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Marriott Vacations Worldwide Corp. (VAC)

Q2 2018 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to Marriott Vacations Worldwide Second Quarter 2018 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host for today's call, Jeff Hansen, Vice President, Investor Relations. Thank you. You may begin.

Jeff Hansen
Vice President-Investor Relations, Marriott Vacations Worldwide Corp.

Thank you, Rob, and welcome to the Marriott Vacations Worldwide second quarter 2018 earnings conference call. I am joined today by Steve Weisz, President and Chief Executive Officer; and John Geller, Executive Vice President and Chief Financial and Administrative Officer.

I do 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 this morning, along with our comments on this call, are effective only today, August 2, 2018, 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 on our website at ir.mvwc.com.

I will now turn the call over to Steve Weisz, President and CEO of Marriott Vacations Worldwide.

Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Thanks, Jeff. Good morning, everyone, and thank you for joining our second quarter earnings call. It's been an active summer for us as we continued to achieve many milestones required to close on our acquisition of ILG, which we expect to complete later this month.

Before I step through our progress as it relates to the transaction, let me take a few minutes to provide some background on our performance in the quarter much of which we released last week. Then I'll hand the call over to John to share additional detail about the quarter after which we will be happy to take your questions.

In the second quarter, company contract sales were $233 million, up more than 8% over the second quarter of last year. Adjusted EBITDA was $76 million, a decrease of almost $8 million over the second quarter of 2017. This stem from expected revenue reportability impacts which John will speak to in more detail in a moment.

In North America, contract sales improved 8% driven by a 3% improvement in VPG to $3,672 and a 5% increase in tour flow. Tour flow to first-time buyers continues to grow, improving 5% over the second quarter of last year. As we mentioned last quarter, we are substantially past the impacts from last year's hurricanes opening our new units in Marco Island and a temporary sales center on St. Thomas during the first quarter.

With that said, it is important to keep in mind that the lack of hotel linkage tours in St. Thomas and the smaller onsite sales center will continue to impact our ability to generate sales there and we expect it will deliver less than half the volume generated under normal operations for the full year. Adjusting for these hurricane related impacts, we believe second quarter total company contract sales would have improved 10% over the second quarter of last year.

Staying with contract sales, our tour package programs improved over last year driven primarily by growth from our Encore and call transfer programs.

Looking out through the remainder of the year, our pipeline for these package tours remains very strong, up more than 14% over the last year. Even more importantly, activated tours from these programs in the second half of 2018 are up over 19% compared to last year, giving us confidence in our ability to drive the top line growth.

As it relates to our newer sales centers, which have opened since 2016, I'm very pleased with how they are performing. While they each have their own pace of sales growth, as a whole, they are ahead of initial expectations and well on their way to achieving their longer term contract sales targets.

Additionally, we continue to look for new destinations with strong onsite sales potential and are pleased with the progress at our newest destination, San Francisco, which we plan to open early next year. In our Asia Pacific segment, contract sales were up 19% over the second quarter of last year. I am pleased to report that our sales center in Bali opened in the second quarter, and while very early, is off to a good start, and our location in Surfers Paradise is ramping up well as it begins its third year of sales.

As is expected at this stage of our growth in the region, our bottom line results are affected by the ramp-up costs from both Surfers Paradise and our new Bali location, as well as the impact of unsold maintenance fees from new locations on the rental results.

While the Asia Pacific segment is relatively small, we remain focused on growing our presence in this region through new destinations. This includes our second location in Bali which is progressing towards an expected completion early in 2020. These new destinations and potential future destinations will drive top line growth and improved results from increased scale.

Now, let me spend a moment on our contract sales guidance relative to what you've just heard. With the majority of the negative impacts from last year's hurricanes behind us and our first sales center in Bali now open, we are pleased with our performance in the first half of the year and are poised to drive even more improvement in the second-half of 2018.

We expect our newer sales centers to continue to provide solid incremental contract sales growth and activations in our tour package pipeline in the third and fourth quarter of this year continue to grow. Additionally, we will face an easier comparison to last year as we lapped the hurricane impacts from the fourth quarter which negatively impacted contract sales by over $20 million. When we put all of this together, it highlights why we expect double-digit contract sales growth for the second-half of 2018 and why we remain confident in our full-year guidance range of 7% to 12% growth.

Now, let me turn to our progress on the acquisition of ILG and our integration planning efforts. The last significant closing conditions are the shareholder votes which I am pleased to report are scheduled for August 28 for both the ILG and MVW shareholders. Assuming all other remaining conditions are satisfied, we expect to close on Friday, August 31. This is an exciting time and our integration team has been working very hard putting together the plans necessary for us to start on day one as a newly combined company designed to drive future growth and shareholder value.

