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RHP - Q2 2017 Ryman Hospitality Properties Inc Earnings Call

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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Second Quarter 2017 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, Senior Vice President of Asset Management; and Mr. Scott Lynn, Senior 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 48188575. (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. - Senior 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 discussed or projected 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, Scotty. Hello, everyone, and thank you for joining us here today, as we approach the end of yet another earnings season. As a one-of-a-kind group focus lodging company with a thriving media and entertainment business alongside, we're fortunate to be in a position to give you somewhat of a different outlook to what you hear from those companies with whom we're often compared.

Right now, the number of growth projects we have going on is truly extraordinary. As we shift into the second half of '17 with '18 just around the corner, we approach a historic and exciting period of our company. We just hosted our first group customers in May at our new Riverfront Ballroom at the Gaylord National in D.C. In two months, we'll have 1 new entertainment venue opening, and then another in 12 weeks in the heart of Times Square.

In spring of next year, the major rooms and convention expansion of the Gaylord Texan will open, followed shortly thereafter by the unveiling of Ole Red Nashville, our venue with Blake Shelton in the center of Nashville's booming entertainment district. Then a little more than a year from now, the crescendo nears its peak as we open our stunning and one-of-a-kind $90 million Soundwaves Water Experience at Opryland, capped off by the grand opening of the long-awaited Gaylord Rockies at the very end of next year.

And by the way, while all of this has been going on, our existing businesses generated just shy of $100 million of adjusted EBITDA in the second quarter and are on track to turn in yet another record year for our company. So let me turn down my enthusiasm for a moment, and just recap the second quarter, as well as provide you an update on the key points of our '17 guidance. Then I'll come back and give you a little more color on the announced growth initiatives. Mark will then wrap it up with some additional color on our Q2 numbers and our guidance for the rest of this year.

We said twice now, first in February and again in May that Q2 and Q3 of this year would be the most difficult comparisons for RevPAR growth, and that is exactly what we're seeing. RevPAR declined a modest 0.7% in Q2, driven entirely by group occupancy after last year's record second quarter, exacerbated by the Easter shift and about 19,000 room nights out of service at Opryland for renovation, or more than twice the total from last year's second quarter renovation activity.

The modest group occupancy decline relative to last year was concentrated among the association segment. So the greater corporate mix this quarter did drive a bit better outside-of-the-room spending, bringing total RevPAR into slightly positive territory at 0.3%.

By hotel, Opryland, Palms and National all handled the expected Q2 occupancy headwind extremely well, driving good flow-through and maintained adjusted EBITDA for the portfolio, essentially flat at 0.1% growth, despite the 1.3% fewer points of occupancy. We did capture some benefit to adjusted EBITDA at Opryland from our property taxes coming in slightly lower than we initially prepared for, following the outcome of the recent property tax reassessment. This was partly offset by a corresponding increase in the incentive management fee.

The Palms had an excellent spring and early summer, thanks to the recently upgraded pool product which we completed in Q3 of last year. The new waterslides and flow rider really helped the Palms fill in the missing piece for teens, and thereby expanded the range of families that the property now attracts. This contributed to an increase of over 6,000 transient room nights compared to Q2 of last year at the Palms.

The National had a full book of group business in Q2, surpassing 81% occupancy for the quarter, an increase of 4.7 points over last year, driven primarily by the association customers. With such a full house, we estimate that the National picked up approximately 1,000 transient room nights from the nearby MGM Casino, and we look forward to the second half of the year to better gauge the impact of MGM, as there will be a little more availability for the National, particularly at weekends, and we have begun experimenting with packages and incentives to slot more of the casino business around our group customer. In the meantime, we're encouraged by the extra 2.7 points of occupancy that the nearby AC Hotel picked up, reaching 82.5% in Q2.

