Financial Performance

2023

A SURVEY OF TIMESHARE & VACATION OWNERSHIP COMPANIES

EXECUTIVE SUMMARY

2023 EDITION
PREPARED BY Deloitte.

AIF
Market Intelligence | Career Advancement

The following summarizes key results of the study. 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 recovery from COVID-19 impacts. The timeshare industry has continued to see these impacts increasingly subside as evidenced by the increase in net originated sales from 2021 to 2022, as well as other data comparisons between 2021 and 2022 as discussed throughout.

Sales activity

- **Net originated sales excluding fee-for-service increased 21.6 percent, while net originated sales including fee-for-service increased 27.3 percent.** In total, the 11 respondents that provided sales information reported $7.188 billion in net originated timeshare sales excluding fee-for-service in 2022. Total net originated sales including fee-for-service arrangements increased 27.3 percent from 2021 to 2022, increasing from $7.051 billion to $8.978 billion. Five of the 11 companies representing major brands reported an increase of 20.6 percent and 30.2 percent in net originated sales excluding fee-for-service and net originated sales including fee-for-service, respectively.
- **Points sales represented 66.6 percent of the $7.188 billion of net originated sales excluding fee-for-service.** Of the $7.188 billion of net originated sales reported by 11 companies in 2022, $4.787 billion (66.6 percent) was classified as points sales, while $2.401 billion (33.4 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 56.9 percent from $1,140.9 million in 2021 to $1,790.1 million in 2022.**
- **Net originated sales at U.S. locations averaged $19.6 million per resort in active sales.**
- **Total capital expenditures decreased by 24.5 percent from 2021 to 2022 while capital expenditures related to completed timeshare inventory decreased by 49.2 percent from 2021 to 2022.** Total capital expenditures decreased from $527.5 million to $398.2 million from 2021 to 2022, respectively. Total capital expenditures related to completed timeshare inventory decreased from $386.2 million in 2021 to $196.2 million in 2022.
- **The average yield per week increased 9.5 percent in 2022, with a weighted average yield of $55,546.**
- **Sales tours, volume per guest, net close rate, and existing owner sales increased while new owner sales and weighted average transaction value decreased from 2021 to 2022.** In 2022, respondents reported hosting 1.88 million sales tours, compared to 1.61 million sales tours in the previous year. Respondents achieved a weighted average net closing rate of 18.3 percent, which increased from the 17.1 percent reported for 2021. During the year, weighted average volume per guest increased from $4,213 in 2021 to $4,654 in 2022, and weighted average transaction value decreased from $25,833 in 2021 to $25,563 in 2022. Net originated sales volume (excluding telesales) resulting from existing owner sales increased from 57.5 percent in 2021 to 67.7 percent in 2022, while the remainder of net originated sales volume resulting from new owner sales decreased from 42.5 percent in 2021 to 32.3 percent in 2022.
- **Average transaction value for new owner sales and for existing owner sales both increased from 2021 to 2022.** Respondents reported that the average transaction value for new owner sales increased from $18,992 in 2021 to $21,737 in 2022 and the weighted average transaction value for existing owner sales increased from $23,445 in 2021 to $28,505 in 2022[1].
- **Rescissions, as a portion of gross sales, decreased 0.5 percentage points in 2022.** Respondents reported a decrease of gross sales rescissions, which averaged 12.7 percent in 2021 compared to 12.2 percent in 2022.

SALES TOURS METRICS BY COMPANY CATEGORY, 2022, 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	1,884,193	1,732,543	125,204	26,446	1,179,090	334,680	126,402
Number of sales transactions	334,357	300,793	27,547	6,017	207,856	62,237	27,683
Net close rate	18.3%	18.1%	22.0%	21.7%	18.4%	18.5%	22.0%
Net originated sales excluding telesales (mill)	$8,658.7	$7,658.4	$882.1	$118.2	$5,977.5	$1,525.9	$411.2
Weighted volume per guest ("VPG")	$4,654	$4,712	$3,275	$5,729	$4,987	$4,607	$3,269
Weighted average transaction value	$25,563	$26,047	$14,887	$31,192	$27,185	$25,029	$14,869

Source: Deloitte & Touche LLP Company size data based on a minimum of 10 company survey responses, Average yield per week data based on a minimum of 8 company survey responses.

Methodology

Deloitte & Touche conducted a survey of 12 timeshare developing companies encompassing 505 resorts that were open and in active sales during 2022 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 15.2 percent in 2022.**
- **Product costs, as a portion of net originated sales, averaged 15.3 percent in 2022.**
- **Sales commissions, as a portion of net originated sales, averaged 17.6 percent in 2022.**
- **Other sales and marketing costs, as a portion of net originated sales, averaged 21.5 percent in 2022.**
- **General and administrative costs, as a portion of net originated sales, averaged 6.2 percent in 2022.**
- **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 2022.**
- **Operating profit margin on timeshare sales operations averaged 21.5 percent in 2022.**
- **Respondents reported that 60.5 percent of timeshare sales, by dollar value, in 2022 were to existing owners, on a weighted average basis.**

KEY RATIOS AS A % OF NET ORIGINATED SALES VALUE, 2022, U.S.

