

Marriott Vacations Worldwide Corporation
Second Quarter 2022 Earnings Call
August 9, 2022

Presenters

Steve Weisz, Chief Executive Officer

John Geller, President

Tony Terry, Executive Vice President and Chief Financial Officer

Neal Goldner, Vice President, Investor Relations

Q&A Participants

Benjamin Chaiken - Credit Suisse

Brandt Montour - Barclays

Patrick Scholes – Truist Securities

Chris Woronka - Deutsche Bank

David Katz - Jefferies

Operator

Greetings, and welcome to Marriott Vacations Worldwide Second Quarter 2022 Earnings Conference 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.

I would now like to turn this conference over to your host, Mr. Neal Goldner, Vice President, Investor Relations. Thank you, sir. You may begin.

Neal Goldner

Thank you, Laura, and welcome to the Marriott Vacations Worldwide Second Quarter 2022 Earnings Conference Call. I am joined today by Steve Weisz, Chief Executive Officer, President John Geller, and Tony Terry, 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 as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments.

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

Throughout the call, we will make reference to non-GAAP financial information. You can find a reconciliation of non-GAAP financial measures referred to in our remarks in the schedules

attached to our press release as well as the Investor Relations page of our website at ir.mvwc.com.

With that, it's now my pleasure to turn the call over to our CEO, Steve Weisz.

Steve Weisz

Thanks, Neal. Good morning, everyone, and thank you for joining our second quarter earnings call. I'd like to begin by recognizing and thanking our 20,000-plus associates. I'm continuously amazed by the hard work and dedication they give to our owners, members, and guests every day, especially this summer as leisure travel continues to boom.

Our associates are at the heart of our experience and our culture, and I truly believe they are the reason why we were recently recognized as a "Most-Loved Workplace" by the Best Practice Institute and ranked fourth in LinkedIn's 2022 top companies in travel and hospitality to grow a career. These awards underscore why we're not only a great company to vacation with, but also a great company to work for.

Well, I'm going to share with you some compelling statistics about the current state of leisure travel. The data this summer continues to show that leisure travel is back. In fact, 88 percent of those who remain concerned about COVID-19 still plan to travel and are not canceling trips. According to the TSA, the checkpoint travel numbers are close to pre-pandemic levels.

Consumers are continuing to spend on travel expenses, with airline spending up 18 percent from last year and lodging up 34 percent from June 2021. And according to the U.S. Travel Association, leisure travel spending exceeded 2019 levels in April for the first time since the start of the pandemic. This all indicates that leisure travel demand remains strong, which we saw in our remarkable second quarter results.

We generated \$506 million in contract sales this quarter, up 40 percent from the prior year. And adjusted EBITDA grew 55 percent, driven by strong development and rental profit growth in our vacation ownership segment. Occupancies exceeded 90 percent during the second quarter, with Europe and most domestic markets in high demand by consumers, while Asia-Pacific continued to recover.

Tour flow continued to increase sequentially as a percent of 2019 tours, while VPG increased 7 percent year-over-year to more than \$4,600, illustrating the continued demand for leisure travel experiences and the relevancy of our product offerings. During the quarter, we launched Vacation Next, a multi-year journey beginning with the introduction of Abound by Marriott Vacations, which unifies our Marriott branded vacation ownership products.

Through this new program, Marriott, Westin, and Sheraton owners now have direct access to more than 90 branded resorts around the world using a common points currency. The Vacation Next journey will continue to leverage our investment in technology for an enhanced digital

experience, while transforming our marketing, sales and service for owners and the next generation of travelers.

We began pre-marketing the unified product at our Marriott, Westin, and Sheraton sales centers at the end of March, and I'm happy to say that as of today, the majority of our sales centers have started selling our newly unified product. While still early in the process, feedback from owners has been very positive.

