

**Marriott Vacations Worldwide  
First Quarter 2026 Earnings Call  
May 5, 2026**

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**Presenters**

**Neal Goldner, IR  
Matt Avril, CEO  
Mike Flaskey, COO  
Jason Marino, CFO**

**Q&A Participants**

**David Katz - Jefferies  
Patrick Scholes - Truist Securities  
Ben Chaiken - Mizuho  
Brandt Montour - Barclays  
Lizzie Dove - Goldman Sachs  
Trey Bowers - Wells Fargo  
Stephen Grambling - Morgan Stanley**

**Operator**

Greetings and welcome to the Marriott Vacations Worldwide First Quarter 2026 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 star zero 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. You may begin.

**Neal Goldner**

Thank you and welcome to the Marriott Vacations Worldwide First 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 of non-GAAP financial measures in the schedules attached to our press release and on our website.

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

### **Matt Avril**

Thank you, Neal, and good morning, everyone, and thank you for joining us. Each quarter, I will address our prior commitments, progress made, and what lies ahead. So, let me start this morning from where we left off on our February earnings call.

During that call, we laid out a clear set of priorities and how we expected the year to unfold. Our focus was on improving profitability and cash flow, accelerating growth, taking actions to lower costs, and monetizing non-core assets.

We also stated that 2026 would be a first-half, second-half type year. Let me begin by updating you on where we stand against those commitments. We talked about:

- aligning our organizational structure and leadership team,
- reduce the scale of our Asia business, which we've done, benefiting our current year capital spend and future margins,
- take actions to lower costs,
- monetize non-core assets,
- and most significantly, initiate our commitment to revenue growth and operational excellence.

In the last two months, we've made demonstrable progress:

- We've made significant changes across the executive team and in key leadership roles to better drive overall performance, grow revenues, EBITDA, and cash flow
- In particular, the process began with hiring Mike as President and Chief Operating Officer, and in turn, we've added experienced leaders across sales and marketing. We have also successfully added direct frontline talent in our sales galleries. The leadership decisions taken were deliberate and a priority set when I stepped in early in the year, and they are already beginning to show results in the business. I undertook a full assessment of where we needed to build on the best of our company and also the need to infuse it with new experience and talents from outside. These actions are about positioning the business for more consistent performance and stronger growth over time, now and ongoing, including the initiatives Mike will discuss shortly during the call.
- We also implemented the workforce reductions we committed to on our last call, and we completed those in the middle of March. They will benefit the balance of the year and are contemplated in our guidance.

- We closed on the sale of the Westin Cancun hotel in January and listed additional non-core assets targeting more than \$125 million gross in additional proceeds this year.
- And we remain on track to generate 200 million to 250 million from asset sales by the end of 2027.

With that context, let me turn to the first quarter.

Our first quarter was a period of significant transition. We stated in February that we expected contract sales and adjusted EBITDA to be down in the first quarter, and our results were consistent with that expectation.

- Adjusted EBITDA declined 16% to \$161 million.
- Contract sales were down 2% versus last year with VPG increasing 1%. Tours were down 3%.
- Owner sales increased 3% compared to the prior year, driven by a 4% lift in VPG.
- Marketing and sales costs increased 300 basis points year-over-year as a percentage of contract sales reflecting the in-flight operating strategies from late 2025. Product costs increased 110 basis points on the same basis and was in line with our expectations.
- Finally, we generated \$114 million of adjusted free cash flow, resulting from our deliberate actions to improve our cash generation and capital discipline.

Our focus remains unchanged, consistent execution, improving profitability, strong cash flow generation, disciplined capital allocation, and a clear emphasis on near-term and sustainable growth in contract sales, EBITDA, and cash flow.

Our financing and management businesses continue to generate stable, recurring high-margin revenue and cash flow, underscoring the durability of our business model. Importantly, given the nature of our product, our owners have already purchased their future vacations. This provides a high level of visibility for our future tours that fuels our direct-to-consumer sales model and allows us to drive demand on site.

Our forward-looking indicators remain healthy.

