Hilton Grand Vacations Inc.

Second Quarter 2026 Earnings Call

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CORPORATE PARTICIPANTS

Mark Melnyk – *Senior Vice President Investor Relations*

Mark Wang –*Chief Executive Officer*

Daniel Mathewes –*President and Chief Financial Officer*

PRESENTATION

Operator
Good morning and welcome to the Hilton Grand Vacation Second Quarter 2026 Earnings Conference Call.

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, 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, two. If you should require Operator assistance, please press star, zero. If 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 then re-enter the queue to ask additional questions.

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 Vacation Second Quarter 2026 Earnings Call.

Our discussions this morning will include forward-looking statements. Actual results could differ materially from those indicated by these forward-looking statements, and these 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 see the risk factors section of our SEC filings.

Our reported results for all periods reflect the 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 these revenues and expenses until the period when construction is completed. The aggregate of these potentially overlapping deferrals and recognitions from various projects in any given period are known as net deferrals. Please note that in our prepared remarks today, we'll only be referring to metrics that remove the impact of net deferrals, which more accurately reflects the cash flow dynamics of our financial performance during the period.

To simplify our discussion today, we've uploaded slides to our Investor Relations sites showing these metrics, which we'll be referring to on today's call. I'd urge you to view these slides on our website at investors.hgv.com. On Slide 2 of these materials, you can see the deferral adjusted metrics we'll refer to on the call. Reported results for this quarter do not reflect $54 million of net contract sales deferrals under ASC 606, which had the effect of reducing reported GAAP revenue and were related to presales of our KaHaku project.

Also on Slide 2, we deferred net $26 million of direct expenses associated with those revenues. Adjusting for both of these items would increase the Adjusted EBITDA Shareholders reported on our press release by a net $28 million to $293 million.

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

Mark Wang
Morning, everyone, and welcome to our second quarter earnings call.

Our results for the quarter highlighted the strength of our business in several key areas. We generated 239,000 tours in the quarter, an increase of 6% versus the prior year, marking our fourth consecutive quarter of consolidated tour growth and demonstrating the continued demand across the platform.

We also grew our Adjusted EBITDA 5% to $293 million, while expanding our margins to 23%, underscoring the resiliency of our operating model, along with the effectiveness of our cost efficiency programs. That said, our contract sales declined versus the prior year, reflecting several factors.

First, we observed faster-than-predicted VPG moderation at Bluegreen as we lapped the difficult comparisons from the successful launch period of HGV Max.

Second, sales execution fell short of our expectations, which weighed on overall sales productivity. This was most pronounced in the back half of the quarter at a couple of our higher-volume locations.

Third, results reflected a higher mix of trust transactions and new buyer sales during the quarter. While these generally carry a lower average VPG than owner sales, they're an important driver to long-term embedded value.

As a result, we're taking decisive action to improve our sales execution as we move through the balance of the year in order to better capitalize on the strong tour flow we're generating. While these initiatives have only recently rolled out, we believe that they'll help to drive improved execution in the back half.

Importantly, we don't believe the softness was demand related. Occupancy levels remained healthy, with on-the-books arrivals in the back half remaining ahead of prior year. Tour growth across our footprint has been strong for both owners and new buyers, and we've seen sustained growth of HGV Max from new and existing members.

Overall, the fundamentals of the business remain solid. Performance at our legacy business remains steady. We're generating strong tour flow, maintaining healthy profitability, and we continue to see significant long-term value creation from the Bluegreen integration and ongoing evolution of HGV Max. Given the underlying strength of business and confidence in the actions we're taking, we're maintaining our full year EBITDA guidance, and we remain committed to driving improved sales productivity and delivering long-term cash flow and value creation to our shareholders.

Beyond our near-term efforts to drive sales productivity, we're focused on executing strategic priorities that support our long-term algorithm of sustainable growth, margin expansion, and strong free cash flow generation. We also remain successful at attracting new buyers to our sales centers. New buyer tours increased at a high single-digit rate compared to the prior year, maintaining the strong pace we've seen since the last fall. We also produce high single-digit new buyer transaction growth, which remains critical to growing our embedded value and supporting the long-term health of the business. This success was supported by the investments we made across our marketing platform over the past year, along with the strength of our lead generation channels.