A quick update on the Welk and Hyatt vacation ownership integration. As you know, we closed the Welk transaction over a year ago and continue to be pleased by the significant progress we've made integrating the two businesses under the Hyatt Vacation ownership umbrella. We rebranded the Legacy Welk points program to Hyatt Vacation Club in April and continue working to align the Hyatt Vacation ownership business, which will include a harmonized service culture, owner and guest experience, and marketing and sales programs.

Moving onto exchange and third-party management, membership in Interval International grew 21 percent on a year-over-year basis, primarily driven by the affiliations with Disney, El Cid, and Welk resorts. However, as we've discussed in the past, reduced travel during the pandemic has led to higher home resort usage by Interval members this year, reducing the amount of available inventory. Despite these near-term headwinds, Interval continues to do an extraordinary job maximizing inventory utilization.

Overall, we've had a very solid first half of the year with the launch of Abound by Marriott Vacations, strong profit growth, and margin expansion. We also disposed of two non-core assets, generating more than \$100 million in proceeds, and we've returned a substantial amount of cash to shareholders, which Tony will discuss later in the call. It's been a great start to the year for Marriott Vacations Worldwide, and I'm optimistic about the trajectory of our business for the months and years ahead.

With that, I'll turn it over to John.

John Geller

Thanks, Steve, and good morning, everyone. Today I'm going to review our second quarter results and discuss the continued strong growth we've seen across our businesses. After that, I'll turn the call over to Tony to discuss the strength of our balance sheet and liquidity position as well as our outlook for the second half of the year.

Starting with our vacation ownership business, we reported significant year-over-year improvement in the second quarter, driven largely by our development and rental businesses. Our product has always resonated well with customers, and the value proposition has grown even more compelling in the current inflationary environment. We grew tours by 29 percent in the second quarter, and VPG increased 7 percent compared to the prior year.

This drove a 40 percent year-over-year increase in contract sales while exceeding the second quarter 2019 contract sales by 31 percent. And even more importantly, excluding the acquisition of Welk, our second quarter contract sales grew at a compounded annual growth of 7 percent since 2019.

As we've mentioned in the past, growing first-time buyers remains an integral part of our overall strategy, so it's rewarding to see our products continue to attract new customers with first-time buyers representing 31 percent of contract sales in the second quarter. We ended the quarter with a very strong tour package pipeline, consisting of approximately 205,000 packages, and 37 percent of those customers have already booked their future vacation.

With the investments we've made in technology and the positive results we are seeing from our digital marketing efforts, we continue to expect first-time buyer contract sales to recover to pre-pandemic levels over time. With the strong growth in contract sales, adjusted development profit increased by more than 80 percent to \$147 million.

Adjusted development profit margin expanded nearly 750 basis points year-over-year to over 33 percent, highlighting the benefits of more efficient marketing and sales spending, lower inventory costs, and our business transformation savings. Profit in our vacation ownership rental business more than doubled in the second quarter compared to the prior year to \$38 million, driven by a 5 percent increase in keys rented and approximately 35 percent higher revenue per available key.

The stickier revenue portions of our vacation ownership business also performed well in the quarter. Resort management profit increased 3 percent compared to the prior year, and financing profit increased 5 percent. Our notes portfolio continues to perform well, with delinquencies and defaults in line with levels experienced in 2019.

Bringing it altogether, adjusted EBITDA in our vacation ownership segment increased by more than 50 percent in the second quarter compared to the prior year, and we delivered adjusted EBITDA margin of approximately 36 percent, more than 500 basis points higher than last year's second quarter.

Turning to the exchange and third-party management segment, active members at Interval increased 21 percent year-over-year as a result of the new affiliations that Steve mentioned, while average revenue per member declined 16 percent, as transactions from these new affiliations will take some time to ramp up.

Our Aqua-Aston business continues to show improvement with occupancy and RevPAR increasing year-over-year, driven by the recovery in Hawaii. In total, adjusted EBITDA at our exchange and third-party management segment was relatively flat versus the prior year, excluding the impact of the sale of VRI. And adjusted EBITDA margin continues to remain very

strong at 52 percent. Finally, our corporate G&A expense decreased \$2 million in the second quarter year-over-year, primarily as a result of lower bonus expense.