The hotel that bore the brunt of the occupancy decrease compared to Q2 of last year was the Texan. Now to remind you, Q2 of '16 at the Texan was its highest occupancy quarter ever for that hotel. About half of the decline in group room nights at the Texan can be attributed to the Easter shift. That's important to note that even with this decrease against a very tough comparison in Q2, the Texan is having a very solid year and on pace with last year's record. The Texan is a dominant hotel in the Texas meetings market and we can't wait to the get the new 300-room and meeting space expansion opened up and running in the spring of next year.

Having passed the halfway point of the year and seeing Q1 and Q2 play out essentially as we foresaw in our bookings, we are comfortable at this point in the year increasing our previous guidance ranges for RevPAR and adjusted EBITDA for our hospitality business, while maintaining the midpoint of our total RevPAR guidance.

As far as our entertainment business is concerned, we're raising guidance as well. And Mark will walk you through the specifics of these ranges and our other guidance items. I would just briefly say that most of you have heard me speak many times in recent quarters about the persistent policy confusion coming out of Washington and how that creates some level of economic uncertainty for many corporations. Given that this can affect the very short-term piece of in-the-year for-the-year business, sometimes manifested as slightly less discretionary banqueting spending, we feel it's prudent to keep the midpoint of total RevPAR guidance stable, even though we're very comfortable at this point raising the room side of our guidance.

Now that said, the real critical part of our business, our long-term group bookings, continued to be quite vigorous. Now this was again evident in the second quarter when we booked over 546 gross group room nights for all future periods. Now even though this was 9.6% below the second quarter of last year, the fact is last year's performance was the third-highest second quarter gross bookings in our history, and we are very pleased with this year's production. More importantly, on a year-to-date basis, we have booked 37,000 more gross group room nights than in the first half of '16, which to remind you was a record year for our company.

Now, the following data points I believe are very important if you're an investor in our company. In total, at the end of June this year, we had the highest net group room nights on the books for all future periods -- in fact, 5.7 million room nights -- than at any time in the history of the Gaylord brand. Now that is 7% higher than our on-the-books net total at the end of Q2 '16. Now as I mentioned during the last couple of calls, as our bookings reach such levels and our key patterns fill, we gain the flexibility to push for higher-rated business in these out years. Now to that end, both our Q2 bookings and our on-the-books total for all future years showed increases in average rate over the same time last year.

Now in similar fashion and entirely in addition to the totals I've just talked about, the Gaylord Rockies booked 66,000 group room nights in Q2, which was a 3% increase over the same quarter last year, and at a meaningfully increased rate as well. Now looking immediately ahead for '18, we have approximately 1.2 more points of net group occupancy on the books at a higher average rate for '18 than we did at this time last year for '17, and that is with the increased capacity coming online next year at the Texan. And '19 continues to pace ahead of last year's T+2 figure.

But the reality is even though our group book of business is at record levels, we continue to invest capital in attributes that are very attractive to the leisure customer. And these hotel results of ours are very well-positioned as we look forward into the future.

So, that was the second quarter summary for our hotels. Now let me turn to our entertainment business. Total revenues for this segment grew 4.5%, which we are pleased with, given our new venues are still in the works. That growth purely reflects the performance of our existing Nashville-based venues and attractions coming on the heels of last year's striking 17.1% growth.

Entertainment adjusted EBITDA grew 2.2%, as we reinvest behind our growth plans in this business. Now for those of you who are fans of country music and the Opry brand, one of those investments is some terrific new original content that began rolling out in just the last couple of weeks. So tune into the Opry YouTube channel to check all that out.

Now that I've covered Q2, let me return to where I started and update you on the progress of our growth initiatives across segments. We're excited in Q2-- should I say, we were excited in Q2, to kick off a series of grand openings that will run all the way through next year, when we hosted our first customers at the Riverfront Ballroom in National and the Gaylord National. We had ambitious plans in terms of 2017 room nights and banquet revenue for this ballroom, and so far it's meeting those expectations.

