

**Marriott Vacations Worldwide  
Fourth Quarter 2025 Earnings Conference Call  
February 26, 2026**

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**Presenters**

**Neal Goldner, Vice President, Investor Relations**

**Matt Avril, Chief Executive Officer**

**Mike Flaskey, President and Chief Operating Officer**

**Jason Marino, Executive Vice President and Chief Financial Officer**

**Q&A Participants**

**Ben Chaiken - Mizuho**

**Lizzie Dove - Goldman Sachs**

**Patrick Scholes - Truist Securities**

**David Katz - Jefferies**

**Chris Woronka - Deutsche Bank**

**Stephen Grambling - Morgan Stanley**

**Operator**

Greetings, and welcome to the Marriott Vacations Worldwide Fourth Quarter 2025 Earnings Call.

At this time, all participants are 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” on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Neal Goldner, Vice President, Investor Relations. Thank you, sir. You may begin.

**Neal Goldner**

Thank you, Maria, and welcome to the Marriott Vacations Worldwide fourth quarter earnings conference call. I am joined today by Matt Avril, our Chief Executive Officer, Mike Flaskey, our President and Chief Operating Officer, and Jason Marino, our 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, which could cause future results to differ materially from those expressed in or implied by our comments. Forward-looking statements in the press release, as well as 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 on non-GAAP financial measures in the schedules attached to our press release and on our website.

With that, it's my pleasure to turn the call over to Matt.

**Matt Avril**

Thank you, Neal. Good morning, everyone.

To begin, I want to briefly acknowledge the recent events in Mexico. I'm pleased to report we've had no safety or property instances related to our associates or guests. From a business perspective, our operations in Mexico include four resorts, and last year, they generated approximately 3% of our worldwide contract sales, so our exposure is relatively small, and we certainly are looking forward to improving dynamics in Mexico.

Having made the decision to join Marriott Vacations Worldwide in a permanent capacity, I'm truly excited to be part of the management team as we move the organization forward. We appreciate all of you joining us on the call this morning, and I also want to thank Jason and Neal and their teams for all the hard work as we prepared for this particular call.

Further, it is my pleasure to welcome Mike Flaskey to the company as our new President and Chief Operating Officer. I've known Mike for many years. He brings a wealth of broad industry experience, energy, and a passion for execution of our commercial operations, particularly in our sales and marketing disciplines. I'm looking forward to working closely with him as we transform our operational effectiveness and begin to realize the full potential of our brands and our company, overall.

I'd like to invite Mike to make a few introductory comments.

**Mike Flaskey**

Thanks, Matt. I'm honored and humbled to be joining Marriott Vacations Worldwide at such an important moment for the company. This is a portfolio of iconic brands with a strong foundation. I am also thrilled to be reconnected with the Westin, Sheraton, and St. Regis brands from my years at Starwood Vacation Ownership. I am excited to work alongside our team to foster a high performance and values-driven culture, all while creating exceptional experiences for our owners and guests.

My focus will be on driving commercial performance, from growing tour flow at the top of the funnel to increasing owner engagement, ultimately resulting in revenue and EBITDA growth. These initiatives will position the company for sustainable growth through enhancing both the customer journey and lifetime value proposition for our owners.

**Matt Avril**

Thanks, Mike. It's been a busy four months since joining the company in November. During that time, I have been rapidly getting up to speed on both the challenges we face and the opportunities we have. This period has also allowed me to meet many of our shareholders and analysts that cover our company.

Additionally, along with a number of our senior leaders, we have visited more than a dozen of our resorts, including those in Maui, Orlando, Las Vegas, and our Scottsdale markets. This has allowed me to have direct engagement and feedback with our teams in the field throughout all of our operating disciplines.

While Jason will cover the numbers in detail, I'll briefly review the fourth quarter and full-year results.

As you saw in our release last night, fourth quarter contract sales declined 4% year-over-year, with VPG down 60 basis points, and our Adjusted EBITDA was at \$186 million. For the year, we generated \$1.8 billion in contract sales, which was down 3% from the prior year due to lower system-wide VPG. Adjusted EBITDA was \$751 million for the year, as we implemented cost-saving actions to offset lower sales.

I'm also aware that two topics drew significant attention on our last earnings call, and I'll touch on them briefly.

The first topic we introduced was a loss of sales talent and its effect on our results. It is worth noting that a relatively small number of sales executives can affect our performance in a significant way. Immediately following that call, we implemented an initiative to actively recruit high-performing sales executives who had left and adjust certain underlying root cause compensation structure dynamics. As we sit here today, I'm encouraged that many of the top performers who left us previously have returned and are ramping up with our company, now.