For the total company, adjusted EBITDA increased 55 percent compared to the prior year to \$255 million and increased 31 percent compared to the second quarter of 2019. Adjusted EBITDA margin improved by over 700 basis points year-over-year to 30 percent, demonstrating the strength of our leisure-focused business model, the demand for leisure travel, and the benefits of our transformation initiatives.

While Tony will discuss our outlook for the year, I wanted to address the current economic environment. We are not seeing anything significant in the underlying fundamentals of our business or reduced demand for our products:

- Overall, leisure travel trends remain strong.
- Resort occupancies and VPG remain near all-time highs.
- Tours are trending towards pre-COVID levels.
- Owner and preview reservations on the books for the second half of 2022 are up 17 percent compared to the same time in 2019.
- Rental rates remain well above 2019 levels, enhancing the value proposition of vacation ownership.
- And defaults and delinquencies are largely in line with pre-COVID levels.

With that, I'll turn the call over to Tony to discuss our balance sheet, cash flow, and 2022 guidance. Tony?

Tony Terry

Thanks, John. I am also very happy with our strong second quarter results. Starting with our balance sheet and liquidity position, we ended the second quarter with \$1.2 billion in liquidity, including \$324 million of cash, \$106 million of gross notes receivable eligible for securitization, and \$749 million of available capacity under our revolver.

We had \$2.7 billion of net corporate debt outstanding at the end of the quarter, with net debt to adjusted EBITDA at 2.9x. This is the first time since we acquired ILG that we've ended a quarter within our targeted 2.5x – 3.0x leverage range, illustrating the strong recovery of our business.

We also had \$1.8 billion of non-recourse debt related to our securitized notes receivable. We disposed of two non-strategic assets during the quarter. This includes the sale of VRI, which we mentioned in our last earnings call, and the sale of the Westin Puerto Vallarta resort. Cash proceeds from the sale of these two assets exceeded \$100 million and a blended multiple of 15x our 2022 adjusted EBITDA forecast for these businesses.

We completed our first securitization of the year during the second quarter, issuing \$375 million of notes with an approximate 13.4 percent coupon rate and a gross advance rate of 98 percent. With an overall cost of funds of 4.6 percent, or nearly a 900 basis point spread, this was in line with our longer term average.

With approximately 90 percent of our corporate debt effectively fixed rate, we are very well-positioned in the current rising rate environment. Our only near-term debt maturity is \$230 million of convertible notes that mature in September of this year. Given the current volatility in the corporate debt markets, we expect to repay the convertible notes with borrowings under our revolver, which we upsized earlier this year. After that, we have no significant corporate debt maturities until 2025.

Consistent with our stated capital allocation strategy, we've returned a significant amount of cash to shareholders through share repurchases and dividends year-to-date. During the second quarter, we returned approximately \$219 million to shareholders, including repurchasing \$193 million of our common stock at an average price of \$136 per share.

In addition, subsequent to the end of the second quarter, we repurchased an additional \$131 million of common stock at an average price of \$124 per share through the end of July. Finally, our board of directors recently increased our share repurchase authorization by an additional \$500 million, bringing our remaining share repurchase authorization to \$528 million.

Moving on to our 2022 guidance. We had a solid second quarter in line with our expectations when we increased our guidance in June ahead of Investor Day. Looking forward, while we don't give quarterly guidance, we did want to provide you with some thoughts for the second half of the year. We expect contract sales to grow double digits in the second half of the year over the same time last year, driven by strong VPGs. And if current trends continue, we could be at the higher end of the range for contract sales and adjusted EBITDA this year.

In our rental business, we continue to expect average revenue per key to increase on a year-over-year basis, but, as we've mentioned previously, we plan to allocate a higher portion of our rental inventory for owner usage, which is expected to negatively impact our second half rental profit. Similarly, higher owner usage by Interval members at their home resorts will continue to negatively impact exchange and get-away revenues for the remainder of the year. We expect both of these headwinds to lessen next year.

