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RHP - Q4 2016 Ryman Hospitality Properties Inc Earnings Call

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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties fourth-quarter and full-year 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 800-585-8367, and the conference ID number is 59806144. (Operator Instructions)

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

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

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, Scott. Good morning, everyone, and thanks for joining us. I will begin this call by spending a little bit of time looking backwards at our fourth-quarter and full-year performance, but then I'd like to shift to looking forward and to describe how we see the trajectory of our business shaping up, not just in terms of 2017 and our guidance for this particular year but also into 2018 and beyond. I will then pass it on to Mark to discuss the financials.

So, let's take a quick look back. 2016 was a record year for our Company in all key respects. Total revenue, adjusted EBITDA, AFFO, and what's really important for us, long-term bookings.

Now, in terms of group bookings, in the fourth quarter, we produced 971,000 gross room nights for all future years, nearly matching the all-time record fourth quarter of 2015. Now this was better than we expected and puts our total 2016 production at a whopping 2.57 million room nights, the single best production year in our history and a 10% increase over the full-year 2015.

We ended the year with a total of 6.4 million gross group room nights on the books for all future years, a 9% increase over the end of last year. Now, to put this in perspective, this is 400,000 more gross group room nights on the books for all future years than we've ever had in the history of this brand. These room nights represent $1.3 billion in future group room revenue alone.

Separate from these totals, the sales team at our newest joint venture property, the Gaylord Rockies, booked 187,000 gross group room nights in Q4, closing out a strong first year that ended with 399,000 net room nights on the books for all future periods. This exceeded our full-year goal for this project, and we are particularly pleased to note that 82% of these room nights are for meetings that are new to the state of Colorado. In short, the large group business remains alive, well, and strong.

Now, we mentioned on our last call that we expected the fourth-quarter RevPAR to be flat to slightly down, given both the very tough comparison to a 9% RevPAR growth in Q4 2015, which came on top of a 10% RevPAR growth in Q4 of 2014, as well as the fact that we entered the fourth quarter of 2016 with 14,000 fewer group room nights on the books than we had going into Q4 of 2015. And that's really how the quarter pretty much played out with RevPAR slightly declining 2.1%.

However, our leisure transient business and our holiday programming performed very well, which drove solid outside of the room spending and led to an increase in total RevPAR of 1.3%. Adjusted EBITDA in our hotel business grew 5.4% for the quarter and 6.7% for the year, driven by 115 basis points of margin improvement in Q4 and a 70 basis points of improvement for the year.

Our entertainment business also delivered its own record performance in 2016, growing revenues by 12% for both Q4 and the full year, while adjusted EBITDA grew 28% for the quarter and 16% for the year. This is the third consecutive year that our entertainment business increased both revenue and adjusted EBITDA by double digits.

Needless to say, the city of Nashville continues to rack up travel accolades in 2016 and the influx of tourists, jobs and new residents showed little signs of slowing.

Now, let's look forward. 2017 is going to be extremely busy for all of us here at Ryman with the number and size of the growth initiatives we have underway in both our hotel and our entertainment business. Now, let's start again with our hotel business.

We are well underway with our meeting space addition and the 300-room expansion at the Gaylord Texan, which we expect to open in the middle of 2018. Our magnificent riverfront ballroom at the Gaylord National is nearing completion, and we expect it to open in the spring of this year.

We are also encouraged by the early impact at National Harbor from the opening of the new MGM casino, which we estimate drove about 3400 incremental leisure transient room nights to our two hotels in the harbor through the end of the year. This was in line with our expectations, and we look forward to collaborating with MGM as their regional marketing efforts get underway in the near future, which should draw even more overnight casino customers compared to the early crowds, which to date have been predominantly local customers.

Now, moving to Nashville, in 2017 we will undertake the largest phase yet of our comprehensive room renovation at Opryland, overhauling over 1000 rooms in the Delta wing after completing 800 rooms in the Cascade wing in 2016. And just a few weeks ago, we unveiled plans for SoundWaves, our $90 million upscale water experience here at Opryland. SoundWaves will be the next major step forward in the evolution of Opryland and will solidify its status as a one-of-a-kind destination when it opens in the middle of 2018.

