlier this year, we relaunched this platform with a dynamic travel and loyalty portal. The platform sources preferential member rates from multiple travel suppliers on travel products, such as hotels, cruise, car, and resort rentals, to find the best available rate at time of booking and usually will reflect a savings below retail rates.

The new loyalty benefit allows the member to earn points, which can then be redeemed toward future bookings. Resort ownership is not required to be a Leisure Time Passport member, and we have a robust pipeline of membership and affinity groups that want to leverage this platform to enhance their own membership programs. The platform can also be customized for clients and be integrated directly into their own membership system. We have laid the foundation for growth and will continue to evolve this platform in the coming years. This product expansion leverages our core strengths, from our customer service expertise to our travel product knowledge, to our strong partnerships and inventory sources and, of course, the insights from our 1.6 million existing members across the globe.

Turning now to the segment's three-year growth outlook, we have highlighted our stable and predictable business model that has repeatedly proven its stability during challenging times. We expect between 3% and 7% compound annual adjusted growth and adjusted EBITDA. The segment will continue to provide significant free cash flow, which will assist in the growth strategy for the entire enterprise.

In summary, we are excited about the future and hope you leave today with a clearer understanding of our core strengths and the opportunities that lie ahead for the Interval business. Interval is a high margin and proven business model. Our products and service complement the core vacation ownership product. And we will continue to invest in product innovation and leverage our core strengths to reach new audiences. With that, I'll turn the stage over to Brian and Stephanie. Thank you.

Brian Miller:

Okay. Good afternoon, everybody. My name is Brian Miller. I'm going to talk to you about our vacation ownership business for the next few minutes, and I'm going to make some specific references to our Marriott-branded portfolio. Then I'm going to ask Stephanie to come up and give you a more specific update on our Hyatt vacation ownership business. Then I'll come back at the end and wrap it up.

The first thing I want to do is remind you of the strength of our current platform. I want to remind you of these five key pillars of our current platform for two reasons. Firstly, they are the primary drivers of our current performance metrics, which are at historic highs. Secondly, they will continue to provide the foundation for our growth over the next few years. So let's get started.

As you've already heard, we have now aligned our five primary Marriott brands into one global points system abound by Marriott Vacations. Owners from all five clubs will now be able to book directly into the entire system of 90 resorts directly with our global points currency. Sheraton and Westin owners will now have access to our expanded experiences, such as cruises, resort homes, exclusive owner events, and much more.

All owners are now on the same ownership ladder, or what we call owner benefit levels. It's a recognition program for how much people own with us. So the more you own, the higher level that you are with us; you're rewarded with higher Marriott Bonvoy status, greater experience access, just as examples. So this now ties it all together for our quality-tier timeshare owners. And I'll talk about what that means a little bit.

Next, I'd like to talk to you about our global footprint. John referenced footprint of our resorts. I kind of look at footprint for VO as comprised of three different areas. The first is our resorts and the number of villas that we have. I mean, obviously the more villas that we have, the more owners that will be staying in those villas, the more rental guests that will be staying in those villas as prospects, and the more our preview package throughput is increased so we can increase our package pipeline.

The second area is marketing presence as part of our footprint. And that's exposure in new and existing markets and increasing that, and I'll talk to that in a few seconds. And lastly is our sales centers. Obviously, they're becoming less important. I'm going to talk about some of our virtual tours as well in a few minutes. But all of our sales centers, they are perpetual, as John said earlier. So we're always looking to upgrade and expand the tour capacity of our existing sales centers. And obviously, when we build a new one in a new market, that increases tour capacity as well. So, historically for the vacation ownership business, increasing the footprint in those three areas has been a key component of growth.

Continuing with footprint growth, you can see here how our brands are represented in some of our key markets globally. You can see here where we already have two markets that have all three quality-tier brands: Scottsdale, Arizona and Kauai in Hawaii. So we have multiple opportunities in existing markets to add our brands for growth. And then we can also always continue to go into new markets, which provide even more robust growth because that expands the marketing component of your footprint as well.

The third strength is our continued focus on our sales process. And while we apply continuous improvement to all aspects of sales, we've created some great virtual capabilities as a result of COVID. Our training, which used to be all face to face for new hires, is now virtual on a global basis and it provides great consistency of delivery. Additionally, virtual sales presentations are now a growing part of our mix. I'll talk a little bit more about this later, but as an example, in our Asia-Pacific region where travel restrictions have continued in many of our key source markets, close to 50% of our sales presentations year to date have been virtual. And I was just with our New York team yesterday morning, and I was even surprised to find out that over 30% of their tours so far this year have been virtual. So it's becoming a bigger part of our mix in all markets.

As you can see, we've also made some great strides in direct marketing. We're leveraging technology across all aspects of our marketing platform. Lori talked about some of these, so I won't be redundant with those. But a big win for us recently has been our increased digital access to the Marriott Bonvoy database. You saw the size of that database, and the quality of that database is fantastic. We now have better campaign-oriented access, which is driving response rates higher and greatly lowering our cost of customer acquisition. We've lowered our tour acquisition cost by over 20% in the last two years in direct marketing channels, and VPGs have increased at the same time, back to the tour quality that Steve was talking about earlier.

Next, our inventory repurchase strategy, which began with points launch in 2010, coupled with a growing number of first-time buyers in our sales mix, has helped to create a very engaged owner base. Every year for Marriott Vacation Club over the last 12 years, we’ve bought back 10,000 to 12,000 legacy week owners and added about the same number of first-time buyers into the owner base. That equates to about 3% to 4% of the base every year converting from a legacy week owner to a highly engaged points owner. The box on the right here shows you the higher level of engagement in numbers. So over the last 12 to 13 years, we’ve taken a legacy week’s owner base and largely converted them to a highly engaged points-based owner group.

Lastly, I’d be remiss if I didn’t discuss the current market dynamics. As John said, our resorts are resonating with customers for rentals and purchase now more than ever. Our customers’ savings and home values have increased substantially over the last couple years. You know, we think there's legs in this. We think our consumers will remain germ aware for some time, so our product's going to continue to resonate. We think the wealth effect is real with our customers. So we believe this environment's

going to continue. Even if we get into a normal kind of recessionary environment, we don't believe it's going to impact our target market, the upper middle class, like it will other elements of the population.

Okay. So how can we build on this solid foundation? Let's look at where we see growth over the next few years. These numbers are meant to be directional, but we feel pretty good about them. For example, two of them, the return of international travel and hotel marketing, is simply getting back to 2019 levels and building on that organically. As Lori mentioned, we have $25 to $50 million of growth opportunities, which we included in this slide in the owner engagement area that she covered. So I won't mention those. And then the combined products represent opportunities in marketing channel expansion and increased in-house penetration as examples. So the total range here, I'll do the math for you, is about $265 to $440 million in contract sales over the next three years.

I mean, John, I think mentioned this earlier. It's no secret that VPGs have been running at historically high levels for the last two years. And there are a lot of reasons for that, which I won't go into because I think we've already talked about them publicly on multiple occasions. But we recognize that we're going to have some headwinds as we begin to grow again and add first-time buyers to the mix. But all the items on the right-hand side there, some of which I've already talked about, should help us keep VPGs at a fairly high level. They may subside some this year as we increase tour flow with a higher mix of first-time buyers. They close at a lower rate. We all know that. But we expect they will stay well above 2019 levels into '23 and beyond.

John talked about our strong resort occupancy numbers. We expect them to stay above 90% for the rest of the year, as demand is projected to remain strong. March and April this year, we ran over 95% domestically in North America, which, I mean, just getting the inventory lined up to run 95% across 100 resorts is pretty hard to do. So we got very strong demand. And we think ADR growth may subside some due to stronger comps, but we expect continued strength, particularly in our prime destination and beach locations. And additionally, most of our urban markets have rebounded nicely as well.