Next on our calendar, as I said a little earlier, is on our entertainment side, where we'll give our fans a small taste of our new partnership with Blake Shelton when we open the first Ole Red venue in his hometown in Tishomingo, Oklahoma, before rolling out the flagship version of the concept in Nashville midway through next year. By the end of this year, we'll also be celebrating the opening of what we like to think of as the country music's home in New York City, Opry City Stage in Times Square. And this will open sometime in the late October-early November time frame.

Then the spotlight in '18 turns back to our hotels with the new wing of the Gaylord Texan, which should welcome its first guests sometime in the spring, followed by SoundWaves at Opryland later in the summer. We think SoundWaves will be somewhat of a game-changer here in Nashville. It's a bold plan and will bring to this city leisure facilities that don't exist today. And given the announcement this morning of British Air flying directly from London to Nashville starting in May of '18, this expansion and our Nashville Ole Red project could not be timed better.

Finally, Gaylord Rockies is expected to open its doors around the very end of next year, and that project is going really, really well. All of these, save for some construction delays we experienced earlier this year at Times Square, are comfortably on budget and on schedule, if not ahead.

Now you can see as I've said at the beginning of my remarks that we've been very busy here at Ryman this quarter. We've been busy doing what we've always done, which is very different from the companies that we are often compared to. We're not recycling assets back and forth, pruning a portfolio of average-sized hotels with little supply barriers and riding the economic tide. Rather, we're building long-term relationships with large group clients, providing a playground for the leisure customer, and creating destinations that are almost impossible to replicate all under one roof.

Our assets are stunning and customers love what we have to offer, but we're also being successful because of the great opportunity afforded by the supply and demand mismatch in the large group space that has persisted for years and which we expect will continue to persist for years to come. If there are some choppy periods of uncertainty, we will navigate our way through them, as we have in the past. But our focus will remain steady on the long-term future of our large group business, which as we've just demonstrated, is in excellent health considering our bookings for '18, '19, and beyond.

Continuous strong performance from our group hotel business, combined with the growth of our Opry entertainment brands, should continue to give our investors something special and exciting to hear about each earnings season in the quarters to come. Now with that, let me turn over to Mark to give you some color on the financials.

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

Thanks, Colin. Good morning, everyone. In the second quarter, the company generated total consolidated revenue of $298.8 million, up 0.9%; and net income of $47.3 million, a 7.9% decrease from the second quarter of last year.

Second quarter consolidated adjusted EBITDA of $98.5 million represented a 0.6% decrease over the second quarter of 2016, and a 40 basis point decrease in adjusted EBITDA margin. Second quarter AFFO of $79.8 million was 2.2% below the second quarter of last year, and amounted to $1.55 per fully diluted share.

Now as Colin outlined, we long anticipated that the second and third quarter of this year would be our most difficult for RevPAR growth, given the strong comparisons of a year ago, and the group occupancy patterns on the books heading into this year, which includes the impact of Easter and the ongoing renovation activity at Opryland. Against this backdrop, the modest 0.7% RevPAR decline, driven purely by occupancy, was within our expectations.

In-the-year for-the-year cancellations this quarter improved modestly versus last year, while attrition across the portfolio in the second quarter increased 1.6 percentage points compared to last year. As we do every quarter, we've studied group cancellations and attrition very closely to determine if there are any discernible patterns. What we uncovered was the increase in attrition this quarter was attributable to four specific groups for reasons that were limited to those groups' internal dynamics, and not related to any potential macroeconomic issue. Finally, attrition and cancellation revenue collected in the quarter totaled $1.4 million.

Turning to our guidance, as Colin described earlier, with the first half of the year actualizing about where we expected, we're increasing and narrowing our range for full-year RevPAR growth to 1% to 3%, which represents a 50-basis-point improvement at the midpoint. In terms of full-year total RevPAR, we're narrowing our guidance for the year to 1% to 2%, leaving our midpoint at 1.5%.

