Marriott Vacations Worldwide Corporation
Second Quarter 2023 Earnings Call
August 3, 2023

Presenters
Neal Goldner , Vice President, Investor Relations
John Geller, President and Chief Executive Officer
Tony Terry , Executive Vice President and Chief Financial Officer
Jason Marino, Senior Vice President, Strategy and Financial Planning & Analysis

Q&A Participants
Chris Woronka - Deutsche Bank
Brandt Montour - Barclays
David Katz - Jefferies
Patrick Scholes - Truist Securities

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

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

As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Neal Goldner, Vice President, Investor Relations for Marriott Vacations Worldwide. Please go ahead.

Neal Goldner
Thank you, Melissa, and welcome to the Marriott Vacations Worldwide Second Quarter 2023 Earnings Conference Call.

I am joined today by John Geller, President and Chief Executive Officer; Tony Terry, our Executive Vice President and Chief Financial Officer; and Jason Marino, who will be assuming the role of CFO effective September 30th when Tony retires.

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

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

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

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

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

While we were pleased to run nearly a 90% occupancy in the quarter, with the high VPGs we had last year in a mixed macroeconomic environment this year, we knew coming into the quarter that comparisons were going to be tough. As a result, we expected VPGs to be lower on a year-over-year basis, though we expected this to be offset by higher tours.

However, VPGs declined more than we expected in the second quarter, and while tours did grow 4%, that was a few points below our expectations. We believe most of the VPG difference this quarter, compared to what we expected, was a result of the changes we've discussed in the past. Specifically, the transition to selling of Abound by Marriott Vacations at most of our legacy Vistana sales centers and the changes we've made at the Legacy Welk locations.

For example, despite the difficult comparison, contract sales at locations that didn't transition from selling a Legacy Vistana product were only down 5% in the quarter, while sales at legacy Vistana locations that made the change were down double digits.

And on the Legacy Welk side, we are aligning the business models and the sales processes, which we expect will improve our business for the long-term but resulted in double-digit sales decline in the quarter.

Despite the near-term transition impact, I remain confident that the changes we've made are the right strategic decisions that will benefit us in the future.

We are also seeing changes in travel patterns with more Americans vacationing overseas this year, which has not been fully replaced by inbound international travelers. This shift negatively impacted sales and rentals in our higher-end U.S. travel destinations, like Hawaii. However, we benefited from the increase in international travel as our European and Asian contract sales grew 56%.

We also continue to focus on driving new owner growth with first-time buyers representing one third of our contract sales this quarter, up 200 basis points from the prior year which is good for the long-term health of the system.

In our Hyatt Vacation Ownership business, we expect to rebrand the Legacy Welk Resorts later this month to align them under one unified brand, Hyatt Vacation Club. In addition, we will be adding more vacation options for our Hyatt owners, including cruises and tours as we launch the Beyond program in a few weeks.

Moving to our Exchange & Third-Party Management segment, active members at Interval International were unchanged compared to the first quarter. Inventory utilization was very strong in the quarter and average revenue per member increased 1% compared to the prior year. However, member deposits remain below pre-pandemic levels.

In our Aqua-Aston business, revenue was lower compared to the prior year due to lower ADRs in Hawaii. As a result, excluding cost reimbursements and VRI Americas, which we sold last April, revenue in our Exchange and Third-Party Management segment declined 4% compared to the prior year.

Despite the difficult quarter, it was heartening to see our vacation ownership resorts at nearly 90% occupancy, reflecting the continued demand for leisure travel. And I want to thank our associates who have been working, tirelessly, to deliver exceptional vacation experiences for our owners, members and guests.

Looking forward, while I'm not satisfied with our results this quarter, we have some of the best brands in the hospitality industry in sought after markets and an experienced management team that has successfully integrated new businesses and launched new products in the past. And I'm confident that the strategic changes we've made will provide long-term benefits.