- Resort occupancy is expected to be 88% to 90% in Q2 and for the full year.
- 96% of our expected owner utilization for the second quarter is already on the books.
- We expect owner occupancy to increase as our new initiatives we are implementing begin to drive higher owner arrivals.
  - These compelling occupancy levels reflect our strong commitment to delivering outstanding hospitality services and overall memorable vacation experiences to our owners.
- Lastly, the nature of our preview packages provides a highly predictable source of future tours totaling approximately 110,000 for 2026 arrivals.

We are confident in what is ahead. We have executed on capital discipline initiatives, taken steps on our cost and operating structure, and more recently, implemented a series of hires in sales and marketing that are already driving results. During today's call, Mike and Jason will detail these initiatives and how they are reflected in our expectations and our April contract sales results.

In accepting the appointment to CEO in February of this year, it was important that I identify clear priorities and actions to be taken with respect to them. Principal among those have been the ongoing evaluation of our operating structure and personnel that started day one when I stepped in last November. I very much believe the best companies are able to benefit from continuity and experience in their organization and at the same time being able to attract talent with different experiences and additive expertise to the business.

I have also been committed to driving improvements in our operating culture. Being able to act with speed and commitment and decisiveness is an imperative for our organization. We have dramatically improved the cadence of our decision-making. We have added talent. We are generating improved results as you will hear more of today. It was also clear that there would be a period of transition, and that was evident in our first quarter earnings.

Looking forward, we are very pleased by the significant traction we are seeing in April, during which our contract sales were up 8% year-over-year. We are increasing our contract sales guidance based on our recent trends and the impact of new initiatives underway. As we work through the first half of the year, there are certain expenses being incurred as we transition to our new operating priorities, principally in sales and marketing. Accordingly, we believe it is prudent to reaffirm our existing EBITDA guidance.

With respect to our future, I'm incredibly excited about what lies ahead for the company. Game-changing initiatives are underway. They are returning us to a path of revenue growth, product enhancement, energy and optimism that now exists inside our company.

Momentum is an incredibly powerful force in either direction. I will say unequivocally, there is a tremendous positive momentum inside our company. People are energized and committed. It is being built both with the infusion of new talent as well as the reinvigoration of our many associates in the workforce at Marriott Vacations Worldwide.

We have long had the opportunity to represent the best brands in vacation ownership and unbelievably loyal and broad-based customer profile. The company has long enjoyed a premier position in the industry, and we look forward to reasserting that position.

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

## **Mike Flaskey**

Thanks, Matt, and good morning, everyone.

I joined Marriott Vacations about three months ago. Since then,

- I have spent my time diving into the business, the team, and the opportunity in front of us.
- I've been in the field with our associates and in many of our sales centers. I've also spent time speaking with investors.

What's clear to me is that we have a strong team, tremendous brands with very meaningful upside.

What's encouraged me most is how much of the opportunity ahead of us is within our control, and we have already implemented several initiatives that are driving improvement.

At a high level, our new operating framework is centered on improving contract sales by growing the right tour flow and strengthening our operating discipline, expanding demand from new sources and driving incremental tours from our existing infrastructure, all while increasing average sales price.

As we look at the opportunities in front of us, we bifurcated them into both near-term and long-term. In the near-term, we have a clear focus on improving our core operations, which are already impacting our results.

- First, we are building a high-performance organization designed to drive revenue growth by strengthening our sales processes and talent.
- To achieve that, we hired a new Chief Sales and Marketing Officer with a demonstrated track record of success that I've also worked with for years, and we have several other powerful sales and marketing leaders that we have added to the team.
- We are also seeing a resurgence of top sales talent returning to the organization alongside exceptional new talent desiring to join us. Our transformation has the company excited, and we are seeing it across the organization.
- Second, we reorganized our sales and our field marketing organization, positioning us to move faster and more effectively as we execute our growth initiatives. And on May 1st, we restructured our sales and marketing leadership compensation packages, aligning their incentives to revenue growth and net operating income, which better aligns their compensation with the company's revenue and adjusted EBITDA performance.
- Third, we launched a new data-driven tour logistics initiative designed to better align tour flow with the right salesperson, improve conversion, and enhance the overall selling experience through more effective use of sales center technology. We are already seeing results from this initiative.

