Marriott Vacations Worldwide Corporation
First Quarter 2024 Earnings Conference Call
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Presenters
Neal Goldner - Investor Relations
John Geller - President and Chief Executive Officer
Jason Marino - Executive Vice President, Chief Financial Officer

Q&A Participants
Benjamin Chaiken - Mizuho Securities
Patrick Scholes - Truist Securities
Chris Woronka - Deutsche Bank
David Katz - Jefferies
Shaun Kelley - Bank of America
Ryan Lambert - JPMorgan

Operator
Greetings, and welcome to the Marriott Vacations Worldwide first quarter 2024 earnings call. At this time all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference please press "*" "0" on your telephone keypad.

As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Mr. Neal Goldner, Vice President, Investor Relations for Marriott Vacations Worldwide. Thank you. You may begin.

Neal Goldner
Thank you, Melissa, and welcome to the Marriott Vacations Worldwide first quarter earnings conference call. I'm joined today by John Geller, our President and Chief Executive 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 that we issued last night 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 referred to in our remarks 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 John Geller.

John Geller

Thanks, Neal. Good morning, everyone, and thank you for joining our first quarter earnings call. It was great to see so many guests enjoying time with their family and friends at our resorts, making lasting memories during the first quarter. That's why they come back year in and year out and with a system-wide occupancy running 90% in Q1, we grew contract sales by 3%, excluding Maui, despite having a difficult VPG comparison, with first-time buyer tours growing 9%.

We also started taking reservations for our new Marriott Vacation Club Resort in Waikiki at the end of the quarter, which remains on track to open later this year and reservations have been strong for this new property. Owners have consistently told us they wanted us to add a location in Waikiki and this new resort is already bringing excitement to the system.

Concurrent with the resort opening, we plan to open a new sales gallery that we believe could be a meaningful contributor as it ramps up over a few years. And with Japanese arrivals to Hawaii up almost 75% year-over-year in the first quarter, the timing of this new resort couldn't be better.

We've made good progress adding new marketing and sales executives in Maui and still expect contract sales to be up around $5 million this year. International contract sales grew more than 25% year-over-year, driven by double-digit growth in Asia Pacific as the market continues to recover.

I'm also happy to announce that we recently signed an agreement to develop a new 60-unit Marriott Vacation Club Resort in Thailand. The resort will be co-located with an existing JW Marriott hotel in Khao Lak and will include a new on-site sales gallery when it opens in a few years. This will be our seventh resort in the Asia Pacific region and the team is busy working on other potential development opportunities around the world.

Our Hyatt business also continues to progress nicely. By leveraging proven branded channels, we've been able to grow our Hyatt package pipeline while simultaneously replacing lower-quality tours with higher quality, more cost-effective tours. Our Hyatt Vacation Club owners continue to utilize and enjoy the new owner benefits that we rolled out last year through the BEYOND program, and we continue to work toward launching a consolidated Hyatt product.

In our exchange and third-party management business, Interval International performed in line with our expectations for the quarter, with active members unchanged year-over-year and membership and Getaway revenue increasing.

As previously discussed, last year we hired a new Chief Information Officer to drive our IT transformation efforts, and he spent a considerable amount of time analyzing where our opportunities lie. While this is a multi-year journey, our IT efforts this year will continue to be centered around consolidating legacy systems, modernizing our software, and increasing automation, while continuing to enhance our data and analytics capabilities to improve the efficiency of our marketing campaigns. Looking forward, we ended the quarter with 270,000 packages, and our team is working hard to get these customers on vacation.

At the same time, the consumer shift to experiences continues to benefit our business, with 84% of people recently surveyed planning to spend more or the same amount of money on travel this year compared to last year. International inbound travel to the U.S. continues to recover and is expected to approach pre-pandemic levels this year. Meanwhile, although the economy remains on solid footing, consumers are concerned about elevated price levels, which could impact their spending.

Finally, as we approach the important summer vacation months, keys on the books in both North America and internationally are up a few points year-over-year. With that, I'll turn the call over to Jason to discuss our results.

