Financial Performance 2021

A SURVEY OF TIMESHARE & VACATION OWNERSHIP COMPANIES

EXECUTIVE SUMMARY

2021 EDITION
PREPARED BY Deloitte.

AIF
Market Intelligence | Career Advancement

Financial Performance

EXECUTIVE SUMMARY

Sales activity

- **Net originated sales excluding fee-for-service decreased 54.4 percent, while net originated sales including fee- for-service decreased 55.1 percent.** In total, the 14 respondents that provided sales information reported $3.278 billion in net originated timeshare sales excluding fee-for-service in 2020. Total net originated sales including fee-for-service arrangements decreased 55.1 percent from 2019 to 2020, decreasing from $8.176 billion to $3.672 billion. Note: Each of the respondents provided results for both 2019 and 2020 for these metrics, therefore the comparisons between 2019 and 2020 for net originated sales including and excluding fee-for-service are appropriate.
- **Points sales represented 79.1 percent of the $3.278 billion of net originated sales excluding fee-for-service.** Of the $3.278 billion of net originated sales reported by 14 companies in 2020, $2.591 billion (79.1 percent) was classified as points sales, while $0.687 billion (20.9 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 decreased 60.0 percent from $985.7 million in 2019 to $394.5 million in 2020.**
- **Net originated sales at U.S. locations averaged $18.0 million per resort in active sales.**
- **Total capital expenditures decreased by 28.1 percent from 2019 to 2020 while capital expenditures related to completed timeshare inventory increased by 14.7 percent from 2019 to 2020.** Total capital expenditures decreased from $737.1 million to $529.9 million from 2019 to 2020, respectively. Total capital expenditures related to completed timeshare inventory increased from $222.5 million in 2019 to $255.1 million in 2020.
- **The average yield per week decreased 6.7 percent in 2020, with a weighted average yield of $32,026.**
- **Sales tours and weighted average transaction value decreased while volume per guest and net close rate increased from 2019 to 2020.** In 2020, respondents reported hosting 0.98 million sales tours, compared to 2.66 million sales tours in the previous year. Respondents achieved a weighted average net closing rate of 17.3 percent, which increased from the 14.3 percent reported for 2019. During the year, weighted average volume per guest increased from $3,022 in 2019 to $3,411 in 2020, and weighted average transaction value decreased from $21,801 to $20,661, respectively.
- **Average transaction value for new owner sales and for existing owner sales both decreased from 2019 to 2020.** Respondents reported that the average transaction value for new owner sales decreased from $20,667 in 2019 to $18,531 in 2020, while the weighted average transaction value for existing owner sales decreased from $23,418 in 2019 to $22,593 in 2020[1].
- **Rescissions, as a portion of gross sales, increased 1.0 percentage points in 2020.** Respondents reported an increase of gross sales rescissions, which averaged 16.6 percent in 2019 compared to 17.6 percent in 2020.

SALES TOURS METRICS BY COMPANY CATEGORY, 2020, U.S.

		Company size			Average yield per week		
	All respondents	$500M or more	$100M to $499M	Less than $100M	$25,000 or more	$15,000 to $24,999	Less than $15,000
Number of tours	980,200	438,186	495,908	46,106	419,759	366,052	73,948
Number of sales transactions	163,276	57,534	97,573	8,169	53,285	70,568	17,501
Net close rate	17.3%	14.1%	19.6%	18.0%	13.6%	19.2%	23.9%
Net originated sales excluding telesales (mill)	$3,429.1	$1,323.4	$1,966.1	$139.6	$1,462.9	$1,370.5	$234.1
Weighted volume per guest ("VPG")	$3,411	$3,190	$3,127	$3,895	$3,127	$3,807	$3,206
Weighted average transaction value	$20,661	$23,143	$18,692	$21,627	$23,486	$20,449	$13,402

Source: Deloitte & Touche LLP Company size data based on 14 company survey responses, Average yield per week data based on 12 company survey responses.

