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EDITED TRANSCRIPT

RHP - Q3 2019 Ryman Hospitality Properties Inc Earnings Call

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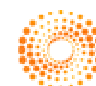

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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Third 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 4888901. (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*

Thank you, Scott, and good morning, everyone. Now, those of you that have read our press release will no doubt have concluded that our company had a very solid third quarter, one that in fact and tone is quite different from the other companies in our sector that we often are compared to.

Now, over the last few weeks, Mark and I have undertaken several non-deal roadshows, meeting many current and prospective shareholders both in the U.S. and in Canada, and one question we constantly get asked is, why is our performance so different, with the follow-up, is it just where we are in the cycle? Now, the questions sound simple enough, but the answers are a little bit more complex. The fact is, unlike the rest of our sector, we have built a business, or in our case a brand, that is customer-focused, not bricks-and-mortar focused. Years ago, before we handed the brand over to Marriot, we identified the customers we wanted to build a long-lasting relationship with. They are the groups who want an all-under-one-roof experience, and that by and large rotate market to market each year. Then we went out and built a portfolio of world-class hotels that physically

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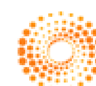

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offers these customers what they want -- great product and a great entertainment, backed by great service in spaces tailored to each customer's individual needs. And these hotels then operate together, moving customers year by year from hotel to hotel.

The consequence of this predetermined strategy is that our current results, and I suspect the results you'll see from us over the next year or two, will be driven much less by a cycle than by this strategy and its execution, which has helped us build this tremendous book of forward business from these loyal customers of ours. Furthermore, we've been expanding and refining our hotels, both physically and operationally, to capture more leisure customers, as well as more groups. And it's a combination of these strategies, together with an asset management team that really understands large-group hotels, that are driving our performance, not only for this last quarter, but I suspect for many quarters to come.

And of course, this is not a strategy that's easy to replicate for competitors or new entrants. For starters, it takes many years, if not a decade, to build one of these great hotels. And once that is done, you have to have the knowledge and expertise to effectively yield the hotel full of the right groups at the right times. And, finally, you have to deliver the high level of service that these groups expect in house, if you want them to come back. So, we really like our position.

Apart from the question of why the other -- the question of why, the other question we get is, what are you seeing from a strength and weaknesses perspective, given the fact that sentiment right now from our competitors and those who write about our industry is somewhat negative? So, here's what I would say about that. Current group behavior looks solid. Groups are turning up. Attrition and cancellation rates are modest. Spending is consistent with what we have seen over the last year. Bookings are good, as you will have seen from our release this morning. And, by the way, lead volumes at the end of the third quarter were up 13% compared to the same time last year, and we do not see any shift in meeting planner behavior at this current time. So, all things considered, our group segment looks pretty good.

For our non-group business, things also look pretty good, and we're optimistic about our upcoming leisure-heavy fourth quarter. But please remember, we do not rely solely on a tourist's desire to visit one of our markets. We build programming that generates its own demand, led by our holiday program, which will kick off very soon at Thanksgiving.

Now let me turn to some highlights for the quarter, and I'll start with the sales performance across the portfolio. As we expected, the third quarter was a strong bookings quarter. In the three months ended September on a same-store basis, excluding the Gaylord Rockies, we booked 582,000 gross group room nights for all future years. This is an increase of over 26%, compared to the third quarter of last year. And these room nights came with a healthy 5% increase in rate compared to last year's third quarter bookings. Given the lead volumes we expect -- we expect our fourth quarter bookings to be very healthy as well. But on a year-over-year basis, we do not expect them to match the record 1 million-plus room nights we booked in the fourth quarter of '18, which was just an incredible performance.

In addition, the Gaylord Rockies booked 109,000 net room nights in the third quarter, which was a 40% increase over last year. Now, overall, when you look at how we ended the third quarter with 6.47 million net same-store room nights on the books for all future periods, this is up 332,000, or 5.4% against the same time last year. And when you look at how the final month of September nearly matched our all-time September record from '16, and you consider the increase in our lead volumes of 13%, and finally, how attrition and cancellation in the quarter were in line or better than our 3-year averages, when you weigh all of these factors, in our view, this is one of the best group sales environments our company has seen, and the next couple of years continue to shape up nicely.

