

**Marriott Vacations Worldwide
Third Quarter 2021 Earnings Call
November 8, 2021**

Presenters

Steve Weisz, CEO

John Geller, President

Tony Terry, Executive Vice President and CFO

Neal Goldner, Investor Relations

Q&A Participants

Patrick Scholes - Truist Securities

David Katz - Jefferies

Chris Woronka - Deutsche Bank

Brandt Montour - JPMorgan

Operator

Greetings. Welcome to Marriott Vacations Worldwide Third Quarter 2021 Earnings Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press "*" "0" from your telephone keypad. Please note, this conference is being recorded. At this time, I'll turn the conference over to Neal Goldner with Investor Relations. Neal, you may now begin.

Neal Goldner

Thank you, Rob, and welcome to the Marriott Vacations Worldwide 2021 third quarter earnings call conference call. I am joined today by Steve Weisz, Chief Executive Officer; our President, John Geller; and Tony Terry, our new Executive Vice President and Chief Financial Officer.

We need to remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties, as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Forward-looking statements in the press release that we issued this morning, as well as the presentation we added to our website and 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 references to non-GAAP financial information. You can find a reconciliation of non-GAAP financial measures referred to in our remarks in the schedules attached to our press release as well as in the Investor Relations page of our website at ir.mbwc.com. With that, it's now my pleasure to turn the call over to CEO, Steve Weisz.

Steve Weisz

Thanks, Neal. Good morning, everyone, and thank you for joining our third quarter earnings call. Before we start, I want to welcome Tony Terry, our newly announced Chief Financial Officer with 25 years of experience with MVW to our earnings call.

While most of the time we are joining you from sunny Florida, today is particularly exciting as we're at the New York Stock Exchange to celebrate an important milestone for Marriott Vacations Worldwide; our 10th year anniversary as an independent publicly traded company. 10 years ago, we were a pure-play vacation ownership company, with 3 brands, 64 resorts and approximately 420,000 owners. Today we're about vacation experiences, with 7 brands, 120 resorts, and 700,000 loyal owners in our vacation ownership business and we also have 3,200 resorts and 1.3 million members in our exchange business and more than 150 other resorts and lodging properties in our third-party management business. Our large portfolio of offerings allows our owners and members to access virtually any kind of vacation experience they could ever want.

We've built a business characterized by strong organic growth and recurring cash flow, driven in part by our capital-efficient inventory approach. This has provided fuel to enable us to expand our resort footprint and pursue M&A activities, including the acquisitions of ILG and Welk Resorts, while simultaneously returning excess cash to shareholders.

We've built an incredible team of talented associates throughout the world, I'm sincerely appreciative of their dedication and contributions to our success. I'm equally grateful for the millions of loyal owners, members, and guests who have put their trust in us to deliver remarkable vacation experiences time and time again to help fuel this growth. And there's much more to come, including new products, new digital tools to delight our existing customers, while also attracting new ones. I've been with Marriott Vacations for 25 years. I can honestly say that our best days are still ahead of us.

Before I turn the call over to John, I'd like to share what I think are some of the highlights of the quarter. Starting with our vacation ownership business. Occupancies in our North American resorts were very strong during the quarter, despite softness in a few markets due to the Delta variant and the fires in the Lake Tahoe Basin. For example, we ran nearly 95% occupancy in Hawaii for the quarter, so we — when the government asked — asked travelers to stay away for a few months, we did see occupancy soften a few points late in the quarter. In Orlando, another large market for us, occupancy dipped during August and September due to the variants, while occupancies at our Florida Beach resorts were well above 2019 levels, illustrating travelers' desire to get back on vacation.

Our urban locations continued to improve nicely during the quarter, with San Diego running over 85% occupancy and Boston running nearly 95%. And encouragingly, we saw a nice sequential improvement in our European locations as the quarter progressed.

With the strong domestic occupancy, we delivered \$380 million in contract sales, which was within 3% of 2019 levels. First-time buyers represented more than 30% of contract sales, improving sequentially from the second quarter.

And this is important for the health of the system, as first-time buyers have historically doubled their revenue contribution within the first five years of ownership. And with the products we sell resonating with customers now more than ever, VPG excluding, Welk was almost \$4,500, nearing 30% higher than the third quarter of 2019 with both first-time buyer and owner VPG up double digits.

