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Preliminary Q1 2020 Marriott Vacations Worldwide Corp Earnings Call

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Thank you, and welcome to the Marriott Vacations Worldwide first quarter 2020 investor update call. I am joined today by Steve Weisz, President and Chief Executive Officer, and John Geller, Executive Vice President and Chief Financial and Administrative Officer.

I do 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 yesterday, along with our comments on this call, are effective only at the time issued 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 the investor relations page and the financial information page on our web site.

It’s now my pleasure to turn the call over to Steve Weisz, President and CEO of Marriott Vacations Worldwide.

Stephen P. Weisz *Marriott Vacations Worldwide Corporation - President, CEO & Director*
Thanks Neal, and good morning.

Like many companies, we’re navigating many unknowns - and are experiencing deep disruptions in our business and our lives. For the many doctors, nurses, first responders, and service members on the front lines, these heroes are our customers, associates, neighbors and loved ones. Selflessly risking their lives to help our families…friends…communities. We’re deeply grateful for their bravery and generosity.

This situation is impacting many industries - possibly none harder than travel and leisure. Across the world, airplanes have been grounded, cruise ships idled, theme parks and movie theaters temporarily closed, and hotels and resorts left largely unoccupied. As a result, we've adjusted how we work. How we live. Even how some of us are teaching our children from home. We're practicing social distancing to keep each other safe. Yet by staying apart, we're realizing the importance of coming together. That's why what we do is so special: We help people come together…To connect. To share. And of course, to vacation.

As a company, we're adapting. To support the wellbeing of our customers and our associates we've increased cleaning and sanitation procedures and have embraced social distancing protocols at our resorts. For Owners who can't return home, we've extended reservations. And for our owners whose vacations have been canceled as a result of the pandemic, we have chosen to make thousands of company-owned and controlled weeks available to our owners to be together with family and friends - to vacation.

I think it's safe to say that this is one of the most difficult, and heartbreaking, times in all of our careers. At Marriott Vacations, we've closed all of our sales centers and our resorts are at the lowest occupancies in our long history. We've had to make some difficult decisions to ensure our Company's liquidity, from furloughing nearly 65% of our associates, the lifeblood of our great company, to reducing work weeks for most others, and deferring vital projects in order to preserve cash. We know it's the right thing for our Company, but that doesn't make it any easier.

For our owners who have timeshare loans and have temporarily lost their income source due to COVID-19, we are working closely with them to defer loan payments where we can, as well as stopping foreclosures. While the situation continues to be unpredictable, I'm certain that the steps we've taken will enable us to get through this - and we will be well positioned for future success. Currently, we have nearly as many reservations on our books for the second half of this year as we did at the same time last year, with more than forty thousand tours scheduled, and we have a total package pipeline that is 21% higher than this time last year.

To our investors, I would be remiss if I didn't remind you that we have a resilient business model that generates substantial recurring revenue and cash flows. In fact, in 2019, roughly 45% of our Adjusted EBITDA contribution came from stickier, recurring revenue sources. We also have substantial liquidity and no corporate debt maturities until 2022. And as we said on March 24th, we believe we can operate the business at near cash flow neutral for the foreseeable future.

So let's talk about where the business stands now, starting with the first quarter. We started the year off strong, with sales up double-digits through mid-March. At that time, despite substantial softness in business travel, leisure trends were holding up relatively well in North America and our sales were up 10% through March 13th. But as the virus made its way across Asia, Europe and finally North America, we saw those trends begin to weaken, and on March 21st, in the interest of the safety of our customers and associates, we closed our sales centers and ancillary businesses. As a result, sales for the quarter declined 13%, despite the strong start.

On that March 24th investor call, we laid out a comprehensive plan to lower costs, reduce investment expenditures and substantially lower our operating costs, and we've made tremendous progress, which I'll let John take you through shortly.

