Hilton Grand Vacations, Inc.

Q1 2022 Earnings Call

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CORPORATE PARTICIPANTS

Mark Melnyk – *Senior Vice President of Investor Relations, G&A, and Productivity*

Mark Wang – *President and Chief Executive Officer*

Daniel J. Mathewes – *Senior Executive Vice President and Chief Financial Officer*

PRESENTATION

Operator
Good morning, and welcome to the Hilton Grand Vacations' First Quarter 2022 Earnings Conference Call.

A telephone replay will be available for seven days following the call. The dial-in number is 844-512-2921, and you'll enter PIN 13726009#.

I would now like to turn the call over to Mark Melnyk, Senior Vice President of IR, G&A, and Productivity. Please go ahead, sir.

Mark Melnyk
Thank you, Operator, and welcome to the Hilton Grand Vacations' first quarter '22 earnings call.

Before we get started, please note that we prepared slides that are available to download from a link on our webcast and also on the main page of our website at investors.hgv.com. We may refer to these slides during the course of our call or question-and-answer session.

As a reminder, our discussions this morning will include forward-looking statements. Actual results could differ materially from those indicated by those forward-looking statements. Any statements are effective only as of today. We undertake no obligation to publicly update or revise these statements. For a discussion of some of the factors that could cause actual results to differ, please refer the Risk Factor section of our 10-Q and in any other applicable SEC filings.

We'll also be referring to certain non-GAAP financial measures. You can find definitions and 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.

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 construction is completed. To help you make more meaningful period-to-period comparisons, you can find details of our current and historical deferrals and recognitions in Table T1 of our earnings release.

For ease in 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. A complete accounting of our historical deferral and recognition activity can be found in Excel format on the Financial Reporting section of our Investor Relations website.

Finally, unless otherwise noted, results discussed today refer to first quarter 2022, and all comparisons are, accordingly, against the first quarter of 2021.

In a moment, Mark Wang, our President and Chief Executive Officer, will provide highlights from the quarter, in addition to an update of our current operations and Company strategy. After Mark's comments, our Chief Financial Officer, Dan Mathewes, will go through the financial details of the quarter. Mark and Dan will then make themselves available for your questions.

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

Mark Wang
Morning, everyone. Glad you're able to join us today to discuss our first quarter earnings results.

We finished off Q1 with an exceptional two months to produce a really strong result for the quarter despite getting off to a slow start in January due to the Omicron disruption. In fact, we produced a number of records this quarter, including record VPGs driven by record close rates, record sales to domestic U.S. buyers in Hawaii, and the biggest March contract sales ever at both HGV and Diamond, all of which supported another quarter of EBITDA above 2019's combined levels, with very impressive margin gains. This is a testament to the hard work that the teams have put in throughout this integration process, which is beginning to pay off.

And there's other positive news to share with you today. In early April, we officially launched our new integrated membership program, and we also opened our first set of rebranded Diamond properties. In addition, the teams' diligent work has enabled us to identify another $25 million in cost synergies to improve our long-term efficiencies.

Taking these factors together gave us the confidence to raise our EBITDA and cash flow guidance for the year, and I'm very happy to announce that the Board approved a $500 million share repurchase plan, which was earlier than expected.

We're conscious of the macroeconomic factors impacting certain parts of the consumer environment, but our direct-to-consumer model, loyal member base, and value proposition are built to provide a hedge against inflation, which gives us a competitive advantage in these changing landscapes. Our targeted owners are higher-income consumers for whom travel occupies a special place in their list of spending priorities, and we're seeing some of the positive travel behaviors that emerged during the pandemic become the new normal, including longer vacations; a demand for larger, family-oriented spaces; and more people relying on the flexibility to work remotely from vacation destinations.

So overall, I think the timing of our Diamond acquisition couldn't have been better. With our new membership, rebranded resorts, and recent inventory additions, I think we're and a really great position to capitalize on the environment.