Moving to our exchange and third-party management business, interval signed a contract with El Cid Resorts, a leading all-inclusive developer in Nexa. This resort group will transition its members to interval on January 1st, leveraging our technology to ensure a seamless customer experience. And with the acquisition of Welk Resorts earlier this year, we are now working to transition Welk owners to Interval effective January 1st, one year earlier than originally planned. This will not only add new numbers to the Interval network, but also highly desirable inventory in key leisure destinations such as San Diego, Los Cabos, Breckenridge, and Lake Tahoe.

In total, these agreements will bring nearly 50,000 new members through the interval system beginning on January 1st. Company-wide, we also continue to make good progress on our technology initiatives to drive growth and expand margins. For example, our Vacation Ownership business recently launched new digital reservation technology, which we expect to increase our marketing efficiency and improve customer service.

Interval is continuing to work to significantly expand its addressable market beyond this time share and we look forward to sharing our progress on this initiative with you next year. And we're making good progress linking our Marriott, Westin, and Sheraton brands into a single point-based product, greatly improving owner access across our Marriott branded portfolio products in the first half of next year.

So let's talk about the balance of the year. We continue to be very encouraged with the improvement of our business. Occupancies remain very strong in October with particularly strength seen in beach and mountain properties. The integration of Welk into our high vacation ownership business continues to go well, and we're working diligently to transition Welk owners to Interval a year earlier than originally planned.

We sold more tour packages in the third quarter than we did in the second, ending September with more than 214,000 tours in our package pipeline. And with the strong ramp-up of package sales this year, we ended the quarter roughly in line with 2019, despite pausing most marketing activities for much of last year.

Owner and preview reservations for the first half of next year are up 10% compared to the same time in 2019. In a recent survey, 71% of our owners stated they are likely to travel within the next 3 months with 90% likely to travel in the next 12 months. With the change in government restrictions, our Cancun and Cabo reports are once again allowed to operate at full capacity and Hawaii's Governor is once again welcoming vacationers to the island. And we're looking forward to welcoming our international guests back to our U.S. resorts this month now that the restrictions have been relaxed. All of this puts us in a position to close the year on a high note and setting us up for a strong 2022. With that, I'll turn the call over to John.

John Geller

Thanks, Steve, and good morning everyone. But before I start, I want to congratulate Tony for his recent promotion. I've had the pleasure of working closely with Tony since I joined Marriott Vacations nearly 13 years ago and I couldn't be happier for him.

Today, I'm going to review our third quarter results, highlight the continued strong recovery across our businesses and discuss the strength of our balance sheet and liquidity position, as well as our expectations for the fourth quarter. Starting with our Vacation Ownership business, the value of our leisure-focused business model was evident again this quarter. Despite the Delta variant, occupancies continued to hold strong in the quarter with owner occupancies above 2019 levels, though this was partially offset by some softness in transient and preview bookings. As a result, we grew contract sales by 5% sequentially in the third quarter to \$380 million which was almost back to 2019 levels. VPG was largely unchanged compared to the second quarter and remained well above pre-pandemic levels, illustrating how well our product continues to resonate with customers as well as the benefits of our channel optimization initiatives.

Adjusted development profit increased 19% sequentially to \$98 million. Adjusted development profit margin expanded sequentially by 335 basis points to 30%, the highest margin in our 10 years since becoming a public company, highlighting the benefits of more efficient marketing and sales spending, lower inventory costs, and synergy savings.

Turning to our rental business, as I mentioned last quarter, in order to get more of our owners back on vacation, we decided early in the pandemic to allocate more of our rental keys to owners as demand recovered. This did impact our transient keys rented during the third quarter, but with average revenue per key increasing 9% sequentially, rental revenues increased 11% and profit grew 73%.

The stickier revenue businesses within our vacation ownership segment also performed well in the quarter. Resort management revenue increased 2% compared to the second quarter, and margin was approximately 56% and financing profit increased 16% from the prior year, due to the inclusion of Welk.

With our contract sales growing 5% sequentially in the third quarter and financing propensity improving to 60%, our notes receivable balance increased sequentially. Based on these trends and the acquisition of Welk, we expect our 2022 financing profit to be well above 2019 levels. Our portfolio also continues to perform well with the delinquency and default activity in line or even below pre-pandemic levels for each of our brands, and we expect to complete our next securitization this quarter and terms remain very favorable.