As you can probably imagine, shifting the closing up by roughly a month from our initial expectations has caused the same amount of effort to be put into a shorter amount of time. This has not diminished our focus however, which is to create a transformational change to our businesses to drive shareholder value by combining two of the premier vacation ownership and hospitality companies in the world.

Upon closing, we will have the rights to market and sell vacation ownership under seven upper-upscale and luxury vacation brands with 110 locations worldwide and 650,000 owners. In addition to this, we will serve almost 2 million exchange members around the world through their premier exchange network of Interval International. And last, but by no means least, we will manage over 200 properties across the globe through VRI, Trading Places International and Aqua-Aston. As a combined company, on a pro forma basis, we expect to generate more than $4 billion of total revenues and adjusted EBITDA of over $750 million, including $75 million in synergies, creating a global leader in our industry.

We are hard at work on plans to achieve our synergy goals including plans to take advantage of top line growth opportunities, which we believe are the most compelling reasons for bringing our two companies together. We expect the combined company will benefit from additional tour generation from broader linkage opportunities, as well as an ability to maximize tour generation from our call transfer and Encore programs, driving continued growth in our tour package pipeline.

Additionally, as you've heard us say before, we are very excited about the digital marketing opportunities that lie ahead for the combined company, which we expect to be a driver of our long-term growth.

To repeat a comment I made after our announcement last quarter for all these reasons, I just laid out and more, we see our combination with ILG as a clear win for our shareholders, owners and associates.

Now let me hand the call over to John to walk through further detail on our second quarter results. John?

John E. Geller, Jr.

Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.

Thank you, Steve, and good morning, everyone. I'm very pleased with our strong second quarter results. Adjusted EBITDA totaled $76 million and reflects year-over-year growth from our resort management, financing and rental businesses. Contract sales grew by 8% in the second quarter. However, our development margin reflected lower year-over-year results due to nearly $10 million of unfavorable revenue reportability.

As I mentioned on our last earnings call with the adoption of the new revenue recognition accounting standard this year, we now recognize development revenue when contract sales are closed which ends up deferring revenue from when it was previously recognized by roughly 35 days. In our 2018 second quarter, while we did benefit from the recognition of revenue deferred from the first quarter that benefit was more than offset by a higher deferral in the second quarter as contract sales in the last 35 days of the second quarter were stronger than at the end of the first quarter, resulting in $3 million of unfavorable revenue reportability.

In contrast, in our second quarter last year, we had $7 million of favorable revenue reportability as last year benefited from higher unclosed contracts at the end of 2016. In our development business, contract sales were up over 8% to nearly $233 million in the second quarter, driven by an 8% increase in sales in our North America segment and a 19% increase in our Asia Pacific segment. As Steve mentioned, the 2017 hurricanes continued to have a negative impact on our second quarter performance. Adjusting for that estimated impact, total company and North America contract sales would have each grown nearly 10%.

Our development margin in the first quarter was $39 million, down $13 million to the prior year. Adjusting for the impact of revenue reportability in both years, adjusted development margin was $42 million, $3 million less than last year and adjusted development margin percentage was 20% compared to 23% in the prior year. The margin decline in the quarter was driven primarily by a 230-basis-point increase in product cost resulting from a higher mix of new inventory being sold.

While our development margin for the first half of the year has been below our targeted level of over 20%, our development margin in the second half of the year is projected to benefit from a lower product cost, reflecting a higher mix of reacquired inventory being sold as well as from higher sales and revenue reportability, which allows us to leverage our fixed marketing and sales costs. As a result, we expect total company development margin to be an excess of 20% for the full year.

In our financing business, revenues increased $3 million or 10% to $36 million in the second quarter of 2018. Financing revenue, net of expenses and consumer financing interest expense increased $2 million, or 11%. This reflects a $4 million increase in interest income from our growing notes receivable balance partially offset by additional costs from our financing incentive programs.

Our notes receivable portfolio continues to perform very well. The average FICO score of buyers who financed with us in the quarter was 739, while delinquency rates remained near historic lows and financing propensity remained strong at nearly 63%.

During the quarter, we successfully completed a $436 million note securitization at a blended interest rate of 3.52% and a 97% advance rate. The transaction generated $423 million of gross proceeds. As of June 30, a $106 million of the proceeds were included in restricted cash until we deliver the remaining notes receivable in accordance with the terms of the securitization. Last week, we sold an additional $57 million of the notes to the Trust and received $55 million. We expect to sell the remaining notes and receive the remaining funds of $51 million by the end of September.

