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RHP - Q1 2017 Ryman Hospitality Properties Inc Earnings Call

EVENT DATE/TIME: MAY 02, 2017 / 3:00PM GMT

CORPORATE PARTICIPANTS

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

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

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

Scott J. Lynn *Ryman Hospitality Properties, Inc. - SVP, General Counsel and Corporate Secretary*

CONFERENCE CALL PARTICIPANTS

Bennett Smedes Rose *Citigroup Inc, Research Division - Director and Analyst*

Charles Oat

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

David Hargreaves

Harry Croyle Curtis *Nomura Securities Co. Ltd., Research Division - MD and Senior Analyst*

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

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

PRESENTATION

Operator

Welcome to Ryman Hospitality Properties First 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 99281836. (Operator Instructions) It is now my pleasure to turn the floor over to Scott Lynn. Sir, you may begin.

Scott J. 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 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 and CEO*

Thanks, Scott. Hello, everyone, and thanks for joining us on the call today. So two months ago, we laid out for you, aspects of our long-range vision for '17, '18, '19 and beyond and the investments we are making to drive our business, that is to build a sustainable, focused, upscale, all under one roof, large group hotel business that brings with it better visibility, lower volatility, and far less competitive supply pressure than other segments of the hospitality industry.

Simultaneously, it is also to build a global multichannel country lifestyle business around our iconic Entertainment assets. The first quarter of this year was yet another successful step along those two paths. I will take you first through the highlights of the quarter and how they illustrate what we've been working towards as well as give you an update on forward progress we're making on our investments. Mark will then walk you through our financial results, affirm our guidance, and outline the cadence of the remaining quarters of the year as well as our current refinancing transactions.

We said on our fourth quarter call in February that we expected the first quarter to be one of the strongest of this year, due not only to the volume of group business on the books going in but also to the easier comparisons to of Q1 of last year, which contained the Easter holiday and Winter Storm Jonas impacts. And that is precisely what we delivered with industry-leading RevPAR growth of 7.6% across the hospitality portfolio, roughly balanced between occupancy and ADR.

Now, the overall mix of groups in the first quarter was more heavily weighted towards associations versus Corporates, compared to Q1 of '16. So outside of the room spend, grew slower than rooms revenue delivering total RevPAR growth of 5%, which is still an impressive growth rate.

Touching briefly on some of the individual hotels, Gaylord National was our best performing property in terms of RevPAR growth in Q1 at 12.5% and total RevPAR growth of 16.6%.

Now I know many of you are eager to quantify the impact of the new nearby MGM casino at National Harbor. So I want to point out that the National's 9 percentage points of increased occupancy was driven virtually all by group business that was on the books at the start of the quarter. As we told you on our last call, the National has a very strong first half of group business on the books. So with 17,000 more group room nights traveling to the National in the first quarter, there simply was not a lot of space in the patterns to pick up potential casino transients just yet. Now that said, we do believe we picked up about 2,000 incremental transient room nights at the National related to the casino.

And while we don't often talk about the AC Hotel, we were very encouraged by the 13 points of increased occupancy and a very strong 41% RevPAR growth at this property and view this as a positive indicator of National Harbor's potential, now that the casino has arrived. Gaylord Opryland posted decent growth in RevPAR at 2.2%. But as we indicated at the start of the year, Opryland is undergoing a very large rooms renovation.

In the first quarter, there were 18,000 room nights out of service in the Delta section of Opryland, yet, Marriott and our team did an excellent job managing through that process, holding adjusted EBITDA margin essentially flat year-over-year despite the slight decline in overall revenue. Now moving back up to the portfolio level. Bottom line flow-through was a healthy 52% and adjusted EBITDA margin increased 80 basis points. Again, this was an excellent performance by our Asset Management team and our partners at Marriott as it came on top of an over $1 million increase in property taxes across the portfolio in the first quarter, and I think we discussed this on our last call with you. Needless to say, we're very pleased with our operating results in this quarter.