Before we jump into the integration and quarterly results, let me talk a little about HGV Max, our newly-launched membership program, and what it means for us. HGV Max is a key to unlocking and evolving our membership into an immersive platform of experiences where owners can choose their own adventure based on their leisure needs and life stage through a simplified and flexible customer engagement model and under the unified promise of the Hilton Grand Vacations service excellence. With HGV Max, members will be able to access a broader range of experiences and services through our new Max point system, including the entire network of destinations and more than 150 properties across North America, Japan, and Europe; our Ultimate Access portfolio of curated experiences selected and offered to our members based on their preferences and use occasions; and an ecosystem of partners ranging from

complementary travel providers to lifestyle brands where owners can use their points and enjoy exclusive benefits, matching Hilton Honors status, and a new set of exclusive benefits for stays at Hilton hotels, which is our Owners' preferred travel accommodation options after our properties.

The customer experience is designed with feedback from our owners in mind, keeping the best of legacy HGV and Diamond's programs and enhancing the whole value proposition by creating more flexibility and point usage, adding compelling new ownership tiers to incentivize more engagement at key points in the owner lifecycle, and simplifying the transaction process by bundling annual fees. This new program provides compelling and differentiated value, and we're confident that, in addition to new buyers, many existing owners will decide to become Max members. The enhanced value proposition will also allow us to meet the needs of a broader set of customers.

We started offering Max on April 4 in all of our HGV sales centers and 13 rebranded Diamond sales centers. For reference, those locations generated nearly $2 billion in contract sales in 2019, or 85% of the pro forma combined contract sales produced that year. We'll continue making progress through the second quarter, adding new markets like Lake Tahoe and Palm Desert in California and Kitty Hawk in North Carolina. And going forward, all new buyers' and owners' purchases in rebranded sales centers will automatically become Max members. We expect to have full program usage available for members by later this summer, and by year-end, we'll have all of our sales centers rebranded to have Max available across our entire distribution network, which is well ahead of the schedule that we contemplated in our acquisition proxy materials.

I'm proud of our team for their efforts, particularly in light of the tight supply chain environment. Recall that rebranding the Diamond sales centers is the primary driver to unlocking our revenue synergies, because it enables us to sell HGV Max across all three of our brand collections.

Turning to the rebranding of our properties, in April we opened our first five Hilton Vacation Club collection resorts in new markets of Scottsdale, Sedona, Williamsburg, and Virginia Beach, as well as in our existing Orlando market. We've heard great feedback from our guests, and we've seen a nice pick up in our forward ADRs and booking activities at the rebranded locations. Those resorts are also now part of the Hilton Honors network and are available to book through Hilton.com. We're already capturing some of the synergies from the rebranding efforts as we move away from Diamond's third-party centric platform and onto Hilton.com. We expect to see similar benefits with several more properties planned for rebrand in the second quarter, and we remain on track to meet our goal of having over one-third of our identified keys rebranded by the end of this year.

We've also made solid progress on our cost synergies, ending the quarter at a run rate of $120 million in savings versus the $74 million run rate last quarter, and we've identified an additional $25 million of synergies, bringing our total cost synergy target to $150 million.

Finally, as you recall from last quarter, we've seen success out of the gate with our Ultimate Access experiential platform. We've continued to receive positive feedback and inbound requests from our members about the offering. As we roll out Ultimate Access to our entire member base, we think it will not only enhance our overall owner experience, but it will provide us with additional consumer data that will allow us to further tailor the events we offer and the tour guests we select, so overall, I'm very pleased with how our integration has progressed and the work our teams have been doing in a relatively short period of time.

Now let's take a look at this quarter's performance.

Contract sales for the quarter were $509 million, or 96% of 2019's pro forma combined sales. Legacy HGV showed further recovery in contract sales for the fourth quarter, and Diamond finished with contract sales a couple points ahead of 2019's levels, a marked improvement from Q4.

Last quarter, I mentioned that we had a lot of heavy lifting from a personnel perspective at Diamond, and today's results show how well they've adapted to those integration changes, as well as how quickly they've come together as part of HGV's team.

Looking at demand indicators, we finished the quarter with occupancy levels of 75%. We saw our occupancy-gap against 2019 grow in January around Omicron and its various challenges, followed by a sharp narrowing of the gap in February and March as the wave passed and travel trends rebounded.