Attracting, training, and retaining top sales talent is an ongoing area of emphasis for our business every day.

On the second topic, commercial rentals, this issue isn't unique to us. During 2025, one of our competitors addressed this issue very publicly. On our call, we noted this had also emerged as an issue for us. Accordingly, we have recently implemented new reservation procedures which will reduce the problem of commercial rental activity. It will also provide greater inventory access for our owners. Frankly, the attention this topic garnered on the last earnings call was greater than its impact on the business.

Now let's turn our attention to what's ahead, starting with our priorities.

Over the last four months, we have emphasized, internally, the need to return our focus to improving profitability and free cash flow. They are the key components to building a vibrant and growing business, as well as the ability to reinvest and return cash to our shareholders.

As we will discuss this morning, we have taken actions to improve our profitability and lower inventory investment and other capital spending this year. We are also evaluating organizational alignment, reducing costs, and further resetting our priorities. We have markedly increased the pace of decision making, removing bottlenecks, and I am encouraged by the early progress we're making.

I want to review three basic ways we have to drive higher cash flow.

The first is through better operational performance. Operationally, we all know VPG is the single most important metric in determining profitability in our industry, all other things being equal, resulting from average sales price and closing efficiency. While VPG is a critical metric, we are looking forward to returning to growth in our top line revenue, overall. In addition to improving core VPG, we can grow when we generate more tours from our high occupancy resorts. When we look to generate more travel packages, better utilize our existing sales facilities, and close more efficiently, we are intensely focused on each of these. While in past cycles, growth in the industry was typically associated with more doors, i.e., more resorts, we are at a stage where we believe there is significant growth potential in a much more capital efficient manner.

We have also made changes in our Asia Pacific business over the past few months. This will reduce our tours this year but help our profitability and cash flow. As a background, we entered the Asia market 25 years ago, over the last three years had expanded with new resorts and new sales centers. In our review of our business and our overall plans, we made the decision to deliberately reduce tours this year and adjust our staff, accordingly. Having made these adjustments, we are comfortable with the scope of our business in the region. I want to thank the leadership in Asia Pacific for taking on this reset challenge, which they have already implemented.

This brings us to the second way in which we can drive higher cash flow: disciplined capital allocation. Today, our cumulative inventory expenditures have exceeded the amounts needed to support our future sales. This has resulted in us generating substantially lower free cash flow conversion. As part of changing our Asia strategy to drive higher profitability and cash flow, we eliminated one project that was scheduled for 2026 and deferred spending on another for two years. This change will allow us to focus our resources on markets with the greatest potential and drive better profitability and higher cash flow.

Additionally, we have also decided not to develop our previously announced Hyatt branded vacation ownership resort in Orlando at this time, particularly given our overall current inventory levels. We are also reducing overhead across the organization.

In total, these actions will reduce capital spending this year by \$70 million-\$80 million.

The third manner in our ability to generate cash flow is to monetize assets that are no longer strategic to the business. Over the past four months, we have rigorously evaluated our balance sheet for potential dispositions, resulting in substantially higher contribution to free cash flow in 2026. Jason will discuss how we have updated our non-core asset list. These assets bring the total monetizable value to approximately \$200 million-\$250 million, in addition to the \$50 million we already raised this year by selling our Westin Cancun Hotel. This will enable us to deliver substantially higher free cash flow in the coming years compared to our recent experience, which we can then use to either reduce debt and/or return cash to shareholders more quickly.

I also want to make a few comments about our modernization program. There has been substantial work done under this initiative over the past year, with clear benefits to the P&L. Our 2025 results include approximately \$35 million of adjusted EBITDA, specifically from these initiatives, and our guidance this year includes additional benefits being realized. Going forward, we are going to provide guidance that includes the revenue and cost benefits of all of our initiatives, without separating them out from our core operational improvements or from benefits specifically from this program. Consolidating all of our future guidance and our actual results going forward will simplify how we manage the process improvement activities internally and how we report them externally.

To close my comments, stepping into this role, my simple commitment to the board and our associates was to provide clarity of strategy, prioritization of resources, and quick yes/no decision making, and to be intensely engaged in that process. We are looking at our business objectively and critically, when necessary. We're challenging past assumptions and requiring fresh perspective from our leadership team.

Our company has much to be proud of, and we have a long history of success, and I'm personally honored to join it. We also have a responsibility to improve our business operations, every day. Growth is the engine that can fuel opportunities for our associates, enhance the experience for our owners and guests, and drive enhanced returns for our shareholders. Our immediate focus is simple: improve our profitability, generate increased cash flow, and importantly, return the business to a trajectory of growth. I cannot overstate the importance of fostering an environment of growth throughout the company.