I am very happy to report that global contract sales were up 8% in April on a year-over-year basis as Matt mentioned, powered by North America where we were up 11%. This is very encouraging on many levels, in particular, North America, which is offsetting our planned reductions in Asia. This is a significant indicator that our strategy has taken hold.

We also have several initiatives that will enable long-term sustainable growth that will meaningfully impact EBITDA in the second half of the year. For example,

- On May 1st, we announced changes to our owner loyalty levels, adding two new tiers at the high end of the Marriott program.
- By the end of May, we will also be introducing a new buyer incentive called Dream Vacation Packages. Through these initiatives, we expect to drive a higher close rate and more predictable and quantifiable pipeline of future tours and higher VPGs company wide.
- And on June 22nd, we plan to launch our experiential event marketing program to be called Inner Circle. In my experience, this type of event platform has proven to drive higher quality incremental tour flow and VPG while strengthening engagement across the owner's life cycle, and the team that we now have introduced this concept to our industry. So, we feel very confident in our ability to execute on it.
  - Importantly, Inner Circle supports our broader lifetime value strategy by enhancing the customer journey, extending owner longevity, and creating opportunities for increased wallet share over time.
- Let me pause on this for just a moment and explain what this means.
- The totality of these three programs
  - incentivizes our owners to return to our properties and our sales galleries
  - in a more predictable and managed way,
  - driving higher tours and VPGs through increased average transaction size, thereby driving higher and more profitable contract sales.
- Finally, we are building a national and local partnership marketing capability to expand our reach beyond our existing databases to drive incremental tour flow. This will also allow us to grow tours through affiliations with the proven Marriott Bonvoy and World of Hyatt loyalty programs.

Some of these initiatives are more transformational and will take time to ramp up with meaningful benefits expected to begin later this year and into 2027.

Through the launch of these new initiatives, we are focused on growing our average transaction size and VPGs. We also have a unique opportunity with our points product to create multi-week vacation packages supported by our transformed owner benefit levels and powered by our world-class brands.

To support these initiatives, we are applying data-driven tour logistics to better match the right guests with the right sales executive and upgrading our programs to create more compelling

reasons for owner engagement while on vacation, particularly through initiatives like the Dream Vacation Packages and Inner Circle.

So, to wrap up, to say I'm very encouraged by what I've seen so far is an understatement.

- We have a clear pathway to significantly improve our commercial performance in both the near-term and the long-term.
- The power of the talent that we've added to the company and the reenergized disposition of the existing team has improved operational execution across the board.
- Along with our new owner loyalty levels, the Dream Vacation incentive, and our Inner Circle event platform, they have us set up nicely for a predictable and sustained growth trajectory.

With that, I'll turn it over to Jason to walk through the financials and provide more detail on the quarter.

**Jason Marino**

Thank you, Mike.

This morning, I'll walk through our first quarter results then touch on the balance sheet, cash flow, and our outlook for the year.

First quarter contract sales declined 2% year-over-year to \$411 million. Owner sales increased 3%, offset by lower sales to first-time buyers. Tours declined by 3%, driven primarily by our planned actions in Asia, which was restructured at the end of January to improve profitability and cash flow as well as our decision to reduce tours to consumers with FICO scores below 640 starting last year. Excluding Asia Pacific, contract sales declined 1%.

Development profit declined \$24 million year-over-year to \$55 million due to lower contract sales, lower reportability, and higher product costs, all of which were in line with our expectations. In addition, marketing and sales costs increased year-over-year primarily due to increased training costs and higher salaries, which are being addressed with the initiatives Mike mentioned.

Sales reserve was 12.3% of contract sales in the quarter, lower than Q4. 120-day delinquencies were up 17 basis points compared to the prior year and were down 45 basis points compared to 2024 levels.

