

Hilton Grand Vacations Inc.

Third Quarter 2024 Earnings Conference Call

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**CORPORATE PARTICIPANTS**

**Mark Melnyk** – *Senior Vice President Investor Relations*

**Mark Wang** – *Chief Executive Officer*

**Daniel J. Mathewes** – *President and Chief Financial Officer*

## **PRESENTATION**

### **Operator**

Good morning and welcome to the Hilton Grand Vacations' Third Quarter 2024 Earnings Conference Call.

A telephone replay will be available for seven days following the call. The dial-in number for that is 844-512-2921 and enter PIN 10193742. At this time, all participants have been placed in a listen-only mode, and the floor will be open for your questions following the presentation.

If you would like to ask a question, please press star, then one on your touchtone phone to enter the queue. If at any point your question has been answered, you may remove yourself from the queue by pressing star, then two. If you should require Operator assistance, please press star, then zero. If you are using a speakerphone, please lift your handset to allow the signal to reach our equipment. Please limit yourself to one question and one follow-up to allow the opportunity for everyone to ask questions. You may reenter the queue to ask additional questions if need be.

I would now like to turn the call over to Mark Melnyk, Senior Vice President of Investor Relations. Please go ahead, sir.

### **Mark Melnyk**

Thank you, Operator, and welcome to the Hilton Grand Vacations third quarter 2024 earnings call.

As a reminder, our discussion this morning will include forward-looking statements. Actual results could differ materially from those indicated by these forward-looking statements. These statements are effective only as of today. We undertake no obligation to publicly update or revise these statements. For discussion of some of the factors that could cause actual results to differ, please see the risk factor section of our SEC filings.

We'll also be referring to certain non-GAAP financial measures. You can find definitions of components of such non-GAAP numbers as well as reconciliations of non-GAAP and GAAP financial measures discussed today in our earnings press release and on our website at [investors.hgv.com](http://investors.hgv.com).

Our reported results for all periods reflect accounting rules under ASC 606, which we adopted in 2018. Under ASC 606, we're required to defer certain revenues and expenses related to sales made in the period when a project is under construction and then hold off on recognizing those revenues and expenses until the period when project is completed. For ease of comparability and to simplify our discussion today, our comments on Adjusted EBITDA and our real estate results will refer to results excluding the net impact of construction-related deferrals and recognitions for all reporting periods.

To help you make more meaningful period to period comparisons you can find details of our current and historical deferrals and recognitions in table T-1 of our earnings release and a complete accounting of our historical deferral in recognition activity can also be found in Excel format on the financial reporting section of our Investor Relations website.

In a moment our Chief Executive Officer, Mark Wang will provide highlights from the quarter, in addition to an update of our current operations and Company strategy. After Mark's comments

our President and Chief Financial Officer, Dan Matthews will go through the financial details for the quarter. Mark and Dan will then make themselves available for your questions.

With that, let me turn the call over to our CEO Mark Wang. Mark.

### **Mark Wang**

Good morning, everyone and welcome to our third quarter earnings call.

Before we begin, I want to give a special thank you to our team members in recognition of their efforts during this hurricane season. With two major hurricanes back-to-back causing tremendous damage across multiple states, I'm extremely proud of how our field and corporate teams responded in the midst of these natural disasters to provide continued service to our guests, as well as to support our impacted team members. We're committed to providing relief to all of those affected by the storms through our contributions to the Red Cross, along with additional support for our team members in their time of need.

Turning to the third quarter results, we're encouraged by our progress on our strategic initiatives this quarter. We continue to execute against the cost synergies we identified as part of our Bluegreen acquisition, and are tracking ahead of our assumptions. We're also seeing some positive signs following the organization changes we discussed with you last quarter. As a reminder, those changes were focused on two key areas, regionalization and staffing, with a goal of driving increased consistency in our sales and marketing execution. We made solid progress on both fronts, which I'll cover further in a moment.

Importantly, those changes have begun to produce some early positive outcomes. We've started to see better results in our new buyer business. Our overall VPGs in October improved despite the terrible storm activity. We're also looking forward to introducing HGV Max to our Bluegreen members, which we expect will appeal to both new buyers as well as owners who have been eagerly awaiting the program. Based on our trends and initiatives, we're optimistic about our momentum when we look at our close rates and VPGs.