We've talked a little bit about how this new product Abound by Marriott Vacations will work for Marriott owners and the Westin and Sheraton owners. But it also creates additional marketing opportunities in many markets. So for example, we can now market in multiple hotel brands in a market. So take New York here. We're just marketing in Marriott hotels. We've got a Marriott Vacation Club sales center and project. We can now go put a Westin Vacation Club desk in the Westin hotel in Times Square, or any other Sheraton or Westin product in the market, and we can bring that person through a Westin-branded process and they'll be presented the Abound product, which will give them access to Westin Vacation Club products as part of the sales process. And any owner now of any of these brands can now tour in the same sales center. And whatever they already own or whatever they purchase is going to be additive now because we've aligned the products on the owner benefit levels like I talked about earlier. So it's really going to give us a lot of greater penetration in existing markets.

Lastly, virtual presentations are now opening new channel and sales opportunities on a global basis as I've already mentioned. This was probably our most important innovation from 2020 and the pandemic. The biggest win we're getting with it is it's helping us increase penetration in our in-house channel. Those of you that are close to our business know our in-house channel is about 50% of our business. So any minor uptick in penetration there is going to help us quite a bit. It also allows for new program development. For example, we now book 90-minute sales presentations from our marketing call center directly into our central telesales team, and it's working great. You know, as you can imagine, efficiencies are a little bit less than a face-to-face tour, but the costs are also a lot less too. So it's a very efficient process. So we expect this to become a larger component of our plan over time.

So I'll come back in a few minutes, but with that, I would like to introduce Stephanie to talk about our plans for our Hyatt brand.

Stephanie Sobeck Butera:

Great. Thank you, Brian. So I'm excited to talk to you today about Hyatt Vacation Ownership. Through the presentation, I'll refer to it as HVO.

As you may know, MVW has owned HVO since the acquisition of ILG in 2018. Our initial focus was the integration of the Sheraton and Westin brands as well as Interval International. In 2021, MVW announced the strategic acquisition of Welk Resorts, which was a perfect opportunity to jumpstart the growth strategy for the HVO business. This also allowed us to utilize all of the learnings that we gained from the ILG acquisition.

Over the past 16 months, I have had the exciting opportunity to lead the HVO team in both the integration and rebranding of the Welk Resorts, lay the groundwork for the future growth plan, and develop the operating model for Hyatt Vacation Ownership.

On April 1, 2022, a year after we acquired Welk, we completed the first phase of integration and rebranding and successfully introduced the Hyatt Vacation Club Platinum Program. During that time, we had many accomplishments, including: we affiliated the Welk Resorts to Interval International, we removed “Welk” from the resorts, moved them onto the Hyatt.com platform from a rentals perspective, and then we integrated them with the World of Hyatt Program. The team is now working on the next phase of the HVO evolution, which includes alignments of processes, standards, and experience across the HVO business, creating a master exchange, which will allow owners to utilize all the HVO properties throughout the system using a common currency while adding owner benefits.

The HVO business is a classic example of changing the tires on the car as it drives down the road at 100 miles an hour. Concurrently with integration and rebranding efforts, we are working out to set the foundation for the HVO business that provides the opportunity for future growth in an efficient and cost-effective manner and continue to perform successfully every day. Here are the four key growth drivers to our future success that I will discuss with you today.

Turning now to our first growth driver. One of the great things about HVO being owned by MVW is that we have been in the business for almost 40 years and therefore there's many best practices that we can leverage to benefit HVO. These include improving the quality of tours, implementing changes in our tour pipeline - which include income qualifications - the addition of Hyatt loyalists, developing training programs similar to MVW's longstanding best in class programs to set sales and marketing teams up for sales excellence, expanding telesales and our virtual tour technology to meet the changing needs and scheduling of today's customers and grow our sales distribution footprint.

On the next growth driver we are currently selling two different products - platinum and portfolio - from 11 galleries. As I mentioned, we are working on a master exchange option that will allow usage across the HVO resorts using points, which we are working to roll out in 2023.

This will expand our owners’ usage options. This is similar to the work that is culminating on the Marriott Vacation Club side of the business through Abound. There is also work on the future product for sales, which we are estimating to roll out in 2024, which will be a single unified product that we will be able to sell in all of our sales galleries.

The third growth driver, once we have sold through most of the remaining inventory and rolled out the unified product we will continue to grow the brand footprint. There are extensive opportunities for the HVO growth. We have large timeshare markets that HVO doesn't have a presence today, like Orlando. There's markets with adjacent Hyatt hotels, where we get the benefits of having marketing opportunity through linkage, potential integration agreements, and opportunities to share amenities and costs. This map highlights the many areas that we are currently located in, but more importantly, it illustrates the areas that there is growth potential. With each of these opportunities comes a new sales distribution which helps us expand our footprint.

The final, but equally important growth driver, is focusing on development profit improvement. This includes optimization of new channels and reducing other less efficient channels in order to increase margin and top line sales. Currently, we are working on several programs, two of the most notable being call transfer pilot. This program has been successfully used in our other brands, and the initial result from the HVO pilot has been very positive. We are currently working with Hyatt corporation to make this a permanent program.

Additionally, there is a focus on our trial program which we call Access. This program has been successful within our business, allowing us to capture customers who tour, but don't purchase on an interest at that time. These programs will help increase Hyatt loyalists into our galleries, thereby increasing closing percentage, which drives down marketing and sales costs, while reducing reliance on the less effective marketing channels that are expensive. These changes together should result in an estimated development profit improvement of $15 to $25 million over the next three years.

As you've heard, there's a lot going on within HVO over the next several years. And there's incredible opportunity in this segment of our business. We expect to complete phase two of the integration by 2023. We're working on increasing both sales and development margin through new and efficient marketing and sales channels. We are unveiling new usage benefits for owners, which will reignite excitement for the product. And we are pursuing several opportunities for new resorts and sales locations. I'm incredibly excited about the future of HVO and look forward to updating you in the future on our progress. Now I'll turn it back to Brian.

Brian Miller:

Thank you, Stephanie. Definitely exciting times for Hyatt Vacation Ownership. So we've talked about our great foundation that we have in our business, our Vacation Ownership business, we've talked about our plans for growth with our world class brands and products. So we think all this is going to allow us to achieve a 7% to 10% compounded annual growth rate on contract sales and a 6% to 10% CAGR on adjusted EBITDA over the next three years.

So in summary, I can boil down our focus to three primary areas. First, we're going to utilize our brands to increase marketing opportunities and expand our development strategy. Secondly, from improved digital marketing to Salesforce implementation, we are applying technology across the business. And lastly, our product evolution coupled with our strategies for owner engagement like increasing first time buyers and implementing Salesforce will drive continued growth from our owner base. So that's it for Vacation Ownership. Now we're going to turn to a Q and A session again, moderated by Steve.

Steve Weisz:

Okay. Everybody knows the drill. So if you have a question, raise your hand, we'll get you a mic and we'll try to make sure we answer anything that's on your mind. Chris.

Chris Woronka:

So I think you mentioned a 20% reduction in acquisition costs for new tours over the last two years. Maybe you can give us a little bit of additional color on how you've been able to do that, but also can that playbook work? How do you adjust it? If we see some economic related weakness where new customers are more hesitant to take a tour, how would you respond to that?

Brian Miller:

Well, can't take credit for all of it. Part of it has been- our response has been so strong with travel demand being up it's just made our direct marketing more cost effective. But we have modernized our call center dramatically, just implemented Salesforce in the call center. So we're bringing the ability to sell all of our brands' packages on the same platform. We've refined our digital marketing so we've been able to have a lot more success on social media and Google with digital marketing, which has been lower cost. And just in general, we took the opportunity during the downturn, like Steve mentioned, getting rid of some OPC channels and things.

We also got rid of a lot of marginally cost effective direct marketing programs. And we just stuck with the ones that are working best. And we switched database providers to Merkel and they're providing great assistance and advanced analytics on our program. So there's a lot of levers that we've been pushing over the last couple years. We didn't slow down during the downturn. That now let us come out of the blocks here with this travel demand to be a lot more cost effective. And what was the second part? Was it, does that have application where?