Our consolidated owner arrivals on the books through the rest of the year are in line with 2019, and our rental arrivals are pacing ahead of where we were in 2019, with particular strength in the back half.

As it relates to our new buyer demand, our Q1 new buyer package pipeline saw a sharp acceleration in year-over-year growth and was up 23% versus the prior year.

The heavily subsidized nature of our vacation packages makes the value proposition stronger than ever in this high ADR environment and is a good forward indicator of future new buyer demand. Importantly, our mix of packages with a set tour date was at its highest level since 2019, and the number of these data packages in our pipeline is up 42% from December, which was double the rate from when we last reported. We're very focused on converting our package pipeline into tour flow, and we're making investments in our marketing channels to build that tour pipeline to support growth in the back half and into next year.

VPG for the quarter was nearly $4,900, a record level that increased both sequentially and year-over-year. Average transaction price again increased year-over-year, due in part to the contribution of our new projects, but the improvement in close rate was the largest driver of VPG gains we saw in the quarter. I think there's a few factors that contributed to this outsized VPG growth. Consumer balance sheets remain strong and spending continues to shift from goods to

experiences; new resort product and anticipation of the improvements from our Diamond acquisition has drawn a lot of interest; the loyalty of our owners has continued to show throughout the pandemic; and the enhancements we made to our customer scoring models has optimized the quality of the tour flow that we're seeing through our sales centers. The high flow-through from our VPG gains underpin our strong EBITDA results for the quarter, with margins 500 basis points ahead of both 2019 and 2021, along with strong free cash flow conversion.

Our new buyer tour flow mix improved to the highest level we've seen since the pandemic began, and we expect that the investments we're making to activate our package pipeline will further improve in the back half of the year.

For the quarter, our legacy HGV NOG improved to 2.1%, and Diamond also added nearly 1,600 new members. That growth in new owners supported the strong trend in our finance and resort and club business, with EBITDA from those two recurring segments making up half of our segment EBITDA in the quarter, and finally, our rental business top line continues to benefit from improved occupancy and strong industry ADRs driven by the robust travel environment.

To sum things up, after a slow start, we had a really impressive finish to our quarter, and we see this momentum continuing. This performance, along with gaining line of sight into additional cost synergies, underpins our confidence in the increased EBITDA guidance for the year. With the launch of HGV Max and our first wave of property rebrands, we've passed some of the biggest milestones on our integration journey, and our focus for the rest of this year is to execute on our rebranding plans and capture the revenue synergies that we see ahead.

I'll now turn the call over to Dan to take you through our financial details. Dan?

Daniel J. Mathewes
Thank you, Mark, and good morning, everyone.

Before we start, note that our reported results for this quarter included $42 million of sales deferrals impacting reported GAAP revenue related to preopening sales of the second phases of our Maui and Okinawa projects. We also recorded an associated $20 million of deferred direct expenses from those sales, resulting in a net deferral impact to ASC 606 EBITDA of $22 million. In my prepared remarks, I'll only refer to metrics excluding the impact of deferrals, which more accurately reflects the cash flow dynamics of our financial performance during the period.

Let's review the results for the quarter.

Total revenue in the first quarter was $821 million excluding the aforementioned deferrals. As Mark mentioned, after a challenging start to the quarter in January related to the Omicron variant, we produced very strong results in February and March that led to us exceeding our pro forma combined revenue from Q1 2019.

Q1 reported Adjusted EBITDA was $224 million, which was 43% ahead of our 2019 pro forma combined level. EBITDA margins of 27% were over 800 basis points better than pro forma 2019, as we benefited from several positive drivers in the quarter.

We made solid progress on our synergy initiatives in the first quarter, with our run-rate cost synergy captured now at $120 million versus the $74 million that we reported in Q4, and as you saw in our release today, we have identified additional initiatives, allowing us to raise our cost synergy target to $150 million from a prior estimate of $125 million-plus. We also generated contract sales in a more efficient way than expected, with stronger VPG outpacing the recovery in tours, which produced high flow-through and drove the strongest Q1 margin performance in our history as a public company.

Overall, I'm pleased with how we closed out the quarter to produce impressive results.

Now let's talk through our segment details.

