THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

RHP - Q2 2019 Ryman Hospitality Properties Inc Earnings Call

EVENT DATE/TIME: AUGUST 06, 2019 / 3:30PM GMT

CORPORATE PARTICIPANTS

Colin V. Reed *Ryman Hospitality Properties, Inc. - Chairman & CEO*

Mark Fioravanti *Ryman Hospitality Properties, Inc. - President & CFO*

Patrick Chaffin *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Scott J. Lynn *Ryman Hospitality Properties, Inc. - Executive VP, General Counsel & Corporate Secretary*

CONFERENCE CALL PARTICIPANTS

Chris Jon Woronka *Deutsche Bank AG, Research Division - Research Analyst*

Patrick Scholes

Smedes Rose

PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Second Quarter 2019 Earnings Conference Call. Hosting the call today from Ryman Hospitality Properties are Mr. Colin Reed, Chairman and Chief Executive Officer; Mr. Mark Fioravanti, President and Chief Financial Officer; Mr. Patrick Chaffin, Chief Operating Officer; and Mr. Scott Lynn, Executive Vice President and General Counsel. This call will be available for digital replay. The number is (800) 585-8367 and the conference ID number is 1115159. (Operator Instructions).

It is now my pleasure to turn the floor over to Mr. Scott Lynn. Sir, you may begin.

Scott J. Lynn - *Ryman Hospitality Properties, Inc. - Executive VP, General Counsel & Corporate Secretary*

Good morning. Thank you for joining us today. This call may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including statements about the company's expected financial performance. Any statements we make today that are not statements of historical fact may be deemed to be forward-looking statements. Words such as believes or expects are intended to identify these statements, which may be affected by many factors, including those listed in the company's SEC filings and in today's release.

The company's actual results may differ materially from the results we discuss or project today. We will not update any forward-looking statements whether as a result of new information, future events or any other reason. We will also discuss non-GAAP financial measures today. We reconcile each non-GAAP measure to the most comparable GAAP measure in an exhibit to today's release.

I will now turn the call over to Colin.

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

Thanks, Scott. Good morning, everyone, and thanks for joining us. Well, I must admit, I've been reviewing many of the reports for our industry that have come out over the last few weeks, and for most part, they've tended to be a little on the negative side. Now while I certainly understand the reasoning across the sector, from our perspective, at Ryman, these are the times where our business is flourishing and our model provides a path to growth. As a consequence, I see before us another chapter in our progression of building a resilient, group-focused, customer-centered portfolio of world-class hotels with very little new competitive supply.

Now I know quarter after quarter, we highlight our differentiation and talk about the Gaylord brand that our company built in years past. But a couple of weeks ago, J.D. Power has issued a report whereby they measured guest satisfaction for 15 upper upscale hotel brands and the Gaylord brand was included this time around. Now what was extraordinarily pleasing to us was that the Gaylord brand was only one of 2 brands to achieve their highest 5-circle rating. Great customer satisfaction drives customer retention, which in turns creates -- which in turn creates superior profitability and that's what we're all about. So I'm very pleased with the performance of our hotels in the first half of this year as well as with our outlook for the rest of the year and particularly, into '20 and '21 and, of course, with the long-term opportunity that remains ahead of us in this space.

But before we go there, let me touch on our most recent results. In the second quarter, our same-store hotels, excluding the Gaylord Rockies, delivered 1.4% RevPAR growth and 1.6% total RevPAR growth year-over-year. Now this is what we anticipated when we began the year based on the patterns and the groups on our books for the quarter, which is one small evidence of the visibility that our business model gives us. And having now exited our softest quarter of the year with no real surprises, we, once again, are in a position to increase our guidance for the year, which I'll summarize in a moment.

Now let's first -- let me first briefly walk through our same-store hotels one at a time. Now in Nashville, Gaylord Opryland delivered 2.3% RevPAR growth and 4.3% total RevPAR growth in the second quarter. Corporate and association room nights were lower year-over-year at Opryland leading to less food and banquet revenue than last year. However, total RevPAR still outgrew RevPAR despite this lower F&B, thanks to the contributions of SoundWaves, which experienced a very strong leisure demand in the quarter, as well as fees collected for a large group cancellation that had contracted to travel in May and which we collected this quarter. This was a cancellation due to a change in the customer CEO Suite that we have talked about previously and which we knew would contribute to the second quarter being a little more challenged compared to last year's second quarter. Overall, Opryland delivered excellent flow-through with adjusted EBITDAre up 5.2% despite some continuation in the wage pressure from the very hot Nashville market.