Turning to the acquisition of Welk, while we're not providing detailed results for the Welk business given its relative size, our vacation ownership results did include \$30 million of contract sales and \$18 million of adjusted EBITDA, better than we anticipated. As a result, total adjusted EBITDA in our vacation ownership segment increased 18% sequentially to \$215 million. The quarter benefited from strong growth in development and rental profit and the impact of our business transformation initiatives, enabling us to deliver margins that were nearly 360 basis points higher than two years ago.

Turning to the exchange and third-party management segment, active members at Interval declined slightly on a sequential basis, and average revenue per member declined 7% due to lower exchange volumes, which I mentioned last quarter. As a result, adjusted EBITDA at our exchange and third-party management segment declined \$2 million sequentially. However, margins expanded by 70 basis points on cost-saving initiatives. I'm also very excited about all the new resort affiliations Steve talked about, which will bring nearly 50,000 new interval members to the system by early next year.

Finally, corporate G&A expense declined 20% sequentially in the third quarter, primarily related to lower bonus expense. As a result, total company adjusted EBITDA increased 25% in the quarter on a sequential basis to \$205 million and margin improved to over 27%, more than 300 basis points above the third quarter of 2019, demonstrating the strength of our leisure-focused business model and the benefits of our synergy and transformation initiatives.

Moving to our balance sheet, as I mentioned last quarter, we've been preparing to return to a balanced capital allocation approach. So with the recovery in the business, we felt that now was the right time to reduce our corporate debt by the \$500 million we borrowed last May at the onset of the pandemic and begin to return cash to shareholders again.

In September, we've paid off the remaining \$250 million of our 6.5% notes due 2026. We followed that in October by repaying \$250 million of the six and an eighth percent notes we issued last May. With our current corporate debt at \$2.5 billion and the strong recovery in the business, we are on track to get back to debt to adjusted EBITDA of three times or less. And more importantly, by taking advantage of the favorable rate environment and healthy capital markets, we expect our cash interest expense next year to be around \$20 million lower than our 2019 cash interest expense.

We ended the quarter with \$448 million of cash, gross notes receivable eligible for securitization of \$278 million, and almost \$600 million of available capacity under our revolver. Pro forma for the debt repayment in October, we had \$4.1 billion of debt outstanding including \$1.6 billion of non-recourse debt as related to our securitized notes receivable as well as total liquidity of more than \$1 billion.

Finally, our Board of Directors reinstated our quarterly dividend and authorized the \$250 million share repurchase program effective September 10, enabling us to repurchase \$4.5 million of our own shares in the last couple of weeks in September. We also paid a dividend in October, our first since before the pandemic.

Looking ahead, while we're not giving guidance, I do want to help you think through what the balance of the year could look like. The fourth quarter has started off well with contract sales above 2019 levels. With occupancies at pre-pandemic levels in most of our North America resorts and international travelers now able to visit the United States again, we expect tours to grow sequentially in the fourth quarter while VPGs will remain well above pre-pandemic levels.

As a result, we expect contract sales to grow to between \$385 million and \$405 million in the fourth quarter just above the fourth quarter 2019 at the midpoint. Similar to prior years, we expect reportability to be positive in the fourth quarter. For those trying to compare our fourth quarter results to the fourth quarter of 2019, remember that reportability that year positively impacted our adjusted EBITDA by \$22 million. And this year, we only expect the benefit to be in the \$10 million to \$12 million range.

Finally, while we're not providing free cash flow guidance today, with more than \$640 million of excess inventory, I would expect our adjusted EBITDA to adjusted free cash flow conversion to be well above our normal 55% range for a number of years, enabling us to return to our historic capital allocation strategy. With that, we'll be happy to answer your questions. Rob?

Operator

Thank you. We will now be conducting a question-and-answer session. If you'd like to ask a question at this time, please press "*" "1" from your telephone keypad, and a confirmation tone will indicate that your line is in the question queue. You may press "*" "2" if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the "*" keys. One moment, please, while we poll for questions. Thank you. And our first question is from the line of Patrick Scholes with Truist. Please proceed with you questions.

Steve Weisz

Good morning, Patrick.

Patrick Scholes

Hi, and good morning, everyone.

John Geller

Hey, Patrick.

Patrick Scholes

All right. Thank you. you know, speaking of international guests, I'm wondering if you can give us an update on your thoughts on the return of the Japanese guests to Hawaii. And also just an update now that, you've purchased Welk, what is your Hawaii exposure, for your overall company? Thank you. And then, I'll have a follow-up question.