We also continue to focus on enhancing lifetime value. We've seen the benefits of the investments we made in HGV Max and our broader member ecosystem, which are helping to deepen member engagement and member satisfaction by reinforcing the value proposition of ownership. Nearly 300,000, or 40% of our base, are Max members today, growing 24% versus the prior year.

As it relates to innovation, we continue to invest in our industry-leading experience platform. HGV Ultimate Access is operating at scale, hosting over 137,000 guests at our events this past year, and generating strong contract sales. Given the positive response from our members in both satisfaction scores and upgrade sales, we'll keep our foot firmly on the gas to grow and expand what has become a core component of our offering.

It was another successful quarter of programming for HGV Ultimate Access. We hosted our members at a series of events at World Cup matches in New York, Miami, and LA. LPGA Hall of Famer and legend Annika Sorenstam joined our events at the American Century Open to provide one-on-one coaching tips to our members at the practice range, and we expanded our popular concert series with artists such as Ashley Cooke, Tucker Wetmore, and Don Felder of the Eagles.

In addition, we also recently launched new tools to provide members with greater flexibility and easier access to HGV Ultimate Access, allowing them to further tailor their vacation plans around our industry-leading portfolio of experiences. Overall, Ultimate Access has grown to become a central pillar of our strategy as a vacation experience company, adding to the member value proposition and strengthening our engagement with the HGV brand.

Finally, operational excellence remains at the core of how we manage our business. The teams did an excellent job managing costs, meeting our Adjusted EBITDA targets through strong margin expansion and delivering robust free cash flow. We use that cash flow to maintain our commitment to returning excess capital to our Shareholders, repurchasing another $150 million of shares during the quarter. Year-to-date, we've purchased more than $300 million of shares, representing over 10% of our float entering the year.

We also continue to execute our inventory optimization strategy, closing on the agreement we discussed last quarter to dispose of a group of non-core assets, removing them from our system. This transaction fits into our overall optimization strategy, providing us with an avenue to recycle capital, improve portfolio quality, reduce inventory carrying costs, and enhancing long-term returns.

In summary, our confidence in the long-term value creation algorithm of the business remains unchanged. We're taking targeted actions to improve our sales execution while continuing to build on the strength of our business, enhance our value proposition, and drive operating efficiencies. Collectively, these initiatives support our goals of delivering sustainable growth, expanding margins, and generating strong free cash flow to create long-term Shareholder value.

With that, I'll turn it to Dan for more details on the numbers. Dan?

Dan Mathewes
Thank you, Mark, and good morning, everyone.

As Mark mentioned, we delivered EBITDA in line with our target aided by a disciplined cost focus and the benefits of our ongoing efficiency initiatives. Although sales didn't meet our expectations, we're already taking corrective actions to improve our execution. More broadly, we continue to strategically invest in our products and our people while maintaining a focus on cost discipline to generate strong cash flow and drive overall profitability, which we demonstrated this quarter. As we look to the second half of 2026, we remain confident in our ability to achieve our full-year EBITDA and adjusted free cash flow outlook.

Turning to our results for the quarter, total revenue before cost reimbursements grew 3% to $1.3 billion. Adjusted EBITDA to Shareholders grew 5% to $293 million, with margins excluding reimbursements of 23%, up 40 basis points over the prior year.

Within our real estate business, contract sales of $810 million were down 3% from the prior year. The decline was primarily due to the moderation of Bluegreen's elevated BPGs due to the successful launch of HGV Max in the prior year, along with the execution challenges and mix shifts Mark mentioned.

New buyer contract sales represented 28% of total volume, up 70 basis points against the prior period. This was supported by another quarter of high single-digit transaction growth, reflecting tour strength aided by last year's marketing investment, along with stable close rates as compared to the prior period. Tours in the period grew 6% to 239,000, with both our owner and new buyer channels contributing to the growth.

VPG was down 9% to approximately $3,400 in the quarter, reflecting the factors that I mentioned earlier. Cost of product in the period was 10%, consistent with the first quarter, and down 130 basis points from the prior year. The higher mix of trust sales was the primary driver of the cost of product performance, which helped offset the lower VPG typically associated with the trust transactions.