In our rental business, rental revenues increased $5 million, or 8%, to $75 million. Rental revenues net of expenses were $12 million, a 2% increase from the prior year. These results reflect a 2% increase in transient rate, and a 1% increase in transient keys rented. This was partially offset by $2 million of higher unsold maintenance fees and a 1% increase in preview room nights, as we continue to dedicate more rental inventory for our tour package arrivals. With our growing tour package pipeline, this activity will continue to grow for the foreseeable future, impacting our rental margins, while driving contract sales growth.

In our resort management and other services business, revenues increased $6 million, or 8%, and resort management and other services margin improved $4 million, or 12%, to $37 million in the quarter. These results were driven by higher fees for managing our portfolio of resorts and higher internal exchange company activity.

G&A costs were up $3 million in the quarter reflecting normal inflationary cost increases as well as higher technology spending and higher litigation related expenses. Royalty fees were down slightly from the second quarter of 2017, driven by the reduction in the fixed portion of our royalty fee resulting from the amendments to our license agreement with Marriott International in the first quarter of 2018, partially offset by a higher mix of new inventory being sold.

Moving to our balance sheet, at the end of the quarter, cash and cash equivalents totaled $548 million. We also had approximately $40 million of gross vacation ownership notes receivable eligible for securitization and roughly $248 million in available debt capacity under our $250 million revolving credit facility.

Our total net debt outstanding at the end of the quarter was roughly $1.3 billion consisting primarily of $1.1 billion associated with our non-recourse securitized notes receivable and $196 million associated with our convertible notes.

Now turning to our outlook for 2018, as Steve mentioned, given what we've achieved year-to-date and considering an easier year-over-year comparison in the second half of the year from the 2017 hurricanes, we are reaffirming our full year 2018 guidance for contract sales growth of 7% to 12%. With respect to adjusted EBITDA based on our full year contract sales growth projections, including double-digit growth expected in the second half of 2018, development margin expansion that we are expecting in the second half of the year from the turnaround unfavorable revenue reportability, lower cost inventory being sold and from the benefit of marketing and sales cost efficiencies as well as the realization of the benefits from the amended agreements with Marriott International, we continue to expect that we will generate adjusted EBITDA of between $310 million and $325 million.

Lastly, given lower projected inventory spending, as well as higher than expected proceeds from our term securitization, we are increasing our adjusted free cash flow guidance by $15 million to a new range of $200 million to $230 million for the full year 2018. And as we've done in the past, we will continue to identify further ways to maximize cash flow in 2018 by deferring inventory and CapEx spending when possible.

Let me take a moment to update you on the status of our insurance claims related to Hurricanes Irma and Maria that occurred last fall. We are pleased to say that all the properties and sales centers impacted by the hurricanes are up and running at this time with the exception of the Ritz-Carlton Club resort in St. Thomas, which is expected to open in the fourth quarter of 2018. We also continue to work with our insurance providers and expect to submit a claim in the third quarter for our business interruption losses as well as property damage experienced by both us and our owners associations from the hurricanes.

I should note our adjusted EBITDA and adjusted free cash flow guidance do not reflect the receipt of any insurance proceeds for our business interruption losses. We will continue to update you as these efforts progress.

As Steve mentioned, we're making great progress towards meeting the conditions to close on the ILG transaction with the key remaining condition to close being the approvals by the shareholders of both MVW and ILG. We've been working on debt financing to fund the cash portion of the acquisition price and we expect to receive corporate ratings at closing of Ba2 and BB with stable outlooks from Moody's and S&P respectively. With a targeted closing date of August 31, 2018 associates from both companies continue to work hard to not only ensure day one readiness for the new organization, but also to complete planning for the longer term integration of the two businesses. Lots of work to get done, but a very exciting time.

We started the year with a solid first half. Our new sales centers continue to ramp-up nicely. Our marketing programs are generating excellent tour flow and VPG remained strong even with our continued focus on growing first-time buyers. As a result, we continue to feel confident that 2018 will be a great year for us. As always, we appreciate your interest in Marriott Vacations Worldwide.

And with that, we will open the call up for Q&A. Rob?

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time we'll be conducting a question-and-answer session. [Operator Instructions] Our first question is from Cameron McKnight with Credit Suisse. Please proceed with your question.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Good morning.

Cameron McKnight
Analyst, Credit Suisse Securities (USA) LLC

Q

Hi. Good morning, and thanks very much. Question maybe for John or perhaps Steve, a few quarters ago you gave commentary on the contribution to sales growth from the new assets. Are you able to give us an update in terms of what those newer assets are contributing to contract sales growth?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Yeah. This is Steve. I assume you're referring to our new sales center.