Steve Weisz

Sure. so, I mean, clearly, as the world reopens and travel resumes, that's going to be positive for virtually everywhere. I mean the interesting thing we find in Hawaii, when we're in 95% occupancy, at least in the short-term, there's not a lot of room to be had. so, it will take a while for that to adjust but, we're very encouraged by that.

Regarding Welk, Welk does not have any presence in Hawaii. so, you know, and to be honest, I — I don't know what this percentage of Japanese buyers in the Welk system. I would think to be relatively small, but, I'm not so sure that's all that material there.

Patrick Scholes

okay. Yeah, I was wondering with the acquisition of Welk having few, if any, few Japanese exposure, what does your Hawaii exposure dropped down to now, roughly?

John Geller

— Yeah, I mean it was — pre-pandemic it was roughly 15% of our contract sales, Patrick. Excuse me, 25% of our total contract sales. So it'll probably drop down relatively a couple of percentage points, but not meaningfully.

Patrick Scholes

Okay. Thank you. And then, Steve last quarter, in the press release, you had, noted, being able to turn your focus back towards the, digitally-enabled, growth initiatives to transform your business, drive long-term growth, and improve margins. I wonder if you could just give us a little bit more color on, that and how that is progressing. Thank you.

Steve Weisz

Sure. it's both, external and also internal. so external, as I think I just mentioned, obviously, we've got a new, a marketing initiative, which allows our owners to not only, our prospects to not only book a preview vacation package but also, book it at a specific location. Normally, before that, it was a two-step process. first, you had to book the package and then, you know, we contacted you and reached out through a call center and then we found availability. Well,

here, people will be able to do that simultaneously, based on the availability of where they want to go. So, that's number one.

We've amped up, all of our efforts in terms of social media in terms of customer acquisition. and again, those are some of the things that we paused in 2020 because, quite frankly, we didn't think it was money well spent and we didn't think it was going to yield the kind of results we were looking for.

On the call transfer side of things, we are back on same cadence we were pre-pandemic with, Marriott and we hope to begin call transfer with Hyatt. Internally, we have done all sorts of things, not only with, some of our artificial intelligence, some of our data mining, we're using chatbots in a number of locations both with the internal system and the external system with customers, all with a goal of trying to get to more of a self-service environment for our owners and for our associates so that they don't have to have people as intermediaries to get to the information or perform the kind of activity that one wants to perform. So we're very encouraged by where we find ourselves. I would say, you know, we're back on the plan that we were on before the pandemic hit.

Patrick Scholes

Okay. thank you for the update.

Steve Weisz

Thank you.

John Geller

Thanks Patrick.

Operator

Thank you. Our next question comes from the line of David Katz with Jefferies. Please proceed with your questions.

David Katz

hi. Good morning, everyone.

John Geller

Good morning.

Steve Weisz

Good morning, David.

David Katz

Good to talk to you. Can we just, talk about the capital allocation, you know, initiatives that you discussed here? Number one, you know, the share repurchase is, you know, a very positive

gesture. if you could shed any light around sort of the size of it and, you know, the degree to which we might expect that it would be kind of an ongoing, part of it? And just put all that in the context that there might be, you know, other acquisitions that we should sort of keep our thoughts, on, you know, that would be in the mix as well?

John Geller

Sure. high level, you know, we're always focused on getting our leverage right back into that less than three times, two and a half to three times. And that's where we were at when we acquired ILG. It gives us a lot of, you know, dry powder, if we wanted to do an acquisition.

David as we talked about there, you know, there's not a lot of large upper upscale acquisition opportunities out there in terms of dollar amount. So clearly, it's something we're going to continue to look at, given the success we've had with the ILG and Vistana and then more recently here with Welk.

So, it allows us to take unbranded, as we've talked about, rebranded, and really leverage that, new owner group and grow our existing platforms and drive synergies. So that's always going to be where we're going to look first and foremost with our excess capital, and we feel like we're in a good spot there.

And then, after that, you know, notwithstanding, the first approval here from the board was \$250 million, in terms of repurchase authorization. We're going to look to return excess capital through, a balance of dividends, and repurchasing shares. So given our cash flow setup, like I talked about, we're going to have, you know, a disproportionate amount of excess cash flow given the inventory we have on our balance sheet. So we've got a lot of opportunity to return capital to shareholders unless there are other acquisition opportunities that we end up looking at.