Real estate sales and marketing expense for the quarter was $397 million, or 49% of contract sales, 40 basis points lower than the prior year. Real estate profit for the quarter grew 7% to $173 million, with margins expanding 220 basis points to 28%, demonstrating the resilience of the model along with the benefits of our focus on cost discipline and operating efficiency.

In our financing business, revenue was $144 million, and profit was $86 million. Excluding the amortization items associated with our acquired receivables portfolio, financing margins were 62%, up 100 basis points from the prior year.

Looking at our portfolio metrics, our weighted average interest rate for originated loans was 14.4%. Combined gross receivables for the quarter were $5 billion. Our total allowance for bad debt was $1.4 billion on that $5 billion receivable balance, or 28% of the portfolio.

The portfolio remains in great shape overall. As of last week, our 31- to 60-day delinquency trends remain stable for all three portfolios, notably at Bluegreen, which continues to improve, driven by our focus on increased equity at point of sale implemented last year. You will see when we file our 10-Q an abbreviated delinquency table, making it easier to see on a combined basis, 31- to 90-day delinquencies as a percent of current were down 9 basis points from year end.

Our provision in the second quarter was 17% of owned contract sales, which increased versus the prior year, but remained within our targeted mid-teen range. The increase was related to a combination of higher financing propensity along with a higher mix of trust and new buyer sales in the quarter, which are provisioned higher than deeded or owned sales. That said, we remain confident in our mid-teens provision expectation for the year, and expect the back half to be marginally better as higher equity loans begin to comprise a higher proportion of our loan pool.

As I mentioned, our early-stage delinquency remains stable, as does the performance of our portfolio overall.

In our resort and club business, our consolidated member count was 722,000 as we continue to add new HGV Max members balanced by additional inventory recapture. Revenue grew 3% to $189 million for the quarter, and profit was $128 million with margins of 68%. Expense remains slightly elevated in our club business due to the timing of program-related headcount additions, but we expect margins to approach last year's levels as we exit the year.

Rental and ancillary revenues were up 8% versus the prior year to $210 million. Revenue growth for the quarter was driven by growth in RevPAR versus the prior year, along with increased room nights. Developer maintenance fees continue to remain the largest driver of our rental and ancillary business profitability trends, and were responsible for the $10 million loss in the period. Reducing the burden of those fees remain a key focus for us, and I'm happy to announce that we closed the disposition transaction that we referenced on our prior call on June 30.

Owing to the timing of maintenance fee payments, most of which are paid at the start of the year, we continue to expect that the contribution to EBITDA this year will be minimal, but we continue to expect that on a run rate basis, it will reduce the fee burden on our EBITDA by $10 million to $12 million, all else being equal. As a result of the transaction, we recorded a non-cash loss of $48 million associated with the disposition. As a reminder, the third party that stepped into our future obligations as manager and developer is also actively marketing these properties for sale, and we will participate in the proceeds from any such transaction.

Bridging the gap between segment-Adjusted EBITDA and total-Adjusted EBITDA, JV EBITDA was $2 million, reflecting the Elara transaction. License fees were $58 million, and EBITDA attributed to non-controlling interest was $4 million. Corporate G&A was $40 million, remains consistent at 3% of pre-reimbursement revenue.

Our adjusted free cash flow in the quarter was $180 million, a conversion rate from EBITDA of 61%, this includes inventory spend of $58 million in the quarter. As I mentioned earlier, we continue to expect our conversion rate for this year will remain in the lower half of our long-term target range of 55% to 65%.

During the quarter, the Company repurchased 3.1 million shares of common stock for $150 million. From July 1 through July 23, we repurchased an additional 488,000 shares for $25 million, and as of July 23, we had $103 million of remaining availability under our current share repurchase plan. We remain committed to capital returns as a primary use of our free cash flow in 2026, and we remain on track to continue repurchasing our shares at a pace of approximately $150 million per quarter, subject to the repurchase activity not increasing our net leverage for the full year.

Turning now to our outlook, we are reiterating our guidance of Adjusted EBITDA before deferrals to be between $1.225 billion and $1.265 billion. We expect the initiatives put in place to improve our execution as we move through the balance of the year, allowing us to make up some of the gap on sales. In addition, our continued disciplined approach to cost, as well as a focus on efficiencies, will support margins and enables us to remain within our guidance range.