In fact, VPG improved sequentially in June and July, even with an increase in first-time buyer mix. And while we are seeing some variability in the macroeconomic environment, we still expect to grow contract sales for the full year.

We also expect to grow adjusted earnings per share this year, excluding the impact of last year's alignment, reflecting the benefit of our share repurchases and to generate between $540 million and $600 million of adjusted free cash flow, illustrating the strength of our leisure focused business model.

With that, I’ll turn it over to Tony.

Tony Terry
Thanks, John. Today, I'm going to review our second quarter results, the strength of our balance sheet and liquidity and our 2023 outlook, starting with our Vacation Ownership segment. We

grew Tours 4% in the second quarter to 96% of pre-pandemic levels. We also grew our package pipeline by 10% from a year ago, ending the second quarter with more than 230,000 packages.

However, while we expected VPG to decline due to last year's difficult comp, they did come in lower than expected. As a result, contract sales declined 10% compared to the prior year, though they remain 17% above 2019.

Adjusted development profit decreased 20% year-over-year to $118 million. Despite lower sales, adjusted development profit margin remained strong at over 30%. While we expected rental profit to be down in the quarter, it declined more than anticipated, due to lower keys rented and lower-than-expected ADR, and with the moderation of revenue per available key, we now expect rental profit could decline by $15 million to $25 million this year.

In the stickier parts of our Vacation Ownership business, financing profit increased $3 million, excluding the $3 million sales reserve pickup on our acquired notes that we recorded this quarter. This was primarily driven by a higher average notes receivable balance and a 30 basis point increase in the weighted average coupon rate, partially offset by an increased borrowing rate.

Resort management revenue increased 5% in the quarter, while profit declined $2 million due to higher labor and other costs, but profit is still expected to be up roughly 5% for the full year.

As a result, adjusted EBITDA in our Vacation Ownership segment decreased 11% in the second quarter to $245 million, while margin was strong at 32%.

Moving to our Exchange & Third-Party Management business, adjusted EBITDA declined $3 million compared to the prior year, primarily due to lower ADRs at Aqua-Aston, while operating margin was 52% for the quarter.

Finally, corporate G&A expense was largely unchanged, compared to the prior year. As a result, total company adjusted EBITDA declined 13% to $222 million in the quarter and adjusted EBITDA margin was 27%.

Moving to the balance sheet. We ended the quarter with approximately $1 billion in liquidity, including $242 million of cash, $59 million of gross notes receivable eligible for securitization and $684 million of revolver capacity.

With $3 billion of corporate debt outstanding at the end of the quarter, our net debt to adjusted EBITDA ratio stood at 3.1x, roughly in line with our targeted 2.5x to 3x leverage range.

We ended the quarter at an average interest rate of 3.6% with no corporate debt maturities until 2025. We have a combined $550 million of interest rate hedges that mature by next April.

However, after those hedges mature, our corporate debt will still be 70% fixed with a pro forma interest rate of only 4.1%.

We ended the quarter with $2 billion of nonrecourse debt related to our securitized notes receivable. In June, we renewed our warehouse facility, extending its maturity and increasing its capacity to $500 million to support future growth.

Finally, the sales reserve increased $8 million, year-over-year, on our $2.5 billion gross originated notes portfolio. Defaults were up 50 basis points compared to the prior year, and delinquencies were up approximately 70 basis points.

While delinquencies were higher than the previous year, we have seen them trend downward in the first half of 2023. Our new guidance also assumes 100 to 150 basis points higher sales reserves, compared to last year.

We continue to return excess cash to shareholders during the quarter, repurchasing $82 million of common stock and paying $26 million in dividends.

Our Board of Directors increased our share repurchase authorization to $600 million during the quarter with $561 million remaining at the end of the quarter.

Moving to our 2023 guidance. As you saw in last night's earnings release, we now expect contract sales to be between $1.84 billion and $1.9 billion, this year. This is roughly 5% lower than our previous guidance, with the difference being driven by a mix of lower tours and lower VPG. We expect VPG to improve, sequentially, in the third quarter but to be down year-over-year, while tours are expected to be up a few points compared to last year's third quarter.