We believe we have the best platform in the industry with exceptional resorts at great locations, a compelling employee career opportunity, substantial recurring revenues, and a commitment to win. We have already implemented changes that will drive long-term sustainable shareholder value, and it is important to note at this stage, we are in the early stages of significant transition. I would be personally remiss if I did not acknowledge the impact of the rate of change across the organization. I want to take this opportunity to thank our associates for all their hard work thus far and for what remains ahead of us. We are moving with a sense of urgency and making tough decisions where necessary, all with a focus on improving profitability, cash flow, and long-term

growth. We expect to see the first half of the year could easily be a little bumpy. We are certainly committed to beginning to see the benefits of our work in the second half of the year.

I want to thank all 22,000 of our associates throughout our system who deliver our experiences to our guests and are on the journey for Marriott and for our performance going forward.

With that, I'm going to turn the call over to Jason Marino to discuss our Q4 results and guidance for 2026.

### **Jason Marino**

Thank you, Matt. Today, I'm going to review our fourth quarter results, our balance sheet and liquidity position, and our outlook for the year.

In the fourth quarter, we reported \$186 million of Adjusted EBITDA.

We ran nearly 90% system-wide occupancy. Sales were up in Las Vegas, Hilton Head and Myrtle Beach, but that was offset by declines in Orlando and Hawaii, two of our biggest regions, as well as Asia Pacific, as we started reducing sales to certain customer channels as part of our revised Asia strategy. As a result, contract sales were down 4%, year-over-year, with international sales down 10%.

VPG declined 60 basis points compared to last year, and tours were down 3%. Total owner sales declined 2%, year-over-year, although owner VPG increased for the first time since 2024. First-time buyer sales decreased 9%, primarily due to lower performance in key regions.

We ended 2025 with a pipeline of 270,000 packages, with one-third of these already activated to take their tour, this year. We've also added 100,000 new first-time buyers over the past five years, providing us future built-in upgrade potential.

Delinquencies declined again this quarter compared to last year, and we are close to 2022 levels. Financing propensity increased to 56% in the quarter, and sales reserve was 12.7% of contract sales, in line with our previous guidance.

Product cost as a percentage of development revenue decreased 90 basis points, while marketing and sales costs increased 200 basis points, year over year. As a result, development profit declined 8% to \$94 million.

Total company rental profit declined 26% to \$25 million in the quarter, due to higher inventory costs. Management and exchange profit increased 9% to \$92 million, while our financing profit increased 10% to \$53 million, reflecting the consistent and resilient nature of these high-margin revenue streams.

Moving to the balance sheet, we ended the quarter with \$3.2 billion in net corporate debt. In January, we repaid our \$575 million convertible notes using available cash and revolver

borrowings. We ended the quarter with leverage of 4.2x, above where we want to be long term but manageable, given our cash flow. Our next corporate debt maturity isn't until December 2027, so we are in good shape from a maturity perspective.

We returned \$171 million to shareholders last year in dividends and share repurchases, including \$25 million of share repurchases in November and December last year.

As you saw in our release last night, we recorded \$546 million in non-cash impairments in the quarter. These impairments relate to three broad areas.

First, we recorded \$202 million related to inventory and other assets, reflecting the write-down of carrying values of future phases of existing projects that we no longer expect to complete, as well as legacy Welk inventory and our revised Asia strategy.

Second, as part of our plan to monetize \$200 million-\$250 million of excess assets not core to our strategy, we recorded a \$160 million charge to reflect their estimated realizable value.

Third, \$184 million primarily related to goodwill and intangibles from our acquisition of ILG.

Looking forward, we expect contract sales to be up 1% at the midpoint of the range this year, and Adjusted EBITDA to be \$755 million-\$780 million.

We expect tours to decline in the mid-single digits, primarily driven by an intentional 30% reduction in our Asia-Pacific business. Our focus on tour quality and utilization of FICO scores to optimize tours will also impact tour growth this year, but that will be offset by higher VPGs.

Based on trends to date, we expect contract sales to be down a few percentage points in the first quarter. As Matt mentioned, we have numerous initiatives designed to improve VPG, contract sales and revenues this year and expect trends to build, as the year progresses. We also recorded positive reportability in last year's first quarter and this year we expect it to be negative, which is more typical for the first quarter. We also expect rental profit to be a headwind this year due to increased carrying costs of unsold inventory and as a result, we expect adjusted EBITDA to be down in the first quarter compared to last year.

For the full year, we expect sales reserve to be consistent with last year, product cost to increase, and marketing and sales costs to decline, driving an increase in development profit compared to last year.