For example, for 2020, we already have 50.3% same-store net occupancy on the books as of September 30th, compared to 46.5% at occupancy on the -- on points that we had on the books in September '18 for '19 one year ago. And to remind you, '19 is a record year for us. For those of you that have followed our company for some time, you know that we typically start a new year with around 50 points of occupancy on the books for the coming 12 months. For us to exceed this mark in September, with still another quarter to go before we enter the new year, this is, in our opinion, pretty exciting stuff.

Meanwhile, Gaylord Rockies had 59.6 net occupancy points on the books for next year as of September, compared to 48.9 at this time last year for '19. Now, I want to pause and let that sink in for a second, 59.6% net occupancy points on the books. I've never seen a new hotel, especially one of this size, have almost 60 points of occupancy on the books for its second year of operation, three months before we start the new year. Needless to say, we're very excited for what 2020 holds for this hotel.

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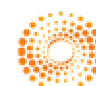

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It's against this backdrop of strength, visibility, and momentum in our business we're able to increase our full-year guidance for most of our metrics for the third time this year, and I'll let Mark walk you through the individual ranges, but let's drill down into each of our segments' current performance a bit more, and let's start with hospitality.

Opryland here in Nashville led the pack in the third quarter with 12% RevPAR and total RevPAR growth, balanced between ADR and occupancy. Now SoundWaves helped drive nearly a 15%, or 8,500 room night increase in leisure demand on top of a full group pattern. Incremental margin or flow-through at Opryland was restrained by a few factors you will see were common, to one degree or another, across our same-store portfolio in the third quarter.

The first of these is a difficult comparison created by the recognition in the third quarter of last year of a one-time credit at each of our hotels for the proceeds passed on to owners by Marriot from the sale of its Avendra purchasing platform. This non-recurring credit last year made third quarter margins a tougher comparison at baseline across the board for all of our same-store hotels.

Secondly, the mix of groups at Opryland in the third quarter, as well as at the Texan and the National, as you will see, were more skewed towards associations and what we call SMERF groups, as compared to the more corporate-heavy mix that we had in house last year. What this means is we saw more groups release their members to our restaurants and F&B outlets for meals, instead of feeding them at catered banquets, which drove top line revenue growth, but reduced overall food and beverage margins.

And, finally, like our competitors, we would be remiss not to discuss labor costs, not just at Opryland, but across our portfolio. And I want to be very clear on how we view labor cost increases as compared to how our peers and many of your think about them. First, we fully expect labor costs to be a big factor for us because we are in attractive markets, growing markets, where our customers want to travel. And when you are in a competitive labor market, you make decisions based upon how you feel about the next year and the year after that. That means, when you have the volume of business on the books for the upcoming year that we have and that I've just discussed, and the lead volumes into your markets that we have, that it's necessary to be proactive and invest in labor now.

Together with our manager, we want to invest during periods of strength into our people, just like we do with our physical assets, to ensure that we are competitive and retain the experienced team members that drive the kind of high levels of customer satisfaction that wins J.D. Power awards and keeps group customers booking back into our rotation year in and year out. We're of the view that we should reinvest margin now, to ensure we retain the best people and the most experience on hand to welcome the volume of guests we expect to have in '20 and '21.

Now, when you don't have that kind of visibility and demand on your books, like most of our peers, and you just live for the next month or the next quarter, then it would be natural to be reactive and try to hold the line on wages, and perhaps then, you might get away with making your margin in the short term, but then you have to cross your fingers and hope you won't have to worry about the consequences later, perhaps because you think there's a chance the cycle is just going to turn down anyway. But we do not have that luxury, if you will. We simply have too much business on the books and in our funnel that, to protect a few margin dollars today, would cost us potentially much more in the future. So, that's how we think about this subject.