However, we still expect 2023 contract sales to increase year-over-year, reflecting the continued demand for our leisure-based products.

Despite the lower contract sales guidance, we still expect 2023 full year development margin to be around 30%, even after a slightly higher sales reserve.

As I mentioned earlier, we now expect rental profit to decline this year versus being up 10% in our previous guidance and for resort management profit to be up. We also expect financing profit to increase slightly, excluding last year's alignment benefit.

We expect Exchange and Third-Party Management profit to decline $15 million to $20 million for the full year versus our previous guidance of roughly flat, due primarily to lower transactions by Interval International as well as lower ADRs at Aqua-Aston.

As a result, we now expect our 2023 adjusted EBITDA to be between $880 million and $910 million, 8% lower than our prior guidance.

As a reminder, we also reported a $44 million alignment benefit in last year's third quarter that we do not expect to recur this year.

Moving to cash flow. We have a strong balance sheet and ended the quarter with roughly $470 million of excess inventory, enough to support approximately $2.4 billion in future sales. We sold 3 noncore assets during the quarter, generating $14 million in total proceeds which we exclude in the calculation of adjusted free cash flow. We also paid down $135 million of our outstanding revolver during the quarter.

With the lower expected adjusted EBITDA this year, we now expect our adjusted free cash flow to be between $540 million and $600 million. Our capital allocation strategy remains consistent in that we continue to use our free cash flow to grow the business and in the absence of compelling acquisitions, we believe our best use of excess free cash flow remains returning it to shareholders.

As always, we appreciate your interest in Marriott Vacations Worldwide. With that, we'll be happy to answer your questions. Melissa.

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

Our first question comes from the line of Chris Woronka with Deutsche Bank. Please proceed with your question.

Chris Woronka
Hey, good morning, guys. Thanks for taking the question. I guess maybe we could drill down a little bit as you guys go back and unpack the quarter on the Abound, I mean, was this where you implemented it? Was this just an issue of salespeople not having a lot of experience kind of selling yet? Or is it more pushback from consumers? Just trying to get a sense for what you think was kind of a little bit off.

John Geller
Yeah, well, the sales folks have been well trained on the product. That said, yeah, when you change from one product to another, right, it could take a little bit of time to get your sales pitch down and grooving on that. So, a little bit of that.

I think the other is the consumer and really an education of the consumer, and this is a little bit like when--this was prior to us being a public stand-alone company when we went from our weeks to points product in 2010, right.

The people that bought weeks were sold weeks; they were sold a specific product. And now you're rolling out a new product which, arguably, is a better product in terms of options for the consumer and how they can use it in flexibility, but it takes some time. The best thing that can happen is those existing owners that bought into either the Westin Flex or the Sheraton Flex product, they play in the Abound program, right. They start to use their ownership; they go stay at different resorts. They use different exchanges.

Remember, the Abound program offers more cruise and trips and things that were already in the Marriott program. So, there is education/getting the consumer to use the product and because we launched it, call it, earlier this year, a lot of those folks had already made their vacation plans, right, under their old products.

So, there's just that. It's going to take a little bit of time, education and the best is getting the Westin and the Sheraton Flex owners using the product, which just takes a little bit of time on the transition side.

Tony Terry
And Chris, one add-on to that is that educating the owners means that there's something out there to talk to them about, and they are interested in the new products. So, that is a good source for us for tours. It gets them something to come in the door to talk to us about.

Chris Woronka
Okay. Sure. Understood. And then the follow-up question is just on the comment towards the end of the prepared remarks on the--some of the reserves going up. Is there--is it possible to get a little bit more color? Is that coming from any specific or particular segment or customer type? Is there any way to kind of parse through that and say, this gives us--gives you confidence that there's not going to be a larger problem later. Can you maybe give us a little more detail on it? Thanks.