I will say that while the high level of political and economic policy uncertainty that I mentioned on our last call in February has not changed, we accounted for this environment in our plan and we feel that relative to our peers, these results illustrate the greater visibility with which we are able to manage our business given the forward-booking nature of large groups. So let's talk about those forward bookings just for a minute here. In the first quarter, we booked over 481,000 gross group room nights for all future periods. This was up 24.6% over the first quarter of '16; on a net basis, we booked just over 387,000 group room nights during the quarter or 21% increase over last year. As of the end of March, and this is very important, this next piece, as of the end of March, we had over 6.4 million gross room nights on the books for all future years. Now this is a 600,000 room night increase or 10.5% over the end of March of 2016.

This is an impressive achievement given that it comes on the heels of a huge production in the fourth quarter of last year, which was the second highest quarter of production in our company's history.

As usual, these numbers exclude the sales production for the Gaylord Rockies, which booked about 83,000 gross group room nights during the first quarter. And on analysis, it seems 100% of these room nights, were new to Colorado, i.e. they had not held a meeting over the last five years, and 17% of these room nights were new to the Gaylord Hotels brand.

Drilling down a bit by individual year, we continue to have approximately three more occu points -- occupancy points of net group occupancy on the books for 2018 than we did at this time last year for 2017.

And '19 also remains ahead of last year's T+2 net occupancy on the books. Now what is remarkable about this pace is that we're showing these increases in occupancy on the books even as the denominator, in terms of our rooms capacity in future years, is growing through the additional 300 -- the addition of 300 rooms at the Texan coming online partly through 2018.

The strength of our forward book of business -- given the strength of our forward book of business, we continue to look for opportunities to further emphasize rate in our meeting planner discussions. Overall, we've been saying '18 and '19 are setting up very nicely for our business. And our Q1 sales production continues to reinforce that. In a nutshell, we are delighted with our first quarter RevPAR growth, we are delighted with our first quarter sales production and we're delighted with our position in the sweet spot of the large group hospitality business with limited competitive supply and growing large group demand.

But we're not sitting still. So let's now look ahead and update you on the progress we're making during this very busy investment year to ensure that we can continue to protect our privileged position and reap the opportunities available to us. In Washington, D.C, we expect to host a ribbon cutting in a couple of weeks on our stunning riverfront ballroom, and the first group should begin using this space in mid-May.

Our group bookings into the space are on pace with our original pro forma and we expect to do a substantial local/social event business as well. There is no other event space like this on the water in the greater D.C. region. Our 300-room expansion of the Gaylord Texan is proceeding on time and on budget and has had virtually no disruption on the operation of the existing hotel.

As you saw in our results, the Texan had an excellent Q1 and so this expansion will be coming at just the right time next year. The book of business for this project is building nicely and is in line with our expectations as well. Now here in Nashville, we've broken ground on SoundWaves, a $90 million resort water experience. And I want to especially, and publicly, thank the city of Nashville, the Council, and our Mayor, Megan Barry, for their support and final passage in March of the property tax incentive package, which helped ensure that this project moves forward. We expect it will bring substantial new jobs and hotel and sales tax revenue to our city and we're very excited to be getting underway.

Finally, our joint venture project in Denver, the Gaylord Rockies, is also on-time and on budget. Now the good news is, the structure will be fully enclosed before next winter, which means the potential for weather delays has come down considerably as we move towards a planned opening near the end of next year.

Now let me turn now, briefly, to our Entertainment business. And as you will no doubt have seen, this segment had a very robust first quarter, growing revenue and adjusted EBITDA by 26% and 88% respectively. Of course, some of this growth was due to an easier comp to Q1 of last year, which was when we began to implement many of the investments in people and systems that gives us the capability to execute on our strategy.

Also Q1 of last year saw the closure of the Wildhorse Saloon for major renovations during a portion of the quarter. But even without these benefits, attendance and per cap spending at our Nashville venues was up very nicely in the first quarter.

Now in terms of our growth investments in the Entertainment segment, we recently held a successful nail-driving ceremony for the smaller of the two planned Ole Red venues with Blake Shelton in his hometown of Tishomingo, Oklahoma. Construction of the flagship venue in Nashville is underway.

Surveying the landscape, we believe, Ole Red Nashville will surpass any other music-based food and Entertainment venue in this city when it opens in 2018. And we expect it will become a destination unto itself for new generations of country music fans.

