Financial Performance

2022

A SURVEY OF TIMESHARE & VACATION OWNERSHIP COMPANIES

EXECUTIVE SUMMARY

2022 EDITION
PREPARED BY Deloitte.

AIF
Market Intelligence | Career Advancement

The following summarizes key results of the study which are further discussed at the referenced page numbers below. Note the timeshare industry began to experience significant COVID-19 impacts at the start of the second quarter of 2020 which began to subside within the third quarter of 2020, meaning 2021 data reflects early recovery from COVID-19 impacts. The timeshare industry has shown great resilience as evidenced by the increase in net originated sales from 2020 to 2021, as well as other data comparisons between 2021 to 2020 as discussed throughout.

EXECUTIVE SUMMARY

Sales activity

- **Net originated sales excluding fee-for-service increased 81.2 percent, while net originated sales including fee-for-service increased 92.8 percent.** In total, the 13 respondents that provided sales information reported $5.931 billion in net originated timeshare sales excluding fee-for-service in 2021. Total net originated sales including fee-for-service arrangements increased 92.8 percent from 2020 to 2021, increasing from $3.669 billion to $7.072 billion.
- **Points sales represented 72.6 percent of the $5.931 billion of net originated sales excluding fee-for-service.** Of the $5.931 billion of net originated sales reported by 13 companies in 2021, $4.308 billion (72.6 percent) was classified as points sales, while $1.623 billion (27.4 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 189.2 percent from $394.5 million in 2020 to $1,140.9 million in 2021.**
- **Net originated sales at U.S. locations averaged $29.7 million per resort in active sales.**
- **Total capital expenditures increased by 7.4 percent from 2020 to 2021 while capital expenditures related to completed timeshare inventory increased by 51.4 percent from 2020 to 2021.** Total capital expenditures increased from $542.5 million to $582.5 million from 2020 to 2021, respectively. Total capital expenditures related to completed timeshare inventory increased from $255.1 million in 2020 to $386.2 million in 2021.
- **The average yield per week increased 30.4 percent in 2021, with a weighted average yield of $41,487.**
- **Sales tours, volume per guest, weighted average transaction value, and new owner sales increased while net close rate and existing owner sales decreased from 2020 to 2021.** In 2021, respondents reported hosting 1.57 million sales tours, compared to 0.98 million sales tours in the previous year. Respondents achieved a weighted average net closing rate of 16.5 percent, which decreased from the 23.9 percent reported for 2020. During the year, weighted average volume per guest increased from $3,411 in 2020 to $4,387 in 2021, and weighted average transaction value increased from $19,436 to $27,397, respectively. Net originated sales volume resulting from existing owner sales decreased from 63.7 percent in 2020 to 63.2 percent in 2021, while the remainder of net originated sales volume resulting from new owner sales increased from 36.3 percent in 2020 to 36.8 percent in 2021.
- **Average transaction value for new owner sales and for existing owner sales both increased from 2020 to 2021.** Respondents reported that the average transaction value for new owner sales increased from $18,554 in 2020 to $20,061 in 2021, while the weighted average transaction value for existing owner sales increased from $22,580 in 2020 to $31,883 in 2021[1].
- **Rescissions, as a portion of gross sales, decreased 4.9 percentage points in 2021.** Respondents reported a decrease of gross sales rescissions, which averaged 17.5 percent in 2020 compared to 12.6 percent in 2021.

SALES TOURS METRICS BY COMPANY CATEGORY, 2021, 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	1,574,712	1,195,873	321,307	57,532	833,553	266,838	109,950
Number of sales transactions	258,111	189,103	59,247	9,761	119,256	55,737	24,676
Net close rate	16.5%	16.2%	18.6%	17.0%	14.6%	21.1%	22.6%
Net originated sales excluding telesales (mill)	$6,763.6	$5,284.7	$1,283.2	$195.7	$3,965.9	$1,215.4	$340.8
Weighted volume per guest ("VPG")	$4,387	$4,656	$2,966	$4,006	$4,697	$4,681	$3,132
Weighted average transaction value	$27,397	$29,527	$16,268	$23,943	$32,166	$22,249	$13,831

Source: Deloitte & Touche LLP Company size data based on a minimum of 12 company survey responses, Average yield per week data based on a minimum of 9 company survey responses.

Methodology

Deloitte & Touche conducted a survey of 13 timeshare developing companies encompassing 442 resorts that were open and in active sales during 2021 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.

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.

Financial Performance

Key ratios

- **Estimated uncollectible sales, as a portion of net originated sales, averaged 14.4 percent in 2021.**
- **Product costs, as a portion of net originated sales, averaged 15.4 percent in 2021.**
- **Sales commissions, as a portion of net originates sales, averaged 17.1 percent in 2021.**
- **Other sales and marketing costs, as a portion of net originated sales, averaged 21.4 percent in 2021.**
- **General and administrative costs, as a portion of net originated sales, averaged 7.1 percent in 2021.**
- **Homeowners association (HOA) subsidies and maintenance fees for unsold units net of rental revenues, as a portion of net originated sales, averaged 3.9 percent in 2021.**
- **Operating profit margin on timeshare sales operations averaged 20.7 percent in 2021.**
- **Respondents reported that 63.7 percent of timeshare sales, by dollar value, in 2021 were to existing owners, on a weighted average basis.**

KEY RATIOS AS A % OF NET ORIGINATED SALES VALUE, 2021, U.S.