Jason Marino
Thanks, John. Today, I'm going to review our first quarter results, our balance sheet and liquidity position, and our outlook for the rest of the year.

Starting with our Vacation Ownership segment. Coming into the year, we knew our most difficult sales comparison was going to be in Q1, so we feel very good about our first quarter results.

Contract sales declined 1% due to Maui and the difficult VPG comp, while tours increased 4% year-over-year. And as John mentioned, contract sales grew 3% year-over-year, excluding Maui.

As expected, development margin declined year-over-year due to lower VPGs, higher marketing and sales costs, and a higher sales reserve, as well as unfavorable reportability. The delinquencies and defaults continue to run higher than history would suggest, which is a continuation of last year's trends. We continue to work hard to get delinquencies down, and we believe our reserve is currently at appropriate levels, though we do need to see loan performance improve.

Rental profit increased $12 million year-over-year driven by increased rental revenue and lower expenses as more preview nights were used for marketing purposes.

Financing profit declined 4% driven by higher interest expense, partially offset by higher financing revenue, while resort management profit increased 8%.

As a result, adjusted EBITDA in our Vacation Ownership segment declined 7% year-over-year, driven primarily by lower development profit, while margins remained strong at 29% in the quarter.

Moving to our exchange and third-party management business. Adjusted EBITDA declined $5 million compared to the prior year, with lower average revenue per member and Exchange volume being partially offset by higher Getaways at Interval while profit at Aqua-Aston declined year-over-year due to softness in Hawaii. As a result, total company adjusted EBITDA declined 8%.

Moving to the balance sheet. We returned $78 million to shareholders during the first quarter, repurchasing $24 million of common stock and paying $54 million in dividends. And with the shares we've repurchased over the last 12 months, diluted shares outstanding declined 5% year-over-year.

Given the seasonality of our cash flows, we ended the quarter with net debt to adjusted EBITDA of 3.9 times and $855 million in liquidity. At the beginning of April, we refinanced our term loan, which is our only near-term maturity, extending it out to 2031. As a result, our next maturity isn’t until Q1 2026. We also have nearly $1 billion of inventory on the balance sheet, including inventory and PP&E, enough to support more than 2 years of future sales.

We also completed our first securitization of the year, raising $430 million at a blended interest rate of 5.5%, which is approximately 100 basis points below our last ABS deal.

Moving to guidance. Our full year adjusted EBITDA guidance remains unchanged at $760 million to $800 million. We still expect contract sales to grow 6% to 9% this year, with our strongest sales growth coming in the second half of the year as we lap the Maui wildfires, and for development margin to be down a few points, including in the second quarter.

Financing profit will continue to be a headwind to growth this year due to higher securitized debt costs. And while we do expect rates to be a headwind again next year, financing profit should increase.

Our rental business had a good first quarter, and we're working hard to drive incremental demand and manage our costs, and management profit should show fairly consistent year-over-year growth over the balance of the year.

In our exchange and third-party management business, we expect Interval members to be down slightly and for average revenue per member to increase.

Finally, we still expect G&A expense to be up slightly year-over-year.

Moving to cash flow. We expect our adjusted free cash flow to be in the $400 million to $450 million range this year. Our plan is to deploy our free cash to repay some of our corporate debt as well as return cash to shareholders through dividends and buybacks while targeting to get our leverage back to 3 times by the end of 2025.

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

Operator
Thank you. At this time we will be conducting a question and answer session. If you'd like to ask a question please press "*" "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "*" "2" if you'd 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 "*" keys.

Our first question comes from the line of Ben Chaiken with Mizuho Securities. Please proceed with your question.

Benjamin Chaiken
Hey, thanks for taking my question. Would love to dig into the strength in rentals. It sounds like from the prepared remarks, there was more preview nights, is that pretty lumpy through the year? Do you expect to stay elevated for the rest of the year? And then, I guess, related, do the higher preview nights play a role in the higher VOI sales and marketing? If not, what drove that up?

