Marriott Vacations Worldwide Corporation
Fourth Quarter 2021 Earnings
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Presenters
Neal Goldner - Investor Relations
Steve Weisz - Chief Executive Officer
John Geller - President
Anthony Terry - Executive Vice President & Chief Financial Officer

Q&A Participants
Patrick Scholes - Truist Securities
Chris Woronka - Deutsche Bank
Farshid Javar - Jefferies

Operator
Greetings, welcome to Marriott Vacations Worldwide Fourth Quarter 2021 Earnings Call. At this time, all participants will be in a listen-only mode. A brief question-and-answer session will follow the formal presentation.

If anyone should require operator assistance during the conference, please press "*", "0" from your telephone keypad.

Please note, this conference is being recorded.

At this time, I'll turn the conference over to Neal Goldner, Vice President of Investor Relations. Neal, you may now begin.

Neal Goldner
Thank you, Rob, and welcome to Marriott Vacations Worldwide fourth quarter 2021 earnings conference call. I am joined today by Steve Weisz, Chief Executive Officer our President, John Geller and Tony Terry, our new Executive Vice President and Chief Financial Officer.

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

Forward-looking statements in the press release that we issued last night and the presentation we issued to our website this morning, as well as our comments on this call are effective only when made and will not be updated, as actual events unfold. Throughout the call, we will make references to non-GAAP financial information. You can find a reconciliation of non-GAAP financial measures referred to in our remarks in the schedules attached to our press release, as well as Investor Relations page of our website at ir.mvwc.com.

It's now my pleasure to turn the call over to CEO, Steve Weisz.

Stephen Weisz
Thanks, Neal. Good morning, everyone, and thank you for joining our fourth quarter earnings call. At the start of 2020, I couldn't have imagined we still be navigating the landscape we have, over the past two years. But despite the continued challenges of the COVID pandemic, the past two years proved people still enjoy going on vacation, arguably now more than ever.

It also shows we have a resilient business model that's leisure focused and that our owners, members and guests value the time they spend with us.

I couldn't be prouder of our associates, continued dedication to our owners, guests and each other and how our organization performed this past year, culminating with our highest quarterly adjusted EBITDA, since being spun off more than 10 years ago.

As you know, we have a long history of supporting philanthropic efforts such as Children's Miracle Network Hospitals, Clean the World, and our Harvest for Hunger campaign. With that in mind, I'm very happy to say we are making exciting commitment with Make-A-Wish to offer unique villa stays and other memorable vacation experiences for deserving children and their families.

We all know how vacations are restorative and invigorating. And we are honored to share our vacation destinations and experiences with those who need them, most.

With a strong recovery in our business, we were able to restart our long-standing history of returning excess cash to shareholders returning nearly $100 million in the fourth quarter, including repurchasing nearly $74 million of our common stock and reinstating our dividend at pre-pandemic levels.

And last week, our board approved a 15% increase to our quarterly dividend to $0.62 per share, and increased our share repurchase authorization, bringing our remaining capacity to approximately $445 million.

Looking ahead, we see continued strength in our business and our products, which we expect will enable us to drive strong growth and free cash flow this year and for years to come.

Before I turn the call over to John and Tony, I'd like to share what I think are some of the highlights of the quarter, and I'll start with our vacation ownership business.

Occupancies were again very strong, despite the emergence of the Omicron variant late in the quarter, illustrating peoples' desire to go on vacation.

In fact, many of our North American resorts had occupancies in line with or better than 2019. For example, we ran over 95% occupancy in Hawaii and our Florida beach resorts for the quarter.

Occupancy in our Desert resorts, which include Phoenix, Scottsdale and Palm Desert exceeded 90%. Orlando another large market for us ran over 85% and a couple of our urban locations have also come back nicely with San Diego running 85% occupancy and Boston running nearly 95%.

With domestic occupancy averaging nearly 90% in the quarter, strong sequential tour growth and VPG 23% higher than two years ago, we delivered $406 million in contract sales, exceeding 2019 levels for the first time since the pandemic began.

First-time buyers represented 28% of contract sales, which was a 600-basis point improvement from last year's fourth quarter.