Within real estate, total contract sales were $509 million, or 96% of pro forma combined 2019 levels. Owners made up 73% of contract sales for the quarter, which is down slightly from last quarter, but still elevated from the two-thirds mix of owners for the pro forma combined business prior to COVID. We remain focused on driving NOG as we continue to make investments in monetizing our package pipeline to drive new buyer tour flow.

For the quarter, new buyer tours were 59% of the total. This is the highest new buyer mix for the combined Company we've seen since the start of the pandemic in the first quarter of 2020, but it remains roughly 10 points below our pro forma historical new buyer tour mix.

VPG was nearly $4,900 for the quarter, up 13% sequentially from the fourth quarter and at the highest level in HGV's history.

As Mark mentioned, after several quarters of seeing close rates normalize from the pandemic highs, in Q1, we saw a gain of 110 basis points in our year-over-year close rate. This was led by a nearly 500 basis point gain in owner close rates, which rebounded sharply in February at both DRI and HGV and strengthened further in March.

Cost of product was 17% of net VOI sales and included a cumulative adjustment of $7 million. On a go-forward basis, we anticipate that COP as a percent of net VOI sales will trend in the low to mid-20% range, reflecting the higher mix of new premium products at HGV, along with the addition of Diamond's lower COP inventory.

Real estate S&M expense was $193 million for the quarter, or 38% of gross contract sales versus our pro forma combined 41% in the first quarter of last year. The improvement in S&M ratio is due to the combination of our cost synergies and mix of high flow-through owner sales, offset by some of our recent investments to build our new buyer tour pipeline. Real estate segment profit was $134 million for the quarter, with margins of 35%.

In our finance business, first quarter segment profit was $45 million, with margins of 7%.

Combined gross receivables for the quarter were $2.4 billion, or $1.7 billion net of allowance, and our interest income was $55 million.

Our portfolio weighted average interest rate was 14.4%. I'd note that this rate does not align with what you'd calculate from our segment P&L. This is because our financing interest income line also includes $9 million contra revenue for the amortization of a premium associated with the portfolio of receivables that we acquired from Diamond during the acquisition. This amortization will occur over a multiyear period, and we've provided more disclosures in Table T10 of our press release to help in your modeling.

Our allowance for bad debt was $763 million on that $2.4 billion receivable balance. Of these amounts, the acquired Diamond portfolio, which used their underwriting standards, was $461 million on a portfolio balance of just under $1 billion. Delinquencies remain at very low levels, reflecting continued strength of the consumer, which has benefited from stimulus and other government programs. Our annualized default rate for the originated portfolio was 3.72%. Our provision for bad debt was $31 million. or 8% of owned contract sales. Similar to trends last quarter, the provision was lower than our target provision rate of the mid-to-high teens, owing to better-than-expected consumer performance, portfolio amortization, lower bankruptcies, and lower impairments than anticipated. In addition, during Q1, we also saw an uptick in the number of full cash transactions that didn't utilize our financing, which also lowers the provision for bad debt. We expect that these trends to normalize and provision to begin working its way toward our mid-to-high teens target.

In our resort and club business, our consolidated member count was just over 500,000. Looking at HGV's legacy business, NOG was 2.1% at the end of the first quarter. Diamond also added nearly 1,600 net new members during the quarter.

Resort and club revenue was $125 million for the quarter. Club revenue was $51 million for the quarter, lower than the $70 million that we reported in the fourth quarter of last year. Recall that our club revenues get a material seasonal bump in the fourth quarter of every year, as that's when most members opt to roll their points or convert them into Hilton Honor points. Club revenue during the first three quarters of each year tends to stay in a similar range.

Profit was $89 million in the quarter, with margins of 71%. Rental and ancillary revenues were $136 million in the quarter. Rental revenues were down slightly versus the fourth quarter due to the impact of Omicron, amplifying normal seasonal trends, although we did see material improved occupancy trends in February and March. Segment profit was $4 million, with margins of 3%. As we've mentioned in the past, higher developer maintenance fees at both Diamond and HGV will be a headwind to margins for the combined entity versus what HGV standalone had reported prior.