We ended the quarter with \$610 million of excess inventory and no material commitments for new inventory for the next few years, outside of the Waikiki deal, which we expect to structure in a capital-efficient manner, and the normal purchase of low-cost reacquired inventory. We expect a robust adjusted EBITDA to free cash flow conversion rate of approximately 75 percent in the current year, and as a result have increased our adjusted free cash flow guidance to between \$650 million and \$730 million.

The increase in our adjusted free cash flow guidance is primarily due to lower-than-expected corporate CapEx and inventory spending. As I discussed earlier, we've returned over \$500 million in cash to shareholders this year through the end of July. And without incremental corporate debt, we could have roughly \$300 million in cash available for capital allocation during the remainder of this year.

As we have discussed in the past, we look to use our free cash flow to invest in growing the business organically or through strategic acquisitions. In the absence of compelling acquisitions, our best use of excess free cash flow remains returning it to shareholders, and we've done just that this year.

Finally, as you saw in our earnings release last night, in connection with the unification of our Marriott products, we intend to align our revenue recognition for the sale of vacation ownership interests across all of our Marriott brands in the third quarter. This will result in the acceleration of revenue and a one-time benefit to our adjusted EBITDA but will have no impact to cash flow for the year. The guidance we are providing today excludes this one-time benefit, which we will quantify with our third quarter results.

In summary, we had a very strong second quarter, capping off an impressive first half of the year, driven by growth across all parts of our business. Looking forward, tours are rebounding, VPG remains well above 2019 levels, and we expect our 2022 full-year adjusted EBITDA to be the highest we've achieved as a public company.

As always, we appreciate your interest in Marriott Vacations Worldwide. With that, we will be happy to answer your questions. Laura?

Operator

At this time, we will be conducting 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 your question from the queue. For participants using speaker equipment, it may be necessary for you to pick up your handset before pressing the star keys.

One moment while we poll for questions. Our first question comes from the line of Ben Chaiken with Credit Suisse. You may proceed with your question.

Steve Weisz

Good morning, Ben.

Benjamin Chaiken

Hey, how is it going? Good morning.

John Geller

Good morning.

Benjamin Chaiken

It sounds like you're unified Abound product is now being sold. It sounds like some great success early on. Are you seeing this in price, close rate? Just any color on kind of the early trends thus far.

Steve Weisz

It's typically translated into two components, the first of which is the average contract price is up some, and closing rates are up some as well. Having said all that, it's early. So, I don't want to take one or two data points and predict a trend. But, it is very encouraging what we've seen thus far.

Benjamin Chaiken

Gotcha. That's helpful. And then just one more for me. Your sales and marketing was a lot better than expected as well. Is this your initiative around digital marketing and better sourcing of customers? Just if you have any color there. Thanks.

John Geller

Yes.

Steve Weisz

Go ahead, John.

John Geller

Well, a couple things, Ben. It's John. Definitely some of that. Our tour costs are more efficient than we were, and a lot of that has to do with our marketing channels and digital marketing on top of that. The other thing, with the strength in contract sales, like we've always said, you've got a chunk of marketing and sales costs that are somewhat fixed in nature, right? So, as you drive your contract sales as much as we did you're going to get the flow-through in terms of better margin because you're leveraging those fixed costs.

Benjamin Chaiken

Gotcha. So, there wasn't any, but as we think about maybe like the remainder of the year, there wasn't anything that's really one time in that number that we need to contemplate, correct?

John Geller

Nope.

Benjamin Chaiken

Cool. Thank you very much.

Operator

Our next question comes from the line of Brandt Montour with Barclays. You may proceed with your question.