Now while the disruption from the reorganization is behind us, there are still some challenges that remain. It will take some time for us to reach optimum staffing levels on our Sales and Marketing teams. The macro environment still presents headwinds for some of our consumers, and in the very near term, we did experience some tour volume impacts related to the storms.

Looking beyond these near-term challenges, we're pleased with our execution and are expecting further operational improvements in the quarters ahead. I'm confident with our strategy and that we have the right scale, structure, and leadership in place to create long term value for our Shareholders.

Turning to our results for the quarter, reported contract sales were \$777 million and Adjusted EBITDA was \$276 million with margins of 22%, which were in line with our expectations. Contract sales in the quarter were driven by lower tours and VPG. Looking at tours, our owner business showed steady growth during the quarter, and we expect that the upcoming launch of HGV Max and the Bluegreen system will attract more of our owners to tour and explore the new options available to them.

Tour trends in our new buyer business showed a decline that was in line with what we saw in the second quarter. However, we're continuing to make adjustments to our channels to improve our efficiency, and we also lost several thousand tours to hurricane Debbie and Helene during the period. Staying on the topic of hurricanes, while we believe the storm impact was minimal in the third quarter, we expect more impact to our fourth quarter. Dan will get more into those details shortly.

VPG for the quarter was \$3,392, demonstrating sequential growth in a period that historically dips slightly from second quarter levels. Our new buyer segment in particular improved to the best close rates of the year, and within our legacy HGV/DRI business our new buyer close rates returned to growth against the prior year's quarter. As I mentioned, we're encouraged that VPG performance improved further in October despite the impacts from the back-to-back hurricanes we experienced.

Looking at our demand indicators, occupancy in the quarter was up about two points to 83%, reflecting gains in some of our mainland markets as well as lapping the occupancy reductions from last year's Maui wildfires. Consolidated arrivals for the fourth quarter are ahead of last year, with particularly strong rental demand, and our marketing package pipeline added 15,000 packages from the second quarter, growing to over 720,000 packages.

Turning to our non-real estate segments, we ended the quarter with 722,000 members and NOG of 1.2% which aided the performance of our recurring Club & Resort business. We're up to 181,000 HGV Max members today, which is 40% higher than it was at this same period last year. We've had great success since launching the program and we expect to keep that momentum going as we roll out Max to the Bluegreen system.

Our Financing business continues to manage well through the environment and execute on additional well-subscribed ABS offerings to provide cash flow to our business, including a deal we just priced last week. Our Rental business continued to benefit from solid traveler demand.

Turning to our cash flow, we're on track to produce a record amount of cash flow this year, and we're also on track to return a record amount of cash to our Shareholders through repurchases. This quarter, we repurchased 2.8 million shares of stock for \$108 million.

Now, let me provide an update on our strategic initiatives. As I mentioned, we continue to track ahead on our cost synergies. In addition, I'm also glad to say that the bulk of the disruption from the reorganization is now behind us. Over the course of the quarter, we finalized the deployment of our new regional sales and marketing structure, including the appointments of key leadership positions in each of those regions. The new structure aligns our support across a wider geographic portfolio, and moves key decision makers closer to our front line teams. We've also provided our teams with additional tools to enhance their flexibility in the form of non-cash incentives, promotions and options to enable them to tailor the tour experience to the customers' needs, making it easier for new buyers to enter the system and provide further value for our owners as they upgrade into higher tiers of HGV Max.

The second area of focus we discussed on our last call was staffing, and I'm pleased to report that here too we've made solid progress. Our teams have taken action to fill staffing gaps in markets where we needed to improve our sales efficiency metrics, particularly on our new buyer sales teams. I'm happy to say that our staffing levels are in the best position they've been all year, with a plan for further improvement, which will aid our tour efficiency and close rates.

In addition to those areas, we continue to make progress with our partnership programs. This includes our Great Wolf partnership, which is advancing at full speed and bringing new young families into the HGV system. In Q3 we opened four new retail outlets in Great Wolf locations to offer packages and are working on four additional openings within the year. We continue to receive positive feedback from our owners using their points for additional and shorter getaways at Great Wolf locations, and the VPG across direct marketing channels confirm the high level of customer affinity between the two brands.