For our group customers, it will further differentiate Opryland's all under one roof offering by accommodating more premium event options while stimulating meeting attendees to extend their stays to bring their families. Meanwhile, for the surge in leisure travelers, we have seen in -- let me say that again, meanwhile -- let me say that again. Meanwhile from the surge in leisure travelers we have seen in Nashville, SoundWaves will offer an expansive oasis to relax and wind down that cannot be replicated in the crowded and pricey real estate of downtown.

Finally, out West in Colorado, construction of the Gaylord Rockies is going smoothly and progressing on schedule, heading for a late [2018] (corrected by company after the call) opening as planned.

Now, what's most exciting about all of these hotel projects is the response we're seeing from our customers. The long-term bookings associated with what we are doing at the Texan and the National have been very encouraging, and our recent SoundWaves announcement at Opryland has generated very favorable feedback from the meeting planners. And I've already mentioned the bookings for Gaylord Rockies. This demonstrates what we have always said about our business. That is reinvesting in our own assets offers some of the best returns on capital available to us and our shareholders.

The reason these returns are available is because not only does the group business remain extremely healthy with the large meetings getting even larger, but also competitive supply to service these growing customers remains extremely limited.

On our last call, I took you through the very small pipeline of 1,000 plus hotel rooms -- 1,000 plus room hotels in the country, and nothing has changed in the last four months. There are still only five such big-box hotels currently under construction beside the Gaylord Rockies, and the largest meeting space at any of them outside of the one in Las Vegas is 150,000 square foot. To put that in perspective, that's less than half the size of our smallest resort. These are essentially convention center hotels and not directly comparable to what we offer the group customer in the Gaylord brand. And to state the obvious, nothing about the supply landscape is likely to change in the next quarter or the one after that as it takes years for one of these hotels to go through the planning, construction and finally to completion. So we absolutely love our position in the hotel business, particularly as we look forward over the next few years.

Now, turning to our other business, 2017 will also be extremely busy for our entertainment business. In New York City, we'll be opening our Opry City Stage restaurant and music venue in the heart of Times Square and its 40 million annual visitors early in the summer. Closer to home here in Nashville, we will be hard at work turning our premier real estate at 300 Broadway into the Ole Red, a four-story music and entertainment destination in partnership with Blake Shelton that will be unlike anything else you see today in downtown Nashville. When it opens in 2018, Ole Red, together with Opry City Stage, the Grand Ole Opry and the Ryman Auditorium will be the physical anchors and the content generators that will propel the overall growth strategy of our entertainment business across restaurants, retail, digital, and other channels.

Our entertainment team is building a portfolio of unique brands and assets inside and outside of Nashville that will put us in touch with literally millions of fans and will enable them to experience everything they love about the country music lifestyle.

Now when I look at all of these growth opportunities in both our businesses and the early response to them from our hotel customers and our entertainment fans, I have simply never been more excited about the period ahead of us.

Now let me turn to our specific guidance for 2017 that I sort of look at as a transition year and then some comments on the pace of 2018 and beyond for our hotel business. On a housekeeping note, now that the AC Hotel in National Harbor has been open for a full calendar year, we will be rolling this property into our hospitality guidance metrics going forward. This change has no material impact on RevPAR guidance.

Now we told you throughout the past year that 2017 was pacing about the same as 2016 did during 2015, and that's how it finished the year. We entered 2017 with about 49.5 points of net occupancy on the books, slightly higher than the 49.2% -- points that we had entering 2016. We will also have the highest level of rooms out of service at Opryland since the 2010 flood due to the scheduled renovation of the Delta wing that I mentioned earlier.

While we are encouraged by the early impact of the MGM casino at the National, the National already had a very strong book of group business lined up for the first half of 2017, including the inauguration effects that we witnessed in January. This will mute the year-over-year positive impact of the casino on our transient segment until the second half of the year when there are more opportunities to realize the benefits of the gaming customer.