In Dallas, the Gaylord Texan grew RevPAR 3.1% and total RevPAR an impressive 8.6%. The Texan expansion is proving to be a tremendous investment for us. Occupancy at the Texan grew a full 4.4 points in the second quarter, and there's only been 1 quarter since we opened the new expansion, in which occupancy has been diluted year-over-year. Corporate room nights and food and banquet spending were up nicely with good flow-through to the bottom line. And despite an increase in property taxes from the expansion, this resulted in adjusted EBITDAre growth of 21.1%. And yes, I did say 21.1%.

In DC, Gaylord National RevPAR was up 2% while total RevPAR was down 2%. Two groups with significant high-margin banquet spend that traveled in the second quarter of last year did not repeat in the DC market this year. So adjusted EBITDAre was down year-over-year by 8.8%. But after National's leading performance in the first quarter, we still expect it to be among our top performers for the year.

Now in Orlando, Gaylord Palms experienced a flat RevPAR growth and a 5.8% total RevPAR decline in the quarter. This was driven by a couple of factors specific to the quarter. First, in terms of RevPAR, citywide conventions in Orlando experienced a very soft June. So there was less compression of transient demand in the market during this time. Now this appears to be a minor blip as citywides in Orlando expected to be higher in 2020 than in 2019. So clearly the market remains healthy. Second, in terms of total RevPAR, it was a difficult comparison for the Palms because one of our higher-spending corporate groups that stayed there last June rotated out of the Orlando market this year, which shifted second quarter mix back towards associations. Now I must point out that this is a valued long-term customer that is merely rotating through the brand, and we already expect them back in Orlando next year. But the reduction in high-margin banquet and catering compared to last year contributed to a 12.1% decrease in adjusted EBITDAre.

Now what is truly most exciting about the Palms at this stage, and we will turn to total overall bookings in a moment, is that our prospects and lead volumes at this hotel are up significantly due to the expansion that's underway. The bookings for the 300-room expansion in Orlando is neck and neck with where the Texan expansion was at the same point in time in its development cycle. And that's really encouraging for us when we look at how well the expansion is doing now in Texas and think about these bookings as an indication of what we can do in Orlando.

Now turning to overall bookings, and Patrick will give you some more color on this in a minute, in the second quarter, we produced just over 0.5 million gross room nights for all future periods. Now while this was down 140,000 room nights from last year's record second quarter, it is up 170,000 room nights sequentially from our first quarter this year. So as we said on the last call, the incredible 1 million plus room nights that we booked in the fourth quarter of '18 drained the funnel at year-end, and we have been steadily replenishing it in a strong demand environment. Now the good news, our same-store lead volumes at the end of the second quarter were up 12% over last year, which in and itself is another increase from the 4% higher leads we had at the end of the first quarter. And as we look at production for the rest of the year, we expect we will see good year-over-year growth in the third quarter. This should be followed by a solid though softer on a year-over-year basis fourth quarter simply as we lap that 1 million plus room night performance in the fourth quarter of last year.

I should also note that we've had a lot of success in the past couple of years booking more and more multiyear, multisite contracts as corporate customers, in particular, extend their booking windows to secure much needed space given limited new supply. This factor also contributes to the year-over-year challenge for '19, but we expect that trend to normalize in '20 as the booking cycles for these multiyear customers start to come around again.

Now just to remind you all, on a same-store basis, this year, 2019, is projected to be a record year for us from an adjusted EBITDAre perspective. But as we look forward to '20, our pace for next year is very strong, with 2.7 more net occupancy points and almost 9% more net rooms revenue on the books for next year than we had for '19 at this time last year. As I said at the beginning of the call, we could not be more pleased where we stand in terms of bookings, both for the rest of the year and the future. We're also seeing good rate growth as we shift emphasis to price over volume given how many room nights we've booked over the past several years. If we adjust for the average length of bookings by applying the same T-plus distribution to the second quarter as we experienced a year ago, we would have about 4% ADR growth in the second quarter bookings.