As I've mentioned in the past, growing first-time buyers is a key part of our overall strategy, as they historically double their revenue contribution, within the first five years of ownership. So, I'm excited to see the progress we're making in this area.

In addition, our digital booking tool that enables guests to buy preview packages online, and in many cases book their vacation dates, is now live and positively impacting our package sales growth.

We're also making good progress integrating Welk into our Hyatt vacation ownership business. Interval International successfully welcomed Welk owners as members, effective January 1. Our plan to rebrand Welk's points program to Hyatt in the second quarter is progressing. This will enable our former Welk sales centers to start selling a Hyatt branded vacation ownership product.

In the second quarter, the resorts are also expected to be added to the Hyatt Reservation System, giving us the ability to list our rental inventory on hyatt.com. We also plan to implement new owner benefits, including enabling Welk owners the ability to trade their points for World of Hyatt points and, later this year, we will begin rebranding the individual resorts which we expect to complete, next year.

So, 2022 is looking to be very busy but exciting, an exciting year for our Hyatt business.

Moving to our Exchange and Third-Party Management business, in December, we announced an exciting new agreement affiliating Disney Vacation Club with Interval. With its nearly 270,000 members, Disney Vacation Club is one of the largest brands names in the vacation ownership business.

And this agreement further solidifies Interval's position as the premier exchange company in the industry, representing some of the highest quality and most sought-after resorts in the business.

Interval also welcomed more than 38,000 new Welk members in January, as well as nearly 12,000 new members from El Cid resorts. Interval also entered into a long-term agreement with RCD Hotels to affiliate their newest project, Nobu Residences Los Cabos, which is expected to open later this year.

So, let's talk about the coming year. Our marketing team continues to do a great job growing our tour package pipeline. We ended the year with nearly 224,000 tours in our pipeline, which was 5% higher than where we stood at the end of the third quarter and roughly in line with year-end 2019.

This puts us in a great position to drive tours and sales, this year.

In a recent CNBC survey, 70% of leisure travelers said they plan to spend more money on travel in 2022 than they have in any of the past five years. In a separate Expedia survey, 81% of people said they plan to take at least one vacation with family members this year and two-thirds of our owner surveys said they're likely to travel in the next three months.

If the past two years have proven anything, it’s that people appreciate their time with family and friends and want to go on vacation. As a company whose sole purpose is providing travelers great vacation experiences, we couldn't be in a better position.

We also have a lot of new things we've been working on to grow our business long-term, which we will discuss in more detail during our June 17 Investor Day.

From launching a new unified product combining our Westin, Marriott and Sheraton branded products into one new offering, to investing to provide more personalized experiences for our customer, to using data analytics in new and exciting ways to further enhance our business, we are in a great position to grow our company this year and for many years to come.

With that, I'll turn the call over to John.

John Geller
Thanks Steve and good morning, everyone. Today, I'm going to review our fourth quarter results and highlight the continued strong recovery we've seen across our businesses.

After that, I'll turn the call over to Tony to discuss the strength of our balance sheet and liquidity position and discuss our 2022 expectations.

Starting with our vacation ownership business, despite the emergence of the Omicron variant in the fourth quarter, occupancies remained very strong, averaging nearly 90% for the quarter, despite lower occupancies at our European and Asian resorts and tours grew sequentially.

With our product continuing to resonate very well with customers and our tour channel optimization work, VPG increased slightly, on a sequential basis and remained well above pre-pandemic levels.

As a result, we ended the year on a strong note, growing contract sales by 7%, sequentially, in the fourth quarter to $406 million, exceeding our 2019 levels for the first time, since the pandemic started.

We grew adjusted development profit by 13%, sequentially, to $111 million. Adjusted development profit margin expanded, sequentially, by 160 basis points to 31%, the highest margin in our 10 years since becoming a public company, highlighting the benefits of more efficient marketing and sales spending, lower inventory costs and our synergy savings.

Turning to our vacation ownership rental business, as I've mentioned previously, as the pandemic progressed and leisure travel began to return, we chose to allocate more of our rental keys to owners and make sure they had ample opportunity to get on vacation.