Cameron McKnight
Analyst, Credit Suisse Securities (USA) LLC

Q

Correct.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

So on a percentage basis of the 8 points roughly half of that, call it 4 points is because of the new sales centers.

Cameron McKnight
Analyst, Credit Suisse Securities (USA) LLC

Q

Okay, got it. Thanks very much. And just as a follow-up, in terms of the linkage agreements that you've been signing for the past few quarters now, are you able to give any directional indication in terms of how those linkage agreements are contributing?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

I think it's still relatively early on some of the new stuff that we've added. And as you might imagine as we've been sorting through the integration efforts with ILG, et cetera, we've kind of throttled back a bit on getting out aggressively, signing up new linkage agreements until such time as this gets closed. But we're still very encouraged not only about what the potential holds there for us, but also about what – in the various markets where we wanted to add additional tour flow generation from people that are in market at that time.

So we're very encouraged by that. We just haven't had much of a chance to do a great deal more. It takes a while from the time that you make the initial contact, we first have to go through Marriott to get their approval to do it, and then we have to work with local hotel ownership to negotiate a presence, get it contracted, et cetera. So it just takes a little while to get them put together.

Cameron McKnight
Analyst, Credit Suisse Securities (USA) LLC

Q

Understood. Thanks very much.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Thank you.

Operator: Our next question comes from Patrick Scholes with SunTrust Robinson Humphrey. Please proceed with your question.

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Hi.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Good morning, Patrick.

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Good morning. Good morning, gentlemen.

John E. Geller, Jr.
Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.

A

Good morning.

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.

Q

That $75 million of interval synergies, how are you feeling about that now? Is that going to be beatable?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Well, yeah, and we've said all along as you'll recall that we said it's a minimum of $75 million, as we've got more visibility into it we feel increasingly positive about not only our ability to make that number, but to exceed that number. As you might imagine, now with kind of 30 days less of runtime between now and getting the closing in place, we're still trying to get more visibility in a shorter amount of time. But we feel very good about it. And I would underscore once again, while cost savings are certainly something that you hope to produce as a result of this acquisition, with the real – real upside for us that we see is on the revenue side.

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Is it fair to think that perhaps the revenue side of it could eclipse the cost saving side [indiscernible] (00:24:41)...

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

That would be my expectation. Having said that, we're still kind of working through the various areas in terms of not only what the opportunity is, but how to go after them in sequence to get the biggest bang for the buck.

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. And then on the combined digital marketing do you have a rough timeline of when that's going to be up and running?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Well, yeah, I think I may have reported even in the last call...

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

...a lot of this has to do with Marriott's ability to turn their attention to it, as I think you probably have heard, they have August 18 date to combine the two loyalty programs. They are right in the midst of trying to figure out – they're not only figuring out, but they're executing on the system side of things, on the loyalty side, the next thing they have to do is just try to find a way to combine the two reservation platforms.

We've been told, and we've known this for some time, that Marriott is very committed to turning to this, but it will have to fall in sequence behind their priority of getting the reservation system. So, our expectation is that they'll start to begin to focus on this more probably in the first quarter of next year, and then we'll see how long it takes to produce it.

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Okay. And then last question. And I might have actually asked this last earnings call, but I mean Interval – Interval, what they laid out in their 2020 projections due to the conversion of those hotels, do those projections continue to be on track?

John E. Geller, Jr.
Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.
A

Yeah. Obviously, we haven't closed on the transaction...

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Okay.

John E. Geller, Jr.
Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.
A

...yet, Patrick. So, once we do, obviously we'll be updating you on kind of the outlook of how we're thinking about a lot of the [ph] Intervals also (00:26:40), but today we're not prepared to comment on that.

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Okay. Fair enough. Thank you.

John E. Geller, Jr.
Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.
A

Thank you.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.
A

Thank you.

Operator: Our next question comes from Edward Engel with Macquarie Group. Please proceed with your question.

Edward Engel
Analyst, Macquarie Capital (USA), Inc.
Q

Hi. Thank you for taking...

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Good morning.

Edward Engel
Analyst, Macquarie Capital (USA), Inc.