To keep our customers engaged, we're running email and social media campaigns on Facebook and Instagram to keep them thinking about their next vacation. We've also just recently launched our enhanced tele-sales campaign that is in effect while physical sales centers are closed, offering discounted points and additional purchase incentives to generate incremental revenue and cash flow during this time.

So when will this all end? My crystal ball probably isn't much better than yours. As of today, while many of our resorts remain open, all of our sales centers remain closed and system-wide occupancy is only running at low single-digits.

You may recall that historically, sales have been correlated with consumer confidence, which right now is suffering. With that in mind, I would remind you that industry timeshare sales grew 15% in 2002, despite the terrible tragedy of 9/11, and they increased 18% and 22% in 2003 and 2004, respectively, despite concerns about SARS. This time is certainly different, but it does give you some perspective about people's resilience and their need for vacation.

If history is any indication, since they already own their vacations, I believe we will see owners come back relatively quickly once restrictions are lifted. This may explain why we currently have nearly the same number of owner reservations on our books for the second half of this year as we did at this time last year. And while we've had cancellations at our Exchange businesses due to closures at some our customers' most popular resorts, already Interval customers are re-booking their vacations with us! That's the positive thing about vacation ownership. Timeshare owners are avid travelers who have a vested interest in their vacations. Maybe that's why in a recent owner survey of over 2,700 MVC owners, more than 75% of them said they were highly likely to travel over the next 12-months.

Not surprisingly, I suspect we'll see drive-to destinations return faster than fly-to destinations. So with more than 80% of our available U.S. keys being on the Mainland, we're well positioned to welcome those customers back who are resistant to flying at the outset but still want to vacation. We've already laid out plans for a phased approach to reopening our resorts and sales centers when the time is right. And with owners expected to return sooner than transient renters, roughly 65% of our sales coming from existing owners, and VPG up 10% in the first quarter, I believe that we're well positioned to grow once guests begin to return.

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

John E. Geller ***Marriott Vacations Worldwide Corporation - Executive VP & Chief Financial and Administrative Officer***

Thanks Steve and good morning everyone. My comments today will focus on our first quarter, the cost saving steps and other actions we've taken to preserve cash, the strength of our Balance Sheet and our Liquidity position.

Before I begin, I want to mention that our GAAP financial results are not yet complete. Given the impact of COVID-19, we continue to evaluate all assets for potential impairment, including inventory, property and equipment, intangibles and goodwill from the acquisition of ILG. As a result, it will take us more time to complete and file our 10-Q, which the SEC has permitted this quarter. In our release that we issued yesterday, we included a range of potential impairment charges. We will continue to work over the next few weeks to finalize those amounts and plan to file our first quarter 10-Q on or about May 22nd.

Moving to the quarter... as Steve mentioned, the year started off very strong, with sales up 10% through mid-March, driven by double-digit VPG growth. However, as the virus made its way across North America, we made the difficult decision to close our sales centers and stopped taking new reservations for rental guests, which we have since extended to June 1st. As a result, sales wound up declining 13 percent in the first quarter and adjusted EBITDA declined 17 percent.

Quickly reviewing our Vacation Ownership segment.....as I mentioned, our development business started the year strong, with sales up double-digits through the middle of March. But with the sales slowdown in March and most of our cost reduction initiatives not fully taking effect until mid-April, Adjusted development margin percentage declined more than 800 basis points for the quarter to 12.6 percent.

Rental revenues also started the quarter strong, with resort occupancy and revenue per key up year-over-year through the end of February. But with the slowdown in travel, as well as our decision to begin closing our resorts for rental guests, rental revenue declined 6 percent for the quarter and rental profit decreased 66 percent.

Our Resort management revenue, which includes our management and ancillary businesses, was also doing well through the end of February, with both management fees and ancillary revenue up year-over-year. But significantly lower occupancy levels in March meaningfully impacted ancillary revenue, resulting in a decline in Resort management revenue for the quarter, despite a 5% increase in management fees.