But despite that, we grew rental profit by 26% to $32 million in the quarter with average revenue per key, increasing 14% sequentially. The stickier revenue businesses within our vacation ownership segment also performed well in the quarter.

Resort management revenue increased 1%, compared to the third quarter, however, profit declined $8 million, as we wrote off $7 million of management fee receivables related to our capital efficient arrangement in San Francisco, one of our few locations that has not fully recovered from COVID.

Excluding that, resort management profit would have been relatively flat, compared to the third quarter and margin would have been roughly 56%. And financing profit increased 26% from the prior year, primarily due to the inclusion of Welk.

As a result, total adjusted EBITDA in our vacation ownership segment increased 8%, sequentially, to $234 million. The quarter benefited from strong contract sales growth and adjusted development margins, higher rental profit, and the impact of our business transformation initiatives, enabling us to deliver margins that were a 130 basis points higher than two years ago.

The quarter also benefited from the additional Welk, which contributed $27 million of contract sales and $14 million of adjusted EBITDA in the fourth quarter.

Turning to the exchange in third party management segment, active members at Interval declined slightly on a sequential basis and average revenue per member was largely unchanged.

As a result, adjusted EBITDA at our exchange in third-party management segment declined roughly $4 million, sequentially.

Looking forward with the addition of Disney, Welk, and El Cid members that join Interval in January, we expect to see solid growth in our exchange and third-party management segment, this year.

Finally, our corporate G&A expense remained relatively in line with the third quarter, as we continue to closely manage our expenses.

For the total company, adjusted EBITDA increased 6% in the quarter on a sequential basis to $219 million and margin improved nearly 250 basis points, compared to the fourth quarter of 2019, demonstrating the strength of our leisure focused business model and the benefits of our synergy and transformation initiatives.

With that, I'll turn the call over to Tony to discuss our balance sheet, cash flow and 2022 guidance. Tony.

Anthony Terry
Thanks, John and good morning, everyone. I, too, am very happy with our strong results, this quarter.

Starting with our balance sheet. We ended the year with nearly $1.1 billion in liquidity, including $342 million of cash, gross notes receivable eligible for a securitization of $113 million and almost $600 million of available capacity under our revolver. We also had $4.5 billion of debt outstanding, including $1.9 billion of non-recourse debt related to our securitized notes receivable.

Given our strong performance, in October, we repaid $250 million of our six and an eighth percent notes due in 2025. We also returned nearly $100 million in cash to shareholders in the fourth quarter, including the repurchase of $74 million of our shares and paying our first dividends, since the pandemic started.

In addition, we use $59 million of cash to acquire the remaining San Francisco units, fulfilling our commitment for this capital efficient arrangement.

Now let's turn to our 2022 guidance. As you saw in our press release last night, despite the softness we experienced in January and early February due to Omicron, we expect full-year contract sales to grow 22% to 29% this year, compared to 2021, with growth coming from a combination of higher tours and continued strong VPG.

With that growth, our channel optimization work and our ability to leverage fixed marketing and sales costs, I would expect our adjusted development margin to remain well above 2019 levels, this year.

Moving to our rental business, given the strong leisure travel demand environment, we expect transient keys rented and average revenue per key to be up, compared to last year. This should drive a year-over-year increase in our rental profit.

However, similar to last year, we do expect to allocate a portion of our rental inventory for owner use to provide them with increased opportunity to book their vacation.

In our financing business, with our notes balance currently approaching our average note balance for 2019 and contract sales expected to grow double-digits this year, financing profit should increase by more than 15%, compared to last year.

In our exchange and third-party management segment, the addition of Disney Vacation Club, Welk and El Cid brought us over 300,000 new Interval members at the beginning of this year, a more than 20% increase, compared to where we ended in 2021.

With average revenue per member expected to remain relatively flat, compared to last year, we expect our exchange and third-party management segment to post mid-teens adjusted EBITDA growth, this year.

In total, we expect to generate $860 million to $920 million of adjusted EBITDA this year, or more than 35% year-over-year growth at the midpoint, and just as importantly, 17% higher than 2019.