Chris Woronka:

Yeah. Second part will just be, can you re-pivot if we have some economic weakness and becomes easier or harder to get the first timers in. Can you still keep acquisition costs down or how do you pivot back?

Brian Miller:

Yeah. Again, we're direct marketers so we don't have a big media spend out there that we have to keep. So if we're not getting the response levels that we need to be cost effective, we can dial back our spending. If we're not getting the tour flow that we want, we can dial it up and just deal with a slightly higher cost of acquisition. We manage it in our overall mix. Marketing's about 12% to 13% of our cost of sale. So if it went up 10%, it's not the end of the world. And if we can continue to retain the VPGs that we're achieving, then we'll cover it.

Steve Weisz:

Okay. Patrick, mic coming to you.

C. Patrick Scholes:

Thank you. In this morning's press release where you raised the full your guidance. You had noted high owner usage at your existing Vacation Ownership resorts. Does that limited- want to say limited, unoccupied units, does that change how you think about the need for new development going forward?

Steve Weisz:

Yeah, I'll take a shot and then invite anybody else to chime in. We have about $600 million worth of excess inventory today on our balance sheet, that's a kind of a combination of several things. One, inventory that we acquired partially because of the Welk acquisition, some residual inventory left over from the ILG acquisition. Plus coupled with the fact that we were building in 2019, for example, we were building into what we thought was going to be the sales velocity for ‘20 and ‘21, etc. Obviously, that fell off, we still had a number of projects that were in some stage of completion, and so we completed that. I think what will happen here is obviously as sales continue to be robust, we will hopefully burn through that $600 million quicker. And as a result of that, we will be back looking for new resort additions, etc..

We'll try to do all of that in a capital light fashion, where we're essentially renting somebody else's balance sheet. So we time the cost of the inventory to our sales velocity. And the other thing we'll look to do is to try to do it in markets where we don't have a sales presence today. So we then establish a permanent sales distribution channel in those locations.

So I think there's a couple of different things at work here, but that should give you some indication of where it is. I will also say to you that we have built into the numbers that you've seen in front of you, some already capital money that we’re putting in to begin starting to identify those new locations because it takes three, four, sometimes five years to bring a new project online from the time that you identify the opportunity until you actually are able to open the doors.

C. Patrick Scholes:

Thank you.

Brian Miller:

And Steve, can I also add to that. 2022 is a bit of an anomaly year in terms of owner demand, because we had a lot of people that didn't get a vacation in 2020 and we gave them points; replacement points that had a shorter booking window. So we're getting unusually high owner demand this year. All those points expire at the end of ‘22.

C. Patrick Scholes:

Okay. Thank you. Another question. Have you been raising the interest rates that you are charging your buyers or what have been the latest trends on that?

Brian Miller:

Yeah. We just- did we already raise them, Tony? Or we made the decision to?

Tony Terry:

We made the decision.

Brian Miller:

Yeah. I think in the next month we're going to increase them a little bit, but it's just marginally. We've got sophisticated buyers who have access to capital. Our average coupon rates are in the 13%-13.5% range. So that's not overly attractive to our clients, but we incent them to take our financing and a good 55% of them, 60% of them do. So it's good business as you know, for us. But no, I don't think we're not going to be able to do it in conjunction with the cost of funds that we're seeing in the market. So we think our customer can maybe- another half a point or point we might be able to get over the next year or so, but that's about it.

Steve Weisz:

It's the blessing and a curse of dealing in the tier that we deal in with: a relatively sophisticated buyer. Oftentimes in the timeshare business, a timeshare customer would take a look at financing and simply, "what's the cost of the monthly payment?" Our folks have a tendency to actually look at the disclosure agreements and everything else and find out. And they reach kind of a, I don't know, philosophical ouch point when you get further up the tier, because they say, "Hey, you know what? I have the wherewithal to write you a check but instead of taking your financing, I'll write you the check." Well, by holding that coupon rate a little lower than what maybe some others would do, you're still getting a pretty meaningful spread between the cost of funds and what your coupon rate is. If you in fact, continue to raise it and drive that person into writing a check, you get zero money on the financing side.

So it's kind of a delicate balance. We have probably done 25 different experiments that I have seen in my years that I've been with a company where we tried to do this or do this. We've tried to say, well, 0% financing for six months and all the other things that go along with that. We think we pretty much understand how this works, but your point, I think is the obvious one, which is that as the base rate goes up, obviously it does affect our spread a little bit.

At the end of the day, we think it's all manageable because as you continue to drive additional contract sales through the top, if you still keep that same financing propensity, call it roughly 50% to 60%, you're still getting incremental volume coming through. So your financing revenues don't suffer as much as you think it would be.

C. Patrick Scholes:

Thank you.

Steve Weisz:

Thank you.

Jared Shojaian:

Yeah. Question on the- I think when we did this three years ago, you gave the same contract sales and EBITDA growth targets, but you broke down the four areas of the VO segment, like development, financing, rental, and management with a EBITDA CAGR. I was curious if you could do that now, or at least qualitatively what those four areas would grow at over the next few years.

Steve Weisz:

Yeah. I think maybe you might want to just hold that question until you see Tony's presentation. I think he can get to some of that for you. If we don't lay it out exactly as you'd like, we can certainly come back to you with what you're looking for. I mean, here's the reality, when we did an Investor Day in October 2019, a lot has changed since then. The point I tried to make in my opening remarks was that when you look at the contract sales number, at least if you take the high end of our guidance that we issued this morning, we're at least at the low end of what you would've thought you would've seen in the 2019.

And I actually think that's fairly remarkable. I think if we took a survey of people and asked, "what did you think that would be?" I don't think anybody ever come close. But keep your question if you don't mind. When you see Tony's, if we don't get the rest of it answered for you, we'll come back to you.

Jared Shojaian:

Sure. And then just to follow up on his question on the financing, you said, yes, the rate might come down- or the spread might come down that you're earning against the cost. But if people have the same financing propensity and you grow the sales, the top line might grow. Do you think that the EBITDA or the profit from financing will grow over this time?

Steve Weisz:

Well...

Jared Shojaian:

Like in absolute dollars.

Steve Weisz:

So if you think, keep in mind, we've got quite a substantial portfolio of mortgages that's already been out there and that's not going to get affected by what's going on. But as you think about it, if where we used to make a thousand basis points between our coupon rate and the cost of funds, let's say that comes down to 900 or 800 basis points, your per mortgage profit will come down.

Couple that with the fact that as sales continue to accelerate, you've got more sales taking a mortgage. So on a pure numerical basis, you may not have as much of a dip. On a per mortgage basis, yes, you will see a decline. There's an ebb and flow to all of this, we've seen this before. I mean, let's face it, when we were doing securitization at one and a half percent cost of funds as recently as last fall, that was extraordinarily low historically from where it's been, and we didn't lower the coupon rate then, we just made more money. So as things go the other way, you take a little less, but over time, it basically evens out.

Jared Shojaian:

Thanks.

Steve Weisz:

Other questions? Right here.

Unidentified analyst 5:

Hi. Thank you. You had that slide showing that VPGs are up pretty significantly from 2019 and there's a number of reasons for that. But my question is, have you increased prices relative to 2019 in terms of like, just points that you're selling? I don't think you have, but can you confirm that? And I know there's elasticity here and ideally you want more owners because then they're going to be contributing more money over the lifetime. But are we at optimal prices where you're selling your timeshare points today or do you think there's a lever to pull where you should be raising prices on these point sales?

Brian Miller:

Well, if you go back to our long-range plan in 2019, we had essentially a 3% annual price increase - kind of slightly above inflation - built into our model. We obviously discounted pricing heavily in 2020 in order to reignite sales from a direct sales standpoint, since then, we've increased our price. We're actually at the end of this year, we'll be ahead of that long range of plan and pricing from 2019.