Defaults were unchanged from prior year, and our rigorous reserve process continues to indicate that we are adequately reserved given our overall loan performance. Importantly, our more recent 2025 receivable originations are performing in line with our expectations, giving us further confidence in our reserve.

As expected, rental profit declined \$10 million year-over-year due to higher inventory levels and associated unsold maintenance fees.

Management and exchange profit declined \$2 million, largely attributable to lower profit at Aqua-Aston.

Finally, excluding the change in the presentation of interest expense in our warehouse credit facility, financing profit increased \$2 million.

As a result, adjusted EBITDA declined 16% year-over-year to \$161 million and adjusted EBITDA margin declined 370 basis points to 19%.

Turning to the balance sheet, we finished the quarter with \$3.3 billion of net corporate debt and leverage of approximately 4.2x. From a maturity perspective, we are well positioned with no corporate debt maturities until December 2027, providing us with meaningful financial flexibility.

Our adjusted free cash flow was \$114 million in the quarter, an increase of \$74 million over last year driven by lower inventory and capital spending as well as the \$50 million of proceeds we received from the sale of the Westin Cancun.

In April, in the midst of market volatility and increasing uncertainty, we completed our first securitization of the year, raising \$460 million at a blended interest rate of 4.86% and an advance rate of 98%, further strengthening our liquidity and demonstrating continued access to the ABS market.

Before turning to guidance, I want to briefly address capital allocation. We remain focused on reducing leverage over time while continuing to return capital to shareholders. As cash flow from operations and disposition proceeds materialize, we will balance debt reduction, dividends, and opportunistic share repurchases within a framework to reach leverage levels below 4x.

Turning to guidance. We now expect contract sales to increase 3% to 7%, which is above our original guidance, driven by the new revenue initiatives Mike discussed.

We expect tours to decline in the 1% to 3% range this year driven by the intentional reduction in Asia and for VPG to increase in the mid- to high single digits.

As we highlighted in our press release this morning, we are reaffirming our EBITDA guidance for the year, reflecting our higher contract sales and higher operating expenses over the short term to support these new initiatives. We expect our operating expenses as a percent of revenue to decline sequentially over the balance of the year as we leverage growth in our revenues.

In terms of quarterly cadence,

- contract sales and adjusted EBITDA growth remains weighted toward the second half of the year as new revenue initiatives ramp with our first Inner Circle events targeted for later this quarter.
- For the second quarter, we expect contract sales to be up 4% to 8% year-over-year as our new revenue initiatives start to work through the system and adjusted EBITDA to be \$187 million to \$202 million.

Finally, our expectations for management and exchange profit, rental profit, and G&A are largely unchanged from our previous guidance.

From a cash flow perspective, we continue to expect adjusted free cash flow for the full-year to be between \$375 million and \$425 million compared to \$145 million last year, and we expect free cash flow conversion this year to be in the mid-50% range.

We continue to make good progress on our non-core asset dispositions, listing multiple assets that we expect to generate more than \$125 million of proceeds this year on our way to disposing \$200 million to \$250 million in total by the end of 2027. Any proceeds from these sales will be excluded from our adjusted free cash flow.

As I wrap up our prepared remarks, I couldn't be more optimistic about MVW's long-term future. The organization is energized by our new leadership team, our April sales results, the launch of new programs, and culture of accountability. The transition to EBITDA and profitability growth is beginning, our momentum is increasing, and we look forward to the second half.

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

**Operator**

Thank you. We will now conduct a question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Once again, that's star one at this time. One moment while we poll for our first question. Our first question comes from David Katz with Jefferies. Please proceed.

**David Katz**

Hi. Good morning. Thanks for taking my question. I feel like, quite frankly, I have about 10 questions. But what I'd like to just get from the team is really just a big picture perspective on how confident are you versus where you were a few months ago when we first started talking about this in the long-term earnings power, I think that's been made clear by the incentives that you've laid out not just near-term but longer term. And what has to go right for you to achieve that long-term big picture earnings power?