With that, we expect adjusted EBITDA margins to improve roughly 250 basis points, compared to last year at the midpoint of the range, with the biggest increases expected to come from our rental and development businesses.

Our adjusted EBITDA guidance also includes roughly $25 million to $30 million of incremental in the year synergy savings, as we work to achieve our total $200 million run rate savings.

Inflation is obviously in the news today. So, let me spend a few minutes talking about the impact of inflation on our business. Generally speaking, higher inflation is not good for the consumer or the economy, as a whole, since it can decrease purchasing power.

However, our business has some natural mitigants against inflation. For example, our target customer has a median annual income of around $130,000 and a self-reported net worth of around $1.5 million, so, their disposable income is typically less impacted.

Wages and other expenses at the property level are borne by the homeowners' associations, while many of our marketing and sales positions are commissioned and incentive oriented, based on production.

We have the ability to drive price per point, as well as higher pricing in our ancillary and rental businesses, allowing us to offset the potential impact to our margins in a higher cost environment.

In addition, higher pricing in the rental business often translates to a better value proposition to our customer, given the increased cost of alternative products. We have ample inventory on the balance sheet, the ability to reacquire low-cost inventory, and no material construction, underway.

So our exposure to inflation on the development side of the business is limited over the next few years. And from an interest expense perspective, roughly 90% of our funding corporate debt is fixed and increases in ABS cost would only impact future issuances.

So, while we're not completely immune from higher inflation, our exposure is manageable.

While we are not providing quarterly guidance, we do expect the softness we saw towards the beginning of the quarter, due to Omicron, to impact our first quarter results.

It's also important to remember that, given the normal seasonality and contract sales growth, our first and second quarters are typically negatively impacted by revenue reportability. For example, in first quarter 2019, our adjusted EBITDA was negatively impacted by $21 million of reportability.

And for this year's first quarter, I would expect it to be in a similar range. As a reminder, this is only timing, as a revenue and profit will get reported as we go through the year with most of the deferral being recovered in the fourth quarter.

I would also like to point out that our guidance includes the adoption of a new accounting standard regarding convertible debt, requiring us to change our accounting for convertible notes and impacting the calculation of diluted earnings per share.

As a result, diluted earnings per share no longer includes imputed interest on the convertible notes and assumes the $805 million notes were converted into shares of common stock on January 1, 2022.

This results in the addition of approximately, 5 million shares of common stock to the diluted earnings per share calculation and in excess of $30 million and lower interest expense.

With the strong adjusted EBITDA growth, we're expecting this year, we should generate substantial free cash flow. We ended 2021 with nearly $600 million of excess inventory, and we expect to spend more than $100 million on reacquired low-cost inventory, this year.

In addition, given our previously reported pay down of outstanding debt, we expect our 2022 cash interest expense to be around $20 million lower than 2019. As a result, we expect our free cash flow conversion to be in the 65% to 70% range this year, and we expect to generate adjusted free cash flow of between $560 million and $640 million, highlighting the continued benefits of our capital efficient development model and the benefit of our excess inventory.

Outside of our normal free cash flow, we still have roughly $100 million to $125 million of potential cash proceeds from non-strategic real estate assets that we're working to dispose of, over the next couple of years.

Consistent with our past approach, we will look to use free cash flow to invest in growing the business, organically, or through strategic acquisitions.

In the absence of compelling acquisitions, our best use of excess free cash flow remains returning capital to shareholders through dividends and share repurchases.

In summary, we finished the year strong, and we expect 2022 to be a strong growth year for the company. As always, we appreciate your interest in Marriott Vacations Worldwide.

With that, we will be happy to answer your questions. Operator.

Operator
Thank you. We will now be conducting a question-and-answer session. If you'd like to ask a question, today, please press "*", "1" from your telephone keypad, and a confirmation tone will indicate your line is in the question queue. You may press "*", "2" if you'd like to remove your question from the queue. For participants that are using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys.

One moment, please, while we pull for questions.

Thank you. And our first question will be coming from the line of Patrick Scholes with Truist Securities. Please proceed with your question.