Q

Good morning. Thanks for taking my question. Just into the digital marketing opportunity. Have you put anymore thought into potentially quantifying that opportunity? And, in the long run do you think you could be potentially as big as maybe the Marriott Rewards, SPG loyalty program merger?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Well, I – let me try to separate the two pieces. Clearly – and let me start with the second one first. As the two loyalty programs have come together, and as this merger gets closed, then we'll have the ability to market to not only the Marriott Rewards members but also to these SPG members and we think that obviously is a very important generator of potential tours for us and [indiscernible] (00:27:49) sales. So, we're very encouraged about that.

As far as the digital marketing opportunities, let me just remind you what that is. Today, we have a call transfer program in place, which means when somebody calls one of the Marriott's reservations centers and they want to book a hotel room for a normal stay or whatever, they're given the opportunity to understand about a value vacation opportunity with Marriott Vacations, call that a [ph] mini vac (00:28:17) and that call gets transferred to us. And if we do our job right, we interest them in booking a tour and hopefully then a sale thereafter.

All the digital marketing piece of that on the reservation side is, is taking that same concept and applying it to people that are booking on the digital/analog to a Marriott call center, call it marriott.com, marriott.com is a very, very important viable retail website, so the ability to actually get to people there which we heretofore have not had the ability to do, and give them the same kind of opportunity to engage with us about booking a tour is also – is really what this is all about.

So, given obviously the way the world has worked, more and more people are now booking their hotel reservations online versus booking them over the phone, we have every expectation that this will be as good or better than the call transfer program that we've been successful with last couple of years.

Edward Engel
Analyst, Macquarie Capital (USA), Inc.

Q

And then, I guess, what makes this opportunity different than maybe just an umbrella marketing strategy, which traditionally hasn't really worked in the timeshare industry?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Well, first of all, you've got loyal Marriott and now [ph] cast (00:29:38) that umbrella larger because it's not only the traditional Marriott customers through the various Marriott brands, but also all the former Starwood brands that are now under this umbrella. So 30 brands of loyal customers that are engaging in commerce with the hotel company. And we know that loyal customers have a tendency to have a stronger affinity to accept one of our offers than people [indiscernible] (00:30:04).

We've never been active so to speak in kind of broad net marketing campaigns trying to ferret out people by doing radio, TV, print, advertising, things of that nature. So we think this just as the call transfer program has been successful for us. We think this digital version of that will be equally or better in terms of volume.

Edward Engel
Analyst, Macquarie Capital (USA), Inc.
Q

Great. Thanks. And then, just a quick housekeeping. When the ILG acquisition closes, are you still expecting 3 turns of net leverage or with the incremental securitizations could that be a bit lower?

John E. Geller, Jr.
Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.
A

Well, the 3 times, when you say net leverage that's excluding securitization debt. So that will be the...

Edward Engel
Analyst, Macquarie Capital (USA), Inc.
Q

Okay, I guess, the recent cash flows you've gotten now.

John E. Geller, Jr.
Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.
A

The – I'm sorry, what about the recent cash flow?

Edward Engel
Analyst, Macquarie Capital (USA), Inc.
Q

The cash flows that you've gotten from the securitizations. Does that [ph] lower that target (00:31:09)?

John E. Geller, Jr.
Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.
A

Oh, yeah. Those are all factored into our outlook, our cash that we knew we'd have generated by closing to use in terms of the additional debt we needed to raise. So it's not a meaningful difference. On a net leverage basis, we'll probably be south of – just south of 3 times, but not much at closing.

Obviously as we've talked about our goal will be to continue to pay that down a little bit with excess cash flow to get to more of a 2 to 2.5 times which I think gives us more flexibility in the future too for other growth opportunities and given us more flexibility just longer term with our balance sheet.

Edward Engel
Analyst, Macquarie Capital (USA), Inc.
Q

Okay. Thanks. And then just one last one. Have you ever given what percent of your tours or your sales come from the call transfer?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.
A

No, we've not disclosed that.

Edward Engel
Analyst, Macquarie Capital (USA), Inc.

Q

All right. Great. Thank you for the questions.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Thank you.

John E. Geller, Jr.
Executive Vice President and Chief Financial and Administrative Officer, Marriott Vacations Worldwide Corp.

A

Great, thanks.

Operator: Ladies and gentlemen, we've reached the end of the question-and-answer session. At this time, I'd like to turn the call back to Steve Weisz for closing comments.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Thank you, Rob. Our performance for the first half of the year provided the foundation for a solid 2018. Contract sales are on pace for a strong second half. We are very close to closing on our acquisition of ILG. We have a lot to do in a shorter time to ensure a successful close at the end of August. But I have tremendous confidence in the teams on both sides to accomplish what needs to get done. I look forward to what the future will bring and to updating you on future calls as a combined company, and finally to everyone on the call and your families, enjoy your next vacation.

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