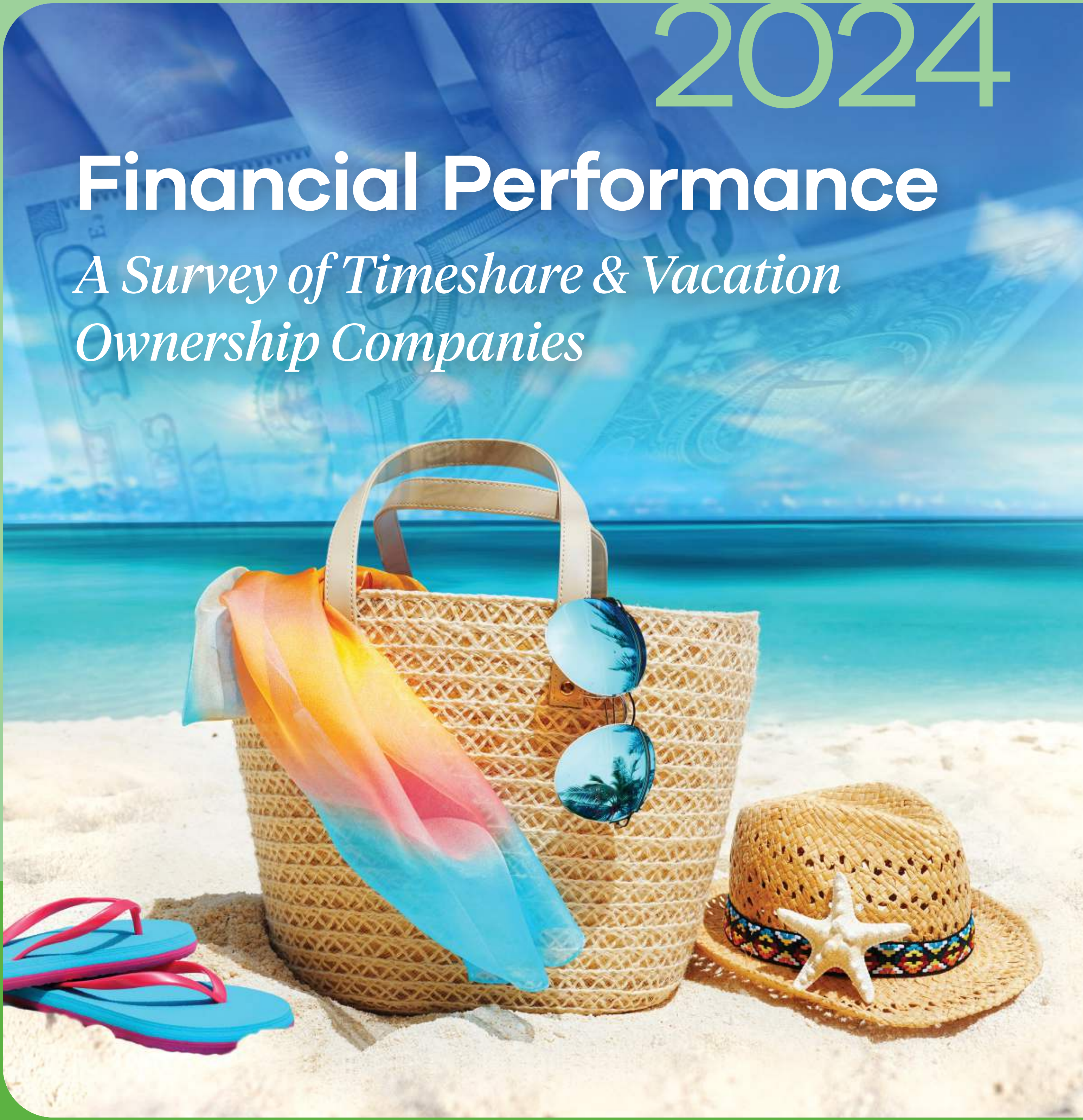
EXECUTIVE SUMMARY

2024

Financial Performance

A Survey of Timeshare & Vacation Ownership Companies



ARDA Research & Insights

Financial Performance

A Survey of Timeshare & Vacation Ownership Companies

EXECUTIVE SUMMARY

Sales activity

- **Net originated sales excluding fee-for-service increased 2.2 percent, while net originated sales including fee- for-service increased 2.3 percent.** In total, the 11 respondents that provided sales information reported $7.360 billion in net originated timeshare sales excluding fee-for-service in 2023. Total net originated sales including fee-for-service arrangements increased 2.3 percent from 2022 to 2023, increasing from $8.977 billion to $9.184 billion.
- **Points sales represented 67.3 percent of the $7.360 billion of net originated sales excluding fee-for-service.** Of the $7.360 billion of net originated sales reported by 11 companies in 2023, $4.954 billion (67.3 percent) was classified as points sales, while $2.406 billion (32.7 percent) was classified as interval sales.
- **The amount of U.S. net originated sales that were sold on behalf of others under fee-for-service arrangements increased 2.8 percent from $1,775.6 million in 2022 to $1,824.6 million in 2023.**
- **Net originated sales at U.S. locations averaged $37.0 million per resort in active sales.**
- **Total capital expenditures increased by 61.8 percent from 2022 to 2023 while capital expenditures related to completed timeshare inventory decreased by 15.3 percent from 2022 to 2023.** Total capital expenditures increased from $398.2 million to $644.3 million from 2022 to 2023, respectively. Total capital expenditures related to completed timeshare inventory decreased from $196.2 million in 2022 to $166.2 million in 2023.
- **The average yield per week increased 6.3 percent in 2023, with a weighted average yield of $59,576.**