As we indicated in our press release, beginning in the first quarter, we started including interest expense in our warehouse credit facility as a component of consumer financing interest expense. This is consistent with how we treat warehouse interest on our securitizations. Interest expense on warehouse borrowings was \$13 million last year, and we expect it to be similar this year. As a result, we expect financing profit to decrease year-over-year, but excluding this change, financing

profit would have been flat. Importantly, while this change will reduce EBITDA, it has no impact on net income or cash flow.

Moving on, we expect management and exchange profit to increase compared to last year, and for rental profit to decline 15%-20%, due to higher costs of owned inventory in our VO business.

G&A is expected to be flat to up slightly, and we are taking additional expense actions beginning this quarter, which will benefit the second half of the year.

Finally, our adjusted EBITDA for guidance for the year includes both a \$10 million product cost benefit from our impairments, as well as the negative \$10 million-\$15 million impact from the change in treatment of warehouse interest expense.

Moving to cash flow, we expect our adjusted free cash flow to be \$375 million-\$425 million this year, and for our adjusted free cash flow conversion to be in the 50%-55% range, including roughly \$100 million of cash inflows related to the sale of our hotel in Cancun and monetization of our dollar-denominated Asian notes receivable. We expect inventory spending to be \$160 million-\$170 million this year, which includes \$55 million for prior commitments. We had a \$14 million inventory commitment due later this year for inventory in Bali that we have eliminated, and we deferred another \$33 million payment until 2028 for the next phase of our Khao Lak project. These changes, taken with additional actions related to inventory, will collectively increase free cash flow by \$70 million-\$80 million this year versus our prior expectations.

We will continue to incur costs this year that are more one-time in nature, that are related to our modernization initiative and not indicative of our long-term cash generation, and believe it is appropriate to continue to carve that out of our reported results. Our adjusted free cash flow guidance excludes approximately \$75 million of one-time after-tax costs, which is a reduction from our original plans and is principally technology spending and some severance costs.

As we have talked about in the past, we have a number of assets that we plan to sell, and in January we took a meaningful step in fulfilling that promise, selling The Westin Resort & Spa in Cancun for \$50 million, which will be recorded as a reduction in inventory in the cash flow statement. In connection with the sale, we agreed to acquire 64 purpose-built timeshare units co-located with the Marriott Puerto Vallarta Resort & Spa when construction is complete in late 2028 for \$46 million.

This transaction provides us two benefits. First, it eliminates our having to invest significant capital to convert the Cancun hotel into timeshare units and it adds a new resort in Puerto Vallarta, adding excitement to our Marriott system. And we will open a new sales center there, our first in that market.

As part of our broader business review, we have also updated our asset disposition list to include additional properties and as a result, we now believe we can generate \$200 million-\$250 million

of cash over the next two years from asset sales, incremental to the \$50 million we generated from the sale of the Westin Cancun.

We also continue to work on optimizing our future inventory spending.

To summarize, we closed 2025 on a strong note and are starting 2026 focused on driving higher profitability and stronger cash flow.

Over the past four months, we have taken decisive actions to right size our Asia Pacific business, reviewed every asset in the portfolio to maximize our value, begun implementing actions to reduce overhead across the company, and added new leadership to drive long-term growth in our business. I, and many of our associates are energized by the focus Matt has brought to the company and are excited by the opportunity in front of us to grow this great platform.

With that, Matt and I will be happy to answer your questions. Maria.

### **Operator**

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press "\*"m "1" on your telephone keypad. A confirmation tone will indicate that 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 keys. We ask that analysts limit themselves to one question and a follow-up, so that others have an opportunity to do so as well. One moment please while we poll for questions.

Our first question comes from Ben Chaiken with Mizuho. Please proceed with your question.

### **Ben Chaiken**

Hey, good morning. Thanks for taking my question. I'd love to double down on the sales force commentary, Matt. You know, maybe you could talk about where the sales force was when you started the role, where you are today, and where you think you'll be in three months. Then kind of related, what were some of the specific actions you took to rebuild the platform? Thanks.

### **Matt Avril**

Thanks, Ben. A couple of things. I'll give you some overall comments and then double-click as you are asking on some of those specific dynamics. We have roughly 1,000 sales executives today across the system, principally in our North America and Mexico operation. We obviously have additional sales operations internationally that were really unaffected by that particular topic.

In some of our conversations and in my comments, we indicated it does not take a lot to move that needle. I would literally say in the 35-50 range. The impact of top performers leaving shows up in the numbers. It also shows up in just the overall cadence of the gallery itself. We got after

that immediately after that call. We have recruited back in the 35 range now, and they're ramping up.

Some of them had to complete their year-end obligations, etc., elsewhere. Some of them had left the industry, others were at competitors, and we reached out to all of them. So, we're pleased with the recruiting effort that went on but beyond that, we're out there recruiting, every day. I would sort of stand down on that question at this point, unless you've got further.