**Matt Avril**

Good Morning, David. It's Matt. Thanks for the question and for joining us. I think the simple, direct answer is we have to continue to enhance the experiential value proposition to our owners, drive their engagement rooted in our guidance for the rest of the year, and things we're already seeing is lifting our tour flow opportunities with our owners at our properties. We have tremendous occupancy levels, and there is a lot of runway for us to do that

Secondly, as I said at the beginning of my remarks today, in any situation from my perspective like the one when I stepped in is you go assess who, and then you go assess what. I will tell you that we are, from my personal perspective, well ahead of where I could have hoped we would be a little over two months ago, stepping in and taking on the role in a more permanent way.

We needed to have an infusion of talent, expertise, and blending that into a terrific in-place workforce in order to accelerate how we put things into play in the field in our business. And as we've alluded to, to see that take place in the way that it already has in April has been really gratifying and probably faster than I could have expected during that period of time.

And then in terms of how you sustain that over time, there is sort of that inherent flywheel, which is, as we build and create more value - experientially in particular - for our owners, give them more reason for us to have more share of wallet for their travel and their vacation, it's the nature of the product that our best customers do travel and travel more, and we're committed to earning more of that share of wallet. And then over time, we'll continue to add new owners to the top of the funnel as well. So, the team has been assembled and is being assembled each and every day. So, we've been in very good shape on the team, the initiatives to add attractiveness to owning the product and experiencing it. So, that's the big picture that I would provide.

**David Katz**

Appreciate it. And one -- just a very quick follow-up since the Street is hyper-focused on this, and it's -- we always need something to worry about. Is there anything noteworthy with respect to loan loss or delinquencies? And it may be difficult to tell at this stage in the turnaround but just checking in. Thanks.

**Jason Marino**

Yeah, David. This is Jason. Thanks for the question. Yeah, at this point, we feel really good about where the portfolio is. We ran through a bunch of metrics on the call in our prepared remarks, and we feel really good with our process and what we're seeing especially as it relates to the near-term delinquencies, which are the majority of the book in terms of the nearer-term vintages. Sorry. And so, we feel good.

**David Katz**

Thank you.

**Operator**

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

**Patrick Scholes**

Hi. Good morning, everyone. Question for you regarding expectations for development profit. I believe on the prior earnings call, you had expected development profit for the year to be up. It was down quite a bit in Q1. Is your -- in light of that, do you still expect it to be up for the full-year? Thank you.

**Jason Marino**

Yeah, Patrick. This is Jason. So, that's right. As we move through the year, we expect our development profit will grow as we -- based on the implied guidance that we've given. That is the big growth driver in our business. That's what Mike is driving throughout with the higher contract sales. We expect product costs, similar to the guidance we gave on the last call, will be up a bit year-over-year but consistent with where we were in Q1.

And then as we go through the year, we'll continue to leverage our marketing and sales costs and drive higher development profit as we move through the year. So, that is our expectation.

**Patrick Scholes**

Okay. That's all for me this morning. Thank you.

**Operator**

The next question comes from Ben Chaiken with Mizuho. Please proceed.

**Ben Chaiken**

Hey. Good morning. Thanks for taking our question. I would love to hear about some of the changes in sales and marketing specifically on the event side. I think, Mike, you kind of suggested it actually doesn't start -- doesn't launch until later this summer. Is that correct? And then anything you can share here would be helpful. And then is it fair to say that the contract sales acceleration you've seen has not even kind of like touched that event/Inner Circle side? I guess the implication being that it's all related to changes in sales personnel. And I guess I'm kind of alluding to the success in April. And then one follow-up. Thanks.

**Mike Flaskey**

Yeah. Thanks, Ben. So, look, from April standpoint, if you think about it, we need to be great at what we're supposed to be great at. And what you saw and what Matt alluded to and I alluded to in the prepared remarks about our contract sales growth in April was from doing just that, fundamentally going in and being better at operating the business.

To use an analogy like a sports team, we had to eliminate the penalties. We had to get in shape to play the fourth quarter. We had to do the basic fundamentals to win a few more games, which is what you saw. Now as we start introducing the things that we talked about like the new loyalty

levels May 1st, the Dream Vacation incentives towards the end of the month, and then specifically your question, Inner Circle coming in June, we should really see that just turbocharge the momentum that we've already built.