Turning to our rebranding efforts, we remain on track to have 80% of Diamond's targeted keys rebranded by year end, and we're making good progress on our plans for the rebranding Bluegreen assets as well. The majority of assets will become Hilton Vacation Club properties, although there are a handful of unique properties that will become part of the Hilton Grand Vacations brand. As was the case with Diamond, we'll stage the rebranding of the Bluegreen properties over the next few years, with the majority of the units slated to be rebranded by the end of 2026. As I mentioned earlier, we're looking forward to introducing HGV Max to the Bluegreen system. We think that the addition of Max will provide new buyers with a compelling offering, and motivate existing owners to upgrade their membership with us, providing Bluegreen members access to the world-renowned Hilton ecosystem for the first time.

I'm also excited to announce that we've acquired a property in Kyoto, which we'll be converting to become our third property within Japan. If you recall, we were the first international timeshare Company to introduce its brand in Japan, and our Sesoko property has been so successful that we're rapidly approaching sell out

ahead of schedule. As a leading destination in Japan with 75 million visitors a year, comparable to Orlando, we know Kyoto is popular with the Japanese and we believe the property will be very well received. We expect to start selling the project in the middle of next year, and we think it's another great example of our ability to leverage our broad geographic reach, including 12 sales centers in Japan, to attract significant numbers of Japanese travelers who prefer domestic stays.

In summary, we continue to make solid strategic progress, and looking at the results of the quarter, I come away optimistic. While there are still some challenges ahead of us, we're actively adjusting to the environment, and have initiatives in place to improve our overall execution in the quarters ahead. We remain confident with the strategy around our recent acquisitions. We have the right scale, the right inventory, and the right product, and with our structure in place, we're focused on execution in the coming quarters to maximize those assets and deliver value for our Shareholders.

With that, I'll turn it over to Dan to talk you through the numbers. Dan?

**Daniel J. Mathewes**

Thank you, Mark, and good morning, everyone.

Before we start, note that our reported results for this quarter included \$49 million of sales recognitions which increased reported GAAP revenue, and were related to the opening of our newest phases of Maui Bay Villas and Ocean Tower projects. We also recorded \$22 million of associated direct expense recognitions. Adjusting for these two items would decrease the EBITDA reported in our press release by a net \$27 million, to \$276 million.

In my prepared remarks I'll only refer to metrics excluding net deferrals, which more accurately reflects the cash dynamics of our financial performance during the period.

Turning to our results for the quarter, total revenue excluding cost reimbursements in the quarter was \$1.13 billion, and Adjusted EBITDA was \$276 million with margins excluding reimbursements of 25%. EBITDA included \$18 million of Bluegreen cost synergies recognized during the quarter, or a run-rate of \$72 million annualized, on target with our plan for \$100 million of cost synergies within 24 months.

Turning to our segments. Within Real Estate, contract sales were \$777 million for the quarter, with Bluegreen contributing \$195 million of sales in the quarter. New buyers comprised 31% of contract sales in the quarter. Tours for the quarter were nearly 228,000, down approximately 2% from last year's pro-forma level and Bluegreen contributed just under 66,000 tours for the quarter. Pro forma year over year growth trends for our owner and new buyer channels remained fairly consistent with what we saw in the second quarter, although with slightly lower growth from our owner channel.

On a positive note, we saw some improvement in trends as we moved through the quarter, and tours in September were 101% of pro forma 2019 levels, the highest achieved all year. But as Mark mentioned earlier, we still have some work ahead of us to get our channel efficiency where we'd like it to be and return to our growth.

VPG for the quarter was \$3,392, which was 9% ahead of 2019 level. Year-over-year growth trends in both of our channels improved over what we saw in the second quarter, particularly in the new buyer channel. In fact, pro forma new buyer VPG was ahead of 2019 level for the first time since the third quarter of last year. While it will take some time for our organizational changes to crystallize, we're optimistic given some of the early signs that we've seen.

Cost of product was 12% of net VOI sales for the quarter, and our provision for bad debt as a percentage of owned contract sales was 17.7% in the quarter. Real estate sales and marketing expense was \$384 million for the quarter, or 49% of contract sales. Real estate profit for the quarter was \$140 million, with margins of 24%.

In our Financing business, revenue was \$105 million, and segment profit was \$60 million, with margins of 57%. Financing revenue and segment profit for the quarter were impacted by the amortization of the non-cash premium associated with the portfolio of receivables that we acquired from Bluegreen acquisition, coupled with the non-cash premium still being amortized for the Diamond transaction, which are detailed in the tables in our earnings release. Excluding the temporary impact of these adjustments, the core underwriting business had interest income of \$118 million and margins of 65%.