Regarding sales, we expect tour growth for the year to be low to mid-single digits, which remains unchanged from our prior view. In Q3 specifically, we expect to see low single-digit tour growth.

In light of the second quarter's results, we now expect VPG for the year to decline in the low to mid-single digits versus our prior expectation of flat to down slightly. In Q3, we expect VPG to decline in the high single digits.

As a result, we now believe that contract sales for the year will be flat to down slightly versus the prior year expectation for a slight gain. Q3 specifically, we expect contract sales to be down in the mid-single digits.

Moving to our liquidity, as of June 30, our liquidity position was $735 million, consisting of $272 million of unrestricted cash and $463 million of availability under a revolving credit facility. Our debt balance at quarter end was comprised of corporate debt of $4.9 billion and a non-recourse debt balance of approximately $2.9 billion.

At quarter end, we had $755 million of remaining capacity in our $1 billion warehouse facility. We also had $1.3 billion of notes that were current on payments but unsecuritized. Of that figure, approximately $719 million could be monetized through a combination of warehouse borrowing and securitization. We anticipate another $372 million will become available following certain customary milestones, such as first payment, deeding, and recording.

Turning to our credit metrics, at the end of the quarter, the Company's total net leverage on a pro forma TTM basis was 3.8 times, which was consistent with year-end levels and down 0.1 turns compared to Q1.

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

QUESTION AND ANSWERS

Operator
Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. One moment while we poll for questions.

Our first question today will come from Patrick Scholes with Truist Securities.

Patrick Scholes
Hi. Good morning, everyone. Thank you. Questions on the loan loss provision. As I calculated, it looked like it jumped up about 400 basis points year-over-year. Am I thinking about that apples-to-apples correctly? Can you help me bridge why that increase? Then related to that, are you still thinking mid-teens for the full year for the provision? Thank you.

Dan Mathewes
Good morning, Patrick. Your numbers are accurate. Our provision for the quarter was roughly 17%, which is definitely at the high end of our mid-teens range, but just out of point, it is associated with a higher propensity to borrow that we saw with the buyers coming through the door, as well as a mix to a higher percent of product being sold under the trust product.

As we've probably spoken about before, I'm sure we have, when we look at the three products that we sell, Deed has the lowest provision, and both Bluegreen, and Diamond have a substantially higher provision. You benefit from a lower cost of product, but from a provision perspective, it is higher. That drove a good piece of the increase.

Now, the increase wasn't driven by a deterioration in the portfolio itself. I talked about delinquencies in my prepared remarks, but just to underscore that, if you look at the three portfolios, HGV's portfolio held steady year-over-year, as well as sequentially, and then both Diamond and Bluegreen improved materially, both year-over-year, as well as sequentially, almost 30 basis points year-over-year, and then sequentially, north of 40, and in the Bluegreen case, north of 50 basis points. That was driven by the underwriting changes that we made last year, which are really coming to fruition, with down payments on Bluegreen in particular being 800 basis points higher than they were just a year ago.

We expect that trend to continue. Despite the higher propensity, which is obviously a good thing, more people borrowing money from us, unfortunately, you take the provision up front. But even with a higher propensity held steady for the balance of the year, we would see bad debt provision year-over-year for the back half improve, which would keep us healthily in that mid-teens range.

Patrick Scholes
Okay, thank you. Then one last question here regarding the VPG. I'm sorry, I'm juggling a number of earnings calls this morning. I believe the VPG was pressured specifically by the Bluegreen portfolio. Can you just talk a little bit more color on that? Then when I think about sort of your acquisitions and your legacy portfolio, that VPG, I'm sorry, the customer financial demographic is probably lowest for Bluegreen. Are you seeing any differences in performance between various financial demographics between the acquired portfolio and the legacy? Thank you.

Mark Wang
Yeah, Patrick, this is Mark. Look, on the VPG headwinds, a number of things there. Dan talked about the mix, and I think I mentioned in prepared remarks, right, and some of the execution issues. But the performance for legacy business was solid. Where we saw the headwinds was with Bluegreen. It's important to note that the miss was not related to consumer demand. The tour flow for Bluegreen was up 10%. New buyer transactions were up 16% the prior year for Bluegreen. The max member count more than doubled versus the prior years to nearly 22,000.