Bridging the gap between segment Adjusted EBITDA and total Adjusted EBITDA, corporate G&A was $30 million, license fees were $25 million, and JV income was $3 million.

I'd note due to our recent rebranding progress that Mark mentioned, we'll be paying license fees on sales made through our rebranded centers and transient stays made in rebranded properties according to the graduated schedule that we laid out during our announcement.

Our adjusted free cash flow in the quarter was $159 million, which included inventory spending of $15 million and excludes acquisition-related costs of $25 million.

Turning to our outlook, this was a strong quarter. We've identified additional synergies, and we're off to an encouraging start with our launch of HGV Max.

Accordingly, along with increasing our synergy target today, we're also raising our EBITDA range to $960 million to $990 million versus our prior expectation of $915 million to $935 million, and we expect that for the year, the conversion of EBITDA to adjusted free cash flow will fall well within our long-term target range of 50% to 60%.

I'm also happy to say our performance in the quarter and better-than-expected deleverage, coupled with our increased outlook on EBITDA and cash flow, have enabled us to resume our share repurchase program earlier than anticipated with a $500 million authorization.

As of March 31, our liquidity position consisted of $514 million of unrestricted cash and $699 million of availability under our revolving credit facility.

Our debt balance at the quarter-end was comprised of corporate debt of $2.9 billion and a non-recourse debt balance of $1.2 billion.

At quarter-end, we had $439 million of remaining capacity in our warehouse facilities, of which we had $154 million of notes available to securitize and another $238 million of mortgage notes we anticipate being eligible following certain customary milestones, such as first payment, deeding, and recording.

On April 21, we completed our first securitization of the year; a $246 million offering consisting entirely of Diamond receivables.

Going forward, we still expect to do another deal of legacy HGV collateral, and then deals from there on will be a combination of HGV and DRI collateral underwritten to standards more in line with HGV's legacy practices.

Following quarter-end, we were also able to consolidate the legacy HGV and DRI warehouses into a single $750 million facility with significantly better pricing on both used and unused basis. We expect to wind down the remaining Diamond warehouses and facilities, which will deliver sizable synergies for our financing business.

Turning to our credit metrics, at the end of Q1, the Company's total net leverage on a pro forma TTM basis was 2.6 times, not giving effect to anticipated synergies. Including all anticipated synergies, our leverage is 2.4 times on a pro forma TTM basis.

Finally, with the launch of Max unifying our sales function, along with the integration of our back office and IT systems, it has become difficult and somewhat unmeaningful for us to continue allocating revenues and costs to specific entities. In the release today, you saw us move back to its consolidated reporting, and beginning next quarter, we'll revert to reporting our metrics on a consolidated basis as we approach the one-year anniversary of the acquisition close.

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

QUESTIONS AND ANSWERS

Operator
Thank you.

Our first questions come from the line of Stephen Grambling with Goldman Sachs. Please proceed with your questions.

Stephen Grambling
Hi. Thanks.

Obviously, in a tape like this, there's certainly a lot of questions around the macro, so I'm curious, how do you think about a consumer-led recession, how that might impact the fundamentals of the business as you look at how the Company compares and contrasts with history due to the Diamond acquisition, and also just looking at the pandemic environment we just went through/still are in?

Mark Wang
Yes. Good morning, Stephen.

Sure. Look, understand from a macro geopolitical standpoint, there's a lot of uncertainty and volatility out there that's being discussed, but all I can talk about is really what we're seeing internally, the internal indicators and some of the fact patterns over the years, and I think we're really well-positioned to continue to grow despite some of these challenges ahead, and I think if you look at our business model today, 50% of our revenue is recurring, so we have a significant amount of revenue visibility going into any given year, and as you've seen from some of our data points, the portfolio has held up really well. We haven't seen a significant drop off in member base, so feel really good about the visibility we have around a good part of our revenue.

If you think about the rest of the business, we've got a really high-quality and a very large owner base, and if you go back and just look at the fact patterns, they've upgraded consistently

throughout multiple cycles, so I feel good about our owners. In fact, the VPGs we're seeing right now are VPGs I haven't seen in 20 years in our Company, so owners are performing extremely well.