John Geller
Sure, Ben. Yes, I think as you look at rentals for the year and what happened in the first quarter, you had a couple of things. You mentioned the preview nights. And given all the packages we have and what we're seeing on the books, we do expect those to continue to be much higher than the previews that we've done last year.

So that obviously helps from a tour perspective on the sales side. And with that, as you also mentioned, it's a bit of geography on the P&L. It was about $6 million of higher cost, right? We used rental inventory to supply those and that cost gets charged over to marketing and sales. So it was a headwind on the development margin, but a benefit to about $6 million on the rental side of the business.

The other area that outperformed a little bit in the first quarter over last year were our usage of plus points. So those are the single use points we give out as incentives. They were up in terms of the timing of those usage and so that also benefited the first quarter year-over-year.

So as we set up for the balance of the year, we feel better about rentals and where we're heading.

The other thing I should mention, too, on the rental side, our RevPAK was up about 3%. So the actual rentals - mostly through occupancy, rate was relatively flat - but we're able to do a lot of marketing campaigns to continue to get those rentals on the books. We talked about overall occupancies being up a couple of points as we go into the summer months. So people want to get on vacation and we're seeing that in our rental results.

Benjamin Chaiken
Got you. And then just a quick follow-up. In Maui, it sounds like demand is coming back. I think your baseline expectation is limited year-over-year growth. In Maui, you mentioned $5 million of contract sales or so. Is the major headwind still on the sales side, like meaning the personnel side? And then if so, what's being done to alleviate that? And how do you think about the business going forward? Thanks.

John Geller
Sure. In Maui, it's a couple of things. One, resort occupancies in the first quarter were in the low 90s. So not back. Typically in Maui, we were running 97% type occupancy. So occupancies are coming back, so that's obviously a bit of a headwind just in terms of in-house tour flow, but we expect to hopefully see that continue to come back over the balance of the year and get back to more pre-fire levels.

And then it is on the sales and marketing talent. We've made good progress in terms of replacing some of the talent we lost. We're not completely back to fully staffed yet. The trade-off a little bit is you're bringing in potentially new talent versus losing experienced talent. So there is a bit of a ramp-up time getting those salespeople up to kind of that normal production.

But the setup right now is pretty good. We expect it to continue to get better as we go through the year. And as you mentioned and I talked about in my remarks, we should be up year-over-year. And obviously, we've got easier comps in the second half of the year in Maui with the impact of the wildfires last year.

Benjamin Chaiken

Understood, thank you. Nice quarter.

John Geller

Thanks, Ben.

Operator

Our next question comes from the line of Patrick Scholes with Truist Securities.

Patrick Scholes

Want to follow up on what I thought was a bit of a cryptic comment in the prepared remarks, this concerned the loan loss provision. You talked about needing to see performance improve, I assume that means- am I correct to interpret that if it doesn't improve, you would have to take another charge? Maybe you can flesh out, talk a little bit more about that.

John Geller

Sure. Yes. I'll give you some comments, and then Jason can add too. When we took the reserve [charge] last year in the third quarter, obviously, we were seeing higher delinquencies, higher defaults, and we took an estimate as to how those would kind of play out. But we said at the time, the expectation would be over the next three, four quarters we'd start to see the improvement, some of the timing, and what we thought was the impact of the defaults really coming from some of the higher CPI inflation, things like that that were impacting some of the customers.

So the good news in the first quarter was, while delinquencies were higher than they were last year, over the course of the quarter we saw those delinquencies improve sequentially and even through April here, we saw some more improvement. So the trends are still good.

But yes, if our delinquencies, I guess, Patrick, to answer your point, if your delinquencies never came down from what we were experiencing, yeah that would potentially be more loan loss reserves we'd have to take. We feel good about where we're at in the trajectory but we still need to see some more improvement here over the next quarter or two to get back to more normalized delinquency trends.

Patrick Scholes

Okay, thank you. And then follow-up question on Maui. Starting in August, you'd be lapping the horrible fires of last year. John, in your view, do you think that sets you up for a proverbial easy year-over-year comparison? Or do you think Maui is still going to be struggling where you wouldn't necessarily refer to it as an easy year-over-year comparison beginning in August?