The real pressure came from really two things that were Bluegreen related. The owner VPGs and the execution challenges at a handful of the sites. I'll talk about both of those here a little bit. As it relates to the owner VPGs, as you recall last year, we had a very successful launch of Max to Bluegreen base. If you look at VPGs, they were up 45% in Q2 of ‘25. We're seeing a moderation of a very elevated launch period. That was one.

That said, the owner VPGs, even as they came back and moderated, the VPGs for Bluegreen were the second highest in the history of the Company. As it relates to execution in particular, the underperformance was due to execution challenges to a handful of the Bluegreen operations, and primarily in Orlando and Myrtle Beach. Anyways, we've taken decisive actions toward the end of the quarter. We've put new leadership in place. We've identified the issues and we're making and working to rectify the performance there.

Patrick Scholes
Okay. Thank you.

Operator
Our next question today will come from Ben Chaiken with Mizuho Securities.

Ben Chaiken
Hey, good morning. Thanks for taking my questions. Maybe just double-clicking on the VPG side again, just so I'm clear. You've got two buckets. It sounds like owner VPG and execution. I guess on the execution side, understanding that you've identified Orlando and Myrtle Beach, but what were the actual issues? Is this a sales personnel dynamic? Yeah, maybe just, if you don't mind, give us a tad bit more color on what the issue was and what you have fixed. Then on the comp dynamic, totally appreciate that it's a difficult comp. I think that makes sense. It's also consistent with the message you've had before, but I guess my question would be, you probably knew that it was a hard comp. Maybe what changed? You mentioned that last year, I think you said VPGs were up 45% for that customer. You knew that going in. I'm just curious maybe what was slightly different this quarter versus the expectation? Thanks.

Mark Wang
Yes. As I mentioned, the primary markets were Orlando and Myrtle Beach, and those are bigger markets. When you remove, Ben, when you remove the noise on the comps, we had a number of Bluegreen markets that performed well. In both of the impacted markets, occupancy and tour flow were up. Really, when you looked at it, the divergence from what you're seeing from the demand that's being created in those markets from the rest really gives us confidence that this was an execution issue in a couple of these bigger markets.

Now it's worth noting that we have large operations in both Orlando and Myrtle Beach, and we saw positive year-over-year growth. Which again points to the execution. It's not a market issue or an integration issue. It really was a leadership issue, and we've identified the issue. We've addressed the situation with the leadership changes. We've got a deep bench here, and we're very confident that the changes that we've made from a leadership standpoint, the added recruiting investments we've made and training investments we've made in those markets are already making a difference. We expect that the performance will improve as we move through the third quarter and get back up to the level of expectation that we expect from those sales' distribution centers by Q4.

Ben Chaiken
Okay. All right. That's helpful. Then just on the asset streamlining, I guess, do you expect to close—it sounds like you closed the transaction. Do you anticipate there being more facilities that you streamline? Then part two of the question is, I think you mentioned some proceeds from the initial batch. How do I conceptualize what your portion of the proceeds would be? Would it be the unsold VOI units, or is it some portion of that number? How do I think about your economics, even just some type of mental framework? Thanks.

Dan Mathewes
Hey, Ben, I'll take the last part of your question first. When you think about the existing deal that we recently closed, the third party that stepped into our developer role, our management of the property role, they're also actively marketing those properties for sale. Upon disposition, we will take a significant portion of those proceeds, but it's a contractual arrangement with that third party where they also share.

Then to the extent that there are remaining owners in those properties, they will also benefit to the extent that they own. It's a waterfall. I can't tell you exactly what those properties will sell for. We're treating this as standard gain contingency. As things happen, we'll obviously address it on future calls. With regards to future dispositions, yeah, there's definitely an opportunity.

I think we talked about this last time. The process of identifying properties and working through a structure does take time. We do not anticipate identifying or announcing, is probably a better word, announcing any future deals in 2026. But as things come to fruition, we'll obviously speak on future calls.

Ben Chaiken
Thank you. Appreciate it.

Operator
Next, we'll move to Trey Bowers with Wells Fargo.