Stephen Weisz
Hi, Patrick

Patrick Scholes
Good morning, everyone. Several questions here. I know, you folks have talked about, in the past the trajectory of VPG, going down. Tony, is that still the case here, going forward? You know, how should we think about that, trajectory over the next several years. Thank you.

Stephen Weisz
Arithmetically, one would assume that, as you increase the number of first-time buyers, which traditionally have a lower VPG than existing owners, that when you mix that all together, you get a reduction in VPG.

I will say to you that we have been expecting that turn, to materialize, even as early as the second half of last year and into the first part of this year. And it has not happened. I mean, even though our first-time buyer sales have grown very nicely, we still maintain a very robust VPG with our existing owners.

And, oh, by the way, the first-time buyer VPG has actually grown. So, between those two things, it is not dropped. I would expect, however, that as we get through more first-time buyers and a higher percentage of the mix as we go further, that you'll see some decline. However, we fully expect that, VPG for the full year, will still materially outpace what we did in 2019.

Patrick Scholes
Okay, thank you. And them, just, a question regarding the share count as it relates to the convertibles. you know, the implied share counts for this year backing into it is about 48.6 million.

You do have some convertibles that expire, roll-off this year, the 2022s. What would that if we're going to be modeling, say '23 or '24 EPS, what would the implied share count be, once those 22s expire because you still have the, I think it's a 2026 is left in there.

John Geller
Yes, the impact of the 22s, I think, is about 1.7 million shares. So, in total, there’s about 5 million due to the change in the accounting rules of shares that go into our diluted. The remainder, to get you up to 5 million is the $575 million notes. Just a little bit of history, the existing accounting through the end of '21, we always take a discount.

And notwithstanding interest on the $230 million notes was 1.5% and on the $575 million notes at zero, interest expense, is imputed up to the 5%. So, that's what hits GAAP. And then the dilution impact was only if the convert was in the money. And it was only, I think, the $230 million at times had been in the money, but it was about a couple 100,000 shares of dilution impact.

Under the new rules, the accounting changes, the whole discount for GAAP goes away, etc. So, it's essentially cash runs through your GAAP net income, but you're getting the benefit of have higher net income. However, the rules say you have to assume, that you converted the debt as of the first of that year and it was outstanding. That's why you put the 5 million shares in there. But you also think about it from a capital perspective, if you're assuming that higher share count, well, I've got $805 million of less debt in my capital stack, so, our corporate debt wouldn't be $2.6 billion, it would be $800 million less for the convertible debt.

So just a little bit different accounting, but that's where the accounting rules take everybody for convertible debt on January 1.

Patrick Scholes
Understood, appreciate the update, I need to go back and adjust the models, accordingly. I'm all set. Thank you.

Stephen Weisz
Yes, thanks, Patrick.

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

Stephen Weisz
Good morning.

Chris Woronka
Hey, good morning, guys.

John Geller
Good morning.

Chris Woronka
Morning. So, you guys talked a little bit in the prepared comments about, the increased attractiveness of timeshare with hotel rates, especially, resorts going where they are. have you formally changed kind of the marketing? I know you like to run through the math with people.

Have you been able to change those formulas to make that argument even more convincing?

Steve Weisz
When you say marketing, I assume you're talking about when you're talking to a prospect about becoming an owner. Is that right?

Chris Woronka
Yea, that's right. Kind of that, the formal process, will you walk through the math.

Steve Weisz
Sure, I mean typically, and I mean, every conversation we have with an owner is very much based on a discovery process we use with that owner and things that we accentuate or not.

And so no two presentations are identical. But, generally speaking, one of the things we talk about is the relative value of owning timeshare, over time versus spending time in hotel rooms, on a similar type vacation.

So, examples we've used in the past, if you were here in Orlando, and staying at the JW Marriott here at Grande Lakes, and, you and your family had occupied a couple of rooms, and it was $300 or $350 a night, which now may be $400 a night based on some of the inflationary trends and everything else, so you're spending $800 a night on just your accommodations, arguably, with less square footage than we'd have in one of our units.

Then, contrast a week stay there, just doing the arithmetic, says that, you're going to spend $5,000, and at the end of the day, you're going to walk away with a copy of a receipt and maybe some points here and on your credit card, but that's all you have.