Tony Terry
Yeah, let me start, and then if John has anything to say you can jump in. In total, when you start looking at our reserves, we have a $2.5 billion originated notes receivable balance out there. So, a pretty big portfolio. When we took a look at the quarter, we had about $11 million of true ups in defaults. And those defaults came from a lot of different places, but we tend to take a look at those and treat them as permanent.

And that's one way that we do our calculation. So, we don't assume that it's an acceleration of anything on our default curve. We do assume that they are permanent and they're going to continue into the future. So, we feel that we have an adequate reserve for those right now. We

feel that we have increased the default rate or the sales reserve rate that we put against contract sales for the remainder of the year, and that will get us to the right place, based on what we know today.

John Geller
So--and a couple of other things, Chris, I think when you--Tony mentioned it in his remarks, yes, while delinquencies, right, which is a potential indicator of future defaults are up over last year. As we said, coming out of COVID, a lot of our delinquencies, if you looked at them over historical, we're below, right. And so, you've seen them come up. There--if you go back in time, those delinquencies, yes, higher than last year but, arguably, more in line with some of the delinquents we've seen, over time.

The other key point is that the trend of those delinquencies this year have been coming down, right. So, that's a positive sign as a potential future indicator. And to Tony's point, in our outlook, including this charge we took in the second quarter, we got a variability range of some higher defaults. But yeah, we feel good about kind of where we're at today.

Chris Woronka
Okay, very helpful. Thanks, guys.

Operator
Thank you. Our next question comes from the line of Brandt Montour with Barclays. Please proceed with your question.

Brandt Montour
Hey, everybody. Thanks for taking my questions. I do want to talk a little bit more about Abound. Maybe we could just start with reminding us how much of the system was selling under Abound in the second quarter? How much of the--and how--what's the cadence of the rollout from here?

John Geller
Sure. Well, when you talk about Abound, the vast majority of the system or the majority, I should say, is selling Abound, right, because your Marriott Legacy sales centers are selling the Abound. But the core of the Abound program is the Marriott Vacation Club, right. The Abound allows the Westin and Sheraton Flex owners to come in and play in that broader Marriott exchange program.

So, the change that we're talking about probably, I'd call it about 20%, 25% of the sales centers in the quarter were the ones that transitioned from selling a legacy Vistana brand like the Westin Flex, right, over to selling the Marriott Vacation Club.

So, those are the ones where you have owners--that's why I was trying to focus in that bought a different product--they want to understand the new product. The best way for them to understand it and see the benefits are actually use the product, but we're educating them.

To Tony's point, it's helping drive owner capture, owners want to come in and as well as, obviously, first-time buyers and educate them on the product. So, all that work's going on. Now there are some, on the Sheraton Flex side, we still have inventory in the Sheraton Flex.

So, there are certain Legacy Vistana centers that haven't transitioned over yet. And those are doing kind of what we were expecting versus the broader. So, it is really the ones and more broadly, we talked about the Hyatt, right, even more so with the Welk Legacy sales centers transitioning over, we've seen big impact there, as well.

Brandt Montour
Okay. And John, you likened it to the transition from weeks to points, which, if I recall, was a multiyear and a really disruptive campaign for you guys. And remember that--that transition had tons of financial, positive financial implications in the back end for balance sheet management and inventory management and all those different things. Is there--can you just remind us what the--there's meaningful benefits that are going to come to you from Abound.

When do you think, when you look out at this sort of playbook, when do you think that the benefits will start to override the disruption that you're seeing from these specific legacy brands?

John Geller
Yeah, I think it will build, over time. If you go back to the weeks to points, I would say it was a much bigger change than what's happening here, right. And I know you're looking for this will all be behind us in six months or nine months. But I do think what we're going to see is continued improvement as we move forward here, through this year.

We obviously, based on the outlook, we're not expecting it to bounce back, but like I talked about, big picture, we did see VPGs improve sequentially in June and July. And I can tell you right now, not saying one month is where the quarter is going to be, but we're running VPGs that are about 5% higher than we saw in the second quarter, right.