So, for our total hospitality business, we are expecting both RevPAR and total RevPAR growth in the zero to 3% range. The 3-point spread in our guidance is slightly wider than past couple of years, simply due to the high level of political and economic policy uncertainty at this early stage of the new administration and the activity associated with our growth efforts. And so we felt it was prudent to account for this in our plan.

While adjusted EBITDA margins in 2016 increased 70 basis points, we would not expect such an increase in 2017 as some costs will play catch up for this year, primarily property taxes. We've not had a material property reappraisal across the portfolio since 2013, and so we anticipate that we will see some increases due to the performance of our properties since then. Also, with all of the expansions and renovations going on at our hotels, we expect there will be -- there will inevitably be some costs that creep into the operations as we keep customer disruption to an absolute minimum. And, in the entertainment business, margins will also be impacted as we continue to invest in the capabilities of the organization that will propel the business in the years to come.

In short, we are projecting 2017 to still be a record year for our Company, only the record will be set by a smaller margin than the tremendous record set in 2015 and 2016.

Now, it's really when you look at the projects that we have opening later this year and then into 2018 and the pace of our 2018 and beyond business on the books that we really get excited about the trajectory of our Company. At the end of 2016, we had 3 points more of net group occupancy on the books for T+2 or 2018 as we did at the end of 2015 for 2017. And, by the way, 3 points of occupancy for us translates into about 100,000 more room nights. And our forward momentum continues into 2019 or T+3 for which our room nights on the books are likewise pacing ahead of where 2018 stood one year ago today. While we don't comment on booking targets for a given year, it goes without saying that given our recent record bookings, we simply have less availability to fill in some upcoming years, which will give the sales team an opportunity to prioritize premium groups and rate over occupancy during the current year sales process.

Next, Mark will walk you through some of our financials and the expected cadence of our quarterly RevPAR for the year, but before I hand over, I do want to draw your attention to our first-quarter 2017 dividend that our Board declared today. We announced a 6.7% increase from $0.75 to $0.80 per share for the first quarter. We will continue to evaluate throughout the year what the appropriate dividend is for our Company, driven, of course, by our dividend policy and REIT rules, but it's our plan at this point to declare at least a total of $3.20 per share in 2017. We are very pleased to continue to increase our dividend on the strength of our business.

In conclusion, 2016 was a tremendous year, and 2017 should be a little better. It will be a major investment and transition year for us as we roll up our sleeves and do the hard work for preparing for some tremendous milestones and grand openings in 2018. We love our assets and our position in both of our businesses, and we are aggressively investing capital where we enjoy growing demand and strong competitive moats, while prudently managing our balance sheet in order to deliver excellent returns for our shareholders.

And, with that, I'll turn over to Mark.

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

Thanks, Colin. Good morning, everyone. Thanks for joining us this morning.

In the fourth quarter, the Company generated total revenue of $319.8 million, up 2.5% from the prior year quarter. For the full-year 2016, total revenue increased 5.2% to nearly $1.15 billion.

During the quarter, the Company generated net income available to common shareholders of $48.1 million or $0.94 per fully diluted share. The Company continued to grow profitability in the quarter, generating $94.7 million in adjusted EBITDA and improving EBITDA margin by 130 basis points. For the full year, the Company's adjusted EBITDA margin increased 70 basis points, generating $350.2 million in adjusted EBITDA, a $25 million increase over 2015.

For the quarter, the Company generated $77.7 million in AFFO, a 7.8% increase over the fourth quarter of 2015 or $1.51 on a fully diluted per share basis. For the full year, the Company generated $281.5 million in AFFO, an 8.3% increase over 2015 and equivalent to $5.49 per fully diluted share.

Turning to our hospitality segment results, the hotels finished the quarter on a same-store basis with a RevPAR decrease of 2.1%. We entered the quarter with 14,000 fewer group room nights on the books compared to Q4 of last year, which was compounded by Hurricane Matthew at the Palms and a shift of the Jewish holidays into the fourth quarter from the third.

