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RHP - Q3 2016 Ryman Hospitality Properties Inc Earnings Call

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PRESENTATION

Operator

Welcome to the Ryman Hospitality Properties' third-quarter 2016 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 1-800-585-8367 and the conference ID number is 92690727. At this time, all participants have been placed on listen-only mode.

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

Scott Lynn - *Ryman Hospitality Properties, Inc. - SVP, General Counsel and 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 publicly 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 Reed - *Ryman Hospitality Properties, Inc. - Chairman and CEO*

Thanks, Scotty. Hello, everyone, and thank you for joining us on the call today. As you read this morning in our third-quarter earnings release, this was a very good quarter for our business.

Now, it seems that at every investor meeting that we have, there are questions regarding the health of the industry. So before we discuss our quarterly results, I want to spend a moment to give you our thoughts on what we see and why we think our hotel business remains competitively positioned. And after that, I'll briefly touch on some of the investments we're making, and then I'll hand over the call to Mark to go through the financials.

So, where are we as an industry at this point in time? As you no doubt have been reading and hearing, near-term hotel demand, specifically in the corporate transient segment, has slowed a little with overall industry RevPAR growth projected to be in the low-single digits for 2017, but nevertheless positive.

Now, as some have pointed out, a portion of this deceleration is due to the current economic and political climates. Others have focused on a reduced citywide convention calendar in some markets that is negatively impacting group pace, while others have raised concerns about new supply growth. While some see slowing near-term RevPAR growth as an end to the lodging cycle, we view this a little differently.

We do not think the US economy is going into a tailspin and believe that some companies are taking a short -- taking short-term measures during these times of uncertainty and becoming a little more cautious on committing to short-term, nondiscretionary expenditures. Yes, the supply side of the overall hospitality industry is increasing, but it is heavily concentrated in the smaller limited-service sector and about a dozen markets. And there is no doubt that some of these markets will be hard-pressed to see positive RevPAR growth in 2017.

But our business doesn't look like the average that we are often compared to. And that's why our unique positioning provides us with a totally different perspective. We believe our consistent financial performance and competitive positioning demonstrates why we are an attractive investment opportunity.

Now let me provide a little more color on how we see the opportunities ahead of us. Now as you can see from our year-to-date results, 2016 is on pace to be a record year for our Company. In fact, our RevPAR growth this past quarter increased about 9% over the third quarter of last year, which is right in the middle of the range we provided on our last call.

Now, while this growth is materially higher than the industry average of 3.3%, we recognize that 9% year-over-year growth is not a sustainable trend. As we outlined on the last call, we have seen some softness in the smaller group bookings from primarily in the corporate segment, where meeting planners have been more cautious on booking for the short-term.

Whether this trend post-election continues into 2017, clearly, we'll have to wait and see. But we believe the most important question is, what is the willingness of meeting planners and groups to book large long-term business?

Now, what we are seeing gives us a lot of confidence in the future, because meeting planners, associations, and corporations are taking the exact opposite approach to those focused on the smaller short-term meetings. And this can be clearly seen in our bookings production over this past year, for 2018, 2019 and beyond.

In fact, at this time last year, looking out two years, i.e., into 2017, we had 33 points of occupancy on the books. As we sit here today looking out two years for 2018, we have 38 points of occupancy already on the books, a statistic I doubt any other hospitality company in our industry can claim.

My point here is that while the short-term outlook for the industry may look a little choppy, it shouldn't cloud investors' views on the long-term opportunities that lie ahead, particularly as it relates to our business. I believe the characteristics of our Hospitality business allows us to take long -- a long-term view, and to make strategic decisions and investments that we believe will drive higher returns -- that should be high returns -- to our shareholders.

Now, let's talk about some of these characteristics. One thing investors and analysts frequently hear from hotel REITs is that the lack of citywide conventions in certain markets negatively affect their performance. By contrast, our hotels, to a large extent, control their own destiny, as we effectively create our own citywides all under one roof.

Our large bookings are focused on these groups. And as you can see in our -- from our third-quarter results, our production continues to be very strong and gives us confidence to continue making smart growth investments for the future.