**Ben Chaiken**

No, maybe just a related. You know, you made a new hire, recently. At the beginning of the call, you introduced Mike. Maybe if you could talk about, kind of high level, some of the things you hope to accomplish here or and build on.

**Matt Avri**

Sure.

**Ben Chaiken**

Maybe related, some of the things that maybe VAC was kind of - lacking isn't the right word - but was softer on that Mike can help with.

**Matt Avri**

Listen, first of all, I appreciate the question, and clearly, one of my responsibilities early on was to evaluate where I thought we could improve the company overall. And reaching out and identifying and reconnecting with Mike and the cadence, energy, passion, and the experience he has. Mike obviously has been a CEO in this business. He has a long, rich history and grew up in the sales and marketing aspect of the business in a way that he brings an authenticity and energy and a passion for our commercialization activities, very specifically in our sales and marketing arena. But overall, we think there is a real value to bringing all of those commercial activities in our rental, how we yield all of the opportunities we have in the system.

So, yes, I would tell you that as we look at the execution of our business, across all of our commercialization activities, simply put, where there is a revenue opportunity that needs to be integrated and thought about holistically, Mike's role overseeing all of that part of the business, combined with his personal attributes around the energy and the viewing of the challenges that we have in some respects, as he says, "Nothing but opportunity." That is in place. It's been in place for a week now, and I'm really excited about the addition that Mike brings to our business.

**Ben Chaiken**

Thanks, I appreciate it.

**Operator**

Our next question comes from Lizzie Dove with Goldman Sachs. Please proceed with your question.

**Lizzie Dove**

Hi, guys. Thanks for taking the question. I appreciate all the detail. I'm wondering if you could just go on to the vacation ownership business. You know, you mentioned tours was down towards down mid-single digit, but VPG kind of stronger to offset some of that. Maybe you could talk about some of those initiatives you kind of called out and, you know, to what extent you're thinking new buyers can kind of increase and whether there's any mix shift impact there? Thanks.

**Matt Avril**

Thanks, Lizzie. This is Matt. Couple of things. We have, towards the end of the year, we have implemented investment in our training, particularly of new hires, as we bring them onto the system. Certainly, mix is part of it as we looked at improving the quality of the tour flow that we had in our pipeline from packages. That has been getting implemented through the latter half of 2025.

And I would say in addition to the plan that we've got and the guidance that we've got, we will begin looking at, immediately, how we grow the opportunities. I alluded to this earlier in my comments about how you grow cash flow and the various tools to do it.

We are going to be focused on improving the VPG in our core operation, but we are going to immediately begin looking at how we expand the opportunities to grow our tour flow and take better advantage of our fixed infrastructure, today.

We've got 770,000 owners. We talked to a lot of them. We can talk to more of them. We have facilities that can take on more package tours, and we're going to be looking at that again, immediately. Those take a little longer to bleed into the system, but we are focused on day-to-day core execution in terms of VPG dynamics, but we're also looking to return an overall environment of growth to the business.

**Lizzie Dove**

Got it. That makes sense. Thank you. I guess going a little deeper into that, you've been in this role for a few months now, and you talked about maybe first half could be a little bumpy, but there's clearly a lot of opportunity here. Like, how do you think about what's kind of low-hanging fruit versus what takes a little bit longer to kind of turn around and specifically kind of on the cost side, as well?

**Matt Avril**

Well, I'll go backwards on your question. Clearly, when you look at the cost structure of the business, first thing we have to do is be respectful of what the run rate of the business had been. Those are never easy discussions or decisions to make. We have been at that pretty rigorously, over the last several months. I alluded to in my comments that we expected to implement further cost reductions before the end of the quarter, and we'll be doing that.

We are looking at prioritizing the activities that we have internally but simply put, overall, the cadence of the business and what our cost structure had become over the years. When I joined the company, I said two things: that everything was on the table, and everything had to earn its right in our business plan, going forward. You heard Jason allude to that in some of our disposition strategies, and you have heard us refer to that directly and indirectly with regards to better managing our cost structure for the business needs, going forward. Those things have been underway, they are underway, and we look forward to getting them behind us as quickly as possible.

**Lizzie Dove**

Thanks. That's helpful.

**Operator**

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

**Patrick Scholes**

Great. Good morning, everyone. Good morning, Matt and Mike, welcome, I guess, to your next events of a lifetime, as we might say. A couple questions here. First, you have a pretty lofty target here that was put out a week or two ago to get to that \$950 million of EBITDA in, I believe, three years. How should we think about the balance or the mix as far as cost cut versus revenue growth to get there, from a high level to start with? Thank you.