Lastly, our financing business remained strong, including the month of March, with revenue increasing 6% for the quarter.

Our notes receivable portfolio performed well in the first quarter and the average FICO score of buyers who financed with us was 739. But as we reached the end of the quarter and then moved into April, we did start to see delinquency activity rise, which is not unexpected in this environment. As Steve mentioned, for our owners who have timeshare loans and have temporarily lost their income or a substantial portion of their income due to COVID-19, we are working closely with them, deferring loan payments where we can, as well as halting foreclosure activity, as we work with our owners to help them transition through this difficult time. To date, only around 2% of our borrowers have inquired about deferring their loan payment, with only a portion of those people actually taking us up on the offer, speaking to the strength of our owner base and our targeting efforts.

At the same time, we have taken a more detailed view of our portfolio and how it might perform throughout this crisis. We do believe a good point of reference is using how the portfolios performed after the '08-'09 financial crisis. With that information, we would expect to see default rates increase 50% or so for a 15 to 18 month period. As a result, we increased our receivable reserve by an additional $52 million in the first quarter. For adjusted EBITDA purposes, we have excluded this amount. As you would expect, we will continue to refine this estimate as we continue throughout 2020.

Turning to the Exchange & Third-Party Management segment. Interval membership declined 2% through the end of February and Revenue per member was roughly flat. But with roughly 1,300 of Interval's exchange resorts either closed or not taking reservations in the short term due to COVID-19, transaction activity was adversely impacted in March, resulting in a decline in average revenue per member. As a result, Adjusted EBITDA for the segment was down $13 million in the quarter.

After adjusting for one-time costs, including those related to COVID-19, G&A expense declined $10 million in the quarter, reflecting the continued benefit from our synergy initiatives. We realized $17 million of synergies in the first quarter, bringing our total run-rate savings to roughly $70 million. However, as we talked about in March, we have decided to defer most of our investment spending for the time being. As a result, it may take us a little longer to achieve our $125 million goal, but we remain committed to generating at least this amount of synergies by the time we're done.

So with the first quarter behind us, I want to spend the rest of my time talking about the actions we've taken to manage through the current environment.

As I mentioned earlier, our resort management and financing businesses generate a substantial amount of high-margin, recurring revenue. These two businesses represent nearly 45% of our annual Adjusted EBITDA contribution.

Diving in a little deeper,

- about 36% of our Adjusted EBITDA Contribution comes from our Management and Exchange Businesses, with about 80% of this coming from stickier, recurring revenue sources, including the revenue we generate for managing the resorts.
- And our Financing business represents nearly 20% of our Adjusted EBITDA Contribution, nearly 85% of which comes from notes we originated in prior years.

The remaining 55% of our Adjusted EBITDA contribution comes from more transactional and economically sensitive businesses. In order to manage through the current environment and come through the other end in a strong competitive position, we've had to make some very tough decisions. For example,

- We've furloughed 65% of our associates and reduced work weeks for the remainder by 25%, on average.
- We've deferred merit increases, instituted a hiring freeze for all but critical positions, and deferred our 2019 401(k) match contributions.
- We've also eliminated all travel and off-site meetings, and curtailed all discretionary spending.

These were hard choices, but we think we can manage at this level until business starts to return.

On top of these cost reduction actions, we're also minimizing all capex, inventory and integration project spending that will allow us to defer up to $260 million of investments this year. And we are suspending all share repurchase activity and dividend payments for the foreseeable future.

As a result of these actions, combined with the revenue and cash flow generated from our Management and Financing businesses, we believe our monthly cash burn will be roughly $10 million, per month, for May through December, even if sales and rentals don't resume this year.

Moving to our balance sheet and liquidity. We ended the quarter with $651 million of unrestricted cash and $98 million of gross notes receivable that are eligible for securitization. We increased our warehouse facility to $531 million at the beginning of April to make sure we have enough capacity in case the securitization market isn't available on reasonable terms. At the end April, we had only used about half of the total amount so we have enough warehouse capacity to support another $375 million of new sales, assuming 50% financing propensity.