We're also pleased with our hotels' relative performance in their respective markets. We certainly knew that the second quarter would be our most challenging for RevPAR and total RevPAR growth this year, and we're happy to come through the quarter as good or better than expected. But what we also -- but what was also very nice to see is that all 4 of our same-store resorts increased their market share during this period. As measured by STR, all 4 hotels increased their RevPAR index against their competitive sets compared to the second quarter of '18. That is extraordinary and speaks to the investments we've made and the strength of our group business during a period of slower overall industry growth. And I suppose, this is not beyond expected given what J.D. Powers had to say about us recently.

Now before I move on to guidance and our other segments, let's highlight the result of our newest hotel, the Gaylord Rockies. In only its second full quarter operations, the Rockies produced $23.6 million of adjusted EBITDAre on $55.4 million of revenue. Now this really highlights the benefit of the incentive package that allowed us to develop this property. In addition, the Rockies produced 149,000 net new bookings in the second quarter and as of June 30 had 56 net points of occupancy on the books for next year and over 47 net occupancy points on the books for 2021. Their forward bookings are exceptional. Frankly, I've been in this business a long time and I do not recall any hotel that I've been associated with opening so strongly and having such a robust book of forward business. We're tremendously pleased with the Gaylord Rockies and, along with our partner, we're actively engaged in evaluating a 300-room expansion at this hotel. In July, shortly after the second quarter, we closed on a refinancing of the Rockies. And as part of the transaction, we lined up about $80 million of committed financing for just such a expansion project. So love to hear a decision on this in the months to come.

In short, all 5 of our large hotels are humming along, bookings pace and lead volumes are very healthy, and we're outperforming in our respective markets. Our recently completed capital investments are delivering on their promise and our ongoing ones are tracking to do the same.

Now a couple weeks ago, Mark and I undertook a nondeal roadshow in Minneapolis and Chicago. And virtually every meeting, we were asked why we believe we are different from our peers. Of course, we can talk about the quality of our assets, the group sector, lack of competitive supply or what organizations like J.D. Powers say about us. But for me, as fairly large investor, there's one metric that I believe differentiates us. If you look back over the last 4 years through 2018, we have grown our AFFO at a compounded rate of almost 6%, well ahead of our peer set. And if you look at the midpoint of guidance for this year, we expect double-digit growth again in AFFO. And we would certainly expect good growth in '20 based on our current strong bookings pace and the maturing of the investments we have made.

Now by comparison, the average 2-year consensus forward compounded average growth rate for AFFO for our combined peers through '19 and '20 comes out right about 0%. So our answer to investors is pretty simple. If you're looking to invest in this sector, wouldn't it be wise to invest in a company that is demonstrated it can grow its AFFO materially more than its competitors over the last few years. And if the analyst community is to believe, we would do the same over the next several years due to the fact that we have built a relevant brand that delivers superior value to consumers that allows us to deploy capital that generates high returns. And that's what really we're all about, delivering bottom line profitability and returns to our shareholders through investment in high-returning projects and, of course, smart capital allocation. Now with that noted, we're in a position to again raise the midpoints of our guidance for our Hospitality segment for the year.

For the full year, same-store RevPAR growth, we are updating our guidance from a range of 2% to 4% to a range of 3% to 4%. For the same-store total RevPAR growth, we're moving from a range of 3% to 4.5% to a range of 3.5% to 4.5%. In terms of adjusted EBITDAre, we're increasing the full year range for our same-store Hospitality segment at the midpoint by $1 million from $394 million to $404 million to a range of $396 million to $404 million. And for the Rockies, we're also increasing our adjusted EBITDAre guidance at the midpoint by $1 million from a range of $79 million to $83 million to a range of $80 million to $84 million.

Now let's turn to our Entertainment business where our investments are performing equally well. In the second quarter, revenue for our Entertainment business increased 20% and adjusted EBITDAre by over 52%. And if you exclude the benefit of the losses incurred last year with Opry City Stage, adjusted EBITDAre grew 35% in the second quarter. Nashville tourism remains on fire, evidenced by the showcase for the city of Nashville that was the NFL draft here held in April. At core Nashville same-store assets, the Opry, Ryman, General Jackson Showboat, the Wildhorse, the Springs, WSM Radio and programming businesses grew revenue 8% and adjusted EBITDAre by 27% in the quarter. This performance was augmented by our portfolio of Ole Red venues in Nashville, Gatlinburg and Tishomingo, which have been cruising along in the second quarter much like our hotel portfolio. And they are soon to have a fourth member in Orlando in the spring of next year, and we're actively engaged looking at new markets for the brand.