Our Opry City Stage venue in Times Square should also be opening later this year, placing our brand squarely in the midst of millions of more fans annually. On the people front, our expansion -- on the people front of our expansion, we hired a Chief Marketing Officer for the business to unify the messages of our country lifestyle brands. And we also added Alvin Bowles to our Board of Directors as subject to the board tomorrow, Scott.

Alvin is a global head of publisher sales and operations at Facebook with a wealth of prior experience at GrabMedia, BET Networks, AOL, and Time Warner. He is an accomplished executive who brings a depth of talent across digital media and Entertainment to our board as we nurture our Entertainment business and bring it to a much wider audience.

In conclusion, in both of our businesses, we have a clear vision of where we are headed and we are executing on our plans diligently. This quarter, was another step along the path. It is the same path we've been on since we built the National, Palms, and Texan and the same path we've been on when we chose to bring Marriott on board in '13 as our operator, specifically for their capabilities and particularly, their first class reward program.

And it is the same path we laid out in March of '16 at our Investor Day when we showed you the earnings potential for these businesses over a 5-year growth trajectory, a trajectory we remain solidly on top of. We love the characteristics of our large group space, growing demand, limited competitive supply, and advanced contractual bookings. We've invested, and will continue to invest, substantially, in our existing assets through expansions and amenities.

We will also continue to look for opportunities to bring new assets into the fold, like the Gaylord Rockies, if they offer an opportunity to better serve the large group customer who is searching for an all-under-one-roof meeting space experience, particularly, in markets we're not represented in. Our strategy in our Entertainment business is younger, but it is a strategy rooted in a rich, historic legacy, and authenticity of our iconic assets. We will continue to carefully protect that legacy as we expand it into new channels and adapt it to the digital world we now live in.

One last important piece of information to share with you is that we're in the midst of closing a major refinancing of our balance sheet on terms that are very favorable to us and reflect the underlying strength of our company. And with that, I'll turn it over to Mark to fill you in on the details of this transaction as well as to affirm our annual guidance and provide additional color on the remaining quarters of this year. Marcus?

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

Thank you, Colin. Good morning, everyone. In the first quarter, the company generated total revenue of $276 million, up 5.6% from the first quarter of 2016 and net income of $32.6 million or a 23.8% increase from the first quarter of last year. First quarter consolidated adjusted EBITDA of $80.6 million represented a 9.7% increase over the first quarter of last year and an improvement in adjusted EBITDA margin of 110 basis points.

AFFO in the quarter was at $62.8 million, up 11% from the first quarter of 2016 and amounted to $1.22 per fully diluted share. As Colin outlined, our Hospitality segment posted very healthy RevPAR growth of 7.6% due to a strong book of group business going into the quarter and the additional benefit of an easier comparison to the Easter Holiday and Winter Storm Jonas. Specifically, we believe, the Easter shift favorably impacted Q1 by approximately 10,000 room nights for a little over $3.5 million in rooms revenue across the portfolio.

For those curious about the inauguration impact at Gaylord National, we estimate it contributed about $1 million to other revenue related to banquet and events. As Colin mentioned, the increase in rooms revenue and National was primarily attributable to the strong book of group business already on the books for the quarter rather than to the MGM casino or the inauguration.

In-the-year, for-the-year cancellations increased by approximately 4,400 room nights versus the prior-year quarter. This increase was driven solely by a single large group cancellation at Opryland.

The organization made the decision to host their meeting in a different market. The contract associated with this group includes our standard cancellation fees and we anticipate collecting these fees in the third quarter of this year.

Attrition across the portfolio in Q1 of 11.3% was up slightly compared to 11% in Q1 of 2016, while attrition and cancellation revenue fell to $2.8 million. As you will recall, we anticipated the strength of the first quarter when we provided our guidance in February. To update you, given the group business on the books for the balance of the year, and the quarterly comparisons to last year, we continue to expect that Q2 will be flat to slightly positive and Q3 will be down low-single-digits in terms of RevPAR growth, with Q2 bearing Easter -- the Easter impact and Q3 facing a tough prior year comp of nearly 9%.

We expect Q4 to then return to mid-single-digit RevPAR growth, again, consistent with the color we provided on our February earnings call. Thus, for the full year, we continue to expect 0% to 3% growth in RevPAR and total RevPAR, across the Hospitality segment and affirm the dollar ranges we provided for Hospitality, Entertainment, Corporate, and consolidated adjusted EBITDA as well as consolidated FFO and AFFO.