So yes, we have increased prices back. In this inflationary environment, we got to keep looking at it. Tony's going to talk about impact of inflation on our business. And there's not a huge impact on our business right now because don't have really much in construction or anything like that. So it's really just labor cost, much of which is borne by the COA. So we're going to keep looking at it, but we don't feel like we need to overreact to the inflationary environment.

We've got above a 3% price increase in play this year. And we think it's in a good spot. We don't feel like we- You could argue, we could charge more now that we're launching Abound and bringing the products together. At the other side of that equation is you don't want to kill the golden goose either. Our VPGs are running really high, people are perceiving a good value proposition. You don't want to get- Our margins are close to 30%, have been over 30%, you don't want to get too greedy.

Unidentified analyst 5:

So just for some context, can you tell us how much higher are your prices today versus 2019? It sounds like it's not that much higher, but I mean, leisure, ADRs are something like 30% higher than 2019. So help me think about that difference. I mean, are you seeing that at the negotiating table where buyers are more excited about the value proposition because they're owning their vacation at a significant discount relative to like where ADRs historically are? How does that kind of factor in?

Brian Miller:

Well, I mean, customers aren't being overly effusive about how cheap our product is and we still only sell about 20% of them. So it's not flying off the shelf if you will, but no, we feel good about the pricing strategy. We'll probably by the end of this year be about 11% to 12% points pricing above 2019 levels. So we've kept that steady, planned increase going again; again, dip in ‘20 and more aggressively increased pricing in ‘21 and ‘22.

Steve Weisz:

Where you typically would see consumer reaction to pricing, all other things being equal, would be in your closing rates. If you took your pricing up to a point where now there's some higher degree of sensitivity, your closing rates would drop. We have not seen that thus far. Now, you might say, “well, can't you raise it a little bit more?” And we're maybe a little different than some others in this business.

We believe very strongly in price integrity. The only difference between our stated price per point and something someone might pay is if they agree to buy a lot more, we can discount it a little bit.

There are others in the industry that employ the tactic, which I call shoot high and fade fast; put out a number and if somebody reacts to it, “oh, well, I'll drop and I'll drop and I'll drop and I'll drop.” We don't do that. So we've always believed in a more modest annual price increase when we can, because we believe in the long term that gives us the best possible results. Obviously if the inflationary environment continues in the way that it is and there are other mitigating factors that would suggest that we should be more aggressive in raising prices, we'll do that.

Neal, what have you got?

Neal Goldner:

Okay. So Jeanette, this one's probably for you. “Abound sounds really compelling. However, conceptually, this makes the exchange platform less desirable, presumably, as you can now move throughout the system seamlessly. One, am I thinking about this correctly and two, in your guidance, did you include a slight drag on exchange profit in the deck? It looks like there is some EBITDA growth embedded.”

Jeanette Marbert:

I didn't hear the end.

Neal Goldner:

“And number two, in your guidance, did you include a slight drag on exchange because in the deck it looks like there are some EBITDA growth embedded….”

Jeanette Marbert:

Okay. I think I got it. Clearly, I don't think it makes the exchange platform less attractive, which I think was what the question was. But we do anticipate that there are transactions today that are occurring between the Westin to Marriott properties, for example, that have an external exchange fee attached to them. So certainly when Abound gets launched, that will be an internal transaction and we won't be getting a fee for that. We still have obviously a lot of other destinations and there's still- in terms of our overall network the customers still want to go places that we don't currently have as part of the club. And then I think the second part was about our guidance. And so we took obviously into consideration the launch of Abound. We still see opportunities for growth in the exchange business and that's what's reflected in the outlook that we put forward.

Steve Weisz:

Okay. All right. Yeah. Shawn.

Shaun Kolnick:

Just a couple of questions. What percentage of your owners do you expect to take up on the new Aboard program?

Steve Weisz:

Abound? Abound, yeah. Well, that's a great question because it is totally elective. There's no price to join Abound. So it literally is just adding another use right to your ownership level. I would tell you that when we first went to points, there's an analogy here, which I'll try to draw it to the two together.

When we first went to points in 2010, we thought, well, everybody's going to sign up for points because it's just adding another use right. The reality is that still to this date, maybe 40% of our owners plus or minus have never gone to points. That's because they are very resort centric. "Hey, I always go to Hilton Head every year. I always go to the same resort every year and as a result, I don't see any need or desire to join the points program." Because there is a club fee to be a member of the points program.

I wouldn't be surprised if there will be some people that - particularly on the VSE side with the Sheraton and Westin side - that don't elect to get into Abound, that's clearly their option. We're not going to legislate it, we're not going to mandate it. It'll be up to them. I think upon further reflection, I think people will start to see, "aha. Yeah, I think there's value here." The other thing to remember is that as we continue to go forward becoming a member of Abound or having that option will be part of every new sale going forward. So I think you'll see it happen, but I don't expect it to be everybody immediately.

Shaun Kolnick:

Got it. And then just one on the mix of marketing. You have call transfer, email, social media. Are there any big changes that you're expecting over the next three years versus prior?

Steve Weisz:

Brian?

Brian Miller:

Well, in terms of our primary channels, I would expect that digital marketing that I spoke about will become a larger percentage. It's not a very large percentage today. I mentioned the greater access that we've gotten with Bonvoy and I kind of throw- because that's kind of digital marketing to the Bonvoy database, I'll throw that in there too. That's going to make digital become a much, much bigger piece of our marketing mix, no question. And then the other thing that's kind of, again, we're just starting to understand, is the capabilities that we're going to have with these virtual tours and how that'll allow us to find new channels or expand existing ones, like I mentioned. I mentioned the in-house example.

So people that stay with us for one or two nights don't really have time to take a tour, so we don't really even market to them. Now we can set up a- They can stay with us for two nights, we still get in front of them, and we'll set up a presentation at their home a week later. They still had just stayed at our resort, they were in the ether, they experienced it, everything else, and we can increase penetration there. So I think there's multiple ways that we're going to be able to increase existing channels. And digital is definitely going to become a big part of the mix.

Shaun Kolnick:

That deeper penetration with Bonvoy. Was that something that you needed Marriott to come around to or was that contractual? What happened to change that?

Brian Miller:

Yeah. So when we spun off from Marriott, we did a license agreement with all of our marketing access and we probably just maybe at the time weren't as aggressive on what we needed from an email, digital standpoint. When we bought ILG, the Starwood Vacation Ownership group had a licensing agreement with Marriott that gave it a lot more access digitally to the Bonvoy database. So just recently our legal team has been harmonizing those two license agreements so we only have one with Marriott, and that work's pretty much done as part of that harmonization of the marketing component of it. They gave us the additional access that they were giving to the Westin and Sheraton brands. So it was a big win.

Steve Weisz:

Okay. I think we may have time for one more question if there are any more out there. Okay. All right. 15 minutes, it's 2:55 if you could be back here around 3:10, we'll pick back up with- We're going to bring in the big closer; Tony will be up here to talk about the numbers. Okay. We'll see you then.

Neal Goldner:

Okay. If everybody can take their seats again. Great. Okay.

It's my pleasure to welcome Tony Terry, our CFO.

Tony Terry:

Okay. You might want to see the presentation. Right, got the thumbs up now? All right.

All right. Now that you've had the chance to hear from our team. I'm going to take you through our business model and discuss how it will deliver our growth outlook and create longer term value.

Starting with our compelling business model. As Steve indicated, we are 100% leisure focused with some of the most powerful and trusted brands in the industry, in addition to over 120 vacation ownership resorts and nearly 3,200 affiliated resorts. In short, our business model simply cannot be replicated. Our investments in our people, products, and technology are propelling our business and will drive growth well into the future. And our disciplined approach to manage cost and capital expenditures has allowed us to produce high margins and considerable cash flow, enabling us to grow the business as well as repurchase shares and provide a recurring dividend.