Brandt Montour

Hey, good morning, everyone. Thanks for taking my question. So, a little bit related to that, but a different line item, the tour growth really stepped up, right, quarter-over-quarter as a percentage of 2019, was notably better sequentially. I'm just curious. You know, how much of that lift was tour growth or tour package pipeline build that you guys have had sort of, you know, that you've been working on for several quarters?

And how much of that was, you know, maybe in the quarter for the quarter, repeat owners coming through? Just trying to get a sense for, you know, if any of that was a little bit transitory or if we can sort of take that to the bank, so to speak, when we think about the back half of the year.

John Geller

Yeah, so, a lot in that question, Brandt. A couple things. First quarter, seasonally, because of higher owner stays relative to other quarters, we've always talked about it's harder to get some of those packages on vacation. So, that drives some of the availability as you move into the second and third quarters in occupancy where we can put more of those packages, and that's where our shift to first-time buyers usually builds sequentially as you go through the year there's some of that seasonality.

I think if you take a step back, and you talk about the balance of the year, we are still tracking to hopefully get back to 2019 tours, if you will, in the fourth quarter. So, we'll continue to ramp and build. Now, on an apples-to-apples basis, it's not exactly apples-to-apples, right, because we've got Welk in there on the Hyatt side. But, so we would be slightly behind if you look at it just the core legacy business on an apples-to-apples basis. But, I will say the Welk tours are not a huge component of our overall tours. So, that's still how we see the second half of the year from a tour perspective playing out, a continued build versus 2019 and getting back to overall 2019 tour levels in the fourth quarter.

Steve Weisz

Hey, Brandt, this is Steve, just to add a couple other things. One of the reasons, some of the headwinds you see on the tour side is obviously linkage, which, if you go back to the 2019 numbers, were very robust, which is particularly meaningful in the urban markets where we get a lot of help out of the linkage channels.

That's roughly 50 percent of what it was in 2019, plus the OPC channels, many of which we deliberately stepped away from, as well as even in Hawaii where we do still do some OPC. Inbound travel from Japan is still lighter than what we've seen in the past, so those are some of the reasons why the tour shortfall exists.

I would say, however, when you look at the owner and preview keys, and this is without Welk on a comparable basis, when you see those keys being up 17 percent for the second half of the year relative to where they were at the same point in time for 2019, I think that bodes very well particularly from an in-house standpoint, where obviously we generate a lot of our sales.

Brandt Montour

That was very helpful. I appreciate that extra color. And just sort of shifting gears on the exchange business. You guys give a little bit of color with why average revenue per member was maybe a little bit weaker sequentially. I'm just curious. You know, the higher home usage from Interval members, is that something that you think is a special moment in time because of the aftermath of COVID-19, or is that something more structural?

Steve Weisz

I think there's two things there, one of which is, as we mentioned, owner usage, whether with our MVW products or in the Interval exchange partner products. Owner usage at home resorts is higher than we have traditionally seen. When that happens, which means you get less fuel into the Interval exchange business to be able to use to generate exchange fees and rental income through their packages.

The other thing you point out is we added 320,000 new owners with the addition of Disney, Welk, and El Cid. It takes a while to spin those up, as they all came out of the first half of the year, I think as you start to continue to see us get more traction with that, I think you'll see the contributions from those numbers increase as well.

Brandt Montour

Great. Thanks. Nice quarter. Congrats.

Steve Weisz

Thank you.

John Geller

Thank you.

Operator

Our next question comes from the line of Patrick Scholes with Truist Securities. You may proceed with your question.

Steve Weisz

Hey, Patrick.

Patrick Scholes

Hey, good morning, everyone.

Steve Weisz

Good morning.

John Geller

Good morning.

Patrick Scholes

If I heard correctly, you had noted your second half preview packages are now tracking up 17 percent, I believe comparable was plus 14 percent previously. Any other thoughts or metrics you can give on how the second half and into the first half of next year is tracking as far as demand trends and then specifically some thoughts about how year-end holidays are shaping up for you folks? Thank you.