Moving on to the balance sheet, as Colin highlighted, we're in the process of closing a significant refinancing of our secured indebtedness. Given the combination of a very favorable term loan B market and the healthy state of our business and forward bookings, we were able to upsize our existing term loan B from $389 million to $500 million as well as extend its maturity by 3 years from 2021 to 2024, and to improve its pricing by 50 basis points from LIBOR plus 275 with a 75 basis point floor to LIBOR plus 225 with no floor.

Interest from institutional investors in the term loan B was substantial and the deal was oversubscribed, which allowed us to secure the $500 million in commitments with no original issue discount. Overall, this was a very successful execution compared to other deals in the market.

Simultaneously, given our excellent long-term relationships with our bank group, we were able extend our $700 million revolving credit facility by 2 years from 2019 to 2021, also at slightly improved pricing. And finally, our existing bank group also committed to funding a new $200 million Term Loan A, priced inside the revolver. Proceeds from both the Term Loan A and the upsizing of the Term Loan B will be used to pay down the outstanding balances on the revolver.

Subject to customary closing conditions, we expect to close a Term Loan B in mid-May and the revolver in Term Loan A by the end of May. This refinancing is an opportunistic deal that improves an already healthy balance sheet. It moves our earliest debt maturity out by two years, from 2019 to 2021, and increases our flexibility to fund our current development projects and future growth opportunities by freeing up capacity on our revolving facility and it achieves improved interest rate pricing across our floating rate secured debt.

Since the additional term loan proceeds are being used to repay revolving balances, the transaction remains leverage neutral and so will not change our Q1 position of $1.6 billion of debt, $34 million of unrestricted cash, and a net debt to trailing adjusted EBITDA ratio of 4.3x. However, pro forma for the transaction we will have $580 million of capacity on our revolver.

Lastly, on April 15, the company paid its first quarter 2017 cash dividend of $0.80 per share. It's our current plan to distribute total 2017 annual dividend of approximately $3.20 per share in cash and equal quarterly payments in July, October, and January of 2018.

Let me close by saying that this quarter was a solid one for our company. It came in consistent with our expectations and we remain confident in our business and the outlook we provided for the full year. And with that, I'll turn it back over to Colin for any closing remarks.

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

No, Mark. I think we'll get straight on to questions. But thank you. Stephanie, if we could open up the call to questions, please, that would be good.

QUESTIONS AND ANSWERS

Operator

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

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

I wanted to ask if you've seen any changes. I guess, I'm talking more about in-the-year, for-the-year which you have less of than a lot of your peers. But as some of these other companies have talked about grouping up, given an uncertain transient environment, have you seen any of that impact to you? And then conversely, we don't know, we're still early days in the Marriott-Starwood merger and integration, but we might see some changes in the composition of the group hotels on the Starwood side. Do you see any positive benefits from that down the line?

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

Yes. This is Colin. So let me give you sort of a 30,000 foot view of group. Because we know there's been some commentary of recent that has led to speculation that sort of -- there has been sort of a weakening here in group. So for us, we do not look at group as sort of a homogenous bucket. Group types can behave very, very differently and our hotels understand that, and as does Marriott, and that is why we have a very different sales structure by group type. So what we're seeing in group, by category, would be as follows -- so this by the way, relates to forward bookings. So large groups looking to book for 2018 forward, and I know you didn't ask that question, you asked about short term stuff. As you would have seen from what has occurred in our first quarter, what occurred last year, is that this sector is very, very -- we see it as very strong. And what this has led to, as we've outlined this morning in our earnings call, which we've just done here, our inventory of forward room nights has grown over the last 12 months by over 600,000 room nights, which is an awful lot of room nights. I mean that is a staggering amount of room nights that this forward inventory has grown by. And by the way, if you remember the Smith Travel analysis of last year, where Smith Travel looked at between the years of '13 and '15, what they pointed out is large groups are growing very, very healthily. So there's no change to that. We're very, very happy with what we're seeing. Now in the short term small groups, particularly Corporate, we have seen some volatility in their willingness to book. But frankly, this was a pattern that emerged in the second quarter of last year which we pointed out -- I think, Patrick, in our second quarter earnings call last year. But from our perspective, this is not something that's keeping us up at night. We have seen two or three months where we book at historical pace and then one or two months, where we are slightly below it.