So, you're starting to see, it won't be a straight line, but you're starting to see some improvements more broadly in the VPG. So, we're hoping we continue to get through a lot of this and get better as we get through this year into next. But we're already starting to see some green shoots, if you will, as we start this transition.

So once again, hard to put a deadline or saying, yeah, it'll all be back to normal. But the other transition I would point to a little bit different was when we bought Vistana. Vistana VPGs were down 25% relative to Marriott.

We didn't have a good sense as to how long that would take. But I think we moved pretty quickly there and probably even faster than we expected to get those VPGs up and get the benefit out of there. So, we've got the right leadership. My point is, we've got leaders that have been through this before. They're hyper-focused on getting this right as quickly as possible, and I'm confident we're going to get there.

Tony Terry
And Brandt, I'd add on to that, that we've probably already seen a little bit of benefit here from a balance sheet perspective of Abound. Remember, we were selling three different trusts. And we're running low on inventory in the Western Trust, specifically.

And had we not done the Abound program, we would have probably had to build inventory in that trust over the last couple of years. So that's one of the reasons why we have lower inventory spend. It's because we have Abound. We knew it was coming, and now we're selling one major trust to our customers, instead of three separate.

Brandt Montour
All helpful color. Thanks a lot.

Operator
Thank you. Our next question comes from the line of David Katz with Jefferies. Please proceed with your question.

David Katz
Hi, good morning, everyone.

John Geller
Hey, David

John Geller
Hey. So, a couple of things. One, I have your Analyst Meeting deck open, which obviously has a little bit of datedness to it, but it has some 2025 targets. And I suppose the assumption should be that those get pushed out by some amount, and we'd love to get some sense about how far that could be. And coupled with that, and just listening to your comments on the last couple of questioners, have we seen the worst of the pressure that is from Abound?

Do we feel like we have the rollout of World of Hyatt under good control right at this point. And I suppose what I'm asking is, what's your degree of confidence that the guidance we have today is relatively firm versus where we might be 90 days from now, the next time we address it.

John Geller

Sure. So, taking the second part, yes, as I said a little bit earlier, yeah, we are seeing sequential improvement. So that said, as we look at our guidance for the full year, we haven't assumed that we get a hockey stick up on sales at the Legacy transition Vistana sites and the Welk sites that are transitioning. We're assuming some gradual improvement but the outlook we give you, that's where we are in terms of, confident that we should achieve that for the full year based on the current outlook.

Going back to the Investor Day, look, we got a couple of years. I think a lot of what happens in '25 is how quickly, as you guys have asked, we recover and get the Abound going because it is the right longer-term strategic decision. And some of these things, we knew was going to have some bumps to it, right, as you transition.

We talked about that, anytime you make a transition or change to a product. The harder part is trying to predict when and how quickly it'll come back and get you going again. And that's where, like I said, we got a couple of years here. So, we are not giving up in terms at this point of where we're at in '25. We'll get better clarity.

And as we've also talked about, this isn't the only thing we have in the hopper. I mean, we're making significant investments on the technology side.

We're going to be rolling out, from a marketing and sales perspective, sales force out at our sites, our digital marketing, how we target. So, you got a lot of initiatives going at the same time as you're transitioning this product. So, we'll come back at some point here and look longer term in terms of '25, but the team is focused, and we're not giving up on '25 at this point.

David Katz
Understood. And if I can just follow up with one more perspective in this direction, which is we--you certainly have sort of been out and about throughout the quarter, and I'm curious whether there was some acceleration in some of these pressures as we got toward the end of the quarter and into it and through June? Or I guess what I'm asking, did some of this sneak up in some way, or was this a vision, and I'll sort of throw myself out there, did I not hear it clearly enough?

John Geller
Well, when we came in into the quarter, yeah, things got a little bit, I think, worse in May, directionally, and then we started to see improvement in June. So, if you look at kind of our mix, let's take a step back. We don't guide the second quarter.