Now, turning back to Opryland results specifically, the net effect of all of this was still very healthy, 11.2% growth in adjusted EBITDAre, though adjusted EBITDA margins did decline a modest 20 basis points year over year. The Gaylord Texan was a similar story as at Opryland, with very strong RevPAR growth of 8.8% and total RevPAR growth of 5.9%. Adjusted EBITDAre growth of 4.5% was due to the same three margin influences I've just discussed, as well as some additional non-recurring comparison challenges created by the receipt of Marriot's expansion key money in the third quarter of last year, the increase in expansion-related real estate taxes this year, and a meaningful reduction in attrition and cancellation fees compared to last year, which of course carries a 100% margin. All in all, given these moving pieces, we were very pleased with the bottom-line performance at the Texan as well.

Now moving to Orlando, the Gaylord Palms experienced nearly flat RevPAR growth, but unlike the other hotels, the Palms did see a mixed shift more towards premium corporate groups, resulting in a very heavy -- healthy 5% total RevPAR growth. Adjusted EBITDAre declined 4%, as the other factors I discussed -- reimbursement in labor, the absence of a one-time Marriot credit this year, and like the Texan, a decrease in attrition and cancellation fees -- offset the pickup in high-margin F&B revenue. By now, you can see the pattern, and Gaylord National was much the same,

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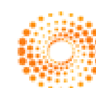

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RevPAR growth of 7.2% was quite good, while a shift to more SMERF type groups over premium corporates last year held total RevPAR in check at minus 2%. This dynamic, along with labor investments, the non-recurring Marriot credit that I just repeated, plus an additional non-recurring cost unique to the National this quarter in order to account for a change in the way we accrue for sick pay, all contributed to adjusted EBITDA decreasing 12%.

Okay, now let's talk about the Gaylord Rockies. Now, if you glanced at our results and you didn't know our company, you might think the Rockies was our oldest and biggest hotel, seeing as it produced over $29 million of adjusted EBITDAre in the third quarter. All the pieces clicked at the Gaylord Rockies in the third quarter. We saw great banqueting, excellent trends in traffic, and solid bookings. We continued to move ahead with detailed design work for a possible expansion, and we're eagerly watching to see how the fourth quarter transient business performs, which has always been a question mark for us with a hotel of this type in this location. And we put all of our programming in place, including the Rockies' first year of ICE!, and are cautiously optimistic we will see good transient results, given what we have seen so far. Now, while we, together with our partner, will make the final decision on the expansion soon, for now, we are quite comfortable raising our adjusted EBITDAre guidance range once again for this property, from a range of $80 million to $84 million, to $83 million to $86 million.

The performance of the Gaylord Rockies so far this year is wonderful on its own, but it's also emblematic of the themes around our entire hotel business that we've been pointing out to you for some time, whether on these calls or in roadshows, or when we sit down with investors one-on-one at conferences. That is, group demand is really healthy and growing, while new supply remains constrained, and it should not be a surprise that when a new asset like this finally comes online, that demand should be so strong. We think this really validates what we've been saying for the past several years and points to the great potential for more opportunities to serve our customers in new markets, and so that is something we're increasingly thinking about and studying, alongside our manager.

All right, let's move on to our Entertainment business. In the third quarter, revenue and adjusted EBITDAre for our Entertainment segment grew a robust 19.8% and 47.2% respectively. Now, some of that growth is the addition of the Ole Red Gatlinburg in this year's figures, as well as the easier comparison due to the absence of Opry City Stage. When you strip out -- strip these out, however, and just look at our legacy Nashville business, excluding all of our Ole Red locations and Opry City Stage, those legacy businesses grew revenue and adjusted EBITDA by 16.5% and 13% respectively. That is just tremendous performance and speaks to both the growth that Nashville continues to experience and the great job our teams have done finding new and innovative ways to deliver value out of these historic assets. Our Ole Red Nashville location, in its first third quarter comparison, grew adjusted EBITDA 8%, as the team continues to drive more touristic traffic, more great artists and content on stage, and more special events through the Rooftop and banqueting spaces. We're looking forward to opening our Ole Red Orlando this coming spring and continue to evaluate new markets where the brand resonates with our country consumers.

You will also have seen, a couple weeks ago, an announcement from us, unveiling the branding for our new media joint venture with Gray Television. The venture will be known as Circle Media, referencing both the iconic wooden circle on the Grand Ole Opry stage, as well as the immersive 360-degree media platform that will bring viewers into country music's inner circle. Circle Media is a key piece of our Entertainment segment strategy that will create a window into all of the best moments that happen in our venues in Nashville and throughout the South, connecting fans with artists, both new and legendary, and coming to them wherever they are, whether through linear 24/7 television, streaming media devices, or in our connected venues. We continue to expect to launch the linear TV prong of this strategy in early 2020 and are actively investing in content as we speak, with the degree of inbound activity from artists and well-known creative names continuing to surprise us.