Now, in terms of new supply, we are not looking at the current supply trends as a barrier to overcome. Quite the contrary. For us, the dynamics we are seeing, in fact, represent a major opportunity. As I pointed out in the past, there is very little competitive supply in the pipeline in the large group space.

Now, let's look a little more closely at what I mean by this. In the 1,000-room-plus segment of the pipeline, you will only find 11 hotels across America in either the planning or construction phase. Of course, one of these is our 1,500-room joint venture hotel in Colorado, the Gaylord Rockies. And that leaves only ten 1,000-plus rooms in the pipeline, and five of which are under construction and five in some form of planning.

Now under the five under construction, apart from Genting's Hotel in Las Vegas, the largest meeting space being built at the remaining four is 150,000 square feet. So it's accurate to say supply is not likely to be a competitive threat to our business.

Now this next piece of data I think is very critical for investors who look at our Company. The largest segment of the meetings' business, i.e., those meetings with 1,000 or more attendees, continue to grow strongly. As Smith Travel recently reported, in 2013, meetings with 1,000 or more attendees represented 32% of group demand. But in 2015, that had jumped to 37% of group demand.

This is a material change, and this trend towards larger meetings is one that we are seeing in our own production. For the year-to-date period through September, 49% of our new bookings were associated with meetings of 1,000 or more on peak room nights. And that compares to 44% of our production during the same period last year. I just want to reemphasize that -- 49% year-to-date this year, 44% last year.

Now, in short, meetings are getting larger and larger, while the supply of hotels that can accommodate is not keeping pace. We like how we are positioned to capitalize on this dynamic. And it's no coincidence that we posted a record quarter in terms of advanced group bookings, racking up 607,000 gross group room nights, which is, in fact, a 25% year-over-year increase.

And this is not a one-quarter phenomenon, as our gross room nights bookings year-to-date through the end of the third quarter are up 16% as compared to the same time last year. I'll also add here that these numbers exclude the sales production for the Gaylord Rockies, which I'll discuss in a second.

Driven by the volume of group bookings we have added over the past year, we ended the third quarter with approximately 450,000 more group room nights on the books for all future years than we did at the same point last year. And to remind you, as of September 30, 2016, we had a total of 5.4 million net group room nights on the books for our four big hotels for all future years. Now, the number of room nights on the books at the end of the third quarter this year is the most room nights for all future years that we've had since before the financial crisis.

Now, let's take a moment to discuss the Gaylord Rockies. During the third quarter, we booked 104,000 gross advance room nights, bringing the year-to-date production to 230,000 room nights on the books. Of the 104,000 room nights we booked in the third quarter, 84% of these bookings are new to the state of Colorado, and over half were multiyear contracts, while 24% are new to Gaylord hotels.

So the early indications are that the project will provide significant benefits to the states -- to state tourism growth as well as to our business. Now, as any of you who have maybe recently flown into DIA will have seen, you can't help but notice the incredible activity happening at our property there about a mile from DIA. We remain very excited about this investment and the opportunities it represents for the Gaylord Hotels brand, as well as our long-term growth and ability to drive great returns for our investors.

In terms of how we are thinking about the upcoming fourth-quarter bookings, our lead volumes are up as of the end of September by about 19% over last year, which bodes well for us as we head into, historically, our strongest bookings quarter of the year. However, while we expect the quarter to be very strong, we believe the overall production will be flattish to slightly down compared to the tremendous fourth quarter of last year, as well as the strong year-to-date production so far in 2016, and the fact that last year's fourth quarter was also a record booking performance.

Now, let me go off script for a second, because as I was walking in here, I just got the preliminary production numbers for October. And we obviously have to go through some validation processes here, and I'm not going to share the numbers with you, but I think it's clear to say that the October production also showed very good growth over last year.

In terms of RevPAR for the fourth quarter, as I said on past calls, our expectation is that will be flat to slightly down compared to the year-ago period. As with bookings growth, this is a function of the tough comparison to the very strong performance we had in the fourth quarter of 2015, when you may recall we delivered a 9.1% RevPAR growth over the fourth quarter of 2014.