John Geller

Well, simply, yes, it will be an easier year-over-year comparison because for a period of time, obviously, we were shut down, right? We're running 90-plus percent occupancies, as I mentioned, right now we're back. We've got most of our sales force replaced. Hopefully, as we get to August, right, a lot of those newer salespeople be hitting more normalized production levels for salespeople. And so yes, on an absolute basis, we should do much better August forward than we did last year just given the trajectory of where we're at right now.

Patrick Scholes
Okay. That does make sense. And then just a last question on Maui, John. You probably saw there was some news about some increased regulations around Airbnb. Can I get your initial take on that? Could that really be a needle mover for you folks? Certainly, regulations in New York City have really helped the hotel industry but is this a nonevent? Or again, could this be a potential needle mover for legacy properties like yourselves?

John Geller
I think what you're referring to is the governor signed some legislation that kind of gives the, I think, the power to the mayors of each island to potentially - and this is where we don't really know yet exactly what the outcome could be or how it might impact us positively or negatively - but have greater decision-making around short-term rentals. So we're obviously watching it.

We'll one, make sure we understand exactly what's in the legislation, how it could potentially impact us. But part of it will be actually what the mayors decide to do, right? So kind of early days at this point, I don't necessarily see anything, hopefully, that will impact us in the near term but we're going to keep an eye on it.

Operator
Our next question comes from the line of Chris Woronka with Deutsche Bank.

Chris Woronka
Hey, good morning guys. John, so you mentioned the new development you're going to be doing in Thailand. I think you said it's part of a JW complex that already exists. And so I'm curious, looking forward, are you seeing more opportunities to do things on sites of existing hotels, whether domestic or international? Because I think we're starting to see transactional activity pick up a little bit in the States. So I'm curious whether it's going to be an opportunity going forward.

John Geller
Yes. Great question, Chris. The short answer is yes, in both locations. We've always had more opportunity just given resort development, I'd say, in Asia Pacific, right? More opportunities, more resorts still getting done over there, brand-new construction. But we've got some opportunities we're looking at here currently in the U.S. as well.

So I would expect us to potentially do some more of those deals here in both locations as we go forward. But yes, the development is coming back. It's just a little bit location by location. And as you know, the co-located ones actually work well where we can leverage in-house [tours] across the co-located hotel, at the same time we've got our units and leverage the amenities in the facility. So it will be a little bit facts and circumstances, but there are some good opportunities out there right now.

Chris Woronka
Okay. Good to hear. Thanks, John. The follow-up is on kind of the loan portfolio, but in a different direction. I'm curious what you're seeing on current day originations. Is the propensity to finance, or down payment, or any of that on new loans changing at all? And would that affect how you think about that going forward?

Jason Marino
Chris, this is Jason. We haven't seen too many changes in sort of day one behavior. Propensity was down a little bit in the quarter, a couple of points, but Q1 is always seasonally our lowest propensity quarter just given the mix of buyers were 70% existing owners in Q1 this quarter. So that sometimes just goes with that mix as well. But nothing else really different.

Operator
Our next question comes from the line of David Katz with Jefferies.

David Katz
Thanks for all the commentary and taking my question. John, you made what seems like maybe a passing comment about pricing and consumers' behavior toward pricing. Could you just go back to that and elaborate a bit more on sort of how that's showing up or what the sort of basis is for that? Hearing bits and pieces of it through earnings season in different ways and wanted to make sure we get yours right.

John Geller
Yes, sure. Yes, as you saw, even adjusted for Maui our VPGs were down slightly in the first quarter. And I would argue if you go back to last year, we had a strong first quarter. So it was a tough comp. As we went last year, we did see a little bit more normalization, for lack of a better description, of VPGs. And then things, for the most part, as we got through the third and fourth quarter kind of stabilized, right? And so that's where we see it at the end of the day, David, is a little bit in the VPGs.