By quarter, we still anticipate the third quarter will be challenging compared to last year, and would expect RevPAR and total RevPAR to be down low single digits next quarter, before returning to mid-single-digit growth in the fourth quarter. Please recall that our third quarter performance in 2016 generated RevPAR and total RevPAR growth rate of 8.9% and 7.1%, respectively.

From a profitability perspective, we're lifting the low end of our full-year adjusted EBITDA guidance for the hospitality segment from $330 million to $335 million. This represents at $2.5 million increase at the midpoint. This increase is attributable to a couple factors. First, it rolls through and incorporates an update to our property tax forecast based on the latest assessments that Colin referred.

Second, since we knew Q2 and Q3 would be our most difficult comparisons from an occupancy perspective, we along with Marriott, prepared a number of margin improvement initiatives to protect our flow-through and limit the negative operating leverage coming off such high occupancy last year. Now that we've been able to measure the impact of these initiatives through Q2, we are more confident in their success and their ability to support our margins for the balance of the year.

Turning to other segments, we're very pleased with the performance of our entertainment assets and are comfortable raising our guidance for full-year adjusted EBITDA for this segment to $37 million to $40 million, or a $2.5 million increase at the midpoint.

Finally on the corporate side, we're slightly decreasing the high end of our guidance for full-year adjusted EBITDA to negative $23 million from the previous negative $22 million, to reflect the investments we're making in our development capabilities and other centralized services to support our continued growth.

In total, these ranges net to an increase in our total consolidated adjusted EBITDA guidance from a range of $340 million to $360 million to a new range of $348 million to $361 million, or an increase of $4.5 million at the midpoint. Below the line, these changes as well as our refinancing transaction which fully closed shortly after our first quarter earnings call, translates to updated guidance ranges for net income, FFO and AFFO. At their midpoint, these changes represent increases of $4.6 million, $1.5 million, and $4.4 million, respectively. These changes are laid out in our guidance table in our earnings release.

Moving on to the balance sheet, with our refinancing complete, we ended the second quarter with $1.56 billion in total debt and $49.6 million of unrestricted cash. Our trailing 12-month net-debt-to-adjusted-EBITDA ratio of 4.2x was slightly down sequentially from Q1's ratio of 4.3. We also ended the quarter with over $550 million of available capacity under our revolving credit facility. So we feel very good about our balance sheet and our ability to take advantage of our many opportunities to invest and grow across the portfolio.

Lastly, on July 14, the company paid its third quarterly dividend of calendar 2017 of $0.80 per share. Subject to the Board's final approval, it remains our intention to distribute total calendar 2017 dividends of $3.20 per share, which represents a dividend yield in excess of 5%.

Let me close by reemphasizing that while we face challenging comps in the second and third quarter, 2017 is performing as expected, we're on pace for another record year of financial performance and we're very excited about the growth projects and momentum we have across our business and look forward to the next several years. And with that, I'll turn it over to Colin for any closing comments before questions.

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

No, Mark. That's fine. Thank you. We'll open the call up for any questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Chris Woronka of Deutsche Bank.

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

I wanted to ask you if, as you look out to more so future years than this year, but are you seeing any shift in the, I guess, composition of the groups you're seeing in terms of industry? Are there any notable shifts in terms of whether it's tech or health care or something else, things getting better here or things getting worse here? Are there any noticeable patterns?

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

Patrick, you spend your life analyzing every single piece of business. How would you answer that? And from all my discussions with our general managers, the answer is we're not seeing any major shift. But what would you say?

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

No, I agree with that, Colin. This is Patrick Chaffin. Just to answer your question, we have not seen any kind of meaningful shift. We have talked about in the past that we've seen some short-term volatility in medical and health care with some of the questions coming out of the current administration in Washington. But in the long term, we've not seen any meaningful shift in the composition of our group portfolio, if you will.