- **Sales tours, weighted average transaction value and existing owner sales increased while new owner sales, volume per guest, and net close rate decreased from 2022 to 2023.** In 2023, respondents reported hosting 2.09 million sales tours, compared to 1.88 million sales tours in the previous year. Respondents achieved a weighted average net closing rate of 15.8 percent, which decreased from the 18.3 percent reported for 2022. During the year, weighted average volume per guest decreased from $4,653 in 2022 to $4,212 in 2023, and weighted average transaction value increased from $25,592 in 2022 to $27,808 in 2023. Net originated sales volume (excluding telesales) resulting from existing owner sales increased from 67.7 percent in 2022 to 67.9 percent in 2023, while the remainder of net originated sales volume resulting from new owner sales decreased from 32.3 percent in 2022 to 32.1 percent in 2023.
- **Rescissions, as a portion of gross sales, increased 0.5 percentage points in 2023.** Respondents reported an increase of gross sales rescissions, which averaged 11.9 percent in 2022 compared to 12.4 percent in 2023.

SALES TOURS METRICS BY COMPANY CATEGORY, 2023, U.S.

		Company size			Average yield per week		
	All respondents	$500M or more	$100M to $499M	Less than $100M	$30,000 or more	$20,000 to $29,999	Less than $20,000
Number of tours	2,087,710	1,895,093	147,078	45,539	744,224	935,195	157,489
Number of sales transactions	321,827	283,505	29,924	8,398	136,669	116,747	32,516
Net close rate	15.8%	15.5%	20.3%	20.1%	18.2%	12.9%	20.5%
Net originated sales excluding telesales (mill)	$8,880.1	$8,312.8	$457.2	$110.1	$4,303.0	$3,321.4	$477.2
Weighted volume per guest ("VPG")	$4,212	$4,263	$3,108	$5,169	$5,036	$3,706	$3,059
Weighted average transaction value	$27,808	$28,512	$15,278	$30,292	$29,230	$29,456	$14,961

Source: Deloitte & Touche LLP Company size data based on a minimum of 9 company survey responses, Average yield per week data based on a minimum of 7 company survey responses.