If you bought, call it 2,500 points from us, currently, that would cost you about $32,000, plus or minus. So, you do the quick arithmetic and say in a six- or seven-year, timeframe, when you include the maintenance fee that you're going to pay every year, you're paid off.

And then, your cost of staying in the system, not just here in Orlando, but your cost of staying in the system is really limited to what goes on with your annual maintenance fee.

To be honest, I mean, some people are far more sensitive to that discussion are going through the mental gymnastics of looking for the, how many years payback am I going to get? Other people are not. As we've talked about, obviously, our demo for our customers has a tendency to skew toward the higher end.

So, but there is no question when the cost of alternative stays or alternative, ways to, vacation someplace continue to go up, I think it makes the argument about buying a timeshare interest, more compelling.

Chris Woronka
Okay, I appreciate that Steve. And then, I guess as a follow-up, you mentioned in the comments, you do think VPG for '22 will still be above '19 as you are building back tour flow.

The question is, based on what you've seen, maybe in past three to six months as the recoveries gain some steam, are you seeing higher VPG, relative to pre-COVID, are the first-time buyers spending more or are the returning/existing owners spending more relative to what maybe they spent? I know, it's a tough question to compare apples-to-apples.

Stephen Weisz
No, I actually think it's a very good question, Chris. It is a very good question because I got a statistic right in front of me that I can point to. so let me just give you a contrast of what's happened with VPGs, and I'll contrast what's happened, in the fourth quarter of 2021 versus the fourth quarter of 2019. Our VPGs for first time buyers are up $500 over what they were in 2019. And our VPGs for owners are up $800, compared to where they were in the fourth quarter of 2019.

So, we are seeing improvement of VPG on both owners and first-time buyers, which, and part of that is, we've gone through continued to go through looking at channel optimization, and everything else. I think our sales team continues to be even better, obviously, the economic backdrop has continued to be good. So, for all those reasons, we are very bullish about how we think VPG is going to play out, at least for '22 and, potentially, into the years beyond that.

Anthony Terry
And Chris on that note, the number Steve was mentioning, it's a 21% increase in VPG for the first-time buyers and a 17% increase for the owners. So, those first-time buyers are increasing at a faster rate for VPG, which is pretty interesting, as well.

Chris Woronka
Okay, yeah, that's terrific. thanks, guys. Very helpful.

Stephen Weisz
Thank you.

Operator
As a reminder, to ask a question today, press "*", "1"/ The next question is from the line of Farshid Javar with Jefferies. Please proceed with your question.

Stephen Weisz
Hey, morning.

Farshid Javar
How is it going? are you guys maybe able to touch on or expand on just the long-term opportunity for Welk, Hyatt, you know, maybe in terms of relative size of the revenue or EBITDA of the company?

Stephen Weisz
Well, at a 30,000-foot level, we essentially increased the size, when you fast forward when all the Welk properties are effectively all rebadged and rebranded as Hyatt, we will have increased

the size of the portfolio by 50%. And the number of owners by 80% or 90%. Obviously, with that in case, we've got additional sales centers that will come into the Hyatt portfolio, which were previously Welk center.

We are, have been and are continuing to be in the process of making sure that we are trying to reposition those sales centers and the channels that they play in, not unsimilar to what we did with the Vistana, sales centers in terms of channel optimization and getting out of some of those high cost low yield channels and the like. if you're looking for a specific dollar number, I'll ask John to jump in.

John Geller
Yeah, so just a little bit of background, when we underwrote and bought Welk, their 2019/ pre-COVID numbers was roughly $30 million in EBITDA. And what we talked about kind of on an apples-to-apples basis where we could drive development margin improvement, better rental profits, grow contract sales by leveraging the Hyatt brand and all that.

That on a comparable basis, we want to get to call it $60 million to $70 million, though it would take a few years to get there.

And Steve walked through, in his prepared remarks, all the great stuff that we're launching this year with Welk. As we start the rebranding process, the first one really be, I mean, we're still selling a Welk product, today.