However, a strong performance in banquets and our holiday programming lifted total RevPAR by 1.3%. We finished the year with full-year same-store RevPAR growth of 2.9%, which was just below our guidance range. However, the strength of outside the room performance drove total RevPAR growth toward the higher end of our guidance at 3.8%.

Attrition in Q4 was flat to last year's fourth quarter at 12.7% and down 30 basis points for the year at 12.5%, as well as down 70 basis points sequentially to the third quarter. Attrition and cancellation fee collections during the quarter totaled $3.9 million for the year -- and for the quarter totaled $3.9 million and for the year were $12.7 million. Consolidated hospitality adjusted EBITDA in the quarter grew 5.4% to $92.2 million, equating to an adjusted EBITDA margin of 31.6% or an increase of 120 basis points in the quarter. Full-year hospitality adjusted EBITDA increased 6.8% to $336.9 million, representing a 70 basis point margin improvement to 32.4%.

Our entertainment business closed the year in stride with both fourth-quarter and full-year revenues increasing 12.3%. Segment adjusted EBITDA in the fourth quarter increased 27.8% to $7.9 million, and for the year adjusted EBITDA was up 16% to $35.7 million. Corporate and other adjusted EBITDA totaled a loss of $5.4 million in the fourth quarter compared to a loss of $5.3 million in the fourth quarter of 2015. Full-year corporate and other adjusted EBITDA totaled a loss of $22.5 million.

Moving on to the balance sheet, as of December 31, we had total debt of approximately $1.5 billion, net of unamortized deferred financing costs and unrestricted cash of $59.1 million resulting in net debt outstanding of $1.44 billion, including $382.4 million of borrowings under the Company's credit facility, leaving $315.5 million of availability under that facility.

On January 13 of 2017, the Company paid its fourth-quarter 2016 cash dividend of $0.75 per share. As Colin mentioned, our Board declared a first-quarter 2017 cash dividend of $0.80 per share of common stock, which will be payable on April 14 to stockholders of record on March 31. This represents a 6.7% increase sequentially from the fourth quarter.

It is our current plan to distribute total 2017 annual dividend of approximately $3.20 per share in cash and equal quarterly payments in April, July and October of 2017 and January of 2018. Any future dividend is subject to the board's future determinations as to the amount and timing of the distributions.

Now, turning to guidance, as Colin mentioned, we are anticipating hospitality RevPAR and total RevPAR growth of 0% to 3% for 2017. This range reflects our confidence in the group trends we see and anticipate for the year but also accounts for the economic and political uncertainty of the current environment.

We've also incorporated the impact of the estimated 49,000 room nights out of service at Gaylord Opryland associated with the renovation of the 1000-room Delta wing. This work will complete the three-year rooms renovation process at Opryland.

As part of the past room renovation project, the out of service rooms do not impact total available room count for calculating hotel metrics.

We are providing 2017 full-year consolidated net income guidance of $139.8 million to $157.6 million. For our hospitality segment, we expect full-year [2017] adjusted EBITDA of $330 million to $344 million, and we anticipate adjusted EBITDA margin to be slightly down compared to 2016. This margin decline is driven by what we expect as an increase in property taxes across the portfolio this year given the reappraisal calendar, and while we make a concerted effort to minimize -- and while we'll make a concerted effort to minimize the operational disruption of renovations and expansions, we do expect some impact to our operating expenses from the high level of investment activity we have going on this year.

Our 2017 adjusted EBITDA guidance for our entertainment segment is $34 million to $38 million. Our entertainment guidance includes approximately $2 million in additional operating resources we are investing in the future growth of this business. We believe our investments in our hotel and in our entertainment businesses will generate strong returns in 2018 and beyond.

Our corporate and other segment guidance for adjusted EBITDA in 2017 is a loss of $22 million to $24 million, and on a consolidated basis, the Company will generate adjusted EBITDA of $340 million to $360 million, an AFFO of $264.5 million to $285.5 million or $5.16 to $5.57 of AFFO per fully diluted share. While we don't provide quarterly guidance, I would note for modeling purposes that the first and fourth quarters of 2017 are expected to be our strongest with mid single-digit RevPAR growth.