Methodology

Deloitte & Touche conducted a survey of 12 timeshare developing companies encompassing 486 resorts that were open and in active sales during 2023 that account for a predominance of industry sales. It is important to understand that, contrary to the annual ARDA Research & Insights' *State of the Vacation Timeshare Industry Report: U.S. Study* that forecasts metrics for the entire U.S. industry, this survey is not a projection of the timeshare industry metrics as it is not based on a random sample of companies, nor is it a census of all companies. This survey is designed to further examine the industry's financial performance by providing timely information that permits companies to compare operations to industry benchmarks and a reference for tracking industry trends. It is also a valuable resource for potential entrants to the industry and others seeking to better understand the vacation timeshare industry.

Key ratios

- **Estimated uncollectible sales, as a portion of net originated sales, averaged 17.0 percent in 2023.**
- **Product costs, as a portion of net originated sales, averaged 12.8 percent in 2023.**
- **Sales commissions, as a portion of net originated sales, averaged 17.9 percent in 2023.**
- **Other sales and marketing costs, as a portion of net originated sales, averaged 24.3 percent in 2023.**
- **General and administrative costs, as a portion of net originated sales, averaged 6.5 percent in 2023.**
- **Homeowners association (HOA) subsidies and maintenance fees for unsold units net of rental revenues, as a portion of net originated sales, averaged 2.7 percent in 2023.**
- **Operating profit margin on timeshare sales operations averaged 18.8 percent in 2023.**
- **Respondents reported that 60.1 percent of timeshare sales, by dollar value, in 2023 were to existing owners, on a weighted average basis.**

KEY RATIOS AS A % OF NET ORIGINATED SALES VALUE, 2023, U.S.

	All respondents	Interval companies	Points companies	Public companies	Private companies
Estimated uncollectible sales	17.0%	20.2%	15.5%	13.8%	30.7%
Cost of sales, also referred to as product cost	12.8%	18.1%	10.3%	13.9%	8.4%
Sales commissions	17.9%	18.8%	17.5%	17.9%	17.9%
Other sales and marketing costs	24.3%	21.1%	25.9%	23.9%	26.0%
Sub-total: Sales commissions and other sales and marketing costs	**42.2%**	**39.9%**	**43.4%**	**41.8%**	**43.9%**
General and administrative costs related to timeshare sales operations	6.5%	6.4%	6.6%	5.6%	10.7%
HOA subsidies and/or maintenance fees	2.7%	0.0%	3.9%	3.3%	0.0%
Pre-tax margin of timeshare sales operations	18.8%	15.4%	20.3%	21.6%	6.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Deloitte & Touche LLP based on 9 company survey responses.

Hypothecation of receivables

- **The average interest rate increased and the average advance rate decreased when compared to 2022.** Three respondents provided information on hypothecations of receivables that occurred during 2023, totaling 458.1 million. The average interest rate increased from 5.5 percent in 2022 to 7.1 percent in 2023. The average advance rate decreased from 74.8 percent in 2022 to 72.5 percent in 2023.

Portfolio sales and securitization

- **For respondents who reported securitizations in both 2022 and 2023, both the average transaction size of securitizations and average interest rate increased while the average advance rate decreased.** For those respondents that reported securitizations in both 2022 and 2023, the average transaction size of reported securitizations increased 7.5 percent from $291.4 million to $313.2 million; the average advance rate decreased 0.3 percentage points from 93.3 percent to 93.0 percent; and the average interest rate increased 1.5 percentage points from 5.2 percent to 6.7 percent. The seven separate securitization transactions reported by survey respondents in 2023 represented a total value of $2,192.6 million, measured as the gross value of the sales contracts securitized. This reflects an increase from the seven separate securitization transactions in 2022 with a total value of $2,039.9 million.