Consensus was, call it, $250 million of EBITDA. We were coming into the quarter, probably around $241 million, $242 million on our own expectations of what we were going to do, right. So, we missed our own internal by about $20 million, of which development profit was about half of that, right. And quite frankly, a lot of that was the higher sales reserve, which we didn't anticipate.

So, notwithstanding the lower contract sales, we still held the development margin above 30%, and the sales reserve was a bit of our miss for the quarter. The other bit of the miss was rentals. And as I talked about in my script, we had a first quarter that was pretty good in rentals in terms of occupancy and rate. As we moved into the second quarter and our outlook for the year you have seen change in travel patterns.

You got more U.S. travelers going international. And we're seeing that impact. We have a lot of our keys, higher-end Hawaii, those higher-end markets. Florida Beach, another area where we've been able to get higher ADRs, especially back in '22. And you're seeing three, four points of lower occupancy; rates are down in some of those markets.

So, those are the other trends that kind of shifted as we went through the second quarter, and we probably about $10 million of our miss versus our expectations in the second quarter were on the rental side of the business.

So--and as you look at the outlook, we've kind of--we've flowed through in terms of our outlook that miss in rentals, so call it another, the $10 million plus another $20 million, give or take, for the balance of the year because as we look out at these markets right now and what's on the books and all that, while it's strong on a relative basis, it--the trends are similar to what we're seeing in the second quarter. So, that's where you have it.

As Tony talked about, we do expect contract sales to be up, notwithstanding some of this noise here that we're having with Abound and HVO, and we're managing the development margin to be at 30-plus percent.

So, unfortunately, these travel pattern shifts and that's a little bit on the exchange side as well where we haven't seen the deposits come back here through the first half of the year, we weren't forecasting for them to be back to pre-pandemic levels.

We were expecting that they would improve year-over-year, and we just haven't seen that. And that gets, at a broader, that's travel patterns, right, people still using their weeks a little bit different coming out of COVID.

We're in a little bit of that environment coming out of COVID where the patterns have shifted a little bit, and we still expect those will continue to normalize back next year, I would expect, given the U.S. travelers going to Europe, there might be some pull back here to the U.S., as well. So, we're keeping an eye on all that, but that was a little bit of the surprise on the rental side versus what we were seeing.

Tony Terry
And David, I would add one other thing in there on the rental side. When you're getting into the year and especially when you get to that second quarter, a lot of your rental costs are already

fixed for the year. So, if you think about the inventory costs, we pay unsold maintenance fees at the beginning of the year. You look at the programs that our owners have that they use to do other excursions. We get that inventory back and we have to rent.

So, we're not going to stop owners from participating in the Explorer program or the Bonvoy program. So, a lot of that cost of rentals is kind of fixed. So, when you miss a little bit on the ADR side or on the revenue side, a lot of that flows through to the bottom line, and that's part of what we're seeing here on why rentals saw a little bit of weakness on the bottom line.

David Katz
Got it. Thank you very much. Appreciate the answers.

John Geller
Thanks, David.

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

Patrick Scholes
Hi, good morning.

John Geller
Good morning, Pat.

Tony Terry
Good morning.

Patrick Scholes
Can we break down a little bit further the components of the $80 million at the midpoint guidance cut, you just said roughly $20 million from rentals. It looks like there's three other items. It's tougher comp, Abound and the Hyatt's alignment. For the tougher comp, Abound and Hyatt alignment, how much EBITDA taking down would you ascribe to each one of those, roughly?

John Geller
Sure, Patrick. Yeah, rentals with the $10 million miss in the second quarter and another $20 million, right, that's about $30 million of the $80 million. The exchange, as like I said, we're not seeing the inventory deposits and the trends there, call it, another $20 million from there. So, that's about $50 million of the $80 million. And the balance--the development is the balance, call it roughly, $30 million.