On the heels of this strong third quarter for the Entertainment segment, we're also raising our full-year guidance range for adjusted EBITDAre for the segment from a range of $52 million to $56 million to a range of $54 million to $56 million. We're also investing meaningfully into the second half of 2019 in our human capital for the Entertainment business, adding key leadership roles across the organization so that all the pieces function together as one strategic business serving the same country lifestyle consumer.

In summary, as we expected, the third quarter was a very strong one for our company. Same-store hotels delivered RevPAR and total RevPAR growth far and above our industry, and we booked well over 500,000 room nights at a very attractive at an -- a very attractive rate. And our newest hotel, the Gaylord Rockies, delivered almost $30 million of adjusted EBITDAre in only its third quarter of operation. Our Entertainment business continued to churn out double-digit revenue and adjusted EBITDA growth, both on a legacy basis and consolidated with new venues. And, while same-store hotel margins were restrained, aside from the impact of non-recurring credit and charges between last year and this year, the balance

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of the impact boils down to an investment on our part to prepare the hotels for a great book of business we see ahead in '20 and '21. But, nevertheless, as a large shareholder, I'm comforted by the fact that we grew FFO and AFFO by 26% and 23% in the quarter.

And so, while most of the industry sits here today and looks around and sees sort of this flat, 0% to 1% growth type of RevPAR world around them, we're looking at our business, and we see just so many avenues for growth. At the end of the third quarter, we see about 10% more net room revenue on the books for our same-store hotels in 2020. We see an incredible second year of business lined up for the Gaylord Rockies, such that we're close to pulling the trigger on an expansion there. We see SoundWaves ramping into its second year and are discussing internally the potential to add rooms on an additional overflow hotel in Nashville as a result. We see our Gaylord Palms expansion in Orlando making progress on time and on budget and selling well, and we see a busy calendar in our Entertainment business in 2020, opening up Ole Red Orlando and kicking off the linear TV offering from our just-named Circle Media venture.

So, the future looks pretty exciting from where we sit, and on that forward-looking note, I'll point out that we were very active in the third quarter and into the month of October as regards our balance sheet. We first refinanced our $350 million of 5% senior notes coming due in '21, with $700 million of new 4.75%, 8-year senior notes. And last week, we closed our bank group on repricing an extension of our second secured credit facility, which reduced interest rates, added several years of maturity, and upsized the funded term loan portion. The combined of these -- the combined effect of the increased senior notes and term loan and sizing provides greatly increased liquidity in the form of available revolver capacity to continue to pursue the opportunistic investments across both of our business segments.

And now, let me turn over to Mark to finish this call up.

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

Well, thanks, Colin. Good morning, everyone. In the third quarter, the company generated total revenue of $379.8 million, an increase of 30% from the prior year. This was driven by strong 5.6% revenue growth at our same-store hotels, double-digit organic growth in our Entertainment segment, plus the new contributions of Gaylord Rockies and Ole Red Gatlinburg.

Income available to common shareholders, which excludes the minority interest attributable to our partners at the Gaylord Rockies, declined 1% in the third quarter to $22.3 million, or $0.43 per fully diluted share. This small decline in net income is due to the increase in interest and depreciation expenses from the consolidation of the Gaylord Rockies, the write off of deferred financing costs in association with our refinancing activity, and a modest increase in our effective tax rate.

In terms of adjusted EBITDAre, the company generated $119.1 million on a fully consolidated basis, or $108.1 million after exclusion of the minority interest in the Gaylord Rockies. These results represent growth rates of 40.6% and 27.7% respectively. Excluding the Gaylord Rockies, our same-store hospitality segment generated $79.6 million of adjusted EBITDAre, an increase of 2.1% year over year.