Nick
Hi, this is Nick on for Trey. I guess as we're looking at the VPG miss this quarter, I guess going behind the mechanics of it, there's obviously the closeout rates and then the average transaction size. Which part of that missed your expectations? I understand there's a leadership issue, but with those two components, which came in light?

Mark Wang
Yes. Look, we had higher trust sales, which carries a lower ATP and VPG than traditional transactions. Which in our case is very positive as it reflects the strength of the product because we have a good supply of trust inventory. We also saw a higher mix in new buyer transactions, which also puts pressure on ATP. When you look at your mix and transaction mix being higher, it has a lower VPG too.

Really the pressure on VPG was from a mix standpoint, moving to more trust and moving to more new buyer transactions. But this puts short-term pressure but has attractive long-term value for us because we're bringing in new members into the Max ecosystem. We're expanding our upgrade opportunities and recurring revenue streams. Then we talked about the comp already on the Bluegreen members. We talked about the execution issue. Those four things really combined are what drove the VPG pressure in the quarter.

Nick
Thank you.

Operator
Next, we'll hear from Stephen Grambling with Morgan Stanley.

Stephen Grambling
Hey, thanks. Sorry if I missed this on the call, but two clarifying questions. First, you said the efficiencies that you're hoping to get in the second half. Is that entirely related to some of the property closures? Are there other things that you're doing? It looks like the cost of product is where maybe we saw the biggest benefit in the quarter. Anyway, I don't know, maybe again, one may have missed this on the calls, but did you quantify how much of the closures hit in the quarter and how to think about the cost of VOI going forward?

Dan Mathewes
There's a lot in there. Let me just try to respond. When you think about the dispositions, they closed on June 30. Those properties are no longer in the mix, either from an inventory standpoint, management fees obviously start to go away. To a certain extent, it's a little tricky when it comes to maintenance fees because maintenance fees are paid at the beginning of the year.

There's some marginal benefit in the back half of the year associated with that, not to the extent of the normalized run rate that you'll see with the dispositions that we quantified last quarter as $10 to $12 on an annualized basis. It's not pro rata this year. It's, like I said, marginal. That being said, when you think about the back half of the year, we've talked about the VPG compression that we saw in the latter part of Q2. We expect that to continue into Q3.

When you think about the back half, how is that going to play out? How do we maintain guidance? It's really driven by cost, cost discipline and some of the efforts that we've made in the prior year, in particular on the bad debt side, changing the underwriting. We now have a full year's worth of data and six additional months versus our original guidance for the year. We feel very confident that we will see the provision come down in the back half of the year.

To your point, cost of product is also a benefit. For the first two quarters, we were right at just slightly less than 10%. We think it'll be a little bit higher than that in the back half of the year, but still benefiting from a higher trust mix than originally anticipated. That also drives COP year-over-year to be down. Then in addition to that, we see some, and I kind of hit on this with the dispositions and just from a rental perspective, just from a performance perspective, that's more marginal than anything else. Now, with the pressures on VPG and Q3, because it's like I said, some of these actions that we've taken do take time to roll into place. We would expect SGM&A to be a little pressure in Q3 and then start to normalize in Q4. But hopefully that gives you some insight to how we see the year playing out.

Stephen Grambling
Yeah, that's helpful. One other one from me. Have you seen any change in the effectively attrition rate of your owners, even as we think about those who have already paid down their receivable balance?

Dan Mathewes
Sorry, say that one more time. Grambling. It was attrition rate associated with owners who paid down their receivable balance?

Mark Wang
Yeah. I think, Stephen, we spoke previously about recapture becoming a bigger piece of our inventory sourcing strategy, especially with these acquisitions. As the system matures, you have people that are traveling less and leaving the system, and it's given us an opportunity to recapture inventory. It's kind of a natural part of the system and evolution. For HGV, it wasn't as big a part of the system evolution, but with the acquired companies, they are more mature than us. We are seeing, when you look at absolute number, you're seeing a little bit more attrition as a percentage. It's about what you would expect.

It's one of the advantages of the timeshare business model, right? It's a good COP. It's good for long-term free cash flow, since we don't have to go rebuild inventory. The opportunity to recycle inventory and create additional full lifetime value with new customers is really strong.

Dan Mathewes
Yes, no, absolutely. That's a good point, Mark. That's also contributing some of the benefit that we see to COP in the back half of the year, the recapture from the inventory that was driven by the M&A transaction that we obviously completed.