Our originated weighted average interest rate of 15.2% was slightly ahead of the second quarter. Additionally, the recent easing of benchmark rates should help reduce some of the interest cost pressures on new ABS issuances.

Combined gross receivables for the quarter were \$3.9 billion, or \$3.01 billion net of allowance. Our total allowance for bad debt was \$1.1 billion on that \$3.9 billion receivable balance, or 26% of the portfolio. Our annualized default rate for our consolidated portfolios, inclusive of Bluegreen, stood at 10.4% for the quarter. Our provision was 17.7 % of contract sales in the quarter. This is consistent with expectations of a steady-state provision level in the range of mid-teens, with a typical seasonal uptick in the third quarter followed by sequentially lower fourth quarter.

While up approximately 230 basis points quarter-over-quarter, about half of that was purely driven by higher sales mix and financing propensity on our trust product. While that product carries a higher provision rate versus deed, it also is generally a higher margin product with higher interest rates which accretes to the bottom line over time. While we continue to expect provision in the mid-teens area, this does assume consistent product and owner mix.

Digging deeper into the drivers of our provision, generally, the books are holding steady versus the prior quarter, with 31 day to 90 day delinquency ratio as a percent of the current portfolio declining 12 basis points quarter-over-quarter. While delinquency does not drive the front-end of our loss models, they are a good proxy for future trends and early indications of credit deterioration, so we monitor them closely. We continue to think the incremental value proposition, launch of HGV Max and consolidation of credit underwriting will ultimately benefit the performance of this portfolio.

In our Resort & Club business, our consolidated member count was approximately 722,000, and NOG was 1.2% at the end of the second quarter. Revenue was \$179 million for the quarter, and segment profit was \$129 million with margins of 72%.

Rental & ancillary revenues were \$183 million in the quarter, with segment profit of \$5 million and margins of 3%. Revenue growth was driven by the addition of Bluegreen along with higher available room nights and occupancy, offset by slightly lower ADR. Expenses on our legacy business continue to be elevated due to the impact of additional inventory on developer maintenance fee expenses along with the addition of Bluegreen's rental business, which carried lower margins. Bridging the gap between segment Adjusted EBITDA and total Adjusted EBITDA, JV EBITDA was \$3 million, corporate G&A was \$36 million, license fees were \$49 million, and EBITDA attributable to non-controlling interest was \$4 million.

Our adjusted free cash flow in the quarter was a use of \$42 million, which included inventory spending of \$94 million. We have been in the market with a \$500 million ABS securitization and anticipate those funds hitting in the fourth quarter. For the full year, this should put us in line with our expectations for a conversion rate of Adjusted EBITDA into adjusted free cash flow in the low 50% range.

During the quarter, the Company repurchased 2.8 million shares of common stock for \$108 million, and through October 31 we repurchased an additional 1.4 million shares for \$50 million, leaving us with \$503 million of remaining availability under our share repurchase plans. We remain committed to capital returns as our primary use of excess free cash flow, and will maintain our existing pace of approximately \$100 million per quarter in share repurchases.

Turning to our outlook, while the hurricane-related impact was relatively small in the third quarter, we estimate approximately \$3 million of EBITDA. We are expecting a larger impact to our fourth quarter due to tour cancellations and physical damage at several of our properties. Based on our current expectations of the storm impacts, we are now comfortable at the low end of our existing guidance range of \$1.075 billion to \$1.135 billion for the year.

As of September 30, our liquidity position consisted of \$297 million of unrestricted cash and \$308 million of availability under our revolving credit facility. Our debt balance at quarter-end was comprised of Corporate debt of \$5 billion, and non-recourse debt balance of approximately \$1.6 billion. At quarter end, we had \$750 million of remaining capacity on our warehouse facility. We also had \$1.7 billion of notes that were current on payments but unsecuritized. Of that figure, approximately \$1.3 billion could be monetized through either warehouse borrowing or securitizations while another \$294 million of mortgage notes we anticipate being eligible following certain customary milestones such as first payment, deeding and recording.

I'd also note that of the \$1.3 billion at quarter end, just over \$500 million was securitized after the quarter in our recent ABS financing that I mentioned. Following the quarter, we also successfully closed on a \$400 million Term Loan A which was used to prepay a Term Loan B, with pricing 50 basis points cheaper at SOFR plus 175 saving us approximately \$3 million per year in interest.