	All respondents	Interval companies	Points companies	Public companies	Private companies
Estimated uncollectible sales	15.2%	18.1%	13.7%	11.9%	29.1%
Cost of sales, (product cost)	15.3%	22.9%	11.5%	17.0%	8.1%
Sales commissions	17.6%	16.8%	17.8%	17.4%	18.1%
Other sales and marketing costs	21.5%	17.4%	23.6%	21.1%	23.4%
Sub-total: Sales commissions and other sales and marketing costs	**39.1%**	**34.2%**	**41.4%**	**38.5%**	**41.5%**
General and administrative costs related to timeshare sales operations	6.2%	5.9%	6.5%	5.5%	9.7%
HOA subsidies and/or maintenance fees	2.7%	0.0%	4.1%	3.3%	0.0%
Pre-tax margin of timeshare sales	21.5%	18.9%	22.8%	23.8%	11.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Deloitte & Touche LLP based on 10 company survey responses.

Hypothecation of receivables

- **The average interest rate and the advance rate increased when compared to 2021.** Four respondents provided information on hypothecations of receivables that occurred during 2022, totaling 267.4 million. The average interest rate increased from 3.5 percent in 2021 to 5.5 percent in 2022. The average advance rate increased from 74.2 percent in 2021 to 74.9 percent in 2022.

Portfolio sales and securitizations

- **For respondents who reported securitizations in both 2021 and 2022, both the average transaction size of securitizations and average advance rates decreased while the average interest rates increased.** For those respondents that reported securitizations in both 2021 and 2022, the average transaction size of reported securitizations decreased 29.0 percent from $433.7 million to $307.7 million; the average advance rate decreased 3.4 percentage points from 98.0 percent to 94.6 percent; and the average interest rate increased 4.0 percentage points from 1.6 percent to 5.6 percent. The five separate securitization transactions reported by survey respondents in 2022 represented a total value of $1,538.6 million, measured as the gross value of the sales contracts securitized. This reflects a decrease from the four separate securitization transactions in 2021 with a total value of $1,734.7 million.

Consumer financing and receivables portfolio performance

- **Of the $6.223 billion of net originated timeshare sales in which respondents provided financing information, $3.375 billion (54.2 percent) were financed.** Respondents reported that in 2022, 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 14.1 percent. The weighted average down payment associated with non-upgrade sales was 16.1 percent of the contract price, and the average down payment associated with upgrade sales, including the equity in their existing vacation ownership interest, was 45.8 percent of the contract price.
- **Current receivables increased by 1.1 percentage points from 2021 to 2022, while those more than 120 days delinquent decreased by 2.1 percentage points.** The share of current receivables (current or fewer than 31 days delinquent) was 86.4 percent in 2022, while the share of receivables more than 60 days delinquent was 11.5 percent.

PERFORMANCE OF CONSUMER RECEIVABLES PORTFOLIOS AT YEAR-END, 2021 AND 2022, ALL GEOGRAPHIES

	2021	2021
Current	85.3%	86.4%
31 to 60 days	1.8%	2.1%
61 to 90 days	1.2%	1.4%
91 to 120 days	0.9%	1.4%
More than 120 days	10.8%	8.7%
	100.0%	100.0%

Source: Deloitte & Touche LLP based on 10 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 9.0 percent in 2022, which is an increase of 0.7 percentage points as compared to 2021.**
- **The weighted average allowance for uncollectible accounts, as a portion of gross outstanding portfolio balance at year-end, was 20.3 percent in 2022.** This was a decrease of 1.0 percentage points as compared to 2021.
- **The weighted average interest rate exclusive of servicing fees and inclusive of servicing fees on loans held in portfolios increased from 2021 to 2022.** The average remaining term increased from 2021 to 2022. The weighted average interest rate on timeshare consumer loans held in portfolios at year-end was 14.1 percent in 2022 exclusive of servicing fees and 14.3 percent in 2022 inclusive of servicing fees. The weighted average term to maturity for loans held was 102.8 months.
- **The weighted average general and administrative costs of financing operations, as a portion of outstanding portfolio balance, was 1.6 percent in 2022, which was an increase of 0.1 percentage point as compared to 2021.**

FICO scores

- **The use of FICO scoring as an underwriting component in 2022 is consistent with 2021 at 90.0 percent.**
- **Average FICO scores on loans held in receivable portfolios increased one point from 712 in 2021 to 713 in 2022.**
- **The weighted average FICO scores on new financings in 2022 increased two points from 725 in 2021 to 727 in 2022.**
- **The weighted average static pool default rate was 22.7 percent in 2022, which is a 0.3 percentage point increase from 2021, as reported by 8 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) increased for band categories ranging from 300 to 549 and 700 to 850, decreased for band categories ranging from 600 to 649 and no FICO score, and remained consistent for the band categories ranging from 550 to 599 and 650 to 699, when comparing 2022 to 2021.**
- **Weighted average originations as a percentage of gross sales and as a percentage of net sales decreased 0.2 percentage points and increased 0.5 percentage points, respectively, from 2021 to 2022.**

Occupancy bookings and cancellations

- **The number of standard bookings, the number of standard cancellations, number of sales and marketing package bookings, and number of sales and marketing cancellations demonstrated an increase from 2021 to 2022.** The number of standard bookings increased by 24.4 percent from 2,175,469 in 2021 to 2,705,387 in 2022. The number of standard cancellations increased by 13.2 percent from 868,484 in 2021 to 983,014 in 2022. The number of sales and marketing package bookings increased by 26.5 percent from 341,930 in 2021 to 432,567 in 2022. The number of sales and marketing package cancellations increased by 6.0 percent from 106,642 in 2021 to 113,027 in 2022.

Impact of COVID-19

- **Approximately 27.3 percent of respondents reported that they offered a mortgage deferment program to owners due to the impacts of COVID-19 in 2022.**
- **Approximately 57.2 percent of respondents reported that less than 10 percent of positions were open for employment as of December 31, 2022, as compared to 66.7 percent of respondents as of December 31, 2021.**

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.