Now, most of you have seen this slide before, but it's still a very fair representation of one of the strengths of our highly resilient business model. With the acquisition of ILG, we significantly increased our scale and further diversified our revenue streams. And with that diversification comes margin improvement, given the higher flow through of the exchange of management fee revenues. Even more importantly, a greater proportion of our revenues come from parts of the business that we consider to be more recurring or sticky in nature. Even as we look to continue to grow contract sales and development profit, which can be a more variable revenue stream, we still expect a large portion of adjusted EBITDA to be recurring and predictable and shouldn't drop materially from the 40% that you see here. Now, notwithstanding the variability of the development profit stream I was talking about, we have seen impressive resiliency in this part of the business during the pandemic and post-recessionary periods.

So, on the next couple of slides, let's address two issues that we are frequently asked about. What happens if we experience a recession in the next 6 to 12 months, or what happens if inflation continues?

To start, we believe that we are in a strong position to withstand a normal recessionary environment due to the following. We have a resilient consumer base with above average household income levels and higher than average net worth. In addition, since our owners have prepaid their vacations, they tend to use their time, keeping our resorts full and the exchange business busy. And with 85% of our sales occurring on site and our ability to offer discounts or enhance purchase incentives, as long as our resorts are full, we have the opportunity to continue to produce tours and to make sales. Besides our $230 million of convertible notes and our Waikiki deal, which we expect to structure in a capital efficient arrangement.

We have no material inventory or debt commitments for the next few years. Finally, given the higher default rates experienced during COVID-19 pandemic, we believe that this actually accelerated notes that would've otherwise defaulted at some point in the future, strengthening the remaining notes receivable pool on our balance sheet. Though we hope for the best for the economic future of the industry and for the country in total, given all these facts, we believe that we can weather a downturn.

Now turning to the second issue, the impact of inflationary pressures. We believe that our company is a little more insulated than many others from the potential negative impacts of inflation. With our affluent owner base and enhanced value proposition from higher hotel rates, rising prices are less impactful on our vacation ownership business. In addition, our exchange business has few inflationary pressures as the underlying information technology infrastructure and systems are stable. Wages and other expenses at the property level are mostly born by the homeowners associations, while many of our marketing and sales positions are commissioned and incentive oriented based on production.

And given our excess inventory, we have little construction underway, limiting our exposure to the inflation on the development side of the business for the next few years. We always have the ability to drive price per point as well as higher pricing in the ancillary and rental business, allowing us the potential to offset higher costs in those business lines should we choose to do so. And although increases in the abs cost of funds only impact future securitizations, we do have some ability to raise consumer lending rates. So, although not totally immune to higher inflation, our business model does have some natural mitigants. Now, from an adjusted EBITDA to free cash flow conversion rate standpoint, we have historically delivered a range of 55% to 60%. However, with $600 million of excess inventory, high margins, and attractive capital structure, we expect an elevated conversion rate of between 65% to 70% through 2025.

As we cycle through the excess inventory, we expect the conversion rate to remain elevated over the next four to five years. As an update on our synergy savings, during the last investor day, we communicated and expected $125 million of savings by the end of 2021. Although we lost some time due to the COVID-19 pandemic, we steadily increase the savings estimate to $200 million over the past couple of years, expecting to deliver $75 million in additional synergies over our 2019 Investor Day estimate. To date, we have completed $160 million of synergies with another $15 to $20 million of in the year, run rate savings during 2022 and the remainder to be delivered in 2023.

We have a pretty incredible margin story in our business with future adjusted EBITDA margin expected to be in a significantly stronger position than during the pre-pandemic period. Adjusted development profit margin is expected to grow 600 basis points from 2019 to 2025, driven by the 7% to 10% contract sales growth as we maintain strong VPGs, leverage our fixed cost, and continue to increase tours. However, with the recent trend of rising interest rates, we expect financing profit margin to narrow due to the higher cost of funds on our future securitization deals, but we do expect financing profit to continue to increase as we grow our top line sales. Rental profit margin will improve slightly as we

maintain strong occupancy levels and drive ADR growth. And our management in exchange profit margin will also improve modestly as available inventory, management fees, and product pricing all continue to increase.

Now, let's review the growth outlook for the company. We were excited to announce this morning that we raised our contract sales guidance by $100 million for the full year 2022, based on the strength that we are seeing in our marketing and sales metrics. Even in light of this material increase to our guidance, we still expect contract sales to grow at a three-year compounded annual growth rate of 7% to 10% through 2025 from the midpoint of the 2022 updated guidance. This growth is driven by several factors including maintaining higher VPGs and year over year pricing, the continued recovery of international and the expansion of our hotel marketing programs, the expected benefits from technology enabled leads and combined product form, and growth in our Hyatt vacation ownership business. Given the contract sales, projections, and revenue increases in other lines of business, we expect total revenues, excluding cost reimbursements, to grow in the 6% to 8% range by 2025 from the midpoint of 2022.

We also expect the revenue growth, just discussed, to result in a robust adjusted EBITDA and adjusted free cash flow. Adjusted EBITDA is projected to grow to between $1.1 and $1.2 billion in 2025 or 7% to 11% annual annually from the midpoint of the 2022 range. And as discussed previously, with a strong adjusted EBITDA to adjusted free cash flow conversion rate, we also project to grow adjusted free cash flow to between $750 and $900 million in 2025 or 6% to 12% annually from the midpoint of the 2022 range, providing even more liquidity to continue our growth.

Now, focusing on our segments, it'll be no surprise that we expect to see higher growth in the vacation ownership segment versus the moderate growth I expected in the exchange in third-party management segment. Adjusted EBITDA for each segment is growing roughly in line with the revenue growth at the low end of the range while the high end of the range also anticipates some margin expansion. This results in an expected 6% to 10% adjusted EBITDA growth rate for vacation ownership while exchange in third-party management adjusted EBITDA will grow in the 3% to 7% range. Leveraging our G&A cost as our top line expands and achieving further cost reductions will drive total adjusted EBITDA growth rates in the 7% to 11% range, slightly higher than the individual segments.

Now, let's discuss how strong cash flow is driving value creation. MVW currently has the benefit of a stable, conservative, and flexible balance sheet. Specific to our corporate debt, as I mentioned previously, we have no near-term debt maturities other than the $230 million of convertible notes due this year. And with almost $750 million of remaining capacity on our revolver that carries a variable interest rate of about 3.1%. We have ample flexibility in our capital structure. In addition, we are afforded some protection against rising interest rates since approximately 90% of our corporate debt is effectively fixed with a 3.3% interest rate. Besides having minimal debt maturing prior to 2025, you can also see that we don't have a lot of capital commitments in the near term as well. We generally try to target around one and a half to two years of inventory on hand to avoid a stockout in our points clubs.

However, we accumulated excess inventory as part of the ILG and Welk acquisitions while also experiencing fewer sales due to the pandemic, which led to the buildup of over five years of inventory on hand. The good news is that we believe this inventory balance will normalize to one and a half to two years on hand by 2025. This is directly a result of the low inventory commitments over the next three and a half years, insisting primarily of Waikiki, low-cost reacquired inventory, and about $175 million of expenditures for future development projects with the goal to add new locations as we structure deals in a capital efficient manner, which will push the majority of the inventory spending past 2025.

As we've mentioned previously, our consistent and disciplined approach to capital allocation provides us for a strong adjusted free cash flow conversion. We expect to deliver accumulative $3.9 to $4.3 billion of adjusted EBITDA for the four years ending in 2025, translating to $2.6 to $3.1 billion over the same period in adjusted free cash flow or a 65% to 70% conversion rate.

This assumes limited inventory spending and another $400 million of other CapEx spending on items such as sales centers and technology projects. At the end of the day, we could have $2.4 to $3.8 billion of cash available to return to shareholders after adjusting for some non-routine cash items, including $155 to $180 million in excess non-strategic asset dispositions up to $900 million of additional leverage capacity, assuming two and a half to three times leverage on the low and high end of our adjusted EBITDA range, and payment of about $175 million of integration and transformation cost over the timeframe of which the majority is expected to fall within 2022.