Consumer financing and receivables portfolio performance

- **Of the $6.415 billion of net originated timeshare sales in which respondents provided financing information, $3.597 billion were financed.** Approximately 56.1 percent of the dollar value of net originated timeshare sales were financed in 2023. Respondents reported that in 2023, the weighted average interest rate on new loans to consumers including servicing fees was 14.5 percent and the weighted average interest rate on new loans to consumers excluding servicing fees was 14.2 percent. The weighted average down payment associated with non-upgrade sales was 17.1 percent of the contract price, and the average down payment associated with upgrade sales, including the equity in their existing vacation ownership interest, was 45.7 percent of the contract price.
- **Current receivables decreased by 0.1 percentage points from 2022 to 2023, while those more than 120 days delinquent increased by 0.1 percentage points.** The share of current receivables (current or fewer than 31 days delinquent) was 86.4 percent in 2023, while the share of receivables more than 60 days delinquent was 11.4 percent.

PERFORMANCE OF CONSUMER RECEIVABLES PORTFOLIOS AT YEAR-END, 2022 AND 2023, ALL GEOGRAPHIES

	2022	2023
Current	86.5%	86.4%
31 to 60 days	2.1%	2.2%
61 to 90 days	1.4%	1.4%
91 to 120 days	1.4%	1.3%
More than 120 days	8.6%	8.7%
	100.0%	100.0%

Source: Deloitte & Touche LLP based on a minimum of 9 company survey responses.

- **Gross defaults, as a portion of the gross outstanding portfolio balance at year-end, averaged 9.7 percent in 2023, which is an increase of 0.7 percentage points as compared to 2022.**
- **The weighted average allowance for uncollectible accounts, as a portion of gross outstanding portfolio balance at year-end, was 20.2 percent in 2023.** This was a decrease of 0.1 percentage points as compared to 2022.
- **The weighted average interest rate exclusive of servicing fees and inclusive of servicing fees on loans held in portfolios remained consistent from 2022 to 2023.** The average remaining term increased from 2022 to 2023. The weighted average interest rate on timeshare consumer loans held in portfolios at year-end was 14.1 percent in 2023 exclusive of servicing fees and 14.3 percent in 2023 inclusive of servicing fees. The weighted average term to maturity for loans held was 103.0 months.
- **The weighted average general and administrative costs of financing operations, as a portion of outstanding portfolio balance, was 1.6 percent in 2023, which is consistent with 2022.**

FICO scores

- **The use of FICO scoring as an underwriting component in 2023 increased 1.1 percentage points to 90.0 percent from 2022.**
- **The weighted average FICO score on loans held in receivables portfolios at year-end, as reported by respondents, increased two points from 714 in 2022 to 716 in 2023.**
- **The weighted average FICO scores on new financings in 2023 increased as compared to 2022.** FICO scores on new financings ranged from 680 to 748 in 2023. Additionally, the weighted average FICO score on new financings of 729 in 2023 is two points higher than 727 in 2022.
- **The weighted average static pool default rate was 22.5 percent in 2023, which is a 0.2 percentage point decrease from 2022, as reported by 9 respondents.**
- **The static pool default rate[1] by FICO score (the static pool default percentages by FICO score range at the time the loan was made to purchasers) increased for band categories ranging from 550 to 850 and no FICO score and decreased for band categories ranging from 300 to 549 when comparing 2023 to 2022.**
- **Weighted average originations as a percentage of gross sales and as a percentage of net sales increased 1.2 percentage points and did not change, respectively, from 2022 to 2023.**

Occupancy bookings and cancellations

- **The number of standard bookings and the number of standard cancellations increased, while the number of sales and marketing package bookings, and number of sales and marketing cancellations decreased from 2022 to 2023.** The number of standard bookings increased by 4.6 percent from 2,868,773 in 2022 to 3,000,725 in 2023. The number of standard cancellations increased by 11.2 percent from 1,013,422 in 2022 to 1,126,742 in 2023. The number of sales and marketing package bookings decreased by 2.0 percent from 788,567 in 2022 to 772,583 in 2023. The number of sales and marketing package cancellations decreased by 5.7 percent from 212,710 in 2022 to 200,606 in 2023.

1 Static pool analysis is used to measure the performance of a grouping, or pool, of receivables. For this survey, the static pool default rate is calculated as cumulative actual and projected future capital losses net of reinstatements, divided by the original principal balance.

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