The first quarter of this year, our in-the-year, for-the-year, short-term stuff was there or thereabouts to historical pace. I think I'm accurate in that analysis, Patrick. So in terms of current group behavior, I would describe it as steady as she goes -- in terms of current group behavior, steady as she goes, where we're not seeing groups change their behavior in terms of attrition. We're not seeing groups change their behavior in terms of cancellations. We did have the one cancellation that was 7,000 room nights in Opryland, but as Mark pointed out, we're going to collect $1.2 million, $1.3 million of cancellation fees and we think...

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

And that group is traveling.

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

And that group is traveling. So we're not -- we listen to the earnings calls of our peers, all those companies that we tend to get lumped with, and try and analyze what they're saying to what we're seeing and I would say to you that yes, we've seen a little bit of volatility in the short term small group. But this has been dramatically offset by the strength of the large group business that continues to show up in our business. Patrick, is there anything else I missed on? And then we'll talk about the Marriott-Starwood pieces in a second.

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

Chris, this is Patrick. Just want to add on to what Colin's already said, I would emphasize that it's really nothing new that we've since Q2 of 2016. We've talked about that we've seen some lead declines in pharmaceutical business. We've seen some lead declines in medical. We attribute both of those to some of the current administration's discussions around what might be changing in the short-term for both of those industries. But I would tell you that we have really good patterns for the remainder of this year, particularly at Gaylord Opryland. We've made some improvements in our sales teams since last year, so we feel better about their capabilities. We of the new RiverView Ballroom opening up, which will help short term business at Gaylord National. And quite honestly, as we've already alluded to, we've been talking about this since Q2 of 2016, some of this volatility to our comp as far as bookings, actually gets a little bit easier for the short term because we're now lapping some of this volatility that we saw early in last year.

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

In terms of the Marriott-Starwood merger, I think, this is -- Marriott is working diligently on this. This is going to continue to keep them gainfully focused. But we only believe that this will be helpful to us in the long term once those large convention hotels get merged into the Marriott convention network and apply a far greater focus of sales processes, and not the way it's been historically where you've got two businesses beating each other up in terms of room rates and competitively bidding for business. So we hope that over the next one to two years, this is a positive experience for the businesses that we own.

Operator

Your next question is from the line of Smedes Rose with Citi.

Bennett Smedes Rose - *Citigroup Inc, Research Division - Director and Analyst*

I just wanted to ask -- you mentioned in your press release that you saw a change in the mix of group bookings that favored Association over Corporate and I was just wondering if you continue to see that in the pickup that you saw in the first quarter of bookings? Or do you think that was just sort of unique to the first quarter?

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

The business that traveled in the first quarter was business that was booked 1 year, 2, 3, 4 years ago and it's just -- that's just the way it was in terms of the profile that we booked strong Association business, 2, 3, 4 years ago that arrived in this first quarter. Patrick, do you have the dissection between Corporate and Association on that?

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

That was booked in the first quarter?

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

Yes.

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

So in the first quarter we booked an increase, year-over-year, of about 32,000 room nights in Associations. So Associations saw a really healthy increase. Corporate was up, not as much as Association, so to the discussion we've been having, some of that short-term volatility was showing up in the Corporate side and then our SMERF, or the Other Group category, social, military, education, religious and fraternal groups, were essentially a little bit down year-over-year. So Association was the big winner as far as groups being booked in the first quarter for future periods.

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

But both Association and Corporate were up.

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

They were both up. That's correct.

Bennett Smedes Rose - *Citigroup Inc, Research Division - Director and Analyst*

And then just -- your sort of RevPAR guidance as you kind of worked through the year, it seems that 0 seems pretty -- would be difficult to achieve. And I'm just wondering, is there one quarter where you are sort of the least confident? Is it the tough comp in the third quarter where you think you could see maybe more downside? Or I'm just trying to think what would get you down to 0? Or are you just being conservative?