We have no corporate debt maturities until September 2022, which is our convertible note, and that’s only $230 million. With the credit markets open and rates relatively attractive given the environment, we decided to raise an additional $500 million of senior secured notes, which will take our available liquidity through at least 2021 if occupancies remain at current levels and our sales centers remain closed for an extended period of time. Our leverage for covenant purposes stood at only 1.3 times on March 31st compared to the 3.0 times first lien leverage ratio limit in our credit agreement. Depending on the length of the shut down, we could be above 3x by the end of the third quarter. As a result, we are pursuing an amendment to our credit facility to suspend this covenant through the first quarter of 2021. So as difficult as the current situation is, we believe we have the ability to weather the storm and emerge in a strong position when business starts to rebound.

With that, Steve and I will be happy to answer your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have a question from the line of Patrick Scholes.

Charles Patrick Scholes ***SunTrust Robinson Humphrey, Inc., Research Division - MD of Lodging, Gaming and Leisure Equity Research and Analyst***

So I apologize if you did mention these on the -- in your prepared remarks already. You took a large, not unsurprisingly, charge on the loan loss provision. Going forward for the rest of the year, what would you expect the trends to be in that loan loss provision percentage?

John E. Geller ***Marriott Vacations Worldwide Corporation - Executive VP & Chief Financial and Administrative Officer***

Sure. So what we did in the quarter, and we thought this was a good point of reference. We went back to the '08/'09 financial crisis. And we looked at, for both our MVW portfolio as well as the Legacy Vistana business, we looked at how those portfolios performed, call it starting in late '08/'09. And what we saw there was, we saw, call it, delinquency rates on average go up roughly 50% from where they were at, at the time for, call it, a 15- to 18-month period, and then they started to come back down to more normalized levels. So we did the same thing. We went to our defaults prior to COVID-19 and the current trends, and then we took those default levels up on the existing portfolio, assuming a 50-ish percent increase for a 15- to 18-month period, and that's how we came up with the $52 million charge that we took in the quarter.

Time will tell, Patrick. Obviously, this is a little bit different, but our business was different back then, too, in terms of -- if you remember, we were chasing sales a little bit at the time to grow the top line. It was a good economic environment, and we've been a lot more disciplined this time. So we've got a strong customer like we've always talked about with average household incomes in terms of where we target of $125,000 or more and generally net worth in excess of $1 million. So with that said, we'll see higher defaults. But for now, we think that reserve, hopefully, will cover what comes at us down the road.

Charles Patrick Scholes ***SunTrust Robinson Humphrey, Inc., Research Division - MD of Lodging, Gaming and Leisure Equity Research and Analyst***

Okay. Thank you for the detail on that. You cut your -- the next question, you cut your dividend just yesterday where, previously obviously it was maintained. Is that due to changes in your assumptions for macro conditions since you had your update call a month ago? Or was that a requirement to receive the additional lending that you just have taken?

Stephen P. Weisz ***Marriott Vacations Worldwide Corporation - President, CEO & Director***

Yes. First of all, Patrick, I think if you go back to the call that we had at the end of March, I don't think we gave any indication that we were going to continue to pay a dividend in the short term. With that said, I'll let John address your question about whether there's an additional covenant or something that require that, which there is not.

John E. Geller ***Marriott Vacations Worldwide Corporation - Executive VP & Chief Financial and Administrative Officer***

Right. No, I mean, Patrick, I think in this environment, and you saw we went out, not that we expect we're going to need the additional $500 million in liquidity. As management of the business, we're making sure we position the company and manage the risk. There's clearly -- unless you've got a good crystal ball, there's clearly a lot of uncertainty going forward. And we felt like, given all those risks and all the other measures we've taken in terms of reducing workweeks, furloughing folks that, while sure, we've got the cash and we could pay the dividend, we didn't think it would be a prudent decision to do that at this point in time until we have a better sense as to when things start to open back up and how the sales start to come back and we have better visibility into that. And then clearly, we'll be able to readdress those decisions going forward.