And now when we talk about the Ole Red brand, we talk about it both as a venue and as a restaurant and that's -- and that is so important to remember because that is really what sets us apart from our consumers. Now let me just give you some perspectives on what we do in these locations. Year-to-date through the end of June, across all 3 Ole Red locations, we hosted 1,756 performances from 736 different artists. That is over 5,900 hours of entertainment in 6 months or an average of 10 hours per day per location. That is what makes Ole Red so different from just a theme restaurant because of our unique relationship with the artist community, whenever fans walk into one of these venues, they know they will receive authentic country music and authentic country music experience we both established and up-and-coming artists. We just so happen to do it in a great setting with wonderful food and beverage too. And it is a tremendous outlet for the artists themselves to get to perform and connect with their existing fan base or to be discovered by newer ones. It is truly a win-win for our consumers and for the artists we're building relationships with.

Now the next step in fostering these connections and relationships is our media joint venture that we announced last quarter with Gray Television. This venture will bring a unique country lifestyle and music-focused content and programming direct to our core audience through both linear TV and streaming. Just like Ole Red, this channel will not just be a destination for consumers but an outlet for artists and the thousands of hours of content we own and we're looking forward to launch date in early 2020.

On the back of these strong results, for our Entertainment business, we're raising the full year guidance range for adjusted EBITDAre for the segment by $4 million at the midpoint from a range of $48 million to $52 million to a range to $52 million to $56 million. We're also modestly moving the guidance range for the Corporate segment by $1.5 million at the midpoint from a range of $28 million to $26 million to a range of $29 million to $28 million. And this adjustment reflects increases in administrative and employment costs associated with supporting the company's continued growth initiatives in our Hospitality and Entertainment segments.

So all in all, while it might have been our most challenging quarter of the year, the second quarter of '19 was a solid performance for our business, evidenced by our 12% AFFO growth, particularly relative to the broader industry. And we believe our guidance for the full year, our pace for '20 and our bottom line AFFO growth in the coming years will set us apart even further.

One final note as we look ahead is how we think about our balance sheet and Mark will give you more color on that. We've always believed that a strong flexible balance sheet is important component of our strategy and in order to undertake these high-return investment projects that we -- that are available to us. In pursuit of that, we have begun the process of refinancing our 21 maturities in order to take advantage of the strong debt capital markets, which will allow us to gain additional tenure, obtain attractive pricing and reload capacity under our revolving facility. It's a long report. We've got lots going on. I'll turn over to Mark to give you a little more color on the financials.

Mark Fioravanti - *Ryman Hospitality Properties, Inc. - President & CFO*

Thank you, Colin. Good morning, everyone. In the second quarter, the company generated total revenue of $407.7 million, up 22.1% from the prior year. Underlying this growth was steady 3.4% revenue growth at our same-store hotels and, as Colin mentioned, an 8% revenue growth at our same-store Nashville Entertainment assets.

Net income available to common shareholders, which excludes the minority interest attributable to our partners in the Gaylord Rockies, declined 11.1% in the second quarter to $49.4 million or $0.95 per fully diluted share. The decline in net income is attributable to the increase in both interest and depreciation expense from the consolidation of the Gaylord Rockies into our financial results this year.

In terms of adjusted EBITDAre, the company generated $144.5 million on a fully consolidated basis or $135.8 million if you exclude the minority interest from the Gaylord Rockies. These results represent growth rates of 27.1% and 19.4%, respectively. Excluding the Rockies, our same-store Hospitality segment generated $109.6 million of adjusted EBITDAre, up 1.6% year-over-year in the second quarter.

As we anticipated, incremental flow-through, while positive, was impacted by the mix of groups at the National and Palms, which generally conducted less high-margin banqueting as part of their programming. Combined with anticipated increase in property taxes of Texan and wages at Nashville, this dynamic put pressure on year-over-year flow-through. The net result was in line with our expectations for the quarter.