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

I would answer this, this way. Let me answer it this way. We put out guidance two months ago in February. It's about two months ago, right? 2.5 months ago, right at the end of February. And we just think it's inappropriate for us to be changing it one way or the other. If we thought that there was downside risk, we would have changed it. I mean, it's not one way or the other. We would have changed it. But I would say to you that the third quarter is the quarter that we will see a down RevPAR and it's simply because we had such a strong third quarter of last year. But I -- at this stage, I would say that the 0 is -- we're being cautious here. We get no benefit from you guys if we change stuff like this. We just don't. So we're in good shape with the first quarter and we think fourth quarter is going to be pretty good.

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*

I was actually probably going to ask the same thing that was just asked, so -- on the mix shift. But maybe to shift gears, we could talk a little bit about just the CapEx timing. Could you just give us an update on when exactly you expect the additional rooms at Texan to open or how those will spread across '18 and then similar for Rockies. How do you think that's going to kind of phase in? Is it going to be all in one -- one big opening? Is that going to be meaningful in 4Q '18 or is that really a '19 -- really a '19 scheduled opening?

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

Yes. So Shaun, right now, we're thinking that the Rockies -- we're trending a couple of weeks ahead of our plan. But it is sort of a December time frame of 2018.

So I would for caution's sake, open the Rockies January 1 of 2019. In terms of Texas (sic) [Texan], we're hopeful to have this hotel up -- this expansion and its meeting space up and running sometimes in, I would say in the June, July time frame.

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

Great. Similar question for SoundWaves and also I think the restaurant concept you're working on. What's the just general view on that? And particularly is SoundWaves going to open in phases, because I think that was mentioned last quarter?

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

Yes. That is one thing we're trying to figure out, the opening of the outside. We're trying to figure out how we structurally open the outside to coincide with the summer of next year. The issue is getting folks into it and out of it in an orderly fashion. And that's what we're working through right now. We're expecting to open the hard construction piece, the enclosed piece of all of this I would say, early in the fourth quarter, sometime around October. I think that's right, Patrick, right?

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

Sorry, 4Q '18? For the indoor piece? Okay

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

Yes. Fourth quarter next year and -- in the beginning of fourth quarter next year, and we're hopeful that we can use some of that beautiful pool expansion in the early summer of next year. But don't take that as definite at this stage. We're still trying to work through the logistics of all of that. In terms of the restaurant projects, Ole Red should open up in Nashville sometime around about, I think May. We want to open it in time for the CMA Festival here in Nashville in May of next year. The one in Tishomingo, which is from an EBITDA perspective, it's sort of inconsequential. That will be ready, we think, in September, October of this year and the one in New York City, we're hopeful to have that sometime in the September, October time frame. That one's been delayed a period. Unfortunately, there was a workplace accident that occurred there that has caused that project to be temporarily suspended while the workplace accident by the contractor is being investigated.

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

And just the last question on this would be the -- these two -- these restaurant projects are all going to flow through the Entertainment segment I would assume. Is that sort of what we should expect from a modeling perspective?

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

Yes. Shaun, that's correct.

Operator

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

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

Let me just start by following up on that last question. Are you undertaking these entertainment projects with the ultimate thought that you're going to divide the company up? And are they being structured in such a way that, that would make -- it would make sense, it would be easy to do?

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

Well, the projects, they're not being structured in any way that would somehow benefit us separating the Entertainment business. But as we've talked about, Bill, multiple times, we've got multiple ways in which we can separate this business and at some point in time, it will be. And that's really what we have to say at this stage. I -- but these restaurant businesses, what we're trying to do here with them is, obviously, generate profitability because we want to put these facilities in front of these country lifestyle consumers, whether they be in Nashville, New York, or wherever else we're looking at. But these are pretty straightforward standard venues from a structuring perspective. They're just being housed within the Entertainment business.

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

Yes, Bill, they're within a taxable REIT subsidiary and there's nothing about structure that would impede or limited flexibility in terms of how we might structure the business going forward.

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

Okay. It seems like in the second quarter the biggest risk in the quarter might be April given the shift of Easter. Can you give us April results?

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

Well, we can't give you the results but we'll give you the -- we'll give you the top line. I think, the top line came in in accordance with, there or thereabouts, our plan of operation.