Charles Patrick Scholes ***SunTrust Robinson Humphrey, Inc., Research Division - MD of Lodging, Gaming and Leisure Equity Research and Analyst***

Okay. One last question. Thoughts on if and when you might be doing your next securitization and what are you hearing, feeling from the securitization market as far as an appetite for an issuance.

John E. Geller ***Marriott Vacations Worldwide Corporation - Executive VP & Chief Financial and Administrative Officer***
Sure. Yes. We're working on our normal term securitization right now, still working through some stuff with the rating agencies in terms of default assumptions, things like that. I think for our portfolio, time is our friend because we'll be able to see how our portfolio performs. And it'll age a little bit here. And I think for us, I expect our portfolio to perform well. That's going to help.

But that being said, as we talked about, we increased our warehouse facility. We got a couple hundred million dollars of capacity there. As I said in my prepared remarks, that's roughly $375 million of future sales at a 50% financing propensity. We get an 85% advance rate and our all-in cost of funds on that warehouse, which goes through late 2021, is less than 2%. What I can tell you right now, on the term market, we could get slightly better advance rates. But given the market right now, not much better than what we're getting under our warehouse, and the rates are higher. So given our liquidity position, and the reason we always put the warehouse in place is it gives us optionality. And we don't need to go to the term market and do a securitization until that market has the right borrowing costs and advance rates that we'd be looking for. So we'll continue to be ready, just like we were to go to the bond market here and take advantage of that. But at this point, we're going to see how things play out here over the next month or 2, and we'll go to the market if it comes back a little bit.

Operator
Your next question comes from the line of Brandt Montour.

Brandt Antoine Montour ***JP Morgan Chase & Co, Research Division - Analyst***
So just I was hoping, Steve or John, you could flesh out a little bit more about what a reopening might look like sort of more on the phased approach? And then if you are potentially going to be able to open some of the more drive to heavy markets in, let's say, early summer, what quarter thereafter do you think you might be seeing tour generation that's comparable?

Stephen P. Weisz ***Marriott Vacations Worldwide Corporation - President, CEO & Director***
Okay. Thanks, Brandt. First of all, I guess I feel obliged to remind everyone that only 32% of our resorts are closed. The others remain open, although under fairly substantial restrictions from state and local municipalities in terms of what kind of services can be offered, et cetera. So when we speak of reopening, I'll take it in 2 different phases. Obviously, for those that are currently opening -- or are currently open, we will continue to ramp up activity. We have not taken new reservations for arrival until, call, the end of May. However, we are honoring all existing owner reservations that are arriving in May. We have canceled all rentals, and we'll begin to take those back up beginning of June and the same thing on our preview guests, which will also begin in June.

I think what you're going to see is, because there is this patchwork of different regulations that are in place, as recently as this morning, I saw that New Jersey, for instance, has now implemented an additional 30-day restriction on travel while there are some other parts of the country, call it, South Carolina, that seem to be much more open to allowing businesses to get back in place. So in each particular case, what we will do is, as we see demand continue to pick up, we will obviously increase our staffing level at resorts. As you might imagine, with low single-digit occupancies. We've got a largely skeleton staff and those required to keep the facility maintained and looking good. But we'll begin to bring people back into the business. And then following that as occupancy levels at resorts continue to build, when we believe we can operate a sales operation, which is, generally speaking, coresident on the property with our resort, when we can operate that at, at least a cash flow neutral basis, we'll begin to ramp up those sales activities.