From a new customer acquisition standpoint, we've really benefit from access to Hilton loyalty base, and so—and we talked about it in our prepared remarks that we have a pipeline of over 400,000 customers who've already made a deposit to visit one of our—visit or—and tour one of our properties, so feel really good about that part of the business, and that's building, and we saw activations jump significantly quarter-over-quarter, and then the other part of it—it's always—to me, it's always been about customer acquisition. it's been about inventory, and we're in a great inventory position today with the added inventory just put in the system, and then you think about the Diamond acquisition, we've added diversity in price, geography, and distribution, so—and then there's just this pent-up demand that we're seeing really play out, and I think it's more than pent-up demand. I just think we're seeing a number of things that are building off the back end of this pandemic; just the blending of leisure and work trips together, larger unit types, longer stays.

We have the larger units. I saw a survey recently that suggested that 80% of people were looking for units with kitchen, so we're in a really good position there, so all in all, I feel really confident with our teams' ability to execute based on what we're seeing internally and some of the fact patterns from the past.

Stephen Grambling
Thanks.

Maybe a segue into your guidance. I guess, what type of consumer backdrop are you factoring in relative to what we're seeing today into your guidance, and I think you alluded to this in your remarks, but can you remind us what is holding back tours in North America, and it seems Diamond both have plateaued versus 2019 levels? Should we be assuming that those can or should fully recover?

Mark Wang
Yes. Let me just touch on the guidance, and I'll let Dan jump in here and give you the puts and takes on how we see this guidance playing out, but I talked about the visibility. I talked about the pipeline for our new buyers and what we're seeing with our owners, so—and the great performance we're seeing so far. As far as tour flow goes and our confidence in bringing tour flow back, we just converted over five properties. We just started selling packages about 45 days, 60 days ago to Diamond properties, and that's to Hilton customers, and so we've seen over 20,000 packages sold over that period of time, so we're getting a good pickup there, but maybe I'll have Dan talk to you about some of the puts and takes here.

Daniel J. Mathewes
Hey, Stephen.

With guidance, just walking through it mechanically, our last range was $915 million to $935 million, so midpoint of $925 million, so when you take a step back and you look at Q1, you've got about a $20 million beat, so that takes you—your midpoint from $925 million to $945 million, and then the increase in cost synergies, that $25 million, we anticipate realizing about $15 million of that this year, so that'll take you to the low end of the new range of $960 million to $990 million, and then the balance of that range is really comprised of VPG continuing to outperform our expectation. We don't anticipate that will hold steady where it is today. For the balance of the year, it will definitely come down and we plan for it to come down, but you will get some benefit there, and then obviously, rental is also outperforming, so between the two of those, that spills out to your range of $960 million to $990 million.

Now, with regards to tours and your question on Diamond tours coming back to 2019 levels, the one thing I would highlight—and I think we've talked about this a couple of times during the pandemic—some of the inefficient tours, really the tours driving losses, were cut from the Diamond tour flow, so we are looking to build those back with the packages that Mark alluded to earlier.

Stephen Grambling
Makes sense. Thanks so much. I'll jump back in the queue.

Operator
Thank you.

Our next questions come from the line of Ben Chaiken with Credit Suisse. Please proceed with your questions.

Benjamin Chaiken
Hey, everyone.

You recently introduced HGV Max. Will existing HGV and Diamond customers need to buy more points in order to gain access to that new program, and if so, will you—do you proactively reach out to them, or how do you think about it?

Mark Wang
Yes. No, Ben, so first, excited about HGV Max. This is our first new membership program that we've launched in decades, so we really wanted this to be special, and as it relates to the first part of your question, our—I want to thank our owners who continue to be very loyal to us, and emphasize that all the benefits that they have under their current membership, under Hilton Grand Vacations or D Club, which is Diamond's Club, they'll continue to have those benefits, so there's no value loss there. That being said, the new membership is going to require somebody to actually buy into that new membership either through an upgrade or reload, or actually just buying the membership on its own, and so again, really excited about what we've done here.