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

Yes. We don't have results yet but we're expecting.

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

Yes. But our revenues, we know, there or thereabouts to our operating plan.

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

So that was flat to up slightly, is that second quarter?

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

For the quarter, that's right.

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

Yes. Okay. Two more real quick ones. First of all, just curious about the group that decided to move their meeting and absorb the $1.3 million fee, what -- is there something unique that went on there? What drove that decision on their part?

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

Bill, this is Patrick. They decided to move to a different city. I can't speak to their decision to do that. But that makes it very clean for us as far as collecting the contractually obligated cancellation fee. We as always, strive to maintain a positive relationship with them. So this one's pretty cut and dry, but I can't really give you any idea what their motivation was. It pretty clearly was not economically driven, but it's a decision either they got a better deal or they wanted to be in a different location but they definitely did decide to go to a different city.

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

Bill, it wasn't because they didn't like the idea of Opryland or Nashville. It was that they wanted to go somewhere else. That was the driver.

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

Yes. Understood. And then finally from me and I can't remember if we've talked about this before. Have any of your hotels benefited from the Moscone Center disruption? We're hearing some of the meetings got moved to Orlando, so I was just curious whether you have kind of a non-recurring benefit?

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

Patrick, you're shaking your head, I don't...

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

We track who's new to the brand, whose been acquired. We track who are the loyal customers that are coming back and we've seen nothing in that data that would lead us to believe that we've benefited from Moscone being closed.

Operator

(Operator Instructions) Your next question comes from the line of Harry Curtis with Nomura Instinet.

Harry Croyle Curtis - *Nomura Securities Co. Ltd., Research Division - MD and Senior Analyst*

I wanted to ask about the pace of booking. It is early -- for the Rockies. And in -- as you introduced the Rockies, is it typically the case that you need to entice meeting planners with discounted rates or are you pretty pleased with the rates that you're getting relative to the other properties? And then the last question is has there been any shift away from the other properties as you book into the Rockies?

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

Well, let's cover the second part of the question first. As you will have no doubt seen, we've been booking the Rockies -- we opened the Rockies up inventory-wise in January of 2016. And for the rest of our hotels -- the other big four hotels, 2016 was by far the best year of bookings we've ever had as a company, right? So we haven't, frankly, felt the Rockies as a competitive pressure to our existing portfolio of hotels. What is also interesting is that I gave you the statistic, Harry, that 17% of the bookings in the first quarter were pieces of business that were new to the Gaylord brand. And if you recall, because you've been following us for some time, this is precisely what happened when we opened Washington. We got a ton of business that we've never seen before that we were able to capture and then start to rotate. So we're very excited about that particular feature of the bookings that we're seeing. But from a rate perspective, Patrick, I don't think that we are feeling pressure, by the meeting planners to heavily discount in order to secure these room nights. That's just not what we're seeing here.

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

Yes, I would agree with that. We have a very clear path set out as far as the rates that we want to book each year, the average rate and the number of room nights. And we have been on pace and on target for those targets that we've set out. I would tell you that, quite honestly, in 2016, there was some pent up demand in the first and second quarter as a lot of meeting planners were looking forward to booking Rockies, once the sales office was open and, obviously, with that pent up demand, rate is less of a negotiation because you have meeting planners there who are very motivated to go ahead and book. Just to add on to what Colin has already said, I would remind you that we always want to see rotation between our properties of groups and we're seeing that. We're seeing groups that are loyal customers to our existing four hotels, now rotating into the Rockies. To balance that, though, we have set some acquisition target goals for the sales team to make sure that, to Colin's point, they are introducing the appropriate level of new groups into the mix. And we put a lot of pressure on the sales team in 2016 to hit those targets, and I would tell you, as we moved into '17, I'm very pleased with the direction they've been going from an acquisition perspective. So we think it's very balanced, the number of groups rotating versus the number of new groups that are being introduced to the brand and then will rotate from Rockies to our other locations, as a result.

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

The other thing that happens, Harry, with these big hotels, because the gestation period is so long, as these babies come out of the ground, as they become physically, you can see the mass and the scale and you can start getting meeting planners driving around the asset. What we tend to see is that the meeting planner enthusiasm for booking sort of rises as the building comes out of ground. So we're excited about all of that.