We entered the fourth quarter this year with about 14,000 less group room nights on the books than we had at the same time last year, in large part triggered by the shift in the Jewish holidays. All that being said, we expect leisure transient business to continue to perform well. Early signs around sales of our holiday packages have also been encouraging. And it's worth noting that leisure trends in business year-to-date has been outpacing group from a RevPAR growth perspective 4.9% transient versus 4.6% up group.

Now, looking into 2017, our group bookings continue to trend at about the same as 2016 did at this time last year. However, given our recent pool expansions at the Palms, the opening of the MGM casino in early December, and the new ballroom in Washington we'll open in early spring of next year, we believe 2017 is setting up to be a solid year for our Company. And, of course, I've talked about how 2018 and beyond is tracking.

Finally, I want to turn to some of the investments we are working on that we believe will have an important impact on our business, as we look to the future and take advantage of the opportunities in the large group segment that I talked about earlier. Starting at the Texan, our expansion of 300 new guestrooms and 86,000 square feet of net meeting space is currently underway and on track to open in 2018.

We've been very pleased with the sales efforts and bookings attributable to this expansion, many of which are associated with larger meetings that would not have booked at our hotel without these additional guestrooms and meeting space.

Moving on to the National, as I mentioned, we are building a world-class ballroom on the banks of the Potomac that we expect to be open in May. This -- of 2017. This project is generating healthy new demand, and the bookings that we have received so far are in line with our expectations for this project. And we are excited about this project's potential to continue to attract new customers to the Gaylord National.

Now sticking with National Harbor, many of you have seen the announcement that MGM is scheduled to open its doors for -- to guests on or around December the 8th, just in time for the holidays. In fact, earlier this month, MGM stated they believe that once the casino opens, National Harbor will likely go from handling about 90,000 cars per week to 180,000 cars per week. Now this is a staggering number, and I suspect bussing will also occur to this casino.

We believe this project will provide meaningful lift for our business in this market, particularly for leisure transient customers. That said, the next couple of months will provide valuable insight into what the direct impact will be for our hotels in National Harbor. And we'll take this into account as we are providing our 2017 guidance ranges that we do in February -- early February of next year.

And, of course, I've already mentioned the status update on Gaylord Rockies, and we'll have several new investments to share on the Entertainment side of our business in the near future as well. Now that brings us to sort of the final part of my remarks, which is I want to touch on our Entertainment segment.

Now during the third quarter, revenue for this segment was up nearly 10% and profitability was also up materially with adjusted EBITDA improving 28.5% to $11.8 million for the quarter. Now do keep in mind that our third-quarter adjusted EBITDA last year was negatively impacted by about $1 million of costs related to the one-time work with outside advisors and consultants as we began to shape the broader strategy for this business.

So this contributed to the larger year-over-year growth for the quarter. Backing that out, the growth would have still been materially higher than the revenue growth.

But beyond just the strong numbers, this is an extremely exciting time for this business and there is a lot -- a lot -- happening. Last week, we released more details on the Opry City Stage, the four-story restaurant bar and entertainment complex we have under development in Times Square that was announced last March. Once it opens next April, Opry City Stage will put the best of Nashville and the Grand Ole Opry in front of tens of millions of annual visitors who come to Times Square each year from around the world.

This venue will immerse visitors in southern cuisine, a full slate of live country music, and Opry-themed programming, plus a retail offering. Now in addition, we are particularly excited about a licensing arrangement that we've entered into with Nashville's famed songwriters' epicenter, the Bluebird Cafe. Through this relationship, we'll put the Bluebird's unique style of live entertainment into a listening room on the top floor of this complex to showcase country music's multitalented singer/songwriters.

We believe this unique side of entertainment will give our guests a truly special glimpse of what happens in Music City on a nightly basis. We believe there is great potential to put an Opry City Stage in major tourist markets throughout the country and potentially around the world, as we seek to grow the Opry brand, and induce more demand for Nashville and Nashville-based attractions, and the digital platforms we are working hard on.