In 2016 we had two weather events, winter storm Jonas in Q1 and Hurricane Matthew in Q4, as well as two holiday shifts, Easter into Q1 and the Jewish holidays into Q4. All of these contribute to these quarters setting up to be easier comparisons going into 2017.

At the same time, the second and third quarters of 2016 had the strongest mix of higher rated groups and will present the relatively tougher comparisons for 2017 with flat to modestly negative projected RevPAR growth rates.

A detailed reconciliation of our current guidance from net income to adjusted EBITDA, FFO and AFFO can be found in the Supplements schedule to our earnings release.

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

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

No, Mark, let's just open up the call for questions. Crystal, if you could handle the questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Smedes Rose, Citi.

Smedes Rose - *Citi - Analyst*

I wanted to ask you, Colin, you opened up -- in your opening remarks, you talked about 6.4 million room nights on the books. Is that on a comparable basis, or does that also include room nights being booked for the Gaylord Rockies?

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

It doesn't include that, Smedes. This is apples to apples. This is 400,000 more than we've ever seen in our history. And it's because of the 2.57 million room nights that we booked for the four big hotels last year, and then, in addition to that, we booked another 400,000 or thereabouts for the Rockies. But these are very stellar numbers.

Smedes Rose - *Citi - Analyst*

I just wanted to do make sure we are thinking about them in the right context. And then, you know, I guess I just wanted to ask you for the MGM National Harbor, I'd -- you talked about it's a muted impact in the first half, but that you've seen some impact in light of expectations. I guess I would just say, it seems to me that your remarks -- I would interpret them as that the impact hasn't been as great or it's a little bit more negative than you would have expected for 2017. And I was just wondering if you could maybe put that in a little more context and what you think -- what from your end you guys might do with the casino to drive more -- I would think primarily it's weekend occupancy that you are looking for?

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

It's Friday and Saturday, and I think the hard thing for us is the crystal ball in the summer. You know, this facility, I think, will have sort of a fairly similar pattern to what you see in the better casinos in Atlantic City. It will get really strong summertime traffic, I suspect, as well as most weekends. But, Smedes, you understand the casino business. The problem with a facility like this is, when it opens, it gets inundated, and that's exactly what has happened with MGM and particularly, from the local customer, the customer that comes from 20, 25 miles. And this is fairly normal.

And then what happens is, MGM will, like all good casino operators, will kick in their regional marketing efforts, start communicating aggressively and extensively to their frequent flyer customers, and Marriott, together with the management team in Washington, is -- at our hotel is doing the same thing.

The good news is that we saw 3000 plus room nights, incremental room nights in that from December 8 to the end of the year. And but the problem that we've had in January, you may have seen -- you may have seen the President's speech two nights ago, two days ago, three days ago at the -- it was on TV shown as National Harbor, but it was our CPAC. It was our hotel. We were full. We were full Friday -- Thursday, Friday, Saturday. And as we said in the -- in our earnings script, we've got a lot of group business on the books that we put on the books two, three, four years ago in Washington.

So, our comments shouldn't be construed as negative. Our comments should be construed as give us six months, and we'll tell you how good this is going to be. Because, you know, we just haven't had the patterns to market extensively, and you know, this casino, like all casinos, all big casinos, regional casinos will go through a transition where, you know, the regional customer will play more of an important role over the next few months.

Smedes Rose - *Citi - Analyst*

All right. Thank you. Appreciate it.

Operator

Bill Crow, Raymond James.

Bill Crow - *Raymond James - Analyst*

Have you seen any change in demand from small corporate groups since the election?

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

As you know, Bill, the middle of last year, May, June of last year, April, May, June of last year, with everyone sort of sitting on the sidelines watching this election, we saw a little bit of softening in the 10 to 300 group, which tends to be short-term in nature.