Turning to our credit metrics, at the end of the third quarter and inclusive of all anticipated cost synergies, the Company's total net leverage on a TTM basis was four times.

We will now turn the call over to the Operator and look forward to your questions. Operator?

## **QUESTIONS AND ANSWERS**

### **Operator**

We will now begin the question-and-answer session. As a reminder to ask a question please press star, then one on your telephone keypad. If you would like to remove yourself from the queue please press star, then two. Again, we ask that you please limit themselves to one question and one follow-up after this call. You may rejoin the queue if you have additional questions. At this time, we will pause momentarily to assemble our roster.

Our first question here will come from Patrick Scholes with Truist Securities. Please go ahead with your question.

### **Patrick Scholes**

Great, thank you. A number of questions here. Good morning, Mark and Dan. On the issue that especially plagued you last quarter with the EVH sales integration, would you say that's fully resolved at this point? Or is it still a work in progress?

### **Mark Wang**

Yes. First of all, I think the integration is—we're really pleased with the progress around the integration. As you know, with the main elements around cost savings has gone very well. I think we put out a number of \$100 million, and we're probably at a run rate of right around \$70 million at this point. As far as the management structure, the re-org goes, that has gone extremely well. It's in place, and we're starting to see traction there. Really, the purpose of that re-org was we are a much bigger Company geographically than we were before. We went from five core markets and five regional markets to now five core markets and 45 regional markets. Just to give you a sense of scale, those five core markets average \$360 million in contract sales, and then we have

45 markets that average \$27 million. Quite different in the makeup of the business pre-acquisitions to today.

We have reorganized the business around five regions instead of the two regions we had before. That structure is in place. It's enabling us to make faster decisions and getting our decision-makers closer to the field. It's really allowing us to empower those retail markets—sales and marketing teams, to improve around recruiting and training. We feel really good about the progress we've made, and we're starting to see the benefits of that. Especially with the results we saw in October, some very positive results on the VPG side despite the impact from the hurricane.

**Patrick Scholes**

Okay. Thank you. Then just a follow-up question here and perhaps a clarification. I'm taking the full year guided range down to the lower end. Just to be clear here, is that solely because of the hurricane impact only? Or is there anything else in there?

**Daniel J. Mathewes**

The vast majority of that is associated with the hurricanes, Patrick. There's a couple of other items. Obviously, as you are aware, the hotel workers' strike in Hawaii had an impact on us. We're launching HGV Max for Bluegreen next week, and that's a little behind where we originally anticipated launching it. The combination of those factors are what's really driving us saying the lower end of that range.

**Patrick Scholes**

Okay. Then just one more question, if I may. You had last quarter really called out an issue softer local market trends. Anything you'd like to update on that or how that stands? Thank you, and that's it for me.

**Mark Wang**

Patrick, I'm not sure I remember talking about a slower market trend. Are you talking about the consumer, what's happening with the consumer? Or is that what you're—

**Patrick Scholes**

Yes, I remember—and this was a question I had asked—in some of your local markets, you had cited softer trends. But maybe if that wasn't the case, just given the—

**Mark Wang**

No, okay. I know what you're asking. Yes. Look at the local market, right? Yes, we had a drop-off in local market. Part of that was really driven around staffing, as we were prioritizing our direct marketing tours who are traveling to the property. Since we were low on staffing, we were prioritizing our direct marketing tours over our local marketing tours. We reduced the slots available for our local marketing, which impacted our tour flow. That has improved.

We continue to work really hard on the staffing and recruiting. I'd say we've added 10 new recruiters into the system. We really got behind in 2023, and it's been catch-up. We're anticipating by the end of this year, we should be fully staffed. We're making great progress, which will improve our ability to take more local marketing tours.

**Operator**

Our next question will come from Brandt Montour with Barclays. Please go ahead.

**Brandt Montour**



Good morning, everybody. Thanks for taking my question. Just to maybe paraphrase or summarize some of your comments, Mark, on the KPIs within timeshare in the quarter. It sounds like third quarter overall was in line with what you guys were expecting to do. But then owner tour flow was maybe a little bit softer. It looks like it was offset by new buyer tour flow. Please correct me if that's wrong. Then the follow-on is where you—if you could just walk through legacy HGV, Diamond and BVH and across the good guys and the bad guys, where you saw positive or negative sort of versus your expectations?