Now when you think about the opportunities we have before us with our entertainment assets, they all compound the growing awareness of not just our brands, but the brands of Nashville as a true international tourist destination. We are highly confident that there is a unique value proposition here, and we continue to invest time and resources in getting this strategy and the sequence for growth right in order to maximize the value of these assets.

Now, let me just make one last comment, and that is regards guidance. There's been a couple of investors that have called this morning to say no reference to guidance in the earnings release. And I think one analyst sort of questioned whether we were going to change guidance in the script.

When we don't reference guidance in the earnings release, it's because guidance is unchanged. And we would not change guidance in the script and not put it out formally to the investors. So, our guidance that we put in place or -- I think slightly modified three or four months back, is unchanged for the rest of this year.

So in summary, both of our businesses are performing and are positioned extremely well, despite what many are describing as a fairly tepid economic climate. I wouldn't trade our hotel position today for any other REIT, with strong group bookings and little supply growth in our sector. And we are actively looking for opportunities to make prudent investments in our hotel properties to fully capitalize on the favorable trends we see.

The same is true for our Entertainment business, as Nashville and country music continue their robust journey. This is a very exciting time for our Company, and we look forward to keeping you all informed of our progress.

Now, I will turn over to Mark. Mark, good morning.

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

Good morning. Thank you, Colin. Good morning to everyone on the call. In the third quarter, the Company generated total consolidated revenue of $271.7 million, up 7.5% from the prior-year quarter, and net income available to common shareholders of $33.6 million or $0.66 per fully diluted share.

The Company grew profitably by 16.6% in the quarter, generating $83 million in adjusted EBITDA. And adjusted EBITDA margin in the quarter increased 240 basis points to 30.6%. For the quarter, the Company generated $65.6 million in AFFO or $1.18 per fully diluted share, a per-share increase of 10.1% when compared to the third quarter of last year.

Turning to the Hospitality segment results, the hotels finished the quarter on a same-store basis with RevPAR growth of 8.9%. This compared to the prior-year second quarter, while outside-the-room spending and group F&B increased total RevPAR by 7.1%.

Attrition and cancellation fees collected during the quarter totaled $3.6 million. During the quarter, attrition was flat. And in the year for the year cancellations decreased by approximately 25% or 2,300 room nights year-over-year.

Consolidated Hospitality adjusted EBITDA grew by 14.5% to $76.9 million, generating an adjusted EBITDA margin of 31.9% or an improvement of 200 basis points over the third quarter of last year. During the third quarter, our Entertainment segment increased revenue almost 10% to $30.7 million, and the segment's third-quarter adjusted EBITDA increased 28.5% to $11.8 million. Corporate and other adjusted EBITDA totaled a loss of $5.6 million in the third quarter compared to a loss of $5.1 million in the third quarter of 2015.

Moving on to the balance sheet, as of September 30, we had total debt of approximately $1.49 billion, net of unamortized deferred financing costs and unrestricted cash of $35.9 million resulting in net debt outstanding of $1.45 billion, including $366.9 million of borrowings drawn under our credit facility, leaving $331.1 million of availability under the facility. On October 14, the Company paid a third-quarter 2016 cash dividend of $0.75 per share.

It's our current plan to distribute total 2016 annual dividends of approximately $3 per share in cash in equal quarterly payments, with the last quarterly payment for 2016 occurring in January of 2017. Any future dividend is subject to the Board's determination as to the amount and timing of the distribution.

Let me close by saying that the quarter was a solid one for our Company, and we are all extremely proud of how the business has performed, particularly against the uncertain economic and political environment that we are facing today. As Colin outlined in his remarks, we are bullish on our long-term outlook, and are confident that both our Hospitality and Entertainment businesses have terrific growth prospects, and are uniquely well-positioned for the future.

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

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

Yes. Thanks, Mark. No, no closing remarks. Let's, Stephanie, open up the lines for questions, and look forward from hearing from some of our investors.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Shaun Kelley, Bank of America.