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

Okay, very good, and then follow-up is Marriott and others have recently talked about changes in cancellation policies. I think that's mostly on the transient side. And you guys have always done a really good job of enforcing your cancellations. But are those changes that they're implementing, do you think those are going to reach over to the group stuff at any point? Are there any changes contemplated to your own cancellation policies going forward?

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

So Chris, that's a good question. The changes they're making are predominantly on the transient side of the business. That helps us. Because then that carries over to our transient side. On the group side, quite honestly, we've always had the more strict stiffer language in our contracts. And I think Marriott is actually moving the majority of its group business more towards the contract that you've seen on the Gaylord side. Notwithstanding that though, we have taken steps just as we look out to the future and making sure that we protect ourselves, to even further strengthen some of the individual language clauses in some of our group contracts.

So as we've done our analysis, we've identified a few opportunities to strengthen that language, and we've taken action to do so.

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

Chis, this is something that we pay very close attention to. And in fact, one of the things our internal audit department does of our company is audit the contracts that have been put in place by our manager to make sure that the contract terms are consistent with where they always have been.

Operator

Your next question comes from the line of Jeff Donnelly of Wells Fargo.

Jeffrey John Donnelly - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Just a question on bookings, the 2-year growth rate in net definite booking pace has been slowing a little bit in the past few quarters. In your mind, does that have more to do with the fact that with your portfolio operating at -- I think you said a peak level of net definite bookings -- that there's really just fewer pockets of time to sort of sell, if you will?

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

Pat, do you want to take that?

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

Yes. This is Patrick. Yes, I would agree. I mean we're operating at very high levels of occupancy. We have the highest level of room nights on the books in the history of our brand or the Gaylord brand. And the other thing I'd point out is even with the additional 300 rooms coming online at Gaylord Texan next year, we're still booking a very solid piece of business and are ahead for '18. So I would tell you that as we look across, given the amount of room nights we have on the books, this is really more just of an issue of scarcity and availability.

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

And the net number in the second quarter of this year was distorted by that one piece of business that we took off the books, right, Patrick?

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

Yes. From a net perspective, you saw that we did have a little bit more of a hiccup. And that was really just one piece of business at one of the hotels, a need-date piece of business that low-rated that canceled and we agreed that it was probably the right decision. The group had been struggling to get to their attendance levels over several years. So that impacted the net side as well.

Jeffrey John Donnelly - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

And just sticking with the booking side, I'm just curious. Is the Gaylord Rockies -- because I know you're not including that in your numbers -- do you feel like that's syphoning off some level of bookings that might have otherwise gone into your operating portfolio, or is it not really material?

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

So Jeff, that's something we watch very, very carefully. And one of the things we have the Rockies team measuring is the amount of business that they're booking each year that acquisition to the Gaylord brand. Obviously with a presence in Denver much more close to the West Coast, we want to make sure that we're picking up new pieces of business that we can then rotate through the remainder of the brand that are new to the Gaylord brand.

If you look at 2017 year-to-date, Rockies has been introducing new business into the Gaylord brand at about 61% of their bookings. So this is a number that gives us a lot of encouragement that we're not just syphoning off. We absolutely do have groups that have rotated through our other properties that are now going to Rockies and adding that to their rotation. But we're also making sure that we're bringing in a whole new segment of business maybe from the West Coast that we've never seen before.

So we are not concerned that it's syphoning off. And we watch that closely to make sure that that continues.

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

Yes. And Patrick, on a net-net basis, when you look at the bookings, like for instance in '16, it was a record year for the Gaylord brand, and we booked almost 400,000 room nights for Denver. And that same phenomenon is going on this year, Jeff. So we're very, very happy with what is coming out of the Denver hotel. And frankly, this is the same phenomenon that we saw when we opened the National back in 2008, where we started to deal with customers that we hadn't seen before, and we picked those customers up and then rotated them back into our existing business. So we're very happy with the current patterns that we're seeing.