Steve Weisz

And — and David, I would just add that, obviously, once you get to the point where you run through this, I would assume that our board would give the further authorization to continue to buy back shares. All within the context of trying to balance it with making sure that we pay the dividend, repurchase shares, as well as trying to make sure that we get that, debt-to-EBITDA calculation down, you know, three and below.

David Katz

Understood. And John, you touched on the follow-up that I had in mind, which is you — I think you mentioned that the cash conversion from EBITDA would be well-above the 55% normal, I think you said, for a number of years.

John Geller

Yes

David Katz

Any further perspective on how high is high and how long is a number of years? You know, would that be more than two? you know, and so is it the literal —

David Katz

— Definition of a few? Yeah.

John Geller

We're always looking, if we buy back inventory, existing inventory on the secondary market. So there's always going to be that level of spend. you know, that historically has been about \$100 million a year if you're doing \$1.5 billion, \$1.6 billion in sales at a 20% product cost, right, the delta between the product costs coming off your books and the \$100 million give or take you're buying, that's your opportunity. But I do want to say, you know, we are always going to look to add new flags. We're going to try and view those capital efficiently.

So it's never necessarily a straight line. We're going to do what's right to grow the top line in the business and add new resorts. I would expect, that we'll continue to do a lot of those deals more capital efficient, which would mean we would be building them with a third-party and taking that inventory down, you know, three, four years out when we would start needing inventory again, right?

So that the math. But you know, I would say three to four years, you get \$600 million plus, I'm not sure it's going to be a straight line of \$150 million a year. Some years it will be better. Some years, you know, depending on what we have going on, it could be a little bit less.

David Katz

Awesome. Awesome. Thank you very much.

Steve Weisz

Thank you.

Operator

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

Chris Woronka

Hey.

John Geller

Good morning.

Chris Woronka

Good morning, guys.

Steve Weisz

Hey, Chris.

Chris Woronka

And , congratulations to Tony. —

Tony Terry

— Thank you.

Chris Woronka

Yeah, so I was hoping maybe you guys talked a little bit about, international in terms of their level of profitability or, how much of a contribution you think they make to, you know, the contract sales. Could we just get a little bit of color on the profile of that international visitor? Thanks.

Steve Weisz

Yeah. So, pre-COVID, which is obviously the — the reference point that we would — I think most people would look at, international, contract sales were about 12% of our total. And the breakdown of that was, call it 5% — 5 points up to 12 were inbound in North America from both, Asia, Latin America, and some Europe and about 7 points or 7% of that was from international contract sales that were originated in the region in our sales centers either in Asia Pacific or in Europe. So, that's, kind of what it was.

I think you can expect that, while travel has reopened, or become available to reopen back to the United States, et cetera, it will be a little herky-jerky, I think, in terms of how quickly it comes back. You can lay that against the fact that, we're running better than 85% occupancy system-wide, in North America, in particular. There's not an overwhelming amount of activity available or occupancy available to use. But we think it will come back. My personal opinion is, Latin America may come back faster than Europe and that would be, in turn, faster than what you see in Asia Pacific (ex-Japan). I think Japan, once Japan opens up, I think, they like to travel a lot and I think you could see more of that East bound.

Chris Woronka

Okay. thanks Steve. Very helpful. And then, the follow-up is, you know, we hear a lot in the broader hospitality industry, right, about rising labor costs and availability of labor. And obviously, you guys are in a different — kind of a structure with the commission for a big chunk of your base. So, you know, are you seeing any challenges on the labor front, availability or any kind of cost pressure outside of that?

Steve Weisz

Well, I mean, clearly, I wish I could tell you we were insulated from the industry experience. I think the number I saw was 1.6 million hospitality jobs were open, in the last count. not

obviously just with us, but across the industry. we do have, we see it particularly in our resort operations group, where we struggle at times to fill positions. maybe to a slightly lesser degree, even in our sales and marketing team. I think we're about 85% of our typical pre-COVID sales executives.

Now, the good news is that our tour volume is down because we have moved away from OPC activities and the linkage is down, call it, you know, we think next year will maybe be 50% of what we typically run in linkage. none of that is particularly bad news. It's just a matter of, as COVID is affect things, it caused us to go back and look at, you know, where we want to put our resources in terms of tour generation, etc.

Clearly there are some cost pressures. I mean, wage rates are up. now, you know, in the resort environment, those costs are passed on to owners by virtue of their maintenance fee. and the good news is, while in the short-term, you know, you might say, well, that's obviously causing maintenance fee to go up, they do have some excess capacity because of some of the lower cost that those resorts ran during low occupancy in 2020 that remain on their balance sheet. So they could absorb that for a while.