Dany Asad - *BofA Merrill Lynch - Analyst*

This is actually Dany Asad on for Shaun here. Well, first of all, it's great results today. But we just wanted to touch on -- Colin, you talked about the advance bookings and sales, and so, even in your prepared remarks, you talked about increased sales expenses here.

Can you maybe help us quantify how much of the results that we saw today were -- is there any form of forward-loading or promotional activity here, or to like, you know, to get extra business into the third quarter? And especially I'm asking that mostly because, seeing as how you didn't really change the full-year guidance. So how much of it really is timing in 3Q versus 4Q?

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

I'm going to hand over to Patrick on this, but the only impact in the third quarter this tremendous booking production had for all future years is the commission that we pay, the incentives that we pay, our people who have booked this business. And there was about $1 million more of cost in the third quarter due to business that will show up 2017, 2018, 2019, and 2020. So that's how it works.

And Patrick, do you want to illuminate?

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

Yes, just to add on to that, there is not really a re-timing. We expect the fourth quarter to be a very productive quarter for us in terms of sales production for group, as it historically has been. And so we have not adjusted downward our expense in the fourth quarter. We just had to endure additional cost in the third quarter, which, as Colin has talked about in the past, is a good problem to have.

Dany Asad - *BofA Merrill Lynch - Analyst*

Got it. Got it. And then maybe on a different topic, for your Entertainment segment, what kind of capital commitment should we be expecting for the Times Square investment? And maybe as a follow-up, do you feel like you need to grow the Entertainment business overall a little bit more before considering other strategic alternatives? And that's it for me.

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

Yes. Let me say this. The capital expenditure in Times Square will be -- we are doing this on a 50/50 JV -- will be less than $5 million; somewhere between $4 million and $5 million. And I'm counting on that at the moment between $4 million and $5 million, because we are trying to figure out very important but -- complicated but important things like the sound systems of this venue and how it connects to the Grand Ole Opry directly.

But in terms of your broader question -- and obviously, this is a question that we get asked every meeting -- and I'm going to give you the same answer that we give at every meeting. There are two components. If we make a decision to spin this business, there are two components that we believe are critical to the success of that. One is the clarity of the strategy; and two, the growth rate that is taking place within the business. Probably a third as well is the leadership team that we have in place at the time.

Numbers one and two, we are working very, very hard on. We've got multiple growth opportunities. There are -- several of these are growth opportunities that we are not in the -- we're not ready to announce publicly. And in terms of the longer-term strategy, we are spending a lot of our time working on that as well, with the venue distribution.

But critically, the OTT side of this that we feel will be a fabulous thing for country music, the platforms that we control here in Nashville, and we're working hard on that. When all of those things, we -- when our Board believes and our management believes that we've got all of those things in real strong form, then we'll talk more definitively about the direction of the business.

Dany Asad - *BofA Merrill Lynch - Analyst*

Got it. Thank you very much.

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

Did you get that, Dany?

Dany Asad - *BofA Merrill Lynch - Analyst*

Yes, yes, that's it. Thank you very much. That's very helpful. Thank you.

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

Thank you.

Operator

Jeff Donnelly, Wells Fargo.

Jeff Donnelly - *Wells Fargo Securities, LLC - Analyst*

Colin, I think you might have just touched on some of this in your response on the Opry. But are you at this point able to maybe talk about in your sort of wildest dreams, like how many venues you actually see in that sort of City lineup? And do you think there's going to be --

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

We are not in the projection mode, Jeff. And you know why. Because it will be a headline in your world-class release on us, and everybody will remember that. And that will be something we will be discussing in perpetuity until this business is somewhere else.

And -- but let me say this, that the excitement around what we are doing in New York City, and the excitement that we are seeing from potential other partners, lead us to the conclusion that we can do this and in multiple places. And please remember, for all of our investors on the phone, we are not doing this because we want to own bars and venues around the country and potentially internationally in major gateway cities.

We're doing this because we want to talk to this country lifestyle consumer group that love this space, so that when our digital platforms are ready, we'll have the ability to pick these people up in their indigenous markets and provide them with a proposition that isn't available today. So, we feel that our brands are very powerful and have connectivity to consumers. And so that's why we are -- the venue distribution piece is important.