Key ratios

- **Estimated uncollectible sales, as a portion of net originated sales, averaged 33.2 percent in 2020.**
- **Product costs, as a portion of net originated sales, averaged 10.2 percent in 2020.**
- **Sales commissions, as a portion of net originates sales, averaged 18.2 percent in 2020.**
- **Other sales and marketing costs, as a portion of net originated sales, averaged 31.1 percent in 2020.**
- **General and administrative costs, as a portion of net originated sales, averaged 14.0 percent in 2020.**
- **Homeowners association (HOA) subsidies and maintenance fees for unsold units net of rental revenues, as a portion of net originated sales, averaged 8.9 percent in 2020.**
- **Operating profit margin on timeshare sales operations averaged negative 15.6 percent in 2020.**
- **Respondents reported that 66.7 percent of timeshare sales, by dollar value, in 2020 were to buyers who already owned at least one timeshare interest at the company, on a weighted average basis.**

1 Note: The average transaction values for existing owner sales and new owner sales are based on figures provided by respondents who provided detailed information on existing owner sales and new owner sales and may not correspond to weighted average figures provided in other sections.

Hypothecation of receivables

- **The average interest rate and the advance rate decreased when compared to 2019.** Six respondents provided information on hypothecations of receivables that occurred during 2020, totaling 337.0 million. The average interest rate decreased from 4.7 percent in 2019 to 3.0 percent in 2020. The average advance rate decreased from 86.4 percent in 2019 to 70.9 percent in 2020.

Portfolio sales and securitizations

- **For respondents who reported securitizations in both 2019 and 2020, both the average transaction size of securitizations and interest rates increased while the average advance rates decreased.** For those respondents that reported securitizations in both 2019 and 2020, the average transaction size of reported securitizations increased 9.8 percent from $355.4 million to $390.3 million; the average interest rate increased 0.1 percentage points from 3.9 percent to 4.0 percent; and the average advance rate decreased 6.2 percentage points from 97.0 percent to 90.8 percent. The five separate securitization transactions reported by survey respondents in 2020 represented a total value of $1,951.4 million, measured as the gross value of the sales contracts securitized. This reflects a decrease from the seven separate securitization transactions in 2019 with a total value of $2,487.9 million.

Consumer financing and receivables portfolio performance

- **Of the $2.644 billion of net originated timeshare sales in which respondents provided financing information, $1.496 billion were financed.** Approximately 56.6 percent of the dollar value of net originated timeshare sales were financed in 2020. Nine respondents reported that in 2020, the weighted average interest rate on new loans to consumers including servicing fees was 14.2 percent and the weighted average interest rate on new loans to consumers excluding servicing fees for those same respondents was 13.9 percent. The weighted average down payment associated with non- upgrade sales was 19.7 percent of the contract price, and the average down payment associated with upgrade sales, including the equity in their existing vacation ownership interest, was 40.3 percent of the contract price.
- **Current receivables decreased by 3.2 percentage points from 2019 to 2020, while those more than 120 days delinquent increased by 3.7 percentage points.** The share of current receivables (current or fewer than 31 days delinquent) was 86.2 percent in 2020, while the share of receivables more than 60 days delinquent was 11.9 percent.

KEY RATIOS AS A % OF NET ORIGINATED SALES VALUE, 2020, U.S.

	All respondents	Interval companies	Points companies	Public companies	Private companies
Estimated uncollectible sales	33.2%	27.3%	34.8%	31.1%	37.0%
Cost of sales, (product cost)	10.2%	15.1%	8.9%	11.5%	7.9%
Sales commissions	18.2%	16.1%	18.8%	18.6%	17.6%
Other sales and marketing costs	31.1%	28.2%	31.8%	31.1%	30.9%
Sub-total: Sales commissions and other sales and marketing costs	**49.3%**	**44.3%**	**50.6%**	**49.7%**	**48.5%**
General and administrative costs related to timeshare sales operations	14.0%	14.1%	13.9%	10.0%	20.8%
HOA subsidies and/or maintenance fees	8.9%	0.0%	11.4%	11.1%	5.3%
Pre-tax margin of timeshare sales	(15.6%)	(0.8%)	(19.6%)	(13.4%)	(19.5%)
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Deloitte & Touche LLP based on 14 company survey responses.