Attrition in the third quarter was 14.2%, a slight increase over the third quarter of 2018, but below the third quarter of 2017 and within our recent range. Likewise, in the year, for-the-year cancellations of approximately 8,700 room nights ticked up slightly from the third quarter of 2018, but recall that the third quarter of last year was a very low level and was itself down over 42% against the third quarter of 2017. So, all in all, our attrition and cancellation levels remain in a stable range, and we see no patterns emerging.

Moving to AFFO available to common shareholders, the company generated $78 million in the third quarter, or an equivalent of $1.50 per diluted share. That's over a 22% increase on a per-share basis compared to the third quarter of 2018. Year to date through September 30th, AFFO per share of $5.02 is up 19% against the first 9 months of 2018. As we like to highlight, this level of AFFO growth is unique to Ryman among our peers and reflects the strong backdrop of both our group hotel business and our Entertainment business, as well as the many opportunities available to us to deploy capital at high rates of return.

That brings us to our balance sheet. As of September 30th, we had total debt net of unrestricted cash of $2.51 billion outstanding. At the very beginning of the third quarter, in early July, we refinanced the Gaylord Rockies construction debt into a new $800 million term loan, which we discussed on our second quarter call. Following this transaction in September, we refinanced our $350 million 5% senior notes due in 2021 with a

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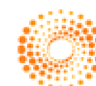

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new issue of $500 million of 4.75% senior notes, with the net proceeds of the increased issue side applied towards borrowing under our revolver. Subsequent to the end of the third quarter, in early October, we took advantage of strong demand in the high-yield markets to issue an additional $200 million tack-on to the initial senior notes offering, this time at a premium to par. This brought the weighted average interest rate across the entire new notes issue to approximately 4.68%. The proceeds of this tack-on offering were also applied against our revolving credit facility so that our net debt was unchanged compared to the quarter end. But our available liquidity following both offerings, which includes both unrestricted cash and capacity under our revolver, now exceeds $778 million.

Also, subsequent to the quarter end, this past week in fact, we closed a repricing and extension of our secured credit facilities, including an increase from $200 million to $300 million of our new funded term loan A facility. Our revolver and term loan A now mature in 2024 and 2025 respectively, compared to 2021 and 2022 before the extension, while our leverage-based pricing grid for both facilities decreased between 5 and 45 basis points, depending on the tier, for a savings of about 15 basis points at our current tier.

Given that our quarter-end revolver balance, after giving effect to the subsequent $200 million tack-on notes offering, is only approximately $23 million, we used the additional $100 million of proceeds from the upsized term loan A to repay a portion of our outstanding term loan B, thus improving the interest rate on this amount and gaining and additional year of maturity. As a final step in these transactions, we swapped $350 million of the remaining $387 million of term loan B balance to a fixed interest rate at an all-in cost of approximately 3.22%.

We achieved several objectives in this entire series of balance sheet transactions dating back to July. First, we substantially increased the weighted average maturity of our debt to approximately 5.4 years, with our earliest maturity now in 2023. Second, we lowered our weighted average interest rate to approximately 4.3% and locked in a greater mix, approximately 85% of fixed-rate exposure during a very favorable low-rate environment. Finally, we're also improving our ability to pursue additional growth opportunities by reloading our revolver capacity and by improving a number of covenant provisions in both the new notes and our credit facility that will provide us with more flexibility in areas such as permitted investments and debt baskets going forward.

Now turning to guidance, as Colin described, based on our performance year to date and visibility into the final quarter of the year, we're tightening our guidance ranges and increasing the midpoint of our RevPAR and total RevPAR guidance. For RevPAR, we now expect full-year growth of 3.5% to 4%, an increase of 25 basis points to the midpoint. For total RevPAR, we expect full-year growth of 4% to 4.5%, also a 25-basis increase over our prior range. In terms of adjusted EBITDAre, we're reiterating our previous guidance range for our same-store hotels based on the margin factors we discussed earlier. And for the Rockies, as Colin mentioned, we're increasing the midpoint of our expectations for adjusted EBITDAre at this hotel by $2.5 million. And for our Entertainment segment, we're increasing our expectations for the full year by $1 million at the midpoint.

In terms of net income, our guidance range has been updated to reflect changes in interest expense due to the refinancing activity, which would include the increased write-off of deferred financing costs. You can find a reconciliation of our guidance range for net income in the earnings release schedules.