Operator

As a reminder, if you would like to ask a question, please press star, one on your telephone keypad.

Next, we'll move to Alex Hino with Jefferies.

Alex Hino
Hey, good morning. Thanks for taking the call. Maybe just switching gears here, if we could revisit the Elara acquisition and talk about your expectations, what you put out there for this year, as well as some of the earnings benefit in the medium to long-term. Thanks.

Dan Mathewes
Yes, no, absolutely. We closed on Elara, as we talked last time, on April 30. We anticipated that that would be a benefit to EBITDA on Q3 of about $3 million. For the full year this year, about $20 million on a run rate basis. Run rate is a loose term because it is a finite cash flow stream. But for next year, we expected on an annualized basis for that $20 to accelerate to closer to between $25 and $30 million.

All that being said, the performance we've seen since close has been strong. It's been in line slightly better than our expectations for the full year. I would tell you that would account for a shift from fee for service to own contract sales of close to 3% this year. But we're right on track to be in line, perhaps slightly ahead of that performance that we quoted last time. We've seen good upgrades into Elara because of advantageous maintenance fees and solid upgrades out of Elara, which is all part of the thesis.

Alex Hino
Awesome. Thank you.

Operator
Our next question, we'll hear from Chris Woronka with Deutsche Bank.

Chris Woronka
Hey, good morning, guys. Thanks for taking the question. You guys have spent a lot of time covering some of the issues in Orlando and I think Myrtle Beach that you called out. I'm curious as to whether any of those relate to just turnover in staffing or poaching from other timeshare companies. I think we've heard about some movement within the industry back and forth. Maybe you can just give us a bigger State of the Union update on how you see staffing at some of these key sales centers and whether turnover is running better or worse than you would hope. Thanks.

Mark Wang
Yes. I think, first of all, as I said in prepared remarks, and I think in some of my comments on the Q&A, demand remains healthy, right? Q2 is really more of an operational, not a structural issue here for us. As it relates to talent, competition for talent has always been part of the industry and people move between companies and that's been happening for decades. It's always encouraging when we see talent developed.

I would say talent management is part of the nature of the business rather than an underlying risk. Look, our sales and marketing organization is one of our greatest competitive advantages and they introduce more customers to our brand than any company in our space. They're committed to teamwork, innovation, and importantly, integrity. They continue to lead the industry and shape the future. I feel really good about the team we have. We had some execution misses in a couple of our markets as we've talked about, we've identified it, we've taken action, and we're already starting to see improvement.

Chris Woronka
Okay. Thanks, Mark. Maybe just as a follow-up, I think we've seen Hilton recently talk about a couple of higher profile conversions on the, I guess, luxury lifestyle side. Do you think that that, to any degree, helps you with the way that your customer flow might work? I mean, is that, if they're going to, I guess, I don't want to use the word accelerate, but accelerate what they might do on the luxury lifestyle side. Do you guys plan for any benefit that that might roll through to you through the loyalty program and other connections you have? Thanks.

Mark Wang
Yes. Our brand in relationship with Hilton is an incredibly important part of our strategy and our growth, right? Hilton has consistently delivered and ranked among the top hotel brands in hospitality, right? If you look at their NUG, you look at the amount of hotels in the system, you look at the span and width of their brands and the way luxury lifestyle and luxury has continued to grow, all of that is beneficial. Because remember, not only do we have a license for the brand, but we have real deep connection with the customers within Hilton. We have access to the Hilton customer base, and that is an important part of our overall strategy. It's an important part of how we've leveraged to become the largest timeshare company in the world.

When you look at our tour flow, we have leveraged that relationship better than any brand out there. We appreciate all the great work that Hilton is doing. As they continue to build a bigger base of brands and properties, they're generating more new customers, and those new customers become great opportunities for HGV.

Chris Woronka
Okay, very helpful. Thanks, guys.

Operator
There are no further questions at this time. I would like to turn the floor back to Mark Wang for closing remarks.

Mark Wang
All right. Thank you again for joining us on the call today. I'd like to say a special thanks to our team members for their incredible work taking care of our members and guests. We look forward to speaking with you on our next call. Have a great day.

Operator
Thank you. This does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time.