Methodology

Deloitte & Touche conducted a survey of 14 timeshare developing companies encompassing 389 resorts that were open and in active sales during 2020 that account for a predominance of industry sales. It is important to understand that, contrary to the annual AIF 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.

1201 15th Street NW, Suite 400
Washington, DC 20005
(202) 371-6700
(202) 289-8544 fax

State Government Affairs Office
Landmark Center Two
225 E. Robinson Street, Suite 545
Orlando, FL 32801
(407) 245-7601
(407) 872-0771 fax

- **Gross defaults, as a portion of the gross outstanding portfolio balance at year-end, averaged 12.5 percent in 2020, which is an increase of 2.0 percentage points as compared to 2019.**
- **The weighted average allowance for uncollectible accounts, as a portion of gross outstanding portfolio balance at year-end, was 20.4 percent in 2020.** This was an increase of 4.1 percentage points as compared to 2019.
- **The weighted average interest rate exclusive of servicing fees and inclusive of servicing fees on loans held in portfolios increased from 2019 to 2020. The average remaining term decreased from 2019 to 2020.** The weighted average interest rate on timeshare consumer loans held in portfolios at year-end was 13.9 percent in 2020 exclusive of servicing fees and 14.0 percent in 2020 inclusive of servicing fees. The weighted average term to maturity for loans held was 101.5 months.
- **The weighted average general and administrative costs of financing operations, as a portion of outstanding portfolio balance, was 1.5 percent in 2020, which was 0.1 percentage points higher than in 2019.**

FICO scores

- **The use of FICO scoring as an underwriting component in 2020 is consistent with 2019 as a majority of the respondents, 92.3 percent, reported that they utilize FICO scoring in their underwriting criteria.**
- **Average FICO scores on loans held in receivable portfolios increased one point from 713 in 2019 to 714 in 2020.**
- **The weighted average FICO scores on new financings in 2020 decreased two points to 724 in 2020 as compared to 2019.**
- **The weighted average static pool default rate increased 2.9 percentage points to 22.5 percent in 2020, as reported by 11 respondents.**
- **The static pool default rate by FICO score (the static pool default percentages by FICO score range at the time the loan was made to purchasers) increased across several bands from 2019 to 2020.**The static pool default rate by FICO score increased for most bands, except the band category from 300 to 499 from 2019 to 2020.
- **Weighted average originations as a percentage of gross sales and as a percentage of net sales increased 2.1 percentage points and 1.9 percentage points, respectively, from 2019 to 2020.**

PERFORMANCE OF CONSUMER RECEIVABLES PORTFOLIOS AT YEAR-END, 2019 AND 2020, ALL GEOGRAPHIES

	2019	2020
Current	89.4%	86.2%
31 to 60 days	2.1%	1.9%
61 to 90 days	1.5%	1.3%
91 to 120 days	1.5%	1.4%
More than 120 days	5.5%	9.2%
	100.0%	100.0%

Source: Deloitte & Touche LLP based on 14 company survey responses.

Impact of COVID-19

- **Approximately 92.3 percent of respondents reported that they offered a mortgage deferment program to owners due to the impacts of COVID-19.** Of the respondents that provided mortgage deferment information, approximately 58.3 percent of respondents reported that less than two percent of timeshare owners deferred mortgage payments. Further, 16.7 percent reported that the deferred mortgage payments comprised of less than two percent of the total portfolio balance. The simple average number of owners who took advantage of the program as a percentage of total owners for all respondents was 2.6 percent, while the simple average dollar value impact of the deferment program as a percentage of the total portfolio was 3.9 percent in 2020.
- **Of the 10 respondents who provided information on the impact of COVID-19 on allowance for loan loss, 30.0 percent of respondents reported no additional allowance was taken.**The weighted average of additional allowance for loan losses recorded due to COVID-19 as a percentage of total allowance was 17.3 percent in 2020.