Finally, our guidance for AFFO, which excludes these deferred financing costs, is increased by $2.9 million at the midpoint to a range of $351.1 million to $360.3 million. At the midpoint of $355.7 million, our AFFO guidance for 2019 represents a 17.8% growth rate over our full-year 2018.

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

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

I'm going to ask Tammy to open up the lines, but let me just say this. We've taken 35 minutes here this morning, so a little bit longer. I suppose if we'd have had a lousy quarter, we'd have done it much -- in much abbreviated mode. But we have so much going on as a company right now which is driving these numbers, that we felt that we needed to give you a little bit more color as to what is going on. So, Tammy, let's open up the lines for questions, please.

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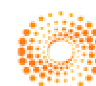

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Smedes Rose Citi

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Smedes Rose - *Citigroup Inc, Research Division - Director & Senior Analyst*

I wanted to follow up, actually with Patrick. You know, last quarter you talked a little bit more about some of the trends within group bookings, specifically to contract terms, space being taken, and kind of banquet spend, and I was wondering if you could maybe just provide some incremental color on those three pieces relative to our last call.

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

Sure, good morning, Smedes. So, you know, given the volatility that's kind of been going on in the markets, and to Colin's point earlier, the questions around where we are in the cycle and how that's impacting our business, we've spent a lot of time putting in a little bit more diligence than normal into group booking trends, and also attrition and cancellation. And I guess I would say from the outset that we're comfortable that there's nothing really systemically going on in the group space, and our additional diligence has really just proven back to us that there are groups that cancel at time to time, there are groups that attrite, but there's nothing going on that gives us any pause or concern.

From a group bookings perspective, we knew that the third quarter would be strong for us, and that's exactly how it played out. We are facing the challenge, which is a good challenge to have, of the fact that we have very little availability for the next two or three years out, but we still have strong leads. Colin mentioned earlier that our leads were up 13%, and we see our prospects continuing to grow as well. Tentatives are down just a little bit, just simply from the fact that we had a good finish to the quarter and sort of emptied out some of the funnel there, but the booking trends continue to build in a positive way.

From a banquet spend perspective, as you can see in the quarter, we had a little bit of a mix shift, which drove less margin for us, because we had a -- more groups that are of association or lower-rated what we call SMERF groups, and therefore, they use the outlets more than they do banqueted functions. But that's just the lumpiness of how a year plays out, and we expect fourth quarter to be very good. But from the perspective of what they're booking for the future, minimums on banquet spend continue to move in a healthy direction, and we feel comfortable that there's no concern or systemic issues going on there.

And then, from a space perspective, obviously, one of the hallmarks of our brand is that we are very disciplined, and our sales team is very disciplined, in making sure that we don't give away more space than we need to, so that we have additional space to sell to other groups. That discipline continues to pay off for us, and as you can see, both in '19 and our expectations for '20, our space is very highly occupied for the next few years, and we're finding ways to fit more and more groups into the space to really maximize the utilization of that space. So, across the board, very favorable trends continuing for us.

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

And we're not seeing any -- Patrick, this is a rhetorical, really, question. We're not seeing any easing in the standards of our contracts across our portfolio. We're very diligent about this, Smedes, and we wouldn't -- we reported the 5% increase in room rate for a reason, right? And that is, the reason is that, you know, when things start going off a cliff like they did in '09 and '10, back in 2009 and 2010, you saw rooms being booked, but rates under pressure, and we're not seeing that, so the quality of our contracts are very good today.

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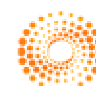

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Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Yes, and Colin raises a great point that I'll just add on to. You know, we do a lot of research with our customers, and one of the customer concerns or dissatisfiers that we get with groups sometimes is that we're a little bit less willing to budge on some of our contractual terms. And that's something that, you know, we continue to manage the relationship with our customers, but I see that as a positive sign that we do have a little dissatisfaction out there from time to time because we are not willing to compromise on our attrition and cancellation policies and clauses. We have to make sure we protect ourselves in case the economy moves in a different direction.