One of the things that we -- I think this is fair to say, Patrick, over the course of the last couple of months, we have seen decent 10 to 300 production. We have not been disappointed in our small group production. And, you know, the thing that we obviously are looking anxiously forward to is to see what happens as we get into this period -- April, May, June, July -- where last year we saw a few thousand room nights per month in bookings slow up. But, I would say to you, we've been mildly encouraged by what we've seen in the small corporate group production.

Do you want to add to that, Pat?

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

Sure. This is Patrick. Good morning. Just to elaborate on Colin's comment, we did see a lot of softening in Q2.

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

Of last year?

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

Yes, of last year, that continued into Q3, and I would say the best way to characterize it is we saw stabilization in Q4. To get a better feel for how those smaller group customers and meeting planners are feeling, we are currently engaged in an external research project to go out and essentially take their temperature and understand how they look at the next 12 months now that the election is over and behind us and now that we are 60 days roughly into the new administration.

So we are watching it carefully. We are working very closely with Marriott to do everything we can to drive additional demand in this sector, but I would say it's stabilized and we're trying to understand how those folks are feeling about the future as we speak.

Bill Crow - *Raymond James - Analyst*

Thanks. Colin, one of the things that's changed pretty dramatically since the last time you talked to us was your cost of capital, and I'm just wondering how that might impact your appetite to either kick off a new development, pursue larger hotel acquisitions, potentially buy out one or both of the partners at the Rockies. How are you thinking about capital?

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

Well, you shouldn't -- it's a really good question. We had our board meeting last week, and this is one of the discussions that Mark and I led with our board. We clearly understand what you are saying, but one of the things -- one of the things that you are going to see with us -- and I know we've been boring to some investors over the course of the last three or four years -- but we are going to stay true to what we are, which is a predominantly large resort, group-focused business. We believe this business is highly predictable. Even in the bad times, we believe this business is a really good business, and it gives us so much visibility. We love the annuity of 6.4 million room nights on the books for the next six, eight, 10 years. But we do recognize that we have a cost of capital benefit right now. And I'm not going to get into the prediction process here, Bill, but it's something that is on our minds and, you know, I would say just continue to watch the space and see what we do here.

But look, these projects that we are doing, by and large, are projects that generate pretty good returns on capital. And as our weighted cost of capital goes down, our returns on these projects certainly don't. And so we like our position, we like it a lot, and it's something that we are very clearly focused on.

Bill Crow - *Raymond James - Analyst*

Finally, from me, Colin. Any update you can give us quarter to date how the National is playing out? I'm just trying to handicap the impact of the election and the march, etc.

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

You know, National is doing what we expected it to do. We got a lot of group business on the books, and it's having a -- so far in the first quarter, a very decent first quarter. And, Patrick, I think that's the way to sum it up, right?

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

Yes, just to elaborate, we have about 28,000 more group room nights on the books for the first half of -- for the first quarter of 2017. And so, we are very pleased with the direction the hotel is heading from a group perspective. We've already talked about the MGM impact. We are heavily working to market to the regional customer within 100 to 150 miles of the hotel through Marriott Rewards, Marriott channels, search engine optimization, other avenues as well, and then the hotel is doing a lot of great work on their guest sat scores as well.

So I would say the hotel is moving in a very positive direction, and the casino and the new ballroom only add to that positive momentum.

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

And, Bill, I just -- I'll give you one more piece of -- just one sort of data point. Even when we are full with a group like we were with CPAC and the inauguration where we had the Texas group into the hotel and we have no availability to actually put leisure customers -- casino leisure customers into the hotel, the interesting thing is a lot of these customers that are there for groups go up to the casino in the evening. So this casino is certainly getting a lot of accolades from the customer groups that are coming to National Harbor.

Bill Crow - *Raymond James - Analyst*

Okay. Thanks. That's it for me.

Operator

Patrick Scholes, SunTrust.

Patrick Scholes - *SunTrust - Analyst*

A couple of questions here. Have you quantified -- perhaps I missed it -- what the actual RevPAR impact will be with the 49,000 room nights out of service in 2017, as well as the EBITDA hit from that? Also with the EBITDA hit from the increase in property tax payments?

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

The 49,000 -- Pat, do the math for me, will you?