**Matt Avril**

Sure. First of all, thank you, Patrick. Appreciate the question. We certainly recognize that that got some attention. And when Mike and I made the decision -- I made the decision to take on the role permanently that I had held on an interim basis, and Mike made the decision to accept our offer to join the company, we were both very motivated, and I've alluded to this a little bit in my answer to Lizzie, with regards to the growth opportunity. Certainly, we are after the cost structure right now, as we should be. Going forward, it is certainly going to be rooted far more in the growth opportunities I alluded to and the efficiency with which we can do that from a cash flow perspective.

There are, and I alluded to them just a moment ago, innumerable ways we can grow nominal EBITDA by growing the number of tours, the number of people that we can talk to. And we have in place infrastructure to do that. We have far more owners on site than we talk to over the course of a year, so that's simply increasing the penetration rate with which we do that. You alluded to, and I appreciate it, Mike's personal next event of a lifetime but, clearly, to be direct about that, from an overall perspective, increasing our engagement with our owners, bringing increased experiential dynamics to them also increases our opportunity to talk to them in different ways than we have, traditionally, in our offers to come hear more about Marriott. It's a setting that creates that engagement; they enjoy the experiences and creates more sales opportunity.

Additionally, from a pipeline perspective, there are a lot of underlying building blocks, if you will: how we house our guests, the length of different packages that we may offer, utilizing our existing doors, perhaps complemented by off-site facilities. But when you look at the scope of our marketing capabilities, our ability to build even a broader and bigger distribution channel that will require, in places, additional sales talent. But we have facilities that we're not fully maximizing from a sales facility and distribution, now. So I think the thing that excited both Mike and I, this doesn't require buying five more resorts or opening up eight more resorts in order to drive those kinds of numbers. It is rooted in execution of the business and looking how we can expand and take advantage of the assets we have with a broader lens. And it all comes down to the number of people that we're able to talk to, the quality of the product offerings we bring to them, and our ability to grow our sales executives, both nominally and capability-wise, to take advantage of those additional opportunities in terms of tour flow, and we're fully committed to doing that.

Listen, there are costs that should be adjusted and reflected. We're after that right now. But clearly, the way you get there is a culture of growth and waking up every day looking at the commercial and revenue opportunities that are embedded in this business that we are not fully realizing today.

**Patrick Scholes**

Thank you. That's actually a great answer. One follow-up question here, and then I'll hop back in the queue. Concerning the impairment and expectations for product cost, should we expect that those impairments should help keep lower product cost for the next several years? Thank you. Any relation between those? Thank you.

**Jason Marino**

Yeah, Patrick, there's a small relation. In my prepared remarks, we indicated about \$10 million of benefit will be realized in 2026. That's included in our guidance. We do still expect product cost to increase this year a little bit, but there is about \$10 million of benefit reflected in our guidance this year from some of those inventory impairments that we took.

**Patrick Scholes**

Okay, thank you. I'll hop back in line. Thank you.

**Operator**

Our next question comes from David Katz from Jefferies. Please proceed with your question.

**David Katz**

Morning, everybody. Thanks for taking my questions. Appreciate it. Matt, what I wanted to get at is, on your to-do list, Marriott is, you know, corporate is going through some, you know, digital transformation. I wanted to get a sense for where on your list, technology initiatives might be for Marriott Vacations. Obviously, it takes a partnership to move those things forward and that's always been a discussion point. Where does that fit on your to-do list?

**Matt Avril**

Thank you, David, for the question and for joining us this morning. We alluded to some of our ongoing modernization spending in 2026, and you are right on top of where the majority of that activity is, which is in our technology from both a digital, we are working on mobile app dynamics. But a portion of that spend is, in fact, to better connect with the Marriott platform and the required capabilities that we have to be part of that system.

Clearly, the opportunities - broadly from a technology standpoint, digital in particular - we enjoy a great relationship with the team at Marriott. In fact, we'll be meeting with them in the not-too-distant future to better explore all the ways in which we can further create value for both our company and Marriott International overall. So, we've got a great relationship. There is technology spend that is the focus of the modernization activity this year. So, appreciate the question. You're right on point.

**David Katz**

If I may, have you been able to put some dollar opportunity or earnings opportunity specifically around the technology side of it? I'm really just trying to get a sense for how much, you know, catching up there might be to do, and/or, is most of the dollar opportunity that you've laid out other than sort of the asset divestitures and the non-core assets, is most of it really technology driven?

**Matt Avril**

Just to make sure I'm following the question David, when you say the dollar opportunity, are you talking about in our nearer-term cash flow, or are you talking about in our '26 results? I just want to make sure I'm answering the right question.