Attrition in the second quarter was 13%, which was an improvement over the 15.6% in the second quarter of 2018, while in the year for the year cancellations ticked up to a modest 8,800 room nights. As always, we review the reasons behind all of our canceled room nights and there were no discernible patterns other than customer-specific events.

Moving to AFFO available to common shareholders. The company generated $104.3 million in the second quarter for the equivalent of $2.01 per share. That's an 11.7% increase on a per share basis compared to the second quarter of 2018. Year-to-date through June 30, AFFO per share of $3.51 is up 17.6% against the first half of 2018. This strong AFFO growth is reflective of the unique positioning of both our business segments and the opportunities we have to deploy capital at attractive returns.

That brings us to the balance sheet. As of June 30, we had net debt outstanding of $2.51 billion. Subsequent to the end of the second quarter, we successfully refinanced the Gaylord Rockies' construction and mezzanine debt. The new loan consisted of a 4-year, $800 million secured term loan with an option for additional $80 million of borrowing capacity should we decide to pursue an expansion of the hotel. Concurrent with the loan closing, we were successful in hedging the interest-rate exposure of this new debt to an attractive 4.15% fixed rate for the first 3 years of the loan.

After retiring the outstanding construction debt, the payment of fees and the distribution of minority partners of their pro-rata share, we retained net proceeds from the transaction of approximately $153 million, which were used to pay down amounts under our revolving credit facility.

Taking our second quarter ending balance sheet and giving pro forma effect to this subsequent transaction, our available liquidity including both unrestricted cash and capacity under the revolving credit facility is approximately $427 million.

With the Rockies refinancing now complete, we've turned our attention to our upcoming 2021 maturities, which include both the revolving credit facility and our $350 million issue of senior notes. With interest rates at attractive levels and debt capital market showing attractive demand and liquidity, we anticipate undergoing a more comprehensive refinancing later this year to extend our debt maturities schedule, improve interest costs and provide additional capacity to continue funding future growth.

On the subject of growth, in June, we broke ground on the rooms tower and meeting space portion of the Gaylord Palms' expansion. Phase 1 of the expansion, a new parking structure, was completed at the end of May. The project is on schedule and on budget with an expected opening of Spring 2021. Also in Orlando, construction commenced in May on fourth Ole Red location in the heart of the ICON Park Entertainment District. The project is also on budget and scheduled to open in May 2020.

Finally, turning to guidance. Based on our performance year-to-date and visibility in the back half of the year, we are in a position to once more increase the midpoint of our expectations for both our business segments. Colin provided ranges for RevPAR and total RevPAR growth, but I'd like to further add that on a quarterly basis we continue to expect the third quarter to be our strongest with both metrics up mid-single digits.

Our updated outlook for 2019 also includes an increase in our expectations for FFO available to common shareholders to a range of $316.1 million to $331.2 million, an increase of $1.9 million at the midpoint, while our updated range for adjusted FFO available to common shareholders moves to $344.2 million to $361.3 million, up $5.6 million at the midpoint. A detailed reconciliation of our current guidance can be found in the supplemental schedule to our earnings release.

One final housekeeping note. In terms of subsequent events, as was anticipated, on July 31, we closed on the purchase of a residual 0.9% ownership interest in the Gaylord Rockies from one of our development partners for a total net cash consideration of $5.5 million. This brings our total ownership in the property to 62.1%.

And with that, I'll turn it back over to Colin for any closing remarks.

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

Thanks, Mark. Let's get the questions. So Kristi, if you would open the lines, please, that would be wonderful.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question is from Smedes Rose of Citi.

Smedes Rose

I guess I just wanted to ask you on the forward bookings. If you're hearing anything from customers that would maybe, sort of, underscore some more uncertainty in the broader economy. So either more flexibility on the contracts, the amount of space that they're wanting to book or anything along those lines. I know you provided your forward gross definite room nights and have some difficult comps this year. But any sort of additional color I think would be interesting.