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

So, Patrick, this is Patrick. Good morning. The 49,000 room nights out of service, the displacement impact is about $2.7 million of revenue, and then you can flow that through at 40% to 50%. From a property tax perspective, the EBITDA hit is just under $5 million.

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

Although we don't want to talk about that because we don't want to involve them in our local municipalities.

Patrick Scholes - *SunTrust - Analyst*

All right. I have one more question. When I look at the top 25 markets for new supply coming on and I'm looking at Lodging Econometrics data, Nashville screens having the most new supply coming on over the next two years in relation to its existing size. How do you think that will impact your results, and what are your thoughts on that?

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

Well, unlike any other REIT, we actually have a business that will benefit dramatically from every new customer that comes to Nashville. And so, our entertainment business loves the idea of more non-convention space downtown -- more non-convention hotels downtown. And so you know all of our businesses -- our entertainment businesses will benefit from the 3000 or 4000 new roommates coming in.

But look, last year, we haven't broken out the 2.54 million -- 2.54 million or 2.57 million -- I can't; I'm just doing this from memory -- million room nights that we booked. But I would tell you that Opryland had by far its best booking year for group business than it has for the last -- since going back to -- going back seven years. And you know we booked north of 700,000 room nights last year, group room nights. I beg your pardon, yes, 700,000 group room nights in Opryland alone last year.

So, we are very excited with what's going on in Nashville. And, frankly, one of the reasons we are doing SoundWaves, this massive water feature, which, by the way, I said earlier in my script that we were hopefully opening in the middle of the year, let me clarify that, we are opening the outside part in the middle of the year, and the inside part, the all under one roof part, will be -- with atriums, will be towards the fourth-quarter October -- in the October timeframe. But this will position us so well to take advantage of the surge in leisure business and to be able to go and attract new groups that don't come to Nashville today, the family-orientated groups. And so this new hotel supply coming in here, we are not concerned about it. We actually think it -- on a net net basis, it will benefit our business.

Patrick Scholes - *SunTrust - Analyst*

Okay. And did you say that you were going to offer day passes for non-guests?

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

No, we didn't. We're not doing that. There is a beautiful waterpark in Nashville called Nashville Shores, which is a locals waterpark where local folks go to, and there is one at Dollywood 200 miles away. This is to stimulate a new customer that doesn't come here today. That's what we're trying to do. And so that's the strategy.

Patrick Scholes - *SunTrust - Analyst*

Okay. That's all for me. Thank you.

Operator

Jeff Donnelly, Wells Fargo.

Jeff Donnelly - *Wells Fargo - Analyst*

Maybe just going back a little bit to Bill's question about investments, I'm just curious, Colin, are there many hotels out there that, regardless of whether or not they are on the market, that would meet your acquisition criteria? I'm just curious how deep you see that universe of opportunities to be.

I guess the other part of it (multiple speakers) -- should we just focus on development?

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

The profile, Jeff -- and you know you and I have talked about this before, and I appreciate you asking the question in a public forum. The profile that we are looking at is these hotels have got to be for us 1,000 rooms plus in rooms, and we want 200,000 plus square feet of meeting space. So that core customer, that 600 to 1000 size group who, you know, require 150,000 square feet of meeting space for that group, we can accommodate. And so if you look at that across the country, there are probably 20 hotels that fit that criteria, but some of them clearly are not for sale.

And so we have that active list that we look at. I mean every single month. And so we will see whether there are any willing sellers, but we're not going to compromise and become homogenous like all the other REITs and go buy 600-room hotels unless, of course, the hotel is a great overflow hotel to one of the juggernauts that we own today.

Jeff Donnelly - *Wells Fargo - Analyst*

I might have touched on this in prior calls, but now that they've had more time with it, do you think that out of the combination of Marriott and Starwood, there's a lot of overlap in that upscale, upper upscale segments? Are there hotels that you think that could be shaken out and be converted into a Gaylord brand? I know that might not necessarily be within your ownership, but just wondering if you think that could happen where like you know hypothetically it's a large Sheraton that might be better served under a different brand like Gaylord.