And our goal internally, of course, is to have multiples of these. But, Jeff, you're going to have to bear with me. We're not going to get into the numbers. We'll let you know when we've signed deals up and where they are and stuff like that.

Jeff Donnelly - *Wells Fargo Securities, LLC - Analyst*

That's fair. And do you contemplate doing these maybe in partnership? Or have you not really determined that? And just because there is sort of a, I guess I'll call it a pro-Nashville aspect to it, is there even an opportunity to get co-investment from the city? Would they ever look at something like that?

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

Well, I'm not sure we want -- and this, by the way, is not a slam on the city of Nashville's government. I'm -- we know that the government of the city of Nashville very, very well and it's a -- this is a very, very good government. But we don't want government in our business. If there are other major investors in the city that would like to be investors, we are happy to talk to them.

We are doing the New York City in 50/50 JV with someone who understands operating in New York City. I suspect if we were, tomorrow morning, announce -- and we're not going to do this, by the way -- in a place like London or Hong Kong, Tokyo, then I would suspect that we would have local partners that would operate these things.

But we possess this platform that is sought out all across America and all across the world. And that's the opportunity. And putting it in front of these markets is a really compelling notion, I think.

Jeff Donnelly - *Wells Fargo Securities, LLC - Analyst*

And just to switch gears on bookings, you had great success on advanced bookings. Can you maybe delve a little bit deeper and talk about just trends you are seeing in that pipeline? I mean, for instance, our -- I mean, it's not the right term, but like on a same-group basis or same-event basis, are you seeing events get larger or smaller in future years compared to the last instance?

Or is the weakness that other companies are seeing in corporate transient, is it manifesting itself at all in your pipeline as maybe a shift away from corporate group events to association business? I'm just curious what you might be seeing.

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

Well, I'm going to let Pat get into -- Patrick get into the detail here. But let me say this. You know, given what's going on and what's about to happen next week, and the obsession about what the likely outcome is that all across the country -- to us, after six, seven years of decent growth, it's not surprising that the meeting planner who is focused on the meetings for next quarter, 60 days from now, is being a little more cautious.

And as we said in our scripted remarks, we are seeing the exact opposite. And meeting planners -- and it's not that we are seeing a surge of association business. All of our markets or all of our customer bases -- associations, corporations, the SMERF type business -- we are seeing good strong demand. And I think what's happening is, the meeting planner is sitting there, that has to have a meeting two, three, four years from now, they know they have these annual meetings, whether they are corporate meetings or association meetings.

And they are saying occupancy is compressing all across the big markets across the country. Occupancy is operating almost at peak occupancy in most of the big -- most of the top 25 markets. And I've got to secure space for two, three, four years out.

And remember, when they do that with us, they sign a contract. So it's not sort of a take-lightly type of a commitment. These are massive commitments that these meeting planners are making. So, no, we are not seeing any material shift in demand in the big group side.

And do you want to add anything to that, Patrick?

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

Yes. The only thing I would add, Jeff, is just a reiteration of what Colin has already said during his scripted part of the call, in that we have seen groups of 1,000 attendees, or greater, growing. But to specifically answer your question, it's really in terms of the number of groups.

The group sizes themselves, if you look at individual groups, are pretty much consistent with what they've been running at in the past three or four years. So, the smaller groups we've seen slow down a little bit in the short-term, but in the long-term, the large groups continue to grow, the number of groups increases. And we -- as we've discussed on the call earlier, feel very good about 2018, 2019 and 2020, and we are watching cautiously to see what this means for 2017. But again we are pacing in line with where we were at this point last year.

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Jeff Donnelly - *Wells Fargo Securities, LLC - Analyst*

Okay, great. Thank you guys.

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

Thanks, Jeff.

Operator

Smedes Rose, Citi.

Smedes Rose - *Citigroup - Analyst*

I just wanted to ask -- with Marriott having completed their acquisition of Starwood, are you seeing any changes at all? Or is that kind of sort of a nonevent for you guys, just in terms of group leads or, I don't know, other items that they may be able to bring to the table as a bigger system now?