Smedes Rose - *Citigroup Inc, Research Division - Director & Senior Analyst*

Thanks, I appreciate the detail. I wanted to ask you, too, so the Rockies has obviously had a really successful first year of operations. You know, I think it's probably fair to say these large properties tend to ramp over kind of a multi-year period. But just as we think about year 2 of the Rockies, would you say this property is kind of generally reaching its run rate potential maybe faster in year 1 than you had initially anticipated?

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

Well, the thing that I would say has surprised us is the amount of new business from companies that hadn't booked into the Gaylord system before that we're picking up essentially from the West Coast. We had a sense -- we did a lot of research here prior to pulling the trigger on this deal. We had a sense that it was going to be good, but it is really good, and that's evidenced by the, you know, the continued build in the amount of room nights -- in the room nights that we're booking.

So, you know, look, what I've said to the team internally here, when you think about the positioning of Opryland in Nashville, and you think about where Opryland and Nashville was as a city 5, 10 years back, you know, right now we get 15 million deplanements. I think that's going to grow. The forecast for next year is pushing 18 million tourists into this town next year. And if you look at the size of the Nashville airport and you compare that to what's going on in Denver, with 65 million deplanements, three hubs, 10 international flights, and no competitive supply in that market, my sense is that this hotel, the hotel in Aurora can, over time, evolve to a hotel as big as and as dominant as Opryland.

And so, when you say about maturation, the hotel will see very, very, very good jump next year in RevPAR. I mean, it will be a really big jump in RevPAR next year, simply because we've got 10 more points of occupancy on the books as of the end of September for next year as we did this time last year for this year. And so, but we are not going to -- we're going to not let a shortage of capacity impede the growth of this business. So, you know, I sort of see this business evolving here over the next 5 to 10 years to Opryland like, but the difference is, unlike -- Opryland gets no tax rebates. This hotel will get tax rebates for the next 25 to 30 years. So, I see this as a really world-class opportunity that we have to, you know, continue to, as demand increases, to continue to expand this hotel, create more jobs, more economic impact for the state of Colorado, so we're very excited about this hotel.

Operator

Your next question comes from the line of Shaun Kelley with Bank of America Merrill Lynch.

Shaun Clisby Kelley - *BofA Merrill Lynch, Research Division - MD*

Colin, I just wanted to maybe stick with the Rockies to start. I'm going to try and ask, I think, Smedes' question a slightly different way, which is, just trying to kind of get our arms around how much of -- how far this property is outpacing sort of your own expectations of its productivity, meaning like, the gains this year can continue into future periods, versus how much you're just able to fill up a little bit more this year than kind of where you thought. I mean, again, as we compare to the overall portfolio with, let's call it 60 points on the books versus closer to 50 for the overall, it would seem like there's a really encouraging second year ramp story still on top of this base. But, you know, just how much of that is true versus, you know, getting us too excited about just demand that's really being pulled forward a little bit?

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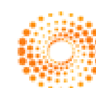

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Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

I don't know how to answer that question other than, we expect -- we will guide -- we will let you know our guidance here early part of next year when we finish all of our planning processes with Marriot, but I'm expecting to see RevPAR growth in this hotel next year well north of 10%, and I expect to see really good EBITDA ramp. And, you know, we're not going to let it sort of peak next year. We're not going to do that, and you know, Patrick, I don't know what other color we can give at this stage.

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

Yes, I mean, the only thing that I would add that I think we're comfortable saying at this point is that we've had better pick-up in banquet than we anticipated. The groups have really bought in on the banquet side, and we have a high mix of corporate groups in house, so that makes sense and that's very encouraging. The second is transient has built better than we expected. You know, it takes time to build a transient base of customer loyalty. That's doing better than we anticipated. And from a productivity and efficiency perspective, we're on target and continuing to make the improvements. The team there, to their credit, we asked them to focus on labor. They did that, and it's paying dividends for us.

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

Now, the other thing is that, whenever you open hotels like this, and you know, we're a unique management team in the sense that we've built five of these things, and we've opened them, and so we don't go out and just buy an operating business. We open these things, and there are some things that we're going to do to refine this hotel here over the next 12 months. I'm not talking about adding more rooms. I'm talking about refinements in the existing core hotel to make that hotel a better hotel, to compete more fiercely on -- in sort of the nation here. So, there will be refinements that we will do. We will probably pull the trigger on the expansion after we have finished dialoguing with our partner here, and we expect this hotel to see continued good growth over the next 2 to 3 years.