I would say the broader macro, while the overall economy still- Headlines are pretty good. As we've talked about, no different than we've seen on the loan portfolio, [there are] higher costs. I think at some level when you see it in other businesses, right, there's some stress on the consumer. I think the good news, as I also said in my prepared remarks, is people seem in terms of their wallet spend, they're prioritizing experiences and vacations, right? And that's what we're seeing.

Our [reservations] on the books are up and they were strong last year going into the summer, and they're up a bit, right? People are getting on vacation, people are spending and so that's a positive dynamic for us, the business we're in, and where people want to spend their money. And that is, as we've always talked about, a bit of the kind of-- post-COVID people have kind of shifted how they want to spend their disposable income and get on vacation. So that's a good tailwind for us.

David Katz
Understood. And one more, and if we're triple clicking on this apologies, but the depreciation change that's embedded in the guidance; could we just be clear about sort of changing the EPS guide but not the EBITDA and I just wanted to make sure we totally understand that.

John Geller
Sure, David. At a high level, we changed some estimates versus our guidance in terms of the timing of depreciation: just when some newer assets were going online, estimated useful lives of

assets. So it's not a cash flow impact by any means. It's just the timing of some of the depreciation versus what we estimated at the beginning of the year for guidance. Just fine-tuning that a bit.

Operator
Our next question comes from the line of Shaun Kelley with Bank of America.

Shaun Kelley
I just want to go back to the loan loss commentary for a minute, or the [loan loss] provision commentary. And I'm just kind of trying to follow more just the expectation that you guys have embedded here. So obviously, there was an increase last year and I think the way you packaged it in the answer to the former question was that the expectation was that would normalize a little bit after we kind of got through some issues last year with the consumer.

But as we just kind of look at it on a percentage basis, it looks like it's actually continuing to increase sequentially. So my question is, what level of normalization were you kind of embedding or are you embedding today? And if we were to stay at the current run rate and current behavior, what would that imply or how big of an impact would that have?

Jason Marino
Yes, Shaun. So to your first question, when we looked forward as of Q3 last year and looked at the environment that we were in, we knew it was going to take some time for those delinquencies and then ultimately the defaults to kind of run through the system. So we're seeing that today and it's continuing as we thought.

So I think when we provided the guidance here in February, we indicated that the loan loss was going to be higher year-over-year in Q1, and that's what we're seeing. So really, as we look forward in terms of estimating any kind of future delinquencies and defaults, it's hard to give you an estimate as to what the impact could be.

As John mentioned, as I mentioned on the call, too, we do need those delinquencies to improve here, and that's what we've been seeing over kind of the end of the first quarter and here into April.

John Geller
So Shaun, the only other thing I'd add there, I think, in terms of a more normalized run rate, we did talk about– because of the way the models work on the defaults, if you have higher defaults, that goes into your static pools and therefore, you're using that to predict the future. So we talked about our run rate loan loss for this year and going forward could be 100, 150 basis points higher in terms of higher, more normalized loan loss.

So that does get kind of embedded into the future in terms of new loans. So that's embedded in our overall development margin and what we've talked about is that we are going to need to continue to provide for new loans at a slightly higher rate than we've done historically because of the higher defaults we've experienced.

Shaun Kelley
So John, just to recite that back to you then, sort of 100 to 150 basis points off of let’s call it a “normalized level” would be what's embedded in the outlook as you see it today. We're obviously

a little bit above that percentage. I think if we look at it year-on-year, it's like closer to 200 basis points. Am I kind of in the ballpark of how to think about it?

Jason Marino
Yes, that's right. And remember, the first quarter of last year was before we started seeing some of this increased delinquency activity. So Q1 last year was lower than the rest of the year. So that's why the first quarter looked year-over-year worse than the guidance for the full year.

Shaun Kelley
Yes. Okay. I follow that, Jason. And then my follow-up would be just sort of the puts and takes between development and rental margins as you outlined it. So if I caught it correctly, I thought coming into the year that with rental the issue was going to be that you were going to have higher HOA fees and then that was going to be a bit of a headwind on the cost side because you're having to pay to support some of that inventory that you hadn't sold yet.