And that's a combination of the lower sales, but some of the higher sales reserve I just talked about. So, depending on where we come out for the year, we've already got, as Tony mentioned, $9 million or $10 million of additional in that $30 million, but we've given you a range on the sales reserves. So, some of it's the sales reserve and then the rest would be more of the impact on the contract sales.

Patrick Scholes
Okay. And I believe you talked about 25% of the Legacy Vistana sales centers have transitioned to Abound, what's the timing on the other 75%?

John Geller
So yeah, it's about 20%, 25%. The remaining ones are going to be the Vistana--excuse me, the Sheraton Flex, which is probably later next year, which is really mostly sales centers in Orlando, Myrtle Beach.

And then there are some where they just have a different product; they're not selling the Sheraton or Westin Flex, right. So, for example, in Mexico, we sell a different trust, Adventuras, so that won't transition, right, that'll continue to sell the Mexican Trust. Our Westin St. John, for example, is a stand-alone product.

So, not all of them will transition because they don't sell necessarily the Westin or Sheraton Flex. It's the Sheraton and Westin ones that'll continue to transition. And I don't know if I have that number in front of me. So, probably another 30%, 40%. And then the remainder will continue to sell their existing product.

Tony Terry
Yeah, if you think about it, it's going to be inventory driven. We do have more inventory left in the Sheraton Flex that we have to sell through. So, we have some of our locations still selling that old product so that we can get through that and deplete that trust. There's always going to be some inventory trickling back.

So, we'll always have to keep selling it in some of our sales centers but through the end of this year and probably early into next year, you should probably see more of the Sheraton sales centers shifting over.

John Geller
So, the nice thing about that delay, notwithstanding the sales process and all that, is those owners are enrolled in the Abound program on the Sheraton Flex side, for example, Patrick. So, they can start using it now and getting educated and all that. So, that's the good thing, right, that's the piece that I mentioned before, which is not only educating but getting your owners to use it and see the benefit of it. So, I would expect--time will tell here a little bit--when we go to transition, you're going to have a much more educated owner base about the new product.

Patrick Scholes
Okay. So, is it safe to, I guess, assume that all the challenges you had out of the box with the first slug of 25% likely at least to the degree that you saw with that first 25% won't continue for that remaining 75%?

John Geller
Yeah, I mean that--I think it should go smoother, right. That's all I'm saying. And because that owner education piece and the ability for those Sheraton Flex owners to start using the Abound program now, seeing the benefits of it staying at different resorts, exchanging out for cruises or tours, things like that, that will help because that's what we saw with the weeks space product, right.

People started to enroll their weeks in the points program, used it, right, and then they wanted to buy more points, right. So, a little bit of that is it takes a little bit of transition. My only point is delaying the launch on the Sheraton Flex side to sell through that should be helpful, right, from a--it should make that transition easier than starting cold.

Patrick Scholes
Okay. And can you remind us before you started to transition into Abound, the Legacy Vistana owners, what percentage of VOI sales did that represent. Roughly, I get it, they've done COVID and the acquisition, but roughly.

John Geller
30% to 40%, I would say. I'm looking at Tony. here.

Tony Terry
I think between 30% to 40%, I'd have to go confirm that number for you, Patrick, but it should be in that ballpark.

John Geller
I mean we can go back and look at it, but I think that's ballpark-ish.

Patrick Scholes
Okay. I am all set. Thank you.

John Geller
All right. Thanks, Patrick.

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

John Geller

Great. Thank you, Melissa, and thanks for everyone joining our call today. Despite the uncertain macro environment, our resorts again experienced high occupancy this quarter, illustrating the power of vacations. And while I'm not satisfied with our results this quarter, that doesn't diminish my enthusiasm for our long-term trajectory.

We have some of the best brands in the hospitality business with a portfolio of resorts that would be impossible to replicate, and the improvements that we've made to our core Marriott branded vacation ownership product, in addition to the alignments we're making on the Hyatt side, are the right strategic decisions that will propel our growth over the long term.

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

Thank you.

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