This $2.4 billion to $3.8 billion of cash available is a significant amount and can be used to further accelerate the company's growth, support strategic mergers and acquisitions, or return cash to shareholders through share purchases and dividends. Just to put this in perspective - and these numbers keep changing on me - at the high end of our cash available range this represents over 70% of our existing market cap, and that was done a couple days ago at $130 a share, so we have to really keep going back and recalculating that, but today it's probably closer in the 75% to 80% range given the market the last couple days.

So, I trust this discussion was helpful in showing you our overall growth strategy for the business. In summary, some key highlights to wrap up. We have transformed our product through investments in technology, which in turn fuels growth and provides margin improvement. We have created a diversified, resilient business model that produces high margins and extensive free cash flows. This business model better positions us to weather the next economic downturn. We have a disciplined approach to driving growth and free cash flow and returning capital to shareholders. And lastly, our success to date, and especially how quickly we recovered from the pandemic, should provide everyone some comfort in terms of achieving our longer-term strategy and delivering strong financial results well into the future.

Thank you for your time this afternoon and your interest in Marriot Vacations Worldwide. I invite our speakers back onto the stage, and now we'll open it up for questions with Steve as moderator again. So, come on up.

Steve Weisz:

Okay, it's free fire zone. You can either fire anything at Tony or any of the rest of us that are up here. So, who wants to start off? Patrick.

C. Patrick Scholes:

Question for Tony on the existing securitizations out there. What, I would say, over the last, maybe, two months have you seen in the propensity for the class, let's say, C and D, or even A and B notes for those to pay? Have you seen any change in that?

Tony Terry:

Yeah, we haven't seen any changes in any of our tranches in the notes, they're done pro rata so the A and B, C and D, they all perform similarly. Right now, at the end of Q1, I think we reported out that our

delinquencies were at pre-pandemic lows. Default rates were still at pre-pandemic lows, and nothing to date has changed in that. So, from how our notes are performing, all of them are performing just as well as they were back in the pre-pandemic timeframe, and there's nothing recently that has made us change that opinion. So, everything's looking good.

C. Patrick Scholes:

No uptick in the last 10 days or anything?

Tony Terry:

No, not at this point. Nothing that we could see, nothing measurable that we've seen.

C. Patrick Scholes:

Thank you.

Steve Weisz:

Next question.

Tony Terry:

That presentation nailed it, right? That's about everything.

Steve Weisz:

Jared? Okay.

Jared Shojaian:

Thanks. Yeah. The 7% to 10% contract sales growth, do you think you could break that down, the drivers of it? What are you assuming for conversion and average package pricing?

Tony Terry:

Yeah. I think Brian's presentation gave you a little bit of "here's some of the drivers." There's a lot of different levers that you could push and pull, but in general, when you look at it, maintaining high VPGs is going to be a big driver of that contract sales growth going forward, recovery of a lot of the tours that quite haven't recovered yet is another big part; Asia Pacific isn't back all the way, our urban markets aren't back all the way, we are still not penetrating exactly into our in-house business as we were before, package sales are all ramping up.

So, if you start looking at all those different pieces of it, all that is going to be driving the growth. And plus higher owner engagement as Brian and Lori were talking about with the new technology coming in, being able to convert owners better is really going to help drive those ranges. And so, if we get higher than expected engagement and higher than expected closing efficiencies and able to target our customers better, then we're going to hit up at that high end of the range. You know? So we're hoping for that. I don't know if you had anything to add on that, Brian?

Brian Miller:

No, that pretty much covered it. So it's always a combination of VPG growth and tour growth and finding new channels and things. So I think that pretty well covers it.

Jared Shojaian:

Maybe a different way of asking, what is conversion today or what was it in 2019, the last pre-COVID year? And if you were to get to the low end or high end or midpoint of the guide, what do you think it would be at?

Brian Miller:

Conversion, you're talking closing percentage?

Jared Shojaian:

Yeah.

John Geller:

Closing, it's higher. We're doing much better. We don't disclose the absolute closing efficiency number. We never have. We've always talked about it pre-COVID more in that mid-teens range, if you will, and it's gotten better. A lot of the improvements you're seeing in VPG are higher closing efficiencies. I mean, that's the end game.

Brian Miller:

We don't talk about it because it's like talking about just like occupancy on the hotel side. Without the other side of it, it's just an interesting number.

Steve Weisz:

Jared?

Jared Shojaian:

Maybe a question for you, Tony. In your slide, showing the cash available over the next four years, you have these three buckets, organic growth, strategic M&A, and then return of capital to shareholders. And then, John, I think you even talked early on about evaluating M&A opportunities. Is there much to do out there on the M&A side? And as you think about your stock and where it is today, how do you view any M&A opportunity versus just repurchasing a ton of stock over the next several years? And if you could also comment on when you become unrestricted on your blackout to start buying back stock again.

Steve Weisz:

Yeah. Let me start at a high-level, and then I'm going to invite John, Tony, and others to come in. We have always said that in order of priority, finding ways to grow the business, either organically or through M&A is the best and highest use of cash that we can do. In the absence of either one of those,

then, obviously, we're going to look to return cash to shareholders because we don't get any merit badges for carrying a lot of cash around in our balance sheet.

When you think about the M&A side of things, it's not lost on you that there been a number of large timeshare transactions over the last several years where there has been some consolidation. There's probably one more out there that could fall at some point in time. To be honest with you, that's in a tier that probably wouldn't have a lot of interest to us, to be frank.

But there are other things, what I'll call them, Welk-like. This is where you have privately held, call it short chains and independents, where the principals may be looking for some liquidity event because of their aging or whatever it is. This was the case in the Welk transaction. They had had a very successful run but based on the ownership interest in the Welk family, they decided they wanted to monetize their asset.

So if there were - and there are a couple of candidates out there that you might think about, none of which have raised their hand yet and said, "I'm interested," - but if that were to come along and it was Welk-like in terms of the quality of the product and the customer segments they do business with, I think you could anticipate that we would take a serious look at that and try to see if there was something that could be both accretive to our shareholders and be a nice fit in the portfolio. So that's how we think about acquisitions, but I don't know. Anybody wants to add anything else to that?

John Geller:

Yeah, I agree. I think we've always- and like everything in life, it's a bit of a balance. There will be opportunities that'll come. I expect, to Steve's point, there are not going to be ILG-type opportunities as I see them because, for us, it's all about us leveraging our existing brands. So you're looking for stuff in the upper upscale, maybe luxury, in the higher end, that you can use. Like we talked about, we got the seven of the best brands in the business. How do you leverage that, the synergies, grow the platform, add new branded owners because you're going to rebrand it like we did in Welk. That's the opportunity. And there'll be continued consolidation. And we continue to look at those opportunities as they come along. But if it doesn't have the right cultural fit, if it's not the right business model for us, we're not going to do it either.

And then, for us, like we've always done, I think we've been pretty judicious about returning excess capital to shareholders. When the stock price is down, we try and get more aggressive and buy back shares. And so, clearly, an opportunity today, as we sit here, is where the stock price is at, but the right opportunity goes along, we can grow the business. Hopefully, we've shown as a management team that we've been successful doing that with ILG. We're not there- Stephanie talked about all the great stuff we're doing with Welk, we're not 100% there, but it's the same playbook.

I was talking to somebody earlier, we don't get asked this question anymore, but remember when we bought Vistana, VPGs at Vistana were 25% lower. I was looking at our year-to-date sales flash. The legacy Vistana, it's not completely apples to apples, was a couple bucks higher than our legacy MVW VPGs. Now, some of that is stuff that we've done to take out the lower-yielding channels, things we talked about, the OPC locations, etc. But a lot of it is leveraging our knowhow that Brian talked about on the marketing and sales side, proven formulas of selling a product, the brands, all that stuff, so that's clearly going to continue to be stuff we look at.

Steve Weisz:

And Jared, I'm sorry. Was the other half of your question, what happens with blackout dates, etc.?

Jared Shojaian:

That's right. I imagine with the analyst day and maybe your retirement, there's been some restrictions. Can you start buying stock tomorrow?