**Mark Wang**

Yes. Actually, owner business is very stable, especially from a tour flow perspective. We did have some impact on new buyer tours and that was partially related to partially related to the hurricanes. Now it was less impactful in the third quarter than it will be in the fourth quarter. I would say from a macro environment standpoint and how the consumer is performing very consistent across all of our businesses. I think if you want to get into any specifics around one particular brand or legacy brand, I would say the dynamics around Bluegreen has been a bit more impacted and it really was partially—they're disproportionately impacted by hurricanes more.

But second, it was really around cleaning up some of the new buyer channels. Also, we eliminated a third-party vendor, which we historically don't work with, that Bluegreen was working with. Also, we have some hesitancy as we pointed out around the launch of Max. We're excited. We're launching next week. It's coming on board a little later, but as you can imagine, those Bluegreen owners who have known for close to a year now that Hilton acquired them that they've been waiting anxiously to find out what that means, and they're going to be able to understand what that means next week when we launch.

I know our teams are super excited about it. They've been waiting on pins and needles for this launch. We think it's going to be a strong benefit for us in the fourth quarter and moving into next year.

**Brandt Montour**

Okay. That's helpful. Thanks for that. Then maybe just double-clicking on new buyer close rates, which you made it sound like it was getting better and into the fourth quarter as well. Some of your peers have talked about tweaks and promotional strategies and other initiatives that they've taken that's helped improve their new buyer close rates. I know everyone sort of beats to their own drum. But did you make tweaks to any of your strategies? Or is it really just about that blocking and tackling of the reorg from a sales personnel perspective, and then now that's in place and you're starting to see people actually be aligned and working together?

**Mark Wang**

Yes. No, alignment is a great word to use there. Definitely, the staffing and I think the better organizational alignment to increase the speed and efficiency in our regional markets is helping us a lot. We did roll out some noncash incentives, a wider range of financing options and promotions to better align with the customers that we were seeing coming through the door. I'd say, additionally, we've gotten some enhancements from our drive thru options through Great Wolf.

Looking forward, again, going back to Max, I think that's going to be a real benefit. But also expanding our ultimate access, our experiential platform to the Bluegreen membership base should be great. Yes, we're always working on how we can enhance our value proposition, and those are other initiatives that we have in place that we're going to be rolling out soon. All-in-all,

we're making adjustments. We're pivoting to what the market is bringing to us. The teams are doing a really good job in executing.

**Operator**

Our next question will come from Chris Woronka with Deutsche Bank. Please go ahead.

**Chris Woronka**

Hey, good morning, guys. Thanks for all the detail so far. I was hoping you could maybe—I realize now with Diamond and BXG, you're a much larger, more diverse Company than you were many years ago. But I was hoping you could maybe kind of think about your three largest markets still, right, and just classify those as Hawaii broadly and Las Vegas and Orlando. I think each of those markets had some unique challenges in Q3. I was just hoping you could maybe give us a little bit of perspective as to how you see those—how you see core flow or sales or whatever metric you might want to look at going forward? Thanks.

**Mark Wang**

Yes. No, great question. Las Vegas is our largest market, and Vegas continues to perform at a very high level. We continue to see strong demand there. Pleased with that. Orlando, we have seen a softening as it relates to arrivals, and we've seen softening on the rental side around rate. We've got a pretty big footprint in Orlando. I think there's anticipation of Universal opening up here next year. I think people are excited about that, and we hope that's going to drive some more demand in that market.

Now Hawaii has been impacted by a couple of things. We're still waiting for the Japanese, the Japanese FIT traveler to come back. At this point, it's really back at about 50%. The good news is our Japanese owners are back at almost 90% level. We've seen a good recovery there. We also had to deal with the strike, and I think it's pretty well known there was a pretty extended strike that occurred at the Hilton Hawaiian Village.

The good news is that was settled earlier this week, and team members came back to work, but our teams did a great job. We had marketing reps cleaning rooms. We had salespeople handling baggage for people. The teams did a great job chipping in, providing as good experience as we could, but it did create some disruption, but that's behind us now.

**Chris Woronka**

Okay. Thanks, Mark. Then Hilton has picked up a couple of new brands this year, right, Graduate, and I guess, I should call the SLH more of an affiliation. Do those transactions over Hilton, do those provide you guys with any more lean capability? Or I'm not sure how the SLH thing really works as it pertains to you guys and marketing?