**David Katz**

No, I really intended it from a long-term, untimed perspective. Like, how much is there really out there, if you can just catch your technology up to where you think it should be?

**Matt Avril**

Candidly, I would say that is an enabler of the business, overall. And I would tell you the improvements that we can see, candidly, is at this stage in the core execution and fundamentals of our business, rooted in broadening our perspective around growth. To say that X% of the growth opportunity, you know, that Patrick referred to earlier, is rooted X% in the technology spend, I would tell you we certainly expect that to occur, but I would not say, you know, I can bracket X dollars of the growth belief that we have over these next three years.

**Jason Marino**

Yeah, David, just to add on a little bit to what Matt said.

**David Katz**

Yeah, go ahead.

**Jason Marino**

One of our key initiatives this year is on the mobile app. When you look at where our mobile app sits today versus customer expectations of a mobile app, it's not meeting those expectations. That allows a lot of additional business benefits. Hard to quantify, but we know they're real in terms of engagement with the owners when they're on property, near-term booking opportunities, filling extra inventory, things like that.

So those capabilities exist today through the web, but not in that device that we carry in on our pocket and are addicted to. So as we can enhance those capabilities, that's more the longer-term future, and we're spending on that this year. That's one of our key initiatives on the technology side related to that.

**David Katz**

Very helpful. Thank you very much.

**Operator**

Our next question comes from Chris Woronka with Deutsche Bank. Please proceed with your question.

**Chris Woronka**

Hey, good morning. Thanks for taking the questions, guys.

**Matt Avril**

Hey, Chris.

**Chris Woronka**

Hey, Matt. You guys, with the contract sales guidance, I think up 4% for the year at the midpoint, yeah, I think you exited Q4, I guess, down 4%. I know you expect Q1 to be down a little bit. Is there any, Matt, is there anything you can add to give us a little conviction, or what's your conviction level in getting to that midpoint? Is that a kind of a hard target for you, or is it more aspirational? Is there anything you can point to in terms of, you know, package activations or something like that in the remaining three quarters after Q1 that might add confidence to that?

**Jason Marino**

Just so we're clear, when the guide for the year at the midpoint was 1% contract sales increase. I think you may have said 4. I just want to clarify.

**Chris Woronka**

Oh, right, I'm sorry. Sorry, Jason. Yeah. Yes, yes, correct. Sorry about that. Yes, 1%.

**Matt Avril**

No, no, no worries, Chris. We just wanted to make sure we were on the, we were sort of all referring to the same numbers.

With that target in mind and recognizing the transition we're in right now, there is clearly a, as direct as I can say it, as we are both focused on this overall culture of growth as - you guys can't see him, I'm looking to my left. Mike is sitting here in the room with us, and there's a reason for that. So, the ability to both drive our flow opportunities and performance throughout the system, I would tell you that that cadence increased a week ago, and it'll increase tomorrow morning, and it'll increase Saturday and Sunday. We're after this in a really intense seven-day-a-week manner.

So, that's part of what gives me the confidence in it. Yes, you referred to some of the tools we have. We've got a great pipeline. We do have tools to activate that in different ways. I would tell you that is absolutely one of the ways in which we would look to do that. And also, we can begin some of the things, tools that we'll have in place to increase our penetration of our on-site guests. Jason had alluded to the fact that our properties run 90% occupancy system-wide throughout our resorts, and the opportunity to reach more of them, provide our product features, is going to increase. The number of people we'll talk to will go up.

#### **Chris Woronka**

Okay, understood. Thanks, Matt. The follow-up is kind of related to that, which is, you know, I know in the past there's been a bit of a narrative, and I think it's maybe partly fair that the funnel of customers that Marriott gets to you is maybe changing a little bit in terms of composition based on their push into more select service. So, what you're talking about, talking to more customers, it sounds like that's coming from maybe non-Marriott funneled channels, if that makes sense. Can you maybe elaborate a little bit on what some of those newer channels are to talk to more folks?

#### **Matt Avril**

I'll answer it a couple of ways. Listen, I will not say that I can refer to every comment that may have been made in the history of the company with regards to what you're alluding to. What I will say is the Marriott broad customer base, there is runway for us there, and how Marriott grows their member base is nothing, ultimately, but upside for us.

There is more to do in the database that we have access to today. That's number one. Number two, are there other databases in the world that we ought to be looking at to be more creative about and look to partner with, explore, to bring into our funnel, as Mike alluded to in his comments? There's no question about it.

And then, we look to either grow that package pipeline and/or reaching out and accessing our owner base, either on-site or through some of our direct, virtual, and telephone-oriented, there's owners that we don't see every year or every couple of years. And being more strategic about how we activate them, get them to return to our resorts, or reach them in that interim time is a big focus for the business going forward.