Jeffrey John Donnelly - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

That's helpful, and Colin, I don't know if you can comment. But your partner in the Rockies project is clearing some hurdles in Chula Vista to move ahead with a project there. I know it's very early. But is there an opportunity for you guys maybe to hang around the hoop on that project, I mean, I guess is the second time the charm in Chula Vista for you, or is it just too early to comment?

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

So here's what I would say. Obviously we know that market well. We did a lot of work there, and we left that market because of things that we're going on in that market that we were not happy with in terms of outside influences trying to shape the way that hotel was built. I would say to you that we still have a great admiration for that greater San Diego market. And under the right terms and conditions, we would certainly look at it. But we have to be sure that it's going to generate high returns for our company.

Jeffrey John Donnelly - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

That's helpful. And actually 1 last one is the combination with Starwood has given Marriott a footprint of rooms it didn't have before. I mean, for example, I think Marriott now manages something like 30% of the full-service rooms in Boston. I recognize they're not all under one roof. So it's not an easy solution in that regard. But do you think Marriott could market those sort of newfound large clusters of managed rooms as another type of venue for large groups that's not served presently by Gaylord? Or is it your experience that's just really less likely because it doesn't really fit with what meeting planners are looking for when they book for a large group?

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

Jeff, it's Mark. I would say that I think that that clustering effect is an effective strategy for them against other brands to keep all the room nights in the family. I think that in terms of it being a highly substitutable alternative for the experience that we provide, not so much. Because you still face the same issues with your attendees that you would regardless of who manages those hotels. And that's transportation and moving people from venue to venue, dealing with multiple vendors, et cetera. So I'm not sure that it changes the competitive dynamic that much in terms of how we execute our business first as a competitive set.

Operator

Your next question comes from the line of Bill Crow of Raymond James.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

One quick one on the Rockies, can you talk about the '19 bookings and whether there's hesitancy, especially early in the year for meeting planners to book there because of fears over construction delays?

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

I don't think we're seeing any of that, are we Patrick?

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

No. Bill, this is Patrick. Part of what we've done is built in a window, if you will, to make sure that we're really not selling into the hotel until we're very comfortable that the hotel will be up and operating and operationally very efficient in taking guests. So there may be a month or two when we're taking predominantly transient guests and some short-term group guests that we may book at the last minute. But the largest groups, we've built in a bit of a buffer to make sure that when we say we will be open by this date, meeting planners have the full confidence that we will be able to deliver on that.

The other thing I would tell you is because of the mild winter that we experience in Denver this past year, the construction of the project is going very, very well. And we are getting less and less concerned that there will be any material delays of any kind.

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

We should have that enclosed, I think Patrick, by November.

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

Yes. In fact, we have our topping-out ceremony for the final steel beam in the next 2 weeks, so we're making great progress.

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

And Bill, the other thing I would say to you, I know for instance, we are seriously looking at when we open up the inventory on the Texas expansion, simply because initially when we planned this we thought we'd have it open in sort of late June-early July time frame. That's when we were booking bookings into it for 2018. But it looks like that we're going to have that project finished more in the April-May time frame, the spring, simply because this is also essentially enclosed and moving really well ahead of where we thought it would be.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

That's great, counter to what we're hearing in other commercial construction, so congratulations on that. Let me ask you about corporate groups. We're hearing that maybe there's a little bit of change in the cadence there that maybe they're holding fewer but larger meetings, which seems like that would benefit your properties. But are you seeing any of that on the corporate side?

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

Well, we've been seeing that for the last couple of years. If you remember that piece of work that Smit-Travel did -- what was it, a year ago, Patrick -- where they analyzed what was taking place in the group sector? And all of the real growth in the amount of meeting attendees were in the large group area. And this is one of the reasons frankly that we put more ballroom space in Washington, and we're doing this expansion at the Texan, and taking a look at one of our other hotels at the moment.

So this is something that we are certainly cognizant of. We're seeing our large groups get stronger I think. I think that's a fair way of describing it, Pat, right?