As you know and as you've written about, we're -- we know the event business, and we know it very well. And the team that's here created the event business for the entire industry, and we've never had brands like this to power it, so it's incredibly exciting not only to our first customer, which is our sales and marketing executives, but it's also going to be a big hit with the owners.

### **Ben Chaiken**

Okay. That's helpful. And then I guess on the contract sales guidance, this is maybe a multiparter, but I guess, A) how much did you -- and I guess we can all -- we have some implication or some inference because you gave us April. But how much did you bake in for these for Inner Circle specifically in broad strokes without getting like too hyper specific?

And then question two would be, how did you think about the change in contract sales guide and no change in EBITDA? Could you maybe just help us out a little bit on that? Was there something on the cost side that you're assuming that's different than prior, or is it just some conservatism? I know in the prepared remarks, you mentioned some sales -- some higher sales and marketing expense. If we could just open that up a little bit, I think it would be very helpful. Thanks.

### **Matt Avril**

Hey, Ben. This is Matt. Thanks again for the questions. I'll sort of do it in reverse order.

From a guidance perspective, you're right. In my prepared comments, I talked about sort of the word "prudent." We clearly have terrific momentum, and we've got great traction raising the guidance level. I acknowledge both some of the transition costs that we're already absorbing relative to the first quarter's performance, some transition costs as we have brought on the new teams and launching the events platform, the Dream Vacations, and the owner benefit levels. There's a lot of internal work that has gotten done at an accelerated rate to support those rollouts. So, I think our guidance being in the range simply reflects that dynamic to the degree it ultimately may turn out to be conservative.

I'll tell you, we're very focused on delivering actual results, and the decision on guidance was simply balancing the -- what we would acknowledge is the more recent trend, but the enthusiasm and optimism and the visibility we have to what's coming on the revenue side. And we're going to work really hard on the cost side to maximize that flow-through. So, it was a bit of balancing those two competing forces if you will.

And your other question, Ben, on the front end, please remind me.

**Ben Chaiken**

Yeah. It was basically just how did you think about -- obviously, there's been some acceleration in contract sales from the start of the year. Then how did you balance that versus layering in the Inner Circle dynamic? I don't know to the extent how much that actually contributes to '26. Maybe it's in the back half --

**Matt Avril**

Yeah, fair question, Ben. We feel like we've got a number of factors, and certainly events is the platform, and the attractiveness of that is part of it. They all combine to drive one of our underlying metrics that are contributing to that contract sales acceleration: is our increased tour flow from our owners on property. And increasing the experiential aspect, those events are geared towards our best customers and our owners on site. So, it is embedded in that acceleration. I wouldn't do an attribution waterfall chart, if you will, "this much of the increase is this, this, this." It is the totality of all of the things that we're rolling out simultaneously.

**Ben Chaiken**

Sounds good. Thank you.

**Matt Avril**

Thanks, Ben.

**Operator**

The next question comes from Brandt Montour with Barclays. Please proceed.

**Brandt Montour**

Good morning, everybody. Thanks for taking my question. I apologize for my connection here. Can you just maybe break out that April metric and kind of give us a sense of how much of that was close rate, how much of that was expanding purchase price, if there's mix benefit in terms of repeat versus new owner? Just trying to get a sense for how much of that is sort of blocking and tackling, and how much of that is mix?

**Mike Flaskey**

Hey, Brandt. It's Mike here. Our VPGs in April were up \$450, just over \$450 or about 12.7% versus prior year. Our tour flow was exactly as planned with our reduction in Asia. So, North America tour flow was right on par. Asia was down as planned. So, that's kind of the mix, and average transaction size is a key focus point for us going forward. In the month of April, it was actually a balance of close and average transaction size.

**Brandt Montour**

Okay. That's really helpful. Then maybe another one for you, Mike. You spoke about getting the right tours. Take us back a little bit. When you got there, what kind of tours were you guys getting before, and what kind of tours are you getting now? And why do you think it's going to be low-hanging fruit that you can use your assets to hone in on those higher hit rate tours?