Steve Weisz

Yeah, you are correct, the first half of the year, I believe the number was 14 percent, comparable to the first half of 2019 ex-Welk. The 17 percent number obviously is a little bit better. Part of that is just the way in which inventory gets utilized within the system. But, if you look at quarter 3, it's 16 percent, if you look at quarter 4, it's 17 percent, so on an aggregate basis, it's 17 percent.

As we've already begun to see as you get into the first half of 2023, we see some similar results. However, keep in mind that your comparable number starts to get a little more fuzzy because you're that much further out from where you were in 2019, and the compounding effect of what's happened in the recovery.

But, we continue to be very encouraged about the strength of the package pipeline as we may have mentioned in the call. I believe we have 205,000 packages that are already sold, of which 40 percent or so of folks have already booked their time with us. We think that puts us in very good stead, and our monthly sales of packages remains very strong.

Patrick Scholes

Okay. Thank you. I'm all set.

Steve Weisz

All right.

Operator

Our next question comes from the line of Chris Woronka with Deutsche Bank. You may proceed with your question.

Steve Weisz

Hi, Chris.

Chris Woronka

Hey, good morning, guys.

John Geller

Morning.

Chris Woronka

Question on the, back to the Abound launch. You know, I guess the way we had thought, the way I had thought about that was it was probably a way to reengage with the, you know, the former Starwood owner, I guess Sheraton owners more. Can you talk a little bit about how, you know, both of those segments are, you know, are kind of behaving under the new unified product? Is it really, is there more of a benefit to the, you know, to the Sheraton owners? Are you seeing more engagement from them? Or am I thinking about that in a wrong way?

Steve Weisz

You know, again, I couch all this with it's still relatively early. However, essentially, if you go back and think about it, you know, pre-Abound, we had Marriott Vacation Club destinations, which had not only the ability to move amongst the Marriott Vacation Club portfolio, but you could take various other vacation options, whether it be cruising or safaris or whatever it is.

What this does is two things. It puts both the Westin and the Sheraton products in the same footing as MVC in terms of access to those vacation experiences. It also allows them to move amongst that 90-unit portfolio of Marriott-branded products much more fluidly than they used to be. Also a Sheraton owner could always get to Marriott Vacation Club, or Marriott Vacation Club owner could get to Westin, but they had to go through Interval to get that. Now, with Abound, they can go direct which simply makes it much more attractive. As I said in my remarks, we believe the feedback that we're getting from our owners is very positive, and it's resonating well with them. With that said, it's all early, but I'm encouraged by what I see and how it is reacting relative to what we thought it was going to be doing.

Chris Woronka

Okay, very helpful. Thanks, Steve. And then if you can go back, and it's certainly encouraging to see your first-time buyers, you know, recovering pretty consistently. But if we look at the existing owners, I guess for Q2, do you see any change in their behavior at all in terms of, you know, taking a little bit longer to get across the finish line or maybe a slightly smaller purchase amount? Anything at all to suggest that they're, you know, hesitating?

John Geller

No, not at all. In fact, if anything, the average purchase price for owners for this last year in the second quarter is actually slightly higher, and on a growth percentage it's even higher for first-time buyers. So, you're actually seeing them buy a little bit more than they were buying last year so, that's encouraging. But, from a VPG or closing efficiency, no meaningful changes.

Steve Weisz

The other thing I'd add, just a little more color, is when you look at our first-time buyers, 67 percent are either millennials or Gen Xers. Now, that's a pretty broad range of ages, from 26 to 57. However, with that said, that's 5 points higher than what we saw in 2021. So again, I think what you're seeing is the product continues to resonate.

I think the kind of misconception is that young people don't buy this product, I think is a fallacy, and it's continuing to prove out. Again, we're very encouraged by what we see. With that said, we want to continue to move that first-time buyer percentage up north of 40 percent, and we'll get there it just takes a while to get there.

Chris Woronka

Okay. Very helpful. Thanks, guys.

Steve Weisz

Thank you.

John Geller

Thanks.