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

Well, I'll tell you what the headline is, because we ask this question every day -- or Mark and I do, Patrick and the managers. But I sort of would summarize it like this, Smedes, is, business as usual.

Patrick, have you got any -- do you want to make any additional comments?

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

Yes. I would tell you that Marriott is taking this transition, from our perspective, in a very measured way -- I think it's one of the learnings from the Gaylord Hotels transition -- to make sure that critical systems, critical programs, are brought online in a very measured cadence, and they're not rushing anything. And so we think that's a good thing.

I would tell you from a leads perspective, we have not seen a decline in leads. We've not seen a decline in production, as evidenced by our bookings, and also the comment that Colin made as far as what our October results look like. This does create an opportunity for us from a multiyear booking perspective, in that you can now do multiyear rotation by adding in a current Starwood Hotel into your rotation.

So you can put together more and more rotational solutions for meeting planners where a Gaylord Hotel might not exist today. And then it also creates the opportunity for us to essentially sell a large destination. So you can take a Starwood Hotel, a Gaylord Hotel, and sell them as one single destination if the group is larger than what the Gaylord Hotel can accommodate, and those two hotels are located near one another.

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

And we have plenty of those groups.

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

Yes. And so we think that, as long as the systems and programs are approached properly, come the sales systems are done properly, this should create opportunities for us in the long-term.

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Smedes Rose - *Citigroup - Analyst*

Okay, that's very helpful. And then I just wanted to ask you, I'm sure you'll provide more guidance for 2017 at some point, but just on the CapEX front, is primarily the costs in 2017, I guess for -- sort of for projects beyond maintenance, would be associated with your expansion at the Texan? Is that correct? And I think you had said that that was about a $120 million project altogether?

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

Yes. And there will be some for Washington, the completion of the Ballroom there.

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

And we'll finalize it.

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

Go on, Mark, what were you going to say?

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

We'll finalize that -- we'll finish our investment into the Rockies.

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

Yes. Exactly.

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

And then we just have one major project on the maintenance side, which is the renovation of the Delta Wing of Gaylord Opryland, which is about 1,000 rooms.

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

Yes, but that will be in the --

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

That's -- that will be in the 5%.

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

That will be in the reserve.

Smedes Rose - *Citigroup - Analyst*

Great. Thank you.

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

All right, Smedes?

Smedes Rose - *Citigroup - Analyst*

Yes. Thank you.

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

Okay, good. Thank you.

Operator

Bill Crow, Raymond James.

Bill Crow - *Raymond James & Associates, Inc. - Analyst*

Good quarter. Colin, a couple of housekeeping items. Any update on a change -- any changes to the Aurora budget or the timing of the opening?

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

Aurora? No.

Bill Crow - *Raymond James & Associates, Inc. - Analyst*

Yes.

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

No. We -- we've increased the sale -- the number of salespeople we have simply because of lead volumes. We needed more salespeople to prosecute lead volumes. But overall, this is something we look at with our partner every single month. I know Patrick was in Colorado earlier this week. And no, the project is on time and, so far, on budget. And obviously, we like that.

Bill Crow - *Raymond James & Associates, Inc. - Analyst*

Sure. Any discussions going on with that party or another party about a possible additional Ryman-owned Gaylord property?

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

We are having conversations on several locations. And when we've got anything to talk about, we'll talk about it.

Bill Crow - *Raymond James & Associates, Inc. - Analyst*

Okay. Colin, as you think about expanding the urban Opry concept, it seems like you might have excess land in Texas to do something if you wanted to at the Texan; maybe in Orlando. Would you do something on your own property? Or would you try and keep it separate, just to ultimately be able to more cleanly separate the two businesses?

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

Bill, you ask a very good question. It really depends on what is going on around the property in question. And what I mean by that, if something tomorrow, on all of that land that sits at the doorstep in Orlando, was to happen, a material development of some kind, then clearly something like what we are doing in New York City would be tremendous.