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

Yes.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

So getting stronger, the large group; but are they doing fewer -- are they continuing to shrink the number of meetings, and therefore fewer but larger -- that trend continues today?

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

We have not seen a wholesale reduction in the number of meetings that they're having. The more immediate thing that we've seen is folks using banquets in the short term as sort of the equalizer to their budget. They're coming in and because of some of the fears around what's coming out of Washington, corporate and association groups are both saying, hey, we have to hit our budget. And so they go ahead and schedule the majority of their meeting, and then they look to the banquet budget to say, what do we have left? And so you see some of that in how we've positioned our guidance for the remainder of the year is we're just kind of watching the banquet side of the business. But we haven't seen a significant reduction in the number of groups or the number of meetings.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

Then finally from me, I think historically we've seen some fatigue develop in Vegas. We've seen it in New Orleans through the years. I'm just wondering whether -- I think I know the answer to this -- but whether you're seeing any kind of tourism fatigue or plateau in Nashville.

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

In National or Nashville?

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

Nashville.

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

No. This morning at 9:00, I had a choice either being on this earnings call or being at an announcement downtown on British Air coming in, bringing in airplanes next year, in May of next year to Nashville. The issue that we have with Nashville is just supply of hotel rooms. We're running at very high levels of occupancy and very, very high rates. If you look at the RevPAR growth in this town, it's quite extraordinary what's taken place. And also home prices have just exploded here, simply because of so many people have been buying up houses to put into Airbnb.

So the issue is not one of demand. The issue is one of supply. And over the next, I think, 2 years we're looking at something like 6,000 hotel rooms coming into the downtown corridor simply to accommodate the growth in demand. And we like this, obviously, because we've got so many businesses that play to that demand. And frankly, one of the reasons we are going ahead and doing this really provocative water facility at Opryland is so that we have a competitive advantage against this growing demand base. So no, we haven't seen fatigue here.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

Colin, would you consider-- yeah, go ahead. I'm sorry.

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

I was going to say, Bill, I think the other thing you have to keep in mind with Nashville is that we are seeing tourism growth and we are seeing supply growth in terms of hotel rooms. But we're also seeing incredibly increases in demand generation. When you look at the companies that are moving here, the expansions that are occurring, the new entertainment assets that are being constructed; there are going to be more and more product in this market and more and more employers in this market that will generate demand to help absorb new supply.

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

That's very right, Mark.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

Colin, would you consider buying an asset downtown?

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

A hotel asset?

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

Yes.

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

No. But the reason for it Bill, and we can spend hours on this, right. No one's going to sell us a hotel asset downtown at an 8 or 10 multiple. Right? I mean these things are trading well north of that. And when you look at the internal rates of return, when you compute it on sort of an unlevered basis, it's sort of like 10% returns. And we can take this capital and put it in all these projects that we're building are going generate in the 15-18% high double-digit returns. And so it doesn't make any sense to us to deploy our capital that way.

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

Yes. If we want to grow share in the market, the best use of capital would be to expand our current footprint. Because the incremental returns are much higher.

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

Yes. And we've got all of the back-of-the-house stuff there, and you're exactly right, Mark. So, no. You're not going to see us do that.

Operator

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

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

Maybe just with all the initiatives and growth stuff that you guys have going on, Mark, if you could run us through just growth and maintenance CapEx numbers for this year and I know it's probably even ahead of your budget. But can you help us just think directionally about how '18 is going to shape up as some those projects kind of roll off and are completed?

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

Yes. So in terms of maintenance CapEx, it's about 5% of revenue. So I mean that's the best way to think about maintenance CapEx and FF&E. In terms of growth, if you look across the projects we have under development right now, for the remainder of '17 the back half, we've got about

$85 million of capital that we've budgeted that we'll spend. And then to finish those projects out in '18 will be another, say, $85 million to $90 million of CapEx.