Harry Croyle Curtis - *Nomura Securities Co. Ltd., Research Division - MD and Senior Analyst*

So as a follow up, what should investors expect for first year occupancy for a new building like this? And say, how would it compare to the first year occupancy at Gaylord National?

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

Well, we haven't gotten into that level of granularity. But we would not expect a material difference between this hotel, that sits next to one of the nation's busiest airports, that is centrally located, we would not expect to see a difference, one way or the other between -- the problem that we had when we opened Washington was that we opened it in the middle of 2008, and -- as the world was starting to go off a cliff. But we expect solid performance with this hotel. We really do expect solid performance with this hotel.

Operator

Your next question is from the line of David Hargreaves with Stifel Financial.

David Hargreaves

I'm wondering if you keep an eye on the volume of activity going on in Vegas and if the pricing, room pricing, parking pricing, and everything is starting to get to a point where some of that business might be more easy to get?

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

So you're saying, because of the volumes of demand for Vegas, there are two hotels that have -- one is the Hotel Genting that is under construction and one is, Steve Wynn has recently announced that he's going to build on the golf course there, I think 1,500 rooms on the golf course. I think that was what is was, initially, Phase I. But are you saying that because of the volume of gaining leisure customers going in there, it may be, and the pricing, that it may be opportunistic to take customers from Vegas into our existing portfolio? Was that the detail of the question?

David Hargreaves

No, what I meant was that it seems that the price continues to go up and a lot of the related pricing is getting -- the value proposition maybe isn't quite as competitive and I'm wondering if that's maybe -- if you're able to go after some of that convention business, that group business?

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

Well, yes. So the answer to the question is this that and we've done a lot of research on this stuff. 50% of the groups in the United States of America, there or thereabouts, the largest groups in the United States of America, want to have Vegas in their rotation. Are those groups a potential acquisition for us because of pricing? The answer, of course, is yes, providing our pricing doesn't escalate disproportionately to what you're seeing going on in Vegas. But we are always bidding against Las Vegas, have been for the last decade. And what we tend to see -- Vegas becomes a competitive threat when the world goes off a cliff, a la 2008, 2009 and the leisure customer doesn't turn up there. So this is one of the things that we, David, that we have been really talking about here for the last two to three years, the thing that you're touching on, is there is very limited new supply for groups that want to book 6,000, 8,000 rooms at peak right across the country. There is very limited availability for this. And so as prices go up in one particular market, groups that want -- that have historically traveled to that market, do we have a chance to get them? The answer is, yes. But demand for this 1,000-room-plus continues to grow and is very attractive at this stage.

Operator

Your next question comes from the line of Chip Oat with Tradition Capital Management.

Charles Oat

Colin, regarding, theoretically possible properties in the Starwood portfolio that could fit your criteria, assuming that the price was right, are there one to five possibilities in there? Theoretical possibilities? six to ten? What is the number? I mean there are not that many properties out there that are even worth a sniff from you.

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

Yes. This is what I would say. This is what I would say. I -- we don't sort of look at it like how many in the Starwood portfolio. We don't look at it that way. We look at what are the large, really large group hotels in the markets that we really are attracted to? What are those hotels? Who owns them, and is there a potential for them to be disconnected from their current ownership structure? And I would say there's five to ten large, big, beautiful great convention hotels out there. The reason why we look at Starwood is because now they will be within the Marriott armory. And that is beneficial to us, unlike the rest of REIT land. The reason it is beneficial to us is because we have a very distinctive strategy of rotating customers from one hotel to another hotel to another hotel. So there are a bunch of hotels out there. We're constantly looking at hotels. We're constantly having preliminary discussions. But it's an issue of price. And it's an issue of market. And it's an issue of availability.

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

Stephanie, we'll take one more question and then if other folks have questions, prospectively they can call into Mark, myself, or Patrick and we'll do it that way. So if there's someone else on the line that wants to ask a question, we'll do that.

Operator

At this time there are no further questions.

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

All right, Stephanie, thank you. And everyone, thank you for being on the call this morning. I appreciate it. And we'll be speaking with you all over the next couple of months as we find ourselves in these investor forums. Thank you very much.

Operator

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