So while I'd like to sit here and tell you that on this month or this day that the system-wide, it's going to look like this, I think this is really going to be a wait-and-see approach. I mean I can give you, even here and just looking in Florida, I can tell you that some of our beach locations in Florida, the advanced bookings for those, even into the middle or the end of May, are looking stronger than, say, Central Florida. I would say in Central Florida, here in Orlando, a lot of it will be contingent upon when the various parks and attractions reopen. So I don't know if that's helpful to you. I can certainly get into more particulars, but I -- hopefully, it gives you a sense of what we're doing.

Brandt Antoine Montour ***JP Morgan Chase & Co, Research Division - Analyst***
Yes, that does. And then wanted to follow up on your comments on the virtual tours. Maybe you could kind of tell us how this has affected the original rollout plan for those digital capabilities? And do you expect that virtual tour sales will be meaningful over the next couple quarters? Like, will that actually move the needle for you?

Stephen P. Weisz ***Marriott Vacations Worldwide Corporation - President, CEO & Director***
Let me be clear about what we're talking about. We're talking about telesales. This is expanding the number -- we've always had a telesales operation within our company. However, what we've done is we've taken the, call it, the top 150 of our line sales executives, the people that normally take tours at our resorts. We've trained them how to sell over the phone versus selling in person. May not sound like a huge difference, but in fact, it is. And we're in fact, conducting sales with people over the phone. There's no virtual tour, per se, in place today. And I think what we'll see is the learning that comes out of this that we'll see people that are good at face-to-face tours, some of which will be very good at telesales, honestly, there'll be some that are very good at face-to-face that aren't very good at telesales.

I will say this, our best sales executives have always had a book of business that -- with their existing owner base that they have consistently been in touch with over the years, and so they've always had some form of telesales. In many cases, it's a sales executive fielding a call or talking to an owner or says, "Hey, I'd like to buy some more points." They write the contract and it's all said and done. So I think we'll wait and see just how successful it is. It's very early in the telesales arena. I can tell you that we're cautiously optimistic about the results that we're getting, but it's certainly too soon to declare victory or not. But we think it's certainly another piece of -- If you try to find any downsides in this horrific kind of set of circumstances that we're in, I think it's kind of causing us to be a little more innovative, even more so than we had originally anticipated. And then telesales may be an even bigger prong of what we see going forward, but it's impossible to predict how big it might be.

Operator
We have a question from the line of Jared Shojaian.

That question has been withdrawn. We have a question from the line of Brian Dobson.

Brian H. Dobson ***Nomura Securities Co. Ltd., Research Division - VP of Lodging REITs***
So I wanted a couple of quick questions about owner appetite to return to the resorts following the lift of travel advisories. Could you give us an idea of what your forward bookings look like for the second half of this year in comparison to 2019 levels for existing owners? And in terms of sales to existing owners, what percentage of overall sales do you see that comprising, call it, in the back half of this year and first half of next year in comparison to 2019?

Stephen P. Weisz ***Marriott Vacations Worldwide Corporation - President, CEO & Director***
Yes. So if you look at total room nights or keys, depending on the vernacular you want to use, I can tell you that we have 2.018 million keys from July to December of 2020. That contrasts to 2.093 million last year, so down about 3.6%. Of the 2.018 million, owner stays are 78% of that total, and they were 77% of the total in 2019. So doing the arithmetic for you. Owner occupancy for the second half of the year is down 1.8%. Previews are actually up, call it, 1%. And transients are down 16%. That's -- I think the transient thing is the most logical, to be fair. I think people will book reservations as they begin to feel more comfortable about travel and the state of our resorts being opened with full facilities, et cetera.

About, call it, 60% to 65% of our sales typically are to owners. I would expect that percentage to actually be a little higher because, as you might imagine, in our telesales activity, even in the time that we are dark in our sales galleries, there's been a lot of focus on owners and giving them what we think is a very attractive offer to add to their portfolio. So it will not surprise me if the owner sales percentage goes up from where we traditionally have it. But obviously, it's -- I can't say that with any degree of assurance, it's just logical, I think.