In the second quarter, the goal is to rebrand the Welk points program to Hyatt brand and then start to sell that product, branded Hyatt, at all the legacy Welk, now soon to be Hyatt sales centers at all those resorts. And then, start to unlock the benefits that the owners will get.

and then over time, as you move through the year, get all the rebranding and then bring the existing Hyatt Club together with the rebranded Welk. So, we haven't really seen a lot of the benefit yet.

But what I can report for '21, we own the business for three quarters. But if we pro forma in the first quarter, it was roughly we delivered about $50 million of EBITDA, last year versus where we want to get to the $60 million to $70 million that we underwrote.

So, we're well on our way, and we haven't really unlocked a lot of the stuff, more blocking and tackling, integrating the business, etc.

So, it's going very well. Hopefully, we'll be able to report something more than the $60 million to $70 million, as we start to get more the benefits down the road. But just in the in the '21 numbers, we saw that development margin in the double-digits where when it was Welk, it was call it roughly 5%.

So, you're getting that flow through there and then once we get these properties, here in the second quarter on hyatt.com. We expect to be able to drive some of the rental income, etc., over time.

So, I think we're probably a little bit ahead of where we thought we'd be at this point in terms of the results, we're on track with the rebranding and the timing of all that. It's just that we haven't necessarily started to see any of that benefit yet, because that's going to start here in the second quarter.

Farshid Javar
Great, thank you. And then if I can also just ask, what are you guys seeing today or maybe expect to see with just respect to the ABS market for securitization deals, given the rising rate environment?

Tony Terry
Yeah, we're talking to the banks already and monitoring the economic environment right now. Rates are slightly higher, they're still in the two-handle range right now. But that changes every day versus what we see.

We still have an expectation of doing a couple ABS deals this year. And so that is in our plan, going forward. So, we will be using that or conversely, we do have a warehouse available that we could use as well.

John Geller
Yeah, I think the one benchmark I'd add to Tony's is, remember the deals we did last year, in the 1.5% to 1.6%, those are the best deals we've ever done. So, interest rates have increased. But to put it in perspective, at the end of the year, our weighted average securitization rate was roughly 2.7%, 2.8%.

So, even if rates go up, over a 100 basis points, which is generally what we're seeing right now, you’re still if you do a deal in the high 2s, 3%, you're still net-net replacing it, what's coming off your balance sheet in that 2.7%, 2.8% range with something very comparable in terms of how you think about the weighted average excess spread on these deals.

So, I guess that's the nice thing about how we outperformed last year is that it shouldn't necessarily depending on where we see rates today, cut into excess spread.

Farshid Javar
Appreciate it. Thanks for the time.

John Weisz
Thank you.

Operator
Thank you. At this time, we've reached the end of the question-and-answer session. I'll turn the call over to Steve Weisz for closing remarks.

Stephen Weisz
Thanks, Rob. And thanks everyone for joining our call, today. 2021 proved to be quite an eventful year for our company.

Among our many accomplishments, we delivered nearly $1.4 billion in contract sales, invested in new digital initiatives to drive growth in the future, acquired Welk, substantially improved margins, and started to return cash to shareholders, again. And we ended the year on a strong note.

In our vacation ownership business, we grew contract sales by 7%, sequentially, in the fourth quarter, exceeding our 2019 levels for the first time since the pandemic started, despite the emergence of the Omicron variant in the fourth quarter.

We're also adding new first-time buyers, which is a key part of our strategy, and have nearly 224,000 tours in our pipeline, which puts us in a great position to drive tours and sales, this year.

In our exchange and third-party management segment, Interval signed a number of new customers, including Disney Vacation Club, then in total add more than 300,000 new members in 2022.

We returned more than $100 million in cash to shareholders in 2021, and just last week, our Board approved a 15% increase to our quarterly dividend and increased our share repurchase authorization.

We're also investing to provide more personalized experiences for our customers. We're also investing to provide more personalized experiences for our customers and using data analytics in new and exciting ways to further enhance our business.

If the past two years have proven anything, it's that people want to go on vacations and as a company whose sole purpose is providing travelers great vacation experiences, we couldn't be in a better position.

As always, thank you for your interest. Take care of yourselves and finally, to everyone on the call and your families stay safe and enjoy your next vacation.

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