In the sales and marketing side, we cover that dollar for dollar. And again, we have to make sure that we are finding the right kind of efficiencies to offset those, and get some sort of additional, pass-through in terms of our cost per point, etc. But you know, I mean, it's not a great situation. and if anybody is in the hospitality business says that it is, I think they're misleading you. but we're working our way through it. And the great news is that our owner satisfaction levels, that we've been measuring, are very high and continue to go up on a month-over-month basis. So I think most people understand it and, they're content with the job that we're doing.

Chris Woronka

Okay. super helpful. Appreciate all the details. Thanks guys.

Steve Weisz

Thank you.

John Geller

Thanks.

Operator

Thank you. As a reminder, to ask a question, you may press "*" "1." The next question is from the line of Brandt Montour with JPMorgan. Please proceed with your questions.

Brandt Montour

Hey, good morning, everybody. Thanks for taking my questions.

John Geller

Good morning.

Steve Weisz

Good morning.

Brandt Montour

So just quickly, and I apologize if you said this or if I could have inferred this from the release, but would you have been above 3Q '19 EBITDA this quarter excluding Welk? Was that in there?

John Geller

Yes. I talked to the numbers. I think, we would have been maybe \$2 million below, \$3 million below '19 if you exclude the \$18 million from Welk.

John Geller

Yeah. Essentially, on '19. Just a couple of million below.

Brandt Montour

Got it. Great. Thanks. And then, Steve or John or anyone, just wondering if you had any updated thoughts on, VPG into next year? I know you're not going to give guidance, but I was hoping we could just talk about it more qualitatively breaking VPG apart into the two major components and how you see trends, or at least the underlying trends for those two drivers going. I mean we're all trying to figure out sort of, you know, how sustainable, the consumer spend is at these levels is. But with VPG specifically, is there anything structurally, that makes you think that, you know, you will settle longer term above 2019 levels in VPG?

Steve Weisz

Yeah, I actually think we will. And particularly in '22, while, you know, 30% on a comparative to 2019, it's a little bit difficult to continue to hold that, because what happens is as your first-time buyer percentage of tours goes up, which we would expect to see some in 2022, you're going to see some — because they typically have a lower VPG number than your owners have, just the arithmetic would tell you that the VPG number will come down.

However, I mean, we have made a strategic decision that we've stepped away from anything that's, at least not, except for Hawaii, anything OPC. So we won't be going back there, unless something were to, you know, dramatically change. As I mentioned, I think linkage tours will probably be 50% of what we saw in, 2019. Typically, linkage tours have a tendency to carry a lower VPG as well. So I would expect that for next year and for, you know, probably several years or after, the VPG number will continue to remain very strong. The percentage increase number may change over time, but I don't think we're going to see going back to the 2019 numbers in the foreseeable future.

Brandt Montour

Excellent. Thanks again.

Steve Weisz

Thank you.

Operator

Thank you. We've reached the end of the question-and-answer session. I'll turn the call over to Steve Weisz for closing remarks.

Steve Weisz

Thank you, Rob. And thank you, everyone, for joining our call today. Despite the Delta variant, we delivered another strong quarter validating the resiliency of our leisure focused business model. Contract sales in the third quarter were nearly back to pre-pandemic levels. New owners are coming into the system and VPG is holding well above 2019 levels, enabling us to deliver our highest adjusted EBITDA margin since we began a stand-alone public company.

Our exchange and third-party management segment, Interval, signed a number of new customers, including El Cid resorts that in total will add nearly 50,000 new members in 2022. We're investing in technology initiatives to drive growth and expand margins, while also deleveraging the balance sheet in the past few months and our Board of Directors authorized a new share repurchase program and reinstated our quarterly dividend, enabling us to again return excess cash to shareholders.

It's been an amazing 10-years with new businesses, brands, customers, and associates all contributing to today's milestone. And yet, I believe our best days are still in front of us. In fact, if the past 18 months have proven anything, it's that people always want to go on vacation, and that's the only business we're in. As always, thank you for your interest, take care of yourself. And finally, to everyone on the call and your families, stay safe and enjoy your next vacation.

Operator

Thank you. This will conclude today's conference. You may disconnect your lines at this time. Thank you for your participation. Have a wonderful day.