Perhaps I misunderstood that. But where does that kind of net out today? Because obviously, you're able to utilize some of this rental pool and move some of those dollars between. But on an aggregate basis for the year, including Q1 now, how do you think about that rental profit?

And then I think development, you just said a couple of hundred basis points for the year below last year. Is that kind of the right ballpark for those two line items?

John Geller
Sure. Yes. On the development margin side, yes, for the full year, we expect the development margin - and we talked about this in our original kind of guidance for the year - to be down a couple of hundred basis points year-over-year. Some of that is higher loan loss reserves, right, that's a deduct from revenue and impacts your margin, and some higher marketing and sales costs.

Yes, on the preview packages, as we do more preview packages and allocate the rental income, you are charging - because of the higher unsold maintenance fees and cost of that inventory - you are charging over to marketing and sales a slightly higher cost, but there's also a lot more keys getting used in the previews. So that was the $6 million or so I mentioned earlier, which is just a bit of geography, right? That's improving the rental profits. It's an impact on your development margin a little bit.

Yes, for the full year for rentals, we're feeling better just given as the year was shaping up. As I talked about, our occupancy was up, call it, about 2.5%, 3% year-over-year, and last year was a good first quarter. So the team is doing a great job getting rentals there. And as we've also talked about, when you think about the cost of our rentals overall, about 85% is a bit fixed coming into the year. So for us to really drive better profitability, and that's what we did in the first quarter, we got occupancies up, right? And we were able to keep the average rate fairly flat year-over-year.

So our setup for the year is looking better. Still a bit early days, but we're hopeful that maybe rentals could be where we're at last year or maybe a little bit better. So we'll see how the year goes, but we got off to a good start here in the first quarter.

Operator
Our next question comes from the line of Ryan Lambert with JP Morgan.

Ryan Lambert
Good morning. Congrats on some of the progress you're seeing with the demand at your new Waikiki property. And in terms of some of the puts and takes with guidance changes, it looked like, at least to me, and correct me if I'm wrong, a little bit more spend this year on inventory. And I'm wondering if that's just a function of timing or if you're seeing anything on the development side with higher input costs?

Jason Marino
Yes, Ryan, this is Jason. What you're really seeing there is the add back from net income or adjusted EBITDA. So it's really we've had a little bit lower product cost, and we think that's going to continue versus our initial expectations. So it's not necessarily on the spending side. It's really on the add back and really impacted by a little bit lower product cost than we had originally anticipated.

Ryan Lambert
Okay. Great. And following up on some of the rental comments, it sounds a lot more positive for this year. When you look into next year with some additional inventory, are your expectations for 2025 incrementally better? Or would that just be kind of a continuation of the trends you're seeing in 2024?

John Geller
Yes, it's a great question. It's a little early for '25, I guess, in terms of working through all that. But given Waikiki coming online that, to your point I think, will give us additional keys, right? Some of those will obviously be used by owners and all that, but that will create other rental availability at other properties depending on where people stay.

So I think we'll know more as we get through the year. Like every year, the way to go [with driving] rentals, is driving your RevPAK every year, and also a big focus this year on keeping maintenance fee increases back to more historical levels, which will help on the cost of that inventory given our unsold maintenance fees we have.

But yes, if we're able to continue to drive some rate and occupancy as we go into '25 on potentially some more keys, if you will, with some of the new inventory coming online, that should bode well.

Operator
Our next question comes from the line of Patrick Scholes with Truist Securities.

Patrick Scholes
Just a follow-up question. Hello?

John Geller
You are breaking up a little bit, but go ahead, Patrick.

Patrick Scholes
Okay. Can you hear me okay?

John Geller
Yes.

Patrick Scholes
Yes, great. John, I just wanted to follow up a little bit on the Abound sales program [which] had been an issue last summer. Can you, I guess, safely say sort of those hiccups have been put to rest here? And how has the-- I believe the challenges were with the legacy Westin customer, how is that going with that customer at this point?