**Mike Flaskey**

Right. Well, it's a combination of things. First, by far, in my career, this is the most robust data pool that we've had to generate leads with the Marriott Bonvoy and the World of Hyatt, and we have significant runway left for first-time buyers in those databases. So, let's start there. What I observed when I got here was that this company significantly underperformed versus the industry on owner arrival to tour rates.

And so, we have a serious opportunity to enhance that, and the flow-through on those for every 1 percentage point is significant. So, we're very, very excited about that, and that comment about the right tours was tied to that.

But subsequently, when I talk about tour logistics, one of the things that we have worked diligently on in the past and that we're implementing here is kind of our proprietary model where we make sure we understand the VPG by guest type of every tour that's coming into our sales galleries, and then also knowing our individual sales executives' VPGs by guest type and then using logistics to match that up so that we give ourselves the highest propensity for close. And so, that is something that really was just starting to take hold in the month of April and has significant runway for the business.

**Brandt Montour**

Great. Thanks, everyone.

**Operator**

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

**Lizzie Dove**

Hi. Good morning. Thanks for taking the question. I just wanted to see if you could expand on the new owner side of things, what you're seeing there in terms of new owner VPG versus existing and what you're kind of baking in for contract sales in terms of any mix shift in terms of new owners for the rest of the year?

**Mike Flaskey**

I'll take the first part, Lizzie. It's Mike. And then I'll let Jason talk about kind of the guidance. As a percent of volume, we were at 28% in the first quarter of first-time buyers as our mix, and on a contract basis, it would be higher than that. We believe that we have significant opportunity within the business to increase first-time buyer tour flow and first-time buyer sales. We're going to be very prudent about how we do that. As I just mentioned in answering Brandt's question, we have significant runway in front of us on our owner arrival to tour.

So, it's really going to be a yield management exercise of being smart about how we grow our tour flow and balancing it as we go forward. Jason?

**Jason Marino**

Yeah, Lizzie. We ran, as Mike said, about 70% existing owner sales in Q1. And we've been in that range for a bit, and so I think that's a good range, plus or minus for the rest of the year depending on some of the things that Mike talked about with trying to drive that owner VPG and the owner capture and driving contract sales.

Over the long term, we do expect to grow our first-time buyer tours, and that's something for the long-term, but this year, I think that 70-30 mix is probably where we'll wind up.

**Lizzie Dove**

Got it. Thank you. Then I just wanted to touch on Hawaii. I know there's been some inclement weather there over the last couple of months, and I think you have a reasonable amount of exposure there. Anything that you're kind of seeing there or that we should be noting going forward on that?

**Matt Avril**

Hey, Lizzie. This is Matt. Thanks for the question. And certainly, the adverse weather there in the last three and a half weeks of March was disruptive. We do have a significant presence on Maui. Candidly, just from a call perspective and how we talk about things internally, the benefit of our business model is our direct marketing and being able to bring people in, and we're going to not lean on weather or disruptions or other things like that.

When we talk about our results, we certainly prefer better weather. Hawaii is a tremendously important market to us, and we think there is - for the reasons that Mike has outlined - in our system overall are very applicable to Hawaii. So, we're excited about what's ahead of us in Maui and all the islands where we operate out there, and bad weather or those kinds of events are going to happen from time to time, and we get paid to work through them.

**Lizzie Dove**

Thank you.

**Operator**

The next question comes from Trey Bowers with Wells Fargo. Please proceed.

**Trey Bowers**

Hey, guys. A couple of questions. First one, just a point of clarity. I think you guys said in the prepared remarks that the asset dispositions would not be included in the adjusted free cash flow calcs, but then there was -- it looks like there was \$50 million of add-back in the adjusted free cash flow in the press release. So, I just wanted to make sure I understand the build of that line item. Thanks.