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

Yes. We're fully invested--

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

Great, and that's pretty much the full though-- so everything including entertainment stuff as well as--

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

That's all of our hotel projects as well as the 3 venues we have under development on the entertainment side.

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

Great. And just when you look at your own internal forecasting, when do you have sort of -- leverage actually came down a little bit this quarter. Do you have that going up at all and do you have that peaking at some point, either Q4 or Q1? It's going to depend on again probably the roll-offs of these projects, but when are you anticipating that or do you think it's actually closer to flat from current levels just given the way cash flow works?

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

I think we're going to be pretty close to flat from current levels. And then once we get into '18 and these projects open and begin to deliver cash flow, you'll see us de-lever quite rapidly.

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

Yes. If you remember that slide, Shaun that we showed at our Analyst Day last year, for that (inaudible) here's where we expect to be '19 and '20. Our leverage levels, the high probability is though we will have other things that we'll be doing, other high-generating return projects that we'll be doing. But if we shut up shop today and don't do anything other than what we've announced, our leverage levels in '19 and '20 go into the low 3s. That's what that analysis shows.

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

Okay, great, and then last question from me would just be, can you remind us just how much debt or project-level debt will be on Rockies when I guess sort of at completion or when the loans are fully drawn for the project?

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

I want to say it's about $550 million.

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

Yes. It's a $500 million bank loan.

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

Yes, and there's $200 million of equity, of which our contribution is $85 million.

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

Right.

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

So, sorry, $550 million is the total including the mezz?

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

Yes.

Operator

Your next questions comes from the line of Gregory Miller of SunTrust Robinson Humphrey.

Gregory Miller

I'm on [ph] for Patrick Scholes. Just going back to 2018 for a moment, could you provide color on recent trends you're seeing specifically for your total group pace for the year? And specifically, what kind of trends are you looking at in terms of pricing power on group rate?

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

Well, I think we've been clear on pace for the year, right, Patrick? That was part of our disclosures. We've got -- I'm doing this from memory -- 1.2%, 1.4% more occupancy points on the books right now.

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

Yes. We have about 60,000 more room nights on the books for '18 than where we stood at this time last year. Our revenue -- so that's about 4.5% or 6%, something like that, I'm sorry. I'm trying to remember. But we stand in a pretty good position going into '18 and that's even with the opening of the Texan expansion of an additional 300 rooms.

From a pricing perspective, yes, we are working with our sales teams to identify specific patterns and demand periods where they can push pricing further. Obviously we are always sensitive to not pushing pricing as much over need-dates. But there are definitely periods, given the book of business that we right now that we are being more aggressive with and have seen some good results from that. We just closed out the month of July and our bookings there showed really strong growth in pricing just for what was booked during the month of July for all future periods.

So when we're looking at the periods of higher demand, we're having good success in pushing rate.

Gregory Miller

And just one quick follow-up, Marriott and other REITs with Marriott branded hotels, we noticed some commentary about a deceleration in terms of 2018 pace. And I'm curious what you're seeing.

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

We're seeing the opposite. I think the amount of business we have on the books and pace for '18 is stronger than where we sat this time last year for '17. And pace for '18 looks pretty good.

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

I will add that as we decide to open up the Texan a little bit earlier to Colin's comments a few minutes ago, that increases our availability in the equation. And if we're opening early, we're going to have less time to sell into those. So there will be a little bit of increase in availability that will impact how we're pacing for 2018. But again to Colin's point, we're in a really good position right now as we look to the year.

Operator

At this time there are no further questions. I will now return the call to Mr. Colin Reed for any additional or closing remarks.

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

Well, thank you, operator, and thanks, everyone, for joining us today. And if you think of any other questions that you want to pose to us, you know where we are. Speak to you soon.

Operator

Thank you. That does conclude today's Ryman Hospitality Properties Second Quarter 2017 Earnings Conference Call. You may now disconnect.