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

Smedes, Colin. I think what I'm going to do is let Patrick answer this, but I would say to you we got our finger on the pulse on this group segment. We remember all too vividly what went on in 2008 in this economy and the impact that 2008 had on things like attrition rates, cancellation rates, lead volumes, desire by the meeting planner to book, pricing. And we are actively, actively following it as we navigate the economic headwinds from time to time that hit our economy. So I would say, generally speaking, we feel in very good shape about where the group business sits. But Patrick you want to get a little bit more granular?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Sure. Smedes, there's really 3 things that we would look at for groups to understand the trending and the behavior if it's indicative of something else going on. If you look at the contract terms, we're not getting any additional pushback. It is always our intent to strengthen our contract terms, and we're not having any problem with groups who are hesitant to sign up for attrition and cancellation clauses that are consistent with our history. So nothing on that front. The second would be on space. Groups are contracting with us for space quantities that are consistent with their historical patterns. So again, nothing that we see there. And then when they're traveling, the groups that are in-house over the past second quarter or that are contracting for or getting ready to travel here in the next couple of months, we're not seeing anything as far as a pullback in the amount of space that they are using. And the last would be banquet spend. Banquet spend really starts getting finalized in the last 90 and then especially 30 days prior to a group's arrival. And we have not seen anything from overall groups that would indicate to us that folks are pulling back. Their historical spend levels are consistent with what we're seeing them spend now. We have some groups there are outperforming. We always have some groups that underperform. But there's nothing really going on that would give us pause. And then I would say that as you've heard us talk about in Colin's comments, we have been successful in booking a lot of corporate room nights earlier in the booking window process. And so that is not something that we would think is reflective of a hesitancy by corporate meeting planners, the fact that they're booking earlier and further out. So the 3 factors that we look at as well as their behavior in booking further out would make us feel that there's no negative trends emerging.

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

And Patrick, you may want to talk about the dynamic of pricing. Because, obviously, when meeting planners start to get skittish, which we observed in mid-2008, we tend to see that translate into pricing. But -- so just give the listeners a little bit of color on what we're seeing on pricing right now.

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Okay. Yes. That's a great point. Thanks, Colin. Yes. The brand produced the highest Q2 production rate in the brand's history over this past quarter. Now that may not materialize in the numbers that you see and the reason for that is we produced less room nights in the T-plus-5 bookings period and beyond. So we were booking fewer room nights as a percentage of the total mix. We were booking fewer room nights out beyond T-plus-5. Our bookings were more concentrated in the T-plus-0 so 2019 through T-plus 4. So a greater mix closer in. And as you can imagine, your highest rates are going to be booked in the further out periods. So if you were to equalize -- as Colin mentioned in his comments, if you were to equalize the number of room nights that we've booked, you'd actually see a very healthy growth in room night rate. So again, rate is moving in a very positive direction. We had the best second quarter in terms of rate that we've ever had, and we are optimistic that group's are continue -- are going to continue to show their willingness to pay for the premium periods that they want to book into.

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

And I know we don't, sort of, tend to talk about periods outside of the quarter that we are communicating about, but we just closed July bookings and we are seeing no disconnect in July. We had a very healthy bookings pattern in July and rate too, Patrick. I think that's right.

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Yes. That's correct. We had a very encouraging July production.

Smedes Rose

Great. That's great additional color. Can I just ask you to -- I mean, Colin, is there anything you can say at this point on the Chula Vista development and your potentially becoming a part of that?

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

No. Not really. We are continuing to take apart that Southern California location. And look, we're only going to do it -- we're only going to be involved in it if it makes economic sense. If the -- as I say, if the pearl is worth the dive. And if the risk of constructing a project in Southern California over 3 years that the returns are superior and make sense for our company, we're only going to do that. And there's a lot more work to be done. Our development partner in Denver is, obviously, taking the lead on this, and we'll see where all this goes over the next few months.

Operator

Your next question is from Chris Woronka of Deutsche Bank.

Chris Jon Woronka - *Deutsche Bank AG, Research Division - Research Analyst*

Wanted to ask with now having most of the summer at SoundWaves behind you, it sounds like you've been off to a really good start and pleased with how it's going. Does that make you more or less likely to think about doing something similar to that at one of your other hotels? Or do you see SoundWaves as having maybe some brand potential beyond just your hotels?

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

So let me, sort of, give you a nonemotional answer and then an emotional answer. The nonemotional answer is that we really want to get through the season here. We only opened this baby -- the indoor portion here right at the end of -- in December of last year. So we want to give this facility a good 12 months. I would say to you that we've been very pleased with how the summer -- since we opened the outdoor portion in May, how the summer has built. I think Patrick, as of the end of July, we put through like 50,000 people through this thing? I think that was the number?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Yes. The month of July alone.