**Jason Marino**

Yeah, Trey. That's right. Going forward, any future dispositions would not be included. When we gave the guidance for this year, we did say that we would include the sale of the Westin Cancun because that was slated as inventory in the future. So, that is the way that we did it for that first quarter.

In connection with that sale, we also entered into a purchase commitment for future inventory in Puerto Vallarta, and that was another reason that we put in adjusted free cash flow because that inventory spend in the future will obviously hit free cash flow down the road.

**Trey Bowers**

Perfect. Thanks. And then just any update on the modernization efforts? Any change to the expectation for the dollar value there? And then maybe just if you guys could just dig in a little bit on what about those modernization efforts are transitory in nature as an operating expense. Thanks so much.

**Matt Avril**

Hey. This is Matt. A couple of comments on that. As we chatted last quarter, we are incorporating benefits from modernization, as well as management waking up every day how to improve the business, in our guidance and in our actual results. I would say the other way to also look at modernization: there was a lot of what I would call design and architecture and trying to identify things in last year's work.

This year's work is really in the implementation of those that we have identified, and that work is underway. We identify it from both an expense and capital spend perspective. And so, we're not going to call out separately those dollars as they're showing up in our P&L, but they are benefiting our business today, and we expect them to benefit going forward. And there will be other initiatives that we're layering into just -- call it our project management and "improve the business daily" mantra. So, those are a couple of brief comments I would add.

But there's been a big shift from assessment and evaluation to implementation on those initiatives we have emphasized and prioritized. And for those that we have deferred, the benefits of that is reducing the cash flow associated with the deferred items.

**Trey Bowers**

Great. Thanks so much for the questions, guys.

**Operator**

Once again, to ask a question, it's star one on your telephone keypad at this time. Our next question comes from Stephen Grambling with Morgan Stanley. Please proceed.

**Stephen Grambling**

Hey. Thanks. Actually, two follow-ups. First, peers have culled their management base recently in terms of their -- the properties they're managing. Do you have a similar opportunity that you're looking at? Are there any properties where you still have low occupancy or even pent-up maintenance CapEx that you could look to potentially optimize?

**Matt Avril**

Hey, Stephen. This is Matt. Fundamentally, that is not an area of focus or need from our perspective. In our portfolio of resorts, we're excited about all of them. We've got one or two that we'll look at from time to time, but from a systemic, "we've got a clear demonstrable batch of resorts," if you will -- and respecting each of us have arrived in our portfolios through different mechanisms whether how much has been purpose-built, how much people may have acquired over time, I can understand why it was a priority elsewhere.

I would tell you, no, that is not a high-priority opportunity for us. Our opportunity is with the quality of our resorts that we have, the high GSS scores, and the high levels of occupancy that we experienced throughout our portfolio.

**Stephen Grambling**

Thanks. And then as you're thinking about ramping up sales and trying to incentivize owners, I guess, are you changing the way that you underwrite or even as you think about the percentage that you allow people to put down? Is there any change in that requirement as you look at either existing owners who maybe have built up equity or new?

**Jason Marino**

Yeah, Stephen. This is Jason. We're not changing any of our financing programs in terms of down payments. We've had the minimum debt 10% down payment now for a while, consistent with the industry, and so we're not changing anything in that regard. Owners can use their existing upgrade. Again, it's common within the industry to use their existing equity and their existing ownership -- to use that as partial down payments or full down payments, if they have enough, in new deals. So, that's not a change though.

**Stephen Grambling**

Got it. Thank you.

**Operator**

Thank you. At this time, I would like to turn the floor back to Matt Avril for closing remarks.

**Matt Avril**

Thank you for joining us on our call this morning. It's been six months since I joined, and we've made significant progress executing our plans. During the first quarter, we implemented a series of actions to improve our performance, and as we move forward with our plans, we will begin to see stronger contract sales, profitability, cash flow, and EBITDA growth.

I want to specifically thank our Marriott Vacations associates throughout the company. It has been a period of rapid and substantial change, and our teams are rallying to the vision and priorities we have.

On behalf of all of our associates, owners, members, and customers around the world, I want to thank you for your continued interest and support of the company.

**Operator**

Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a great day.