We knew we had a real opportunity to create something meaningful, especially with this acquisition, so we designed Max to really expand access, our benefits, additional experiential value. The biggest one, obviously, is when you become a Max member, you'll have access to the 150 properties across North America, Japan, and Europe, so—and that was—as we surveyed our owners, that was the one value that they were looking at.

On top of that, Hilton Honors benefits and status, which the Diamond members previously didn't have. We also were able to work with Hilton and develop some really exclusive benefits within the Hilton hotel system and add some new lifestyle brands and travel partners along the way, so all in all, really pleased with what we've done with Max, and our expectations is—we introduced HGV Max just on April 4 to our member base. We haven't benefited from any presale of that, but we think the demand—and we're getting a lot of questions coming in from our base around Max and how it works, but the course of business will be, as they come in through our property and through another sales tour, we'll update them, and hopefully, we'll see a nice lift in performance based on just the added value.

Benjamin Chaiken
Got you. That's helpful, and then just one follow-up. Does that apply to when you make the incremental purchase, or it sounds like maybe there's also an option to just buy into the program? Does that also convert your legacy ownership, or is that only for the new purchase?

Mark Wang
Yes. That's a great question, so first of all, maybe I should clarify that. Starting April 1, anybody that purchases any one of our collections, whether it's Hilton Club, Hilton Vacation Club, or Hilton Grand Vacation Club, that comes with Max ownership, and if you—when you purchase, if you're an existing owner, either Diamond or HGV, that will convert all of your legacy ownership or points into HGV MAX.

Benjamin Chaiken
Got you, and so presumably, you already have that conversion rate? Those are all set and everything at this point?

Mark Wang
That's correct. Yes.

Benjamin Chaiken
Okay. Got it. Thank you very much.

Operator
Thank you.

Our next questions come from the line of David Katz with Jefferies. Please proceed with your questions.

David Katz
Hi. Good morning.

With respect to the capital returns, and the share repurchases in particular, I know this is a complex question, but in terms of how you're thinking about increments and timing in the context of your capital structure, clearly providing the resources to do it, Dan, can you just help us think about your philosophical approach? I know it's a tough market, but that's partly why I'm asking the question.

Daniel J. Mathewes
Yes. No, David, it's a good question, and a tough market, probably the understatement of the day, right? We have not had an active share repurchase program since—I think it was March of 2020 when we were probably the only ones buying the stock around $11, if I remember correctly, so looking at this new repurchase program that was announced, what I would say is it's unlike our previous programs that were—had a term base of one year. It's now a term base of two years, so I'd look for us to be rather consistent quarter-to-quarter. Right now, I'd say, look, you could probably just set it up and think to yourself, hey, divide by eight, so you're looking at probably around $62 million in share repurchases a quarter. It'll depend on activity and what's going on in the market. Some quarters will be less, some quarters will be more, but just for a placeholder, as you think through it, that's what I would look at as of today.

David Katz
That is super helpful. Thanks very much.

Operator
Thank you.

Our next questions come from the line of Stephen Grambling with Goldman Sachs. Please proceed with your questions.

Stephen Grambling
Hey. Thanks for getting me back on.

This is a bit of a nuanced question, but how should we be thinking through your tax loss carry forwards? I think it was something like $400 million at year-end as it relates to cash taxes and your cash tax rate, and how much is that coming from regular course of business versus what you may have received from the Diamond acquisition?

Daniel J. Mathewes
Great question. The vast majority of those NOLs are coming from the acquisition of Diamond, and nothing really to write home about with regards to continuing ops. The way to think about those, we're going to be utilizing them to the extent we can as fast as we can.

Cash taxes, just, I think, maybe a easier way to just sum it up is when you think about cash taxes for 2022, I would assume about $150 million in cash taxes.

Stephen Grambling
Awesome. Thank you so much.

Operator
Thank you.

Before we end, I will turn the call back over to Mark Wang for any closing remarks. Mr. Wang?

Mark Wang
All right. Well, thanks, everyone, for joining us today. I want to thank our team members for going above and beyond to meet our owners' needs and deliver outstanding vacation experiences, and I want to thank our owners who make vacation a priority and entrust us with creating those memorable experiences for themselves and their families.

Thanks again, and have a great day.

Operator
This concludes today’s teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.