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

July alone. That's it. In the month of July alone, we put -- can you believe 50,000 people. So we're very encouraged with it -- by it. And we're encouraged with the room night production that this facility has generated. And I would say to you, Chris, we're an organization that does construction projects and learns from them and then we move them on to the next facility. And that's what we've really done with this rooms expansion and meeting space in Texan and now moving it on to the Palms. We're probably going to do the same thing here in Denver. We won't have to do meeting space expansion, but we certainly are looking at room space expansion. So I would say to you, the clinical view of this is that we want to get through the rest of this year, and we will look at the final IRRs on this project and its applicability to other locations. But I would say to you that all of us sitting around this table here having this conversation with you this morning, I think, we all are very excited about -- this will be the, sort of, more emotional piece of this, we're excited about what is happening. I'm getting a lot of comments from customers that go to this place, as is Patrick, in terms of people who are excited and behaviors being changed because of it. So it wouldn't surprise me if you read us looking at one of these types of projects in one of our other hotels that doesn't have SoundWaves in it. It wouldn't surprise me if you heard something like that in the middle of next year but we want to get through this year to properly assess the impact on value creation for our shareholders.

Chris Jon Woronka - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. Fair enough. And then just as a follow-up, interesting data points on some of the forward pricing you're getting. I want to ask about some of the contractual increases on the out-of-room spend that you're able to get. What is -- maybe it's a question for Patrick. What is the customer reception to that? And how do you kind of -- any time there even temporary pauses in the bigger picture, how do you get folks over the finish line on some of those out-of-room increases?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

So Chris, good question. It's really a sales process. Obviously, it's aided by the fact that J.D. Power has just released this information indicating that we're a very highly rated brand. And that demonstrates not only our ability to deliver on the promise we've been making to folks in the past, but in our future ability to do so. But it's a sales process that really gets to a fever pitch, again, 90 days out and then even further about 30 days out. And our event management and banquet services teams will reach out to the customer and start building individual menus and individual events. And their job is to make sure that they deliver an experience that exceeds expectations. And so a lot of that is working with the customer, identify what their needs are and then putting together a banquet package and outside-the-room spend that exceeds their expectations. And so that's a sales process, and we're always setting up folks initially in the contract with the food and beverage minimum, but that's never what we intend to sell at the end of the day. And so we have some very capable folks who can really create innovative experiences on the banquets and events side and really wow folks. And as a result of that, we're able to sell higher and higher levels of outside-the-room spend.

Operator

(Operator Instructions) And your next question is from Patrick Scholes of SunTrust.

Patrick Scholes

Question for you looking out a couple of years here. Certainly, there's some new convention space coming in, in Vegas next year. Are you seeing any pressure for that on 2021 and beyond bookings?

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

The answer to the question is, Vegas always plays a role, but one of the things that we'd ask you to reflect on is our business is focused on these 500 at peak plus groups and there's 25,000 of those in the U.S., 50% want to go to Vegas, 50% never want to go to Vegas. And these are groups that want all-under-one-roof experience. We need -- Patrick, as a company, we need about 80 of those per hotel per year. So even if Vegas doubles its supply, it's not a competitive threat to our business. And, yes, we read the Wynn is going to add how many hundreds of thousands of square feet of meeting space, but our business continues to get stronger and stronger. So it's not an issue for us.

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Yes. And this is Patrick, Patrick. And the only thing I would add to it is, the unique attribute of our brand is that we focus on group. We make group #1. We value them above all else. And no matter what amount of space gets added in Vegas, that will never be the case. The group customer will never go there and know that they are #1 in that facility. And so, yes, they will continue to add space, but we truly believe that the brand differentiation of putting that brand customer or that group customers #1 and how they're treated makes a big difference.

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

Kristi, any other questions?

Operator

There are no further questions.

Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

Excellent. Well, all right. Well, look, thank you, everyone, and -- for taking the time this morning. We're very pleased with where our company sits. And If you have any other questions, you can always get hold of Mark, myself or Todd Siefert who runs IR for us. And thank you for joining us this morning.

Operator

Thank you. This does conclude today's conference call. You may now disconnect.