Tony Terry:

Well, at the end of the first quarter, we had $350 million, I think, left on our authorization from the board to go purchase stock. And we did what, $119 million of stock repurchases in Q1 at what, $140 bucks in change a share? And we're trading today a lot lower than that, so that should probably give you an answer.

Jared Shojaian:

Right, but in terms of, when there's blackouts, are you able...

Tony Terry:

Blackouts will probably be over next week, Tuesday. I think the market's closed Monday.

Jared Shojaian:

Got it. Okay. Thank you.

Steve Weisz:

Yes, Shawn.

Shaun Kolnick:

Can you maybe characterize the disposition proceeds and what type of assets are in there? Because you just disposed VRI for $60 million but the number still looks pretty high to me. And maybe if market conditions still allow you to dispose of those as you previously planned?

Tony Terry:

So the disposition, the non-strategic assets that we're talking about?

Shaun Kolnick:

Yeah, the $155 to $180 million.

Tony Terry:

Yeah, that does include VRI because it was a 2022 to 2025 range, so that might be throwing you off a little bit. And then the other big assets in there, we got a couple hotels that were purchased as part of the ILG acquisition, that, strategically, we don't really need new, more inventory in those specific

locations. They were part of the deal, came along. So we're working on disposing of those. And there is a retail complex over in Arizona that we're looking at monetizing as well. We're not in the retail business. No need to take that on or keep it. So those are going to be the four big things that are in those buckets there.

Steve Weisz:

Any other questions? Neal, you got one?

Neal Goldner:

I have a few. I'll do them one at a time. This is a follow-up to John's comment. “I think you suggested that in previous recessions, this is before '08, '09, back when the industry grew contract sales - I guess through recessions - is the difference between previous cycles and '08, '09 access to the securitization market?”

John Geller:

Yeah. If you go back, and I was just joining, from a securitization market, we were still part of Marriott back in '08, '09. The market did close for a period of time, but in previous recessions, there was no market disruption from a securitization. I'm guessing our interest rates were market level in terms of probably 4%, 5%. I mean it wasn't until recently that you started to see rates in the 2%, 1.5% range on the securitization, given the overall markets. We've always said on a more normalized basis, I would expect our securitization borrowing rates to be in the 3% to 4%, they'll normalize up and down. We'll push rates, like we talked about, where we can, a little bit here or there, but the excess spreads are strong. You're getting 98 cents on the dollar back.

And even when the market closed back in '09, Marriott did a deal. We were part of Marriott with one of our lenders mainly to show, like a lot of businesses at that time, if you remember, that you had access to capital. The overnight markets were shut down. It was a crazy time. Marriott wanted to show that it had access, and it did. And the terms weren't great. We refinanced that, call it six months, seven months later in the term market. And while the advance rates weren't back to the 98%, and I think the all-in cost of funds were in the low 4%s, and so it was probably more in the 90% advance rate, which, obviously has gotten better at a 98%. So, from a securitization market, that's the only time I'm aware of that it was ever closed down. And that was a financial crisis-type environment, but it wasn't very long.

And then, obviously, we have our warehouse facility, which is insurance at some level. We use it occasionally, but it is there. If there was ever some level of disruption, that we have access to warehouse those notes for a period of time, too, until the market would come back to more normalized levels.

Brian Miller:

Yeah, and the other piece is the impact on the consumer as well. And a lot of you are younger in here. I've been in this business 37 years. I think I've been through five recessions. Unfortunately, the last two recessions have been pretty devastating to the consumer, but recessions before that really didn't impact the upper-middle class - our target market - very much. They're not the ones who lose their jobs. Their home values didn't go down. Their savings didn't go down. It really affects people maybe in lower socioeconomic realms. So, again, if we have a normal recession coming next, that's why we think we can continue to grow the business through it.

Steve Weisz:

You got another one, Neal?

Neal Goldner:

Sure. So this one, "I think Brian gave the example of putting a Westin and Sheraton marketing desk in hotels in New York, which you were not doing previously. So how many more marketing desks would it make sense to add? And background, can you remind us a difference between a marketing desk and a sales center?"

Brian Miller:

Right. So a marketing desk simply, in a hotel, is just that we run the concierge department for the hotel and, at the same time as we're servicing people we'll see if they want to take a tour of our sales center in the market. So, I mean, I don't have off hand- I mean, if you go to all the markets that we're in, Marriott's got a lot of hotel brands in every market. Every market, I guess it seems like they dominate just about every market in the country, but we've got, probably in the next few years, dozens and dozens of opportunities to expand in our existing markets in other Marriott branded hotels. And then, obviously, the difference between that and a sales center, a sales center is where we actually take those tours and make sales. So they're very distinct operations, but we can definitely expand our footprint in our existing market.

John Geller:

An example, we were in Vegas recently, where we've got the Marriott Vacation Club right there on the Strip. And there's a couple Westins in Las Vegas. We've never done a marketing desk into those Westins. Now, because of bringing the portfolio together, those are the opportunities: to put a marketing desk in and bring people in because you're selling a combined product, if you will, and access to the Westin brands through the new Abound program. So that's a specific example, but we do think there's going to be a lot of those opportunities. And, a lot of times, those marketing desks, too, they're not even for day tours. They're selling packages that are- people come back later and take a tour with their significant other. So it's just another way to access that loyal Marriott branded customer.

Steve Weisz:

And not all hotels are great candidates for a marketing desk. As an example, because if you have a hotel that has a high convention mix, typically speaking, that's not a very rich, targeted environment for us to try to source packages out of. So you have to look at each one individually. You have to look at things like hotel ownership. Keep in mind, Marriott doesn't own these hotels, individual hotel owners own them. And then you have to go negotiate some sort of a presence with them and all the other things. It gets a little more complicated than that, but by virtue of having Abound, and now wrapping these programs together, I think our opportunities grow exponentially. Any other questions? Shawn?

Shaun Kolnick:

I guess in the context of the recessionary question, you most likely lean on your owners a bit more, just like you did during COVID. So how do you feel about the propensity of your current owners? Do you feel like you have enough buffer there in terms of selling them more?

Steve Weisz:

Have we tapped them out? Is that your question?

Shaun Kolnick:

That's the question. Yes.

Steve Weisz:

Yeah. Okay. Brian, answer. I'll say, in general, while clearly in '20 and '21, we had a higher percentage of our sales to our existing owners wanting to buy more of the product, I've seen no particular evidence that all of a sudden everybody's bought everything they want to do. Put that together with, now Abound - particularly in the Sheraton and in the Westin space - where now those owners, which have been basically restricted unless they went out through Interval to get to someplace else, they've been restricted to that brand, now let's say the opportunity go elsewhere. I actually think it's probably better than it was before. Only time will tell, but we'll see. Brian, you, comments?

Brian Miller:

Well, remember the slide I showed on how we're buying back legacy weeks and selling in first-time buyer points owners and continuing to enroll people in points? Our owner base continues to become more engaged. And you saw the higher propensity to tour and higher propensity to buy when they're playing in points versus legacy weeks, so that's going to continue. And now, bringing Westin and Sheraton owners now into the overall mix with Abound, we think is going to increase their engagement and their enrollment and election into points on an annual basis, too.

So we still got, I mean our owner base, we've always, over the last 30 years, the runway just continues to go. They continue to add to their portfolio. When they get to the point where they've owned it for 30 years and they're 75 and not vacationing as much anymore, we buy it back from them, take it back from them, however we do it, and bring in younger buyers. So it's pretty resilient.

Shaun Kolnick:

Got it. I guess last one for me, maybe just on the Hyatt/Welk integration. What are you hearing from your Hyatt owners about maybe having the Welk available to them or the Welk owners about being a part of Hyatt, and how are they feeling about this future?

Stephanie Sobeck Butera:

Both of the brands- or both of those groups of owners have been looking for new vacation options for a long time. So the opportunity that we have to give them each other's locations, they're very comparable properties. They're very high-end in complementary markets. So it's going to be a great fit, but beyond that, we're going to add new vacation options for them that neither of them have had, either. So I think it's going to be great because we're going to- for each set, we're going to be putting new dots on the map, but we're also going to give them other ways to go out and enjoy what they own with us.