John Geller
Yes, sure. As we talked about on the last call, yes, the transitions are behind us. The impact we saw in more in the second quarter, because if you recall third quarter last year we actually saw VPGs improved significantly off of what we saw at the transitioned sites in the second quarter. [The impact] was really around just the marketing and sales teams selling the product, getting up to speed better, and getting confidence in selling the new product. It was a different sell, selling the system and all the Abound exchange opportunities.

But we also talked about-- and we talked about the fact that more people in the legacy Vistana systems, Westin and Sheraton, are now enrolled in Abound. They're using the product, right? There's that getting familiarity with the benefits of the program and actually using it. So those two things continue to go well. And we've seen those VPGs over the balance of last year really kind of come back to where we were before we launched Abound.

So it's behind us, like we said last call. I don't expect any impact going forward.

Patrick Scholes
Okay. Good. And then just a last follow-up question here. Last year, you had announced two new Westin club projects, Charleston and Savannah. Do you have opening dates? Is that next year or the following? And then related to that, are those going to be part of the Abound trust? Do those go into the trust system, or will those be separate?

John Geller
Those will go into the trust-- into the now Marriott Vacation Club Trust, as we've talked about feeding all kind of new U.S. inventory into that trust. So both of those will create points in the trust. From an opening date perspective, I think we've got Charleston in '26 and then Savannah's '27.

Patrick Scholes
Okay. And did I hear correctly, previously, the Waikiki new Marriott Vacations Resort, is that still scheduled to open in the back half of this year? And the sales center, correct?

John Geller
I was just out there visiting our teams in Hawaii, I got to see and tour the new Waikiki property; it's coming along great and it will open up. We started taking reservations already beginning in October. So we're on track there.

Operator
Our next question is a follow-up from the line of Ben Chaiken with Mizuho Securities.

Benjamin Chaiken
I think you said in the prepared remarks the management business profit should be constant through the year, if I heard you correctly. Just to kind of like double click on that, are you referring to the management profit within VO that was plus eight? Or are you referring to kind of like the consolidated P&L management and exchange profit that was plus two? Just to clarify which.

Jason Marino
That was probably a comment on the vacation ownership management business.

Benjamin Chaiken
The plus eight management business within VO, correct?

Jason Marino
Yes.

Benjamin Chaiken
Great. And then would love to dig back into Maui. I guess going back to kind of one of the previous answers, what do you think closes the gap between the 90% and 97% occupancy? The 90% that you're experiencing today and the 97% that you've had historically?

And then kind of part two on the sales personnel side, not to belabor the point, but do you have all the bodies in place? Is this just a function of learning and ramping? Or are you still trying to hire and onboard? Just would love to kind of learn more about that process.

Jason Marino
Yes, Ben, just on the occupancy, we were running, call it, 93%, 94% in Maui. So just a couple of points off. I think what closes the gap is just people continuing to go to Maui, talking about how great it is, and things like that. John was just there and the devastation is still quite real around the properties and that's going to take several years to come back.

So we do think it comes back, but how fast it gets back from 93%-94% to 97%, time will tell. And then your second question was about the sales -- can you repeat the second part?

Benjamin Chaiken
Yes. I was saying on the sales personnel side, it sounds like there's still a ramp. And my question was, do you have everyone in place? Like do you have all the hires that you want and now they're just learning and ramping? Or are you still trying to source sales personnel?

John Geller
Yes. For the level of tour flow that we have – because we're still down a little bit – yes, we've got the teams in place. We need to get a little bit more on the sales side as occupancies continue to ramp and tours continue to ramp. So we're in a good spot relative to handling the demand for tours right now, but we still aren't back to kind of 100%, if you will. So we'll continue to manage through that as occupancy and tours come back.

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

John Geller
Thank you, everyone, for joining our call today. As I hope you can tell, we feel very good about the way the year has started. We ran 90% occupancy in the quarter, contract sales grew 3% excluding Maui, and first-time buyer tours grew by 9%. And with a pipeline of 270,000 packages, international inbound travelers returning to the U.S., and reservations on the books for the summer months up a few points, we feel good about the balance of the year.

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

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