John E. Geller ***Marriott Vacations Worldwide Corporation - Executive VP & Chief Financial and Administrative Officer***
And remember, Brian, I know you're aware of this, our resorts run, on average, at 90% occupancy. So when Steve compares what's on the books to this year last year, right, we would have ran a 90-ish percent occupancy in the second half of last year. So it's a very high occupancy to begin with, and it's only down slightly.

Brian H. Dobson ***Nomura Securities Co. Ltd., Research Division - VP of Lodging REITs***
Yes, that's right. So those existing owner sales are usually done at higher margins than new-to-timeshare sales. Do you expect those higher margins to hold, or are you offering incentives to -- which would generate a somewhat lower margin?

Stephen P. Weisz ***Marriott Vacations Worldwide Corporation - President, CEO & Director***
Well, we're certainly offering incentives. We've rolled back the cost per point. And we're providing some additional purchase incentives for people to make a decision now, plus we're incenting cash sales at a little better degree than we are in finance sales, all in an effort to kind of supplement our cash flow.

In terms of -- yes, I mean, typically, an owner purchase carries a lower marketing cost because we've already -- have a relationship with that owner. And so you would think that, all other things being equal, that your margin would improve somewhat because of that. With that said, you got to factor in they've got a lower price point than they had before. We've got a little higher incentives. So it's difficult to prognosticate exactly what will happen for the balance of the year, but we believe that trying to tap in to that owner vein is certainly the most logical and appropriate thing for us to do now, and we'll see how the numbers come out at the end.

Operator
We have a question from the line of Jared.

Jared H. Shojaian ***Wolfe Research, LLC - Director & Senior Analyst***
Can you hear me okay?

Stephen P. Weisz ***Marriott Vacations Worldwide Corporation - President, CEO & Director***
We can, yes.

Jared H. Shojaian ***Wolfe Research, LLC - Director & Senior Analyst***
I'm sorry, I've been having technical difficulties since before this call started. So -- and I apologize if you've already covered any of this, but I'm just hoping to understand a little bit more of some of the comments you made on liquidity because you said you have liquidity and a shutdown through at least beyond 2021, I believe. But I think you said you're only burning about $10 million a month through year-end. And at that rate, it would seem that you would have a lot longer than through 2021. So are there some inventory costs or other obligations that are coming up next year? Can you just help me think about that?

John E. Geller ***Marriott Vacations Worldwide Corporation - Executive VP & Chief Financial and Administrative Officer***
Sure. Jared, it's John. Yes, you're right on. When we talked about getting it with all the reductions and furloughs and all that to get it to close to as possible. Those went into effect here at pretty much at the end of April. So when you look at, call it, May through the end of the year, December, our cash burn rate's that roughly $10 million so pretty close to what we thought we could get to when we talked about it back at the end of March when we first started doing all the different initiatives. But if you think about our time to our normal business model working capital outflows, you have significant maintenance fees for the inventory that we own, that we haven't sold yet, that we pay, call it, at the end of the year, beginning early part of the year. Just like owners pay their maintenance fees, right? So that's all the

inventory. That generally is, call it, about $150 million or so of maintenance fees typically we'd have to pay. And then the others, which these aren't new. If you go and look at our commitments, we've got the New York asset-light deal, San Francisco as well as Bali and, to a lesser degree, Costa Rica, that's about $140 million in the first quarter next year.

So when you put those 2 items together, first quarter of next year; all else being equal with everything shut down, no rentals, no sales; it's about a $300 million outflow, right? But that's just kind of typical timing. Once you get through the first quarter, you're kind of back to the run rate that we're talking about here. And we have no other significant capital commitments. We've got to work through Waikiki, which we did and announced earlier as an asset-light deal. And we're working with a partner that, that would get built later and develop. That would be, hopefully, inventory we would need to develop and take down for a couple years here, given where we're at. But that's it. We don't have -- as we talked about coming into the year, we needed to get out there and find new development deals. So we don't have a lot of other commitments at this point. And so if you think about it on a full year basis, yes, you're probably looking at, call it, a $30 million burn rate based on the numbers I just talked about, if you normalize for the full year given that big outflow in the first quarter.