**Chris Woronka**

Okay, very helpful. Thanks. Thanks, guys.

**Matt Avril**

Thank you.

**Operator**

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

**Patrick Scholes**

Great. Thank you, again. Question for you, Jason, or the team. Has there been any reassessment of what your specific long-term net debt to EBITDA target is? I know in the past, you've called out trying to reach three times as an ideal metric. Thank you.

**Jason Marino**

Yeah, Patrick, I think over the long term, we'd like to be in the threes. Obviously, you got to be in the threes before we can get down to kind of the lower threes. We're really focused on cash flow generation, making sure we deploy that capital effectively. I'd like to see the debt come down a little bit more. It gives us a lot more flexibility in terms of share repurchases and other opportunities that we may have, so, that's kind of the answer there. Just, you know, let's get us under four times, be generating that cash flow, show that path, and then we'll have a little bit more flexibility with deploying the cash.

**Patrick Scholes**

Okay, thank you. The final question, any thoughts about rescheduling that Investor Day, or is it too soon to start to think about that? Thank you.

**Jason Marino**

Yeah, Patrick, you're right. It's a little bit too soon. We've got a lot of work ahead of us, but it's definitely top of mind, but a little too soon right now. Thank you.

**Patrick Scholes**

Okay, fair enough. Understood. I'm all set. Thank you.

**Matt Avril**

Thanks, Patrick.

**Operator**

Our next question comes from Stephen Grambling with Morgan Stanley. Please proceed with your question.

**Stephen Grambling**

Hey, thanks for getting me in here. On your comments about talking to existing owners more, can you perhaps remind us of how many owners have never had an upgrade since their initial purchase? And secondarily, how do you think about the trajectory of overall owner growth as part of your plans to drive sustainable free cash flow growth, long term?

**Jason Marino**

Yeah, Stephen, I don't have a number in terms of how many owners in our system have never upgraded. We have sold 100,000 new owners over the last, you know, five years, so that does have some embedded growth potential there.

As we think about new owner growth, that's key to our future growth. Obviously, as Mike's gotten on board, that's going to be a key initiative for us going forward, not necessarily in the guide that we just gave you, but that's top of mind in terms of growing the funnel, growing first-time buyers, and really making sure that we have a long-term sustainable growth profile here as we move forward.

**Stephen Grambling**

One other clarification, because I thought that I heard Matt say that going forward, you're going to have kind of clean results, fully kind of embedding some of the costs. Does your guidance particularly on a free cash flow basis, just if you can help us understand what that includes or excludes as it relates to additional modernization and other costs in any way to help frame maybe, you know, real cash impact from those things as we look at 2026?

**Jason Marino**

Yeah, I would say, simplistically, the cash flow guide starts with our adjusted EBITDA that we guided to, which would include any benefits from all of our initiatives that Matt alluded to. It does not include any of the asset sales that we talked about, the \$200 million-\$250 million of asset sales that we're working on, and it does not include roughly \$75 million of after-tax costs related to technology and severance related to that continuation of that work. So, it's really what we're trying to do is guide the core business operations.

I did allude in my comments to two, call it, one-time positives, the sale of the Cancun hotel, which will be reflected as a reduction to inventory, as well as the monetization of our dollar-denominated Asian notes, which is about \$50 million in that cash flow guide. It does have those two things in it. Hopefully, that's helpful clarification.

**Stephen Grambling**

Yep, that's great. Thank you.

**Matt Avril**

Thanks.

**Operator**

As a reminder, if you'd like to ask a question, please press "\*", "1" on your telephone keypad. We have reached the end of our question-and-answer session, as there are no further questions at this time. I would now like to turn the floor back over to Matt Avril for closing comments.

**Matt Avril**

I'd like to thank everyone for joining our call today. There's no question, at times, it's been a very hectic first four months on the job, but they've been incredibly beneficial and personally rewarding. There's a lot of great people here that I have enjoyed getting the chance to either reconnect with, meet, and spend time with.

We have the organization focused on what drives shareholder value, which is profitability, cash flow, and long-term growth.

We made a number of difficult strategic decisions, including changing our scope of our activity in Asia. We brought Mike on board to help transform our operational effectiveness.

We've also accelerated our plan to monetize excess inventory and any other assets, which we plan to redeploy in debt reduction and returns to shareholders.

The next few months will be critical for the organization, as we work through our transition. We fully expect the second half of the year, where we will begin to see improvements in our results.

Finally, on behalf of all of our associates, owners, members, and our board of directors and customers around the world, I want to thank you for your continued interest in our company. Thanks for joining us today.

**Operator**

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