**Mark Wang**

Yes. No. Look, we're very fortunate to be partners with Hilton. As you've heard from Chris and KJ to continue to expand our loyalty member base, the Graduate brand acquisition, it was a great acquisition for them. It's a high-quality brand and we will have access like we do to the data that's provided from those guests staying at those properties. It's all positive. When Hilton is growing, it's a positive trend for HGV.

**Operator**

Our next question will come from David Katz with Jefferies. Please go ahead.

**David Katz**

Hi, good morning, everyone. Thanks for all the details so far and taking my questions. I wanted to just get a little more detail or a little more insight on new owners. Anything you're hearing from them; it seems a little stronger for yourselves and peers as well. Where do you think that is coming from? Do you have any expectation that maybe post election there may be more comfort or less for that matter?

**Mark Wang**

Yes. I would say, post election, where I think there was a lot of uncertainty out there around the election, and I'm just glad we're past that. I think that will benefit not only us, but it will benefit the country. Excited we've got past that. Look, I'd say with new buyers, number one, consumers are still spending on travel. While there appears to be some softening in the broader demand for leisure out there, our indicators still remain strong. Our arrivals on the books, our occupancy rates, our package pipeline are all solid. We're seeing year-over-year growth there. From a travel backdrop standpoint, that is all very positive for new buyers.

That said, I talked about last quarter, there's some hesitancy in the consumer in the lower net worth segment. Nothing has really changed in that regard. But what's changed for us is our focus on what we can control. I talked about the staffing levels. We've talked about the additional sales tools. But importantly, we've been focusing our attention more on the higher net worth customers and pushing away from some of the lower net worth customers. While that may have an impact in overall tour flow growth, we're starting to see the benefit in our VPG in particular, what we saw throughout October.

**David Katz**

Got it. Okay, thank you.

**Operator**

Again, if you have a question, you may press star, then one to join the queue. Our next question will come from Ben Chaiken with Mizuho. Please go ahead.

**Benjamin Chaiken**

Hey, how's it going? Just circling back to the sales force again. I know it's been talked about, but clearly some volatility year-to-date for reasons that were fleshed out last quarter. I just want to be clear, is the leadership that you want in place? Then is there any type of ramp up for the salespeople integrating into the new product? Just what are the steps you need to take? I just want to get a clear picture of where we stand today and then what needs to be done going forward? Thanks.

**Mark Wang**

Yes. The leadership is in place, and we have new leaders in place and heading up all of our regions. We have a new leader heading up overall sales and marketing for the Company, and I talked about that gentleman last quarter. From a sales staffing standpoint, we're making good progress. I think I talked about it just a few minutes ago. We've hired 10 additional recruiters. We've hired 1,200 new sales reps since the last quarter. We've increased our training classes. We expect by the end of the year, we should be fully staffed to about 95%. There are some smaller markets out there that are a bit more challenging that may take a little longer. But got to give credit to our sales leadership and our HR leadership and our recruiting teams. They've done a good job. We got behind. We identified the issue, and they've attacked it head on.

**Benjamin Chaiken**

Got you. That's very helpful. Then just high level, do you feel like from a sales and marketing and staffing perspective, do you feel like you took a step down between 2Q and 3Q, and then now we're kind of building or do you think it improved from 2Q to 3Q? Just your high-level kind of broad stroke view on the sales force overall.

**Mark Wang**

No. I think it's stepped up. I think it's only going to get better. When you're bringing a lot of new, first of all, you put a lot of new leaders in the system. It takes a while for them to get acclimated and get acclimated to the market, to their teams. You're bringing a lot of new staff into the system; it takes them time to get trained up. You have a certain level of turnover that's going to be occurring, that's natural in this business.

All-in-all, my view on this is we move into this quarter and into the first quarter or second quarter, we're going to continue getting better and better on the execution side. Are we there today? No, we're not where we want to be, but my expectation is with the momentum, everything we've done, all the investments we're making right now, our execution on the sales and marketing side will continue to improve as we move into '25.

**Operator**

This concludes our question-and-answer session. Before we end, I'll turn the call back over to Mark Wang for any closing remarks. Mr. Wang?

**Mark Wang**

All right. Thank you for joining us today. Before we wrap up, I'd like to reiterate that our thoughts are with all of those who were affected by the storms and are recovering from them. We really appreciate the hard work and dedication of our team members during these trying times. We know that our members do as well. We look forward to speaking with you soon. Thank you.