And particularly in a market like Orlando, where, if you think about it, after nine o'clock, there is not a ton of things to do there. Most people are running around the theme parks through the day, and sort of nine o'clock, the world slows down a little, apart from Pleasure Island, I suppose.

So the answer to the question is, it really depends on what the development initiatives that are taking place at or around our hotels. But it's certainly not something that we wouldn't consider.

Bill Crow - *Raymond James & Associates, Inc. - Analyst*

Okay. And one final question. When you opened National Harbor, how many hotel rooms were in that submarket, that little area? And then how many are there today, assuming that once we add in the casino?

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

Yes. Well, when we opened National Harbor, there were -- the Westin was there. The Residence Inn across the street was there, and Milt Peterson was building the -- Aloft that we converted to the AC. And I think that's about it. And that's what's there today -- except, of course, MGM, we've had 350 hotel rooms to accommodate the anticipated 20,000 to 25,000 people a day. So, that is the answer to your question.

Bill Crow - *Raymond James & Associates, Inc. - Analyst*

Wonderful. That's it for me. Thank you.

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

Thanks, William.

Operator

Chip Oat, Tradition Capital Management.

Chip Oat - *Tradition Capital Management - Analyst*

Colin, I think you answered my question about as well as you can at this time. Thank you.

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

Okay. Thank you.

Operator

(Operator Instructions) Andrew Berg, Post Advisory Group.

Andrew Berg - *Post Advisory Group - Analyst*

A couple of quick questions. One clarification -- with respect to New York, was that $4 million to $5 million your portion of the CapEx? Or that's the JV's entire CapEx, of which you pick up a piece of it?

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

Andrew, it's ours. That's our contribution into the venture.

Andrew Berg - *Post Advisory Group - Analyst*

Okay. Second question was, with respect to the bookings that you've been seeing, and you noticed that you had seen a fall-off in some of the smaller groups, you've seen a pickup in some of the larger groups -- over 1,000 room nights -- what percentage of your business falls into each of those buckets, ballpark?

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

Yes. The way to -- here's the way to think about our business, just as a rough order of magnitude. Okay? Somewhere between 75% and 80% of our business is group. Okay? Somewhere in that region, depending on which hotel. 80% of that group -- of that group business -- is large group. Okay? So large groups are very, very, very critical to us.

I think Patrick made the comment that -- and large groups for us, by the way, we count large groups 600 and above. All right? Patrick, in -- I think, mentioned earlier, that almost 50% -- or no, maybe it was me on the -- in the script -- 50% of our 600,000-room night bookings that we did in the third quarter, 50% of that was 1,000-room-plus.

But we sort of look at large groups as 600-plus. Okay? So the way to think about it, 80% is group, 80% of that is large group, what we call Star accounts. That's the way to think about it.

Andrew Berg - *Post Advisory Group - Analyst*

And that would be 1,000-room -- and that's 1,000-room nights or more?

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

600 rooms or more.

Andrew Berg - *Post Advisory Group - Analyst*

600 rooms? Okay.

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

Yes.

Andrew Berg - *Post Advisory Group - Analyst*

And that component then that would be the small group that you alluded to that's seeing a little bit of softness, which is not uncommon from what we are hearing across the board -- any rough guess as to what percentage of your business that is?

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

It's pretty small. Patrick, it represents about 25,000 room nights a month that we book for small meetings. Right? That's the 10 to 300. And what we've seen is a decline of, you know, 5,000-ish room nights, somewhere in that region. 5,000 room nights. But it pales in comparison to the big stuff.

Andrew Berg - *Post Advisory Group - Analyst*

Yes. No, I knew it was small. I was just trying to recall what the -- how small it was. So, it's helpful to just quantify it. Thank you.

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

Okay. Any other questions?

Operator

There are no additional questions at this time, Sir.

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

Okay, lovely. All right, well, Stephanie, thank you. Investors, analysts, thank you for joining us. Good quarter. We love our positioning. And if you have any more questions, you know how to get a hold of Mark, Patrick, Todd Siefert, or me. Thank you very much. Thank you for joining us.

Operator

Thank you. This concludes today's conference. You may now disconnect.