Shaun Clisby Kelley - *BofA Merrill Lynch, Research Division - MD*

Great, thanks for the color. And then, just as my kind of follow-up, obviously, there were a few call-outs, and Colin, you went into some detail in your prepared remarks about the labor cost environment and also sort of why you are investing the way you are. Can you just help us think about -- and again, this is also going to point towards 2020, so I'll apologize in advance. But, you know, can you help us think about, can you get -- you know, if we think about these investments and the margin profile this year, can we still expect and/or get operating leverage next year, despite having an elevated level of labor investment? Can you just help us think about that?

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

Yes, Shaun, that's a good question. The answer is yes, and the reason we're doing it, as we went into great pains on this is that, we want to make sure that we send the signals to our people that we care about them. Even though they're under Marriot payroll, we pay for it, and we look at these people as our people. I mean, we're not the typical, traditional owner in the REIT space. We look at these people as people we know and care about and love. And so, the answer is, we've done this because we think it's the right thing, but we believe, with the revenue growth that we anticipate getting next year, there will be operating leverage in this business.

Operator

Your next question comes from the line of Chris Woronka with Deutsche Bank.

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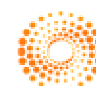

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Chris Jon Woronka - *Deutsche Bank AG, Research Division - Research Analyst*

I promise I won't ask about 2020, initially anyway, but wanted to kind of explore the downtown. You guys have had a lot of success with your entertainment assets over the years, and we see a lot of kind of boutique-y, modern hotel supply down there, which probably is overall beneficial. But the question is, do you guys, do you see any -- is there any desire to be a part of that hotel developed downtown, given the success you've had with your other assets over the years?

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

No, and we love all of that supply being built, we love all these Airbnbs opening up and operating, 5,000 of them in Nashville, because they are the provider of accommodation for people who come here to listen to great music and eat and drink and have fun and, ultimately, subscribe to our OTT platform that we will be launching in the middle of next year. So, we don't feel like we have to be in the hotel market downtown here at this stage, and so that's how we feel about it.

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

Yes, any hotel investment we'd make here, we'd want to leverage the investments we made in SoundWaves and the other amenities around Opryland.

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

That's a good point, Mark. So, that's how we think about it, Chris.

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

Okay, actually, that was the answer I was kind of hoping to hear, so good job on that. The second question was shifting to the Rockies, and as we look at kind of the early success, not just financially for you guys but for the city and the property and the employees and such, does that maybe, for other municipalities where you might have had conversations, do you think that seeing what's happening and maybe getting an expansion there, which creates more jobs and economic interest, does that maybe make another municipality closer to coming over the finish line, to the extent that you are in discussions? Is that helpful at the margin?

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

Well, you know, there's a big difference between talking about something and actually doing it, right? And so, what we now have is, we now have two photographs, one of the Gaylord National and National Harbor, and we have a photograph now of the success of the Rockies. And so, if you go back and read the script that -- I know we said a lot of stuff in this 35 minutes, but there was a paragraph or two where I talked about the success of the Rockies has emboldened us to look at other municipalities, and we are working on that as a company. Because, you're right; what's happened here is extraordinarily compelling, and so it would be, in the right market, in the right -- probably on the other side of the railroad tracks, not in a downtown environment, but in a right market that something like this could be replicated for the benefit of all is something that we are looking at and pursuing.

Operator

There are no further questions at this time. I will now turn it back to our speakers for any closing remarks.

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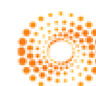

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Colin V. Reed - *Ryman Hospitality Properties, Inc. - Chairman & CEO*

Tammy, thank you, and thanks again, everyone, for joining the call and taking an interest in our company. If you have any further questions, you can get hold of our IR folks, or I think most of you have Mark's number or my number, and we'd be happy to communicate. Thanks a lot, and have a good day, everyone.

Operator

Ladies and gentlemen, that concludes today's conference call. Thank you for participating. You may now disconnect.

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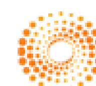

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