Steve Weisz:

Anybody got anything else? Right over here.

Madeleine Morris:

Just looking at the slide 115. Wow. That's a long book, it's just interesting. You don't often see sort of the low-end of adjusted EBITDA growth lower than the actual revenue. So in other words, the 7% to 9% and then the 6% to 10% on the vacation ownership growth, just wondering what's the scenario where you're growing vacation ownership 7%, but you're actually delivering and you're growing EBITDA 6%?

Tony Terry:

No, that's a great question. It's really, it comes into the cost and are we going to get all the savings that we expect to get in the future? So if you start, if you look at the range of revenue and if you get that low end of the range of revenue, and then you don't quite get the expansion of the margins that you expect to get, it could drive you a little bit lower over on the adjusted EBITDA side.

Madeleine Morris:

But the reason why you wouldn't get the margins is really on the cost side then or something on the synergies that you guys have?

Tony Terry:

Yeah. And there's only, synergies are left just a little bit in there, but yeah, for the most part, that's going to be it.

Steve Weisz:

Anything else?

Jared Shojaian:

The slide about the inventory cost versus actual spend and how you get down to one and a half to two years by the end of 2025, how does that compare to what you'd call normal inventory on hand? Are you still over inventoried by then? Or is that normal?

Tony Terry:

Oh, the one and a half to two times?

Jared Shojaian:

Yeah.

Tony Terry:

That's normalized, and that's what we target consistently over the past few years or past multiple years. So once we're at that level, we try to maintain that. It's really because with our point structure and our products, they're in a trust, and we can't just take inventory and slap it into the trust real quick. We have to go through a process of registration, getting it registered in all the different states. So you have to have a decent amount of inventory on hand, ready to go in there, that are in that registration timeframe at some point in time so that you don't get into a stockout situation.

So you have a little bit of a long lead time. But that one and a half to two times, if it starts getting lower than that, you start running the risk that, hey, there's a potential stockout that situation that you could get in. We could probably run it leaner if we chose to, but probably don't want to take that kind of business risk.

Jared Shojaian:

So you'd think that, after that point, we should model the expense about equal to the cash cost?

Tony Terry:

Correct.

Jared Shojaian:

And then, when you were talking about that pie chart, 30% of EBITDA is from the development profit, and you said you've seen resiliency there. I was curious how you would break down that development profit between what you'd call purely discretionary versus, I don't know. This family had another kid, so they need another room in their place when they go vacationing or some non-discretionary piece, but of development profit, how you would think about that?

Tony Terry:

The development profit's all transactional, so I'm not sure I'm following the question with part discretionary or non-discretionary?

Jared Shojaian:

It's all discretionary, but maybe the reason for purchasing? Something...

Steve Weisz:

Well, development profit is contract sales, financially reported sales, minus sales and marketing cost, minus product cost which is the hard cost. So were you saying what portion of the hard cost is discretionary?

Jared Shojaian:

Not of the cost of the profit. Understanding that it's all discretionary, but thinking about people's reasons for purchasing, is there a part that you would call- I don't know how to describe it, but where they're not doing it- Maybe it’s new versus repeat?

Tony Terry:

I think I know where you’re going. At a high level, and then maybe Brian can jump in a little bit. When you start looking at why owners purchase, it’s starting to get to that value proposition that we talked about before. And if I’m going to spend $400 bucks a night in two hotel rooms, and I'm going to bring my family, they're going to be there. And you start, saying that's for a week, $800 bucks a night for a

week, $5,600, or we could purchase this, you got a $25,000, $28,000 upfront purchase and maybe a $1,500 maintenance fee, that value proposition starts coming together.

So a lot of people purchase because that's a good proposition for them, and they think, economically, it makes sense. Other people purchase because they like the space. You have a full kitchen. You got all the amenities and everything about our product, so people make that kind of decision. And then you have people purchasing because they want to do more with the points that they have. So I have 2,000 points, but maybe that doesn't get me a full week in Hawaii, so I reload and get more points. So those are some of the major reasons why people purchase.

John Geller:

Yeah, why people buy, but you also have to remember, I don't know if you're married and have kids. I mean, we're selling vacation experiences, and we talked about our great locations around the world. Vacation, it's an emotional purchase at some level. People want to go on vacations. They want to make memories with their families. I always say, and it's a bit mushy, but I think back at the things I remember as a kid. We went on camping trips. We didn't have vacation ownership and all that. They're still my most vivid memories I have with my parents and my brother and my sister are vacation experiences. And so, I think as you get older, that's what people want to build.

And does the value proposition need to make sense? Sure. No one's going to buy our product that they don't feel- But value's different to everybody. Why does somebody buy a Rolex versus a Timex watch? They both tell time. So there's that emotional stuff that comes into the purchase. And in today's world, more than ever, people need a break. They want vacation experiences. We're providing that. And so, I do think, a lot of times, you can't put a dollar or a reason on stuff other than people want to create a tradition with their family, experiences that are going to create those memories of a lifetime.

Tony Terry:

We do have levers that we pull during a recessionary period, that either you can get a better purchase incentive, or we discount the pricing. And a lot of people, our owners, will look at that as a bargain if we discount 10% more or something like that. So that helps us keep the machine going as well during a recessionary period. If we find that's one of the levers we have to pull, some people look at that as a bargain opportunity to get in, repurchase, get some more points and enhance their overall value.

Jared Shojaian:

If I look at the last normal year, say 2019, of the development profit, how much was from new first-time purchases, new buyer versus existing?

Tony Terry:

Back then it was in the 35% range, up to 35% to 40% range, were first-time buyers back in 2019.

Jared Shojaian:

Okay.

Steve Weisz:

Okay. Neal, you have another one from the web?

Neal Goldner:

I do. I have a Hyatt question. "You talked about unified HVO product in 2024. Can we quickly run through what this means and why it is important?"

Stephanie Sobeck Butera:

Sure. So, as I mentioned, we, today, are selling two different trust products. So we're selling what we call Portfolio and Platinum. So we have different sales galleries that are selling those specific products. So what we're talking about is, by the time we get to '24, actually having a single product that all of our sales galleries sell.

And what that'll enable us to do- we'll be sold out of our other properties by then. We have excess inventory right now in those two trusts. Once we sell those out, and we put all of our sales guns pointing at one trust, it allows for that development opportunities to really continue to start kicking in because we really get to move a lot of inventory, and we get to have a unified and single experience in all the sales galleries. So when we have the master exchange that we'll be entering into in '23, and then that new product in '24, we'll have a single HVO, full HVO experience from a sales perspective and from an owner perspective.

Steve Weisz:

Okay. I'm trying to get you out of here on our appointed time, so if we have time for maybe one more question, if there is one out there?

Going once, going twice, okay. Let me close by saying we hope that you found today to be both informative, and quite frankly, we'd like to hear your feedback as we do these Investor Days. We'd like to hear what you have to think about how we did and things we can improve or do more of or less of. So tell us what you think with a quick two to three minute anonymous survey. The survey is going to be open through June 22nd, and there's this QR link and code that I think you have in your decks there, if I'm not mistaken. And we'll also send a follow-up email shortly as well.

And before we close, I'd like to reiterate today's key messages. We have a compelling business model that generates consistent and substantial adjusted EBITDA and free cash flow. And that's why we are now well positioned to continue our growth story. We transitioned our business through investments in technology while simultaneously delivering even more synergies than we told you at our last Investor Day. We expect to generate 7% to 11% compound annual adjusted EBITDA growth from 2022 through 2025. And we have a clear growth strategy to get there. And we have a dedicated team of seasoned leaders that have a clear path that continue to deliver even more growth for many years to come.

I want to personally thank you for your interest in Marriott Vacations Worldwide, and for attending today. We wish you continued health and treasured time with family and friends. Stay safe and enjoy your next vacation. Thank you.