Jared H. Shojaian ***Wolfe Research, LLC - Director & Senior Analyst***
Okay. That's really helpful. And then just switching gears, can you tell me how much gross VOI sales declined in April? And I guess the angle here is I'm just trying to figure out how meaningful the telesales are, and you still have many resorts that are still open. So I'm just wondering if you're selling any time shares at those resorts and just trying to understand that dynamic a little bit better.

Stephen P. Weisz ***Marriott Vacations Worldwide Corporation - President, CEO & Director***
Yes, Jared. No. All of our sales centers, even in those resorts that are still open, have been closed since the end of March. So yes, there's still some telesales activity that, on a normalized basis, under the kind of -- I'm going call it our traditional telesales program. I don't have that number here in front of me. I will tell you that it's all that material. And we've just spun up the new telesales program here in the beginning of May. So for all intents and purposes, I think you would probably assume that close to 100% decline in VOI sales in April for the business, and that's across the entire business.

Jared H. Shojaian ***Wolfe Research, LLC - Director & Senior Analyst***
Okay. That's helpful. And then just one more quick follow-up from me. Do you know what percentage of your owners are retired and maybe even broken down further between existing owners versus the new owners you're selling to and if there's a meaningful difference for those that have loan balances that are retired?

Stephen P. Weisz ***Marriott Vacations Worldwide Corporation - President, CEO & Director***
The answer is no. I don't know what percentage are -- I mean, this is one of those things that we might have sold somebody something 15 years ago when they were gainfully employed and everything else, and they make a decision. They own their inventory 100%. They make a decision to retire. We certainly don't inquire of them whether they're retired or still working. And so I -- it would be nothing more than a

swag, and I'm not kind of in that business. So I wish I could tell you, but I can't.

Jared H. Shojaian ***Wolfe Research, LLC - Director & Senior Analyst***
Okay. Understood. I appreciate it. Just the angle of the question was just the idea that I think, if you're retired, you're not obviously dependent on a job, and you have just stable income already coming in. And I would think anyway in this industry, in particular, you would have a lot more retirees and particularly with leisure travel. But all right.

John E. Geller ***Marriott Vacations Worldwide Corporation - Executive VP & Chief Financial and Administrative Officer***
Hey, Jared, I mean, as I talked about earlier, I mean, I think retired is interesting, right? But household income or net worth, some of the other key statistics, our owners tend to trend first-time buyers, 50 years old, plus or minus. So you're talking about people that are -- got the household income if they aren't retired but generally have more net worth than your average consumer given where we target. So once again, just some other data points, like Steve said, knowing whether -- just because somebody is 65 nowadays doesn't mean you retire. So we don't poll people on that but understand your question, but I think some of those other metrics are pretty good in terms of thinking about our owners.

Operator
There are no further questions at this time. Mr. Weisz, do you have any closing remarks?

Stephen P. Weisz ***Marriott Vacations Worldwide Corporation - President, CEO & Director***
I do. Thank you, Alicia. Thank you, everybody, for joining our call today. We do apologize. We know there have been a few technical challenges along the way. And we -- this is not traditionally how we conduct the call, but we appreciate your patience.

Well, I obviously don't know when this all will end. I hope we've illustrated today that we have a unique business model with substantial recurring revenue and an owner base that has proven in the past its desire to get back to vacationing as quickly as possible. We've taken difficult and necessary steps to protect our great company and have the balance sheet and liquidity to see this through and emerge in a strong position when we do.

Finally, I wish all of you well and encourage you to be safe, take care of each other, take care of yourself. And hopefully, in the not-too-distant future, we all will be able to enjoy our next vacation. Thank you.

Operator
This concludes today's conference call. You may now disconnect.