Operator

As a reminder, if you would like to ask a question, please press star, one on your telephone keypad. One moment while we poll for questions. Our next question comes from the line of David Katz with Jefferies. You may proceed with your question.

David Katz

Hi. Good morning, everyone.

Steve Weisz

Hi, David.

David Katz

Thanks for taking my question. Hi. So, in in Tony's comments, you know, there was the capital allocation priorities, which, you know, included the, what should be a normal course review of any acquisition opportunities. Can you talk about just what that landscape really, I mean

realistically looks like in the current environment, not to prejudge it and expect that there wouldn't be any? But, you know, could there be?

John Geller

Yeah. David, it's John. I mean, there always can be, we're always looking, right. We're trying to be opportunistic. But, like we've always talked about, it's got to fit our strategic vision if you will, whether that's on the VO side or even potentially on the exchange side. So, we're going to continue to look hard, if there's stuff out there.

But, we obviously don't talk about things that we're looking at or not until something would actually come to fruition. So, you know, we've done two deals in the past. I'd like to think they're both going to continue to be wildly successful over time. And we'll continue to look for the right opportunities in the future.

Steve Weisz

Yeah, David, this is Steve, just to maybe add to that. You know, you look at the Welk acquisition, which in retrospect we think has not only met but exceeded our expectations. There are Welk-like, small collections of resorts out there. These are largely come to market, either directly or indirectly, because the private ownership is looking for a liquidity event. That was the case in Welk.

There may be some others out there. I do not believe that there are tens of twenties or thirties of those, I think they'll be selective. And then the question comes down to, do you get the right cultural fit and all the other things that John referenced. But we will continue to look. If we can find another Welk-like acquisition or something of that ilk, you should consider us to be an interested party.

David Katz

Got it. I think what I was just trying to gage what it was, you know, whether that landscape is more fertile today than it was pre-COVID. Is it sort of back to a pre-COVID level, and obviously balancing our thoughts with how we, you know, deploy capital to the buy-back stock and do those other things that you do?

Steve Weisz

Yeah, the only difference between some of what I've referenced, the privately owned small groups of resorts, is that these folks are now four or five years older than they were pre-COVID.

David Katz

Yeah, we all are.

Steve Weisz

Yeah so, to what degree age is a motivation, or whatever it is, I guess you've got that effect. But, I would not characterize, at least as we see it, that there is either more available inventory

out there or less, I think it's about the same. And again, we think we should be using any capital we have to grow the business.

To what degree we've fed all of our needs, both from a greenfield internal development standpoint as well as an M&A standpoint. If we've fed all those needs, and we still have cash left, then obviously our practice has been, and I would expect it to be going forward, would be to continue to return cash to shareholders through buy-backs and dividends.

David Katz

Perfect. Thanks a lot.

Steve Weisz

Thank you.

Operator

Ladies and gentlemen, we have reached the end of today's question-and-answer session. I would like to turn this call back over to Mr. Steve Weisz for closing remarks.

Steve Weisz

Thanks. Thanks, Laura, and thank you, everyone, for joining our call today. We delivered very strong second quarter results, once again illustrating the resiliency of our leisure-focused business model. In our vacation ownership segment, we generated more than \$500 million in contract sales, 40 percent higher than the prior year. VPG remains elevated, tour flow is approaching 2019 levels, and we're adding new owners to the system. At Interval, active members grew 21 percent, compared to prior year, and adjusted EBITDA margins remain very strong.

We're generating substantial free cash flow and returned approximately \$520 million to shareholders through the end of July, and our board of directors just increased our repurchase program by an additional \$500 million. Leisure travel is booming, and we're capitalizing on that trend. But, if I've learned anything in my 50 years in this business, it's that people always want to go on vacation. And that's the business we're in, delivering memorable vacation experiences.

As always, thank you for your interest in our company. And finally, to everyone on our call and your families, stay safe, and enjoy your next vacation.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation. Enjoy the rest of your day.