	All respondents	Interval companies	Points companies	Public companies	Private companies
Estimated uncollectible sales	14.4%	22.8%	10.6%	10.3%	28.6%
Cost of sales, (product cost)	15.4%	18.0%	14.3%	17.3%	8.6%
Sales commissions	17.1%	15.8%	17.8%	16.9%	18.4%
Other sales and marketing costs	21.4%	16.2%	23.7%	21.4%	21.5%
Sub-total: Sales commissions and other sales and marketing costs	**38.5%**	**32.0%**	**41.5%**	**38.3%**	**39.9%**
General and administrative costs related to timeshare sales operations	7.1%	6.6%	7.2%	6.6%	8.5%
HOA subsidies and/or maintenance fees	3.9%	0.0%	5.6%	4.9%	0.0%
Pre-tax margin of timeshare sales	20.7%	20.6%	20.8%	22.6%	14.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Deloitte & Touche LLP based on 11 company survey responses.

Hypothecation of receivables

- **The average interest rate and the advance rate increased when compared to 2020.** Four respondents provided information on hypothecations of receivables that occurred during 2021, totaling 452.3 million. The average interest rate increased from 2.8 percent in 2020 to 3.5 percent in 2021. The average advance rate increased from 69.8 percent in 2020 to 74.2 percent in 2021.

Portfolio sales and securitizations

- **For respondents who reported securitizations in both 2020 and 2021, both the average transaction size of securitizations and interest rates decreased while the average advance rates increased.** For those respondents that reported securitizations in both 2020 and 2021, the average transaction size of reported securitizations decreased 7.3 percent from $468.0 million to $433.7 million; the average interest rate decreased 1.0 percentage points from 2.6 percent to 1.6 percent; and the average advance rate increased 7.2 percentage points from 90.8 percent to 98.0 percent. The four separate securitization transactions reported by survey respondents in 2021 represented a total value of $1,734.7 million, measured as the gross value of the sales contracts securitized. This reflects an increase from the three separate securitization transactions in 2020 with a total value of $1,403.9 million.

Consumer financing and receivables portfolio performance

- **Of the $4.762 billion of net originated timeshare sales in which respondents provided financing information, $2.631 billion (55.2 percent) were financed.** Respondents reported that in 2021, the weighted average interest rate on new loans to consumers including servicing fees was 14.4 percent and the weighted average interest rate on new loans to consumers excluding servicing fees was 13.9 percent. The weighted average down payment associated with non-upgrade sales was 18.1 percent of the contract price, and the average down payment associated with upgrade sales, including the equity in their existing vacation ownership interest, was 43.6 percent of the contract price.
- **Current receivables decreased by 0.8 percentage points from 2020 to 2021, while those more than 120 days delinquent increased by 1.5 percentage points.** The share of current receivables (current or fewer than 31 days delinquent) was 85.3 percent in 2021, while the share of receivables more than 60 days delinquent was 12.9 percent.

PERFORMANCE OF CONSUMER RECEIVABLES PORTFOLIOS AT YEAR-END, 2020 AND 2021, ALL GEOGRAPHIES

	2020	2021
Current	86.1%	85.3%
31 to 60 days	1.9%	1.8%
61 to 90 days	1.3%	1.1%
91 to 120 days	1.4%	1.0%
More than 120 days	9.3%	10.8%
	100.0%	100.0%

Source: Deloitte & Touche LLP based on 12 company survey responses.

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 8.4 percent in 2021, which is a decrease of 4.0 percentage points as compared to 2020.**
- **The weighted average allowance for uncollectible accounts, as a portion of gross outstanding portfolio balance at year-end, was 21.4 percent in 2021.** This was an increase of 1.0 percentage points as compared to 2020.
- **The weighted average interest rate exclusive of servicing fees and inclusive of servicing fees on loans held in portfolios increased from 2020 to 2021. The average remaining term decreased from 2020 to 2021.** The weighted average interest rate on timeshare consumer loans held in portfolios at year-end was 14.0 percent in 2021 exclusive of servicing fees and 14.3 percent in 2021 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 2021, which is consistent with 2020.**

FICO scores

- **The use of FICO scoring as an underwriting component in 2021 is consistent with 2020 at 91.7 percent.**
- **The weighted average FICO scores on loans held in receivable portfolios decreased in 2021 as compared to 2020 from 715 to 713.**
- **The weighted average FICO scores on new financings in 2021 increased as compared to 2020 from 724 to 725.**
- **The weighted average static pool default rate was 22.5 percent in 2021, which is consistent with 2020, as reported by 10 respondents.**
- **The static pool default rate[2] by FICO score (the static pool default percentages by FICO score range at the time the loan was made to purchasers) decreased for all band categories ranging from 500 to 699, remained consistent for the 700 to 749 band category, and increased for the remaining band categories when comparing 2021 to 2020.**
- **Weighted average originations as a percentage of gross sales and as a percentage of net sales decreased 5.8 percentage points and 7.9 percentage points, respectively, from 2020 to 2021.**

Impact of COVID-19

- **Approximately 30.8 percent of respondents reported that they offered a mortgage deferment program to owners due to the impacts of COVID-19 in 2021.** Of the respondents that provided mortgage deferment information, approximately 50.0 percent of respondents reported that less than two percent of timeshare owners deferred mortgage payments. Further, 50.0 percent reported that the deferred mortgage payments comprised of four percent or more of the total portfolio balance in 2021. The simple average number of owners who took advantage of the program as a percentage of total owners for all respondents was 3.5 percent, while the simple average dollar value impact of the deferment program as a percentage of the total portfolio was 5.9 percent in 2021.
- **Of the respondents who provided information on the impact of COVID-19 on allowance for loan loss, 57.1 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 4.0 percent in 2021, a decrease of 11.2 percentage points as compared to 2020.
- **Approximately 54.5 percent of respondents reported that less than 10 percent of positions were open for employment as of December 31, 2021 as compared to 37.5 percent of respondents as of December 31, 2020.**

2 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.