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

Yes, the answer is, there are probably two or three hotels that are in that brand that you just mentioned. That would be -- the DNA of those buildings are attractive to us. We think we can sprinkle the pixie dust and improve the group demand. We think we can massage the product and make it more appealing and manage the margins, you know, pretty well.

So, it's all a function of the right hotel in the right market at the right price. And I know that there have been some folks that have been -- I don't include you in this, Jeff, but there have been some folks that have been a little impatient: why haven't you gone and bought hotels like everybody else? We have been rigorously focused on our precise strategy, and we're not going to mess that up by getting seduced to going out and buying 600 room hotels in markets that are not really key to us. And so but there are a few hotels, and if they come up in the right markets at the right price, we will certainly look at it.

Jeff Donnelly - *Wells Fargo - Analyst*

And I'm just curious, you've talked for several calls about just the imbalance between the demand for convention space and sort of the lack of new supply. I'm just curious, why do you think we haven't seen more construction activity of these larger convention facilities and hotels? What do you think sort of keeps it at bay? And I know it gets contemplated, and San Diego recently voted down a new stadium and convention center facility. I'm just curious what your kind of thoughts are and where are the markets where you might -- we might see some of these come to light?

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

The question is an outstanding question, and it's a question that not this last Board meeting but the Board meeting before that, we spent -- Mark and I spent quite a bit of time with our Board talking about this subject. And I would say to you this, that I think that the structure of our industry has changed, and this is what I mean by it. If you go back 10 years when we were in the construction business and maybe go back 15 years into the somewhere between 2001 and 2008 before the financial crisis, the big hotel companies, there were big hotel companies, the big C corps, the big brand companies who were to a large extent sponsors of development, and you had companies like us who were a C corp developing. And we were very different because we created a completely different brand. But the structure of the industry has changed. There aren't 30 major developers out there building big stuff, and the other thing that's occurred is the municipalities all across the country have changed their incentive packaging. The hotel here that was built in Nashville down beside the convention center was the recipient of a very, very healthy incentive package. You don't see that going on in this market anymore. You go to -- our Denver deal was probably one of the very highest incentive packages because Aurora and the state of Colorado really wanted to get something that they didn't possess today, which is a large convention hotel. But you don't see this stuff going on anymore.

And so I think it's an issue of structure, of organization. You've got the big hotel companies pulling back. You don't have the big developers taking the big risks, and look, with the industry, with the growth over the last four to five years of RevPAR in this industry, recovering from 2008, historically low rates of interest, but you see basically none of these resorts being built, it's very hard for me to see what's going to stimulate these resorts getting built when the structure isn't changing, the structure of the industry is not changing, and municipalities aren't handing out big incentive packages. You know? Interest rates are only going up one way.

And so that's the reason we love our business, and we think our runway looks really, really good here over the next three to four years. I don't think you are going to see it. I Just don't think you're going to see $800 billion construction projects in this sector occur here other than in a specific market like Las Vegas where you have an entrant like Genting who wants to be in that market. I just don't think you are going to see it.

Jeff Donnelly - *Wells Fargo - Analyst*

That's useful. And maybe just -- so, thank you. Maybe just one last question for Mark. I don't want to leave you out.

Just concerning the RevPAR guidance, you answered a part of my question about why the range was a little wider in the opening remarks. But I guess I do have a question about with the booking visibility being so much better in your niche than traditional hotels, I'm just curious what brings you from sort of the top end of your guidance to the low end of your RevPAR guidance? Is it mainly in the year for the year group? Is it transient bookings, or is it just attrition and cancellation from the existing bookings? I wasn't sure if there was one lever that's maybe stronger than another in pushing you from 0% to 3% RevPAR.

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

I think it's going to have more to do within the year for the year group and how we see MGM perform at National Harbor. I don't think at this point we have any real concerns over spikes in attrition or cancellation. It's really about the pace of growth through the year.

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

That's it.

Jeff Donnelly - *Wells Fargo - Analyst*

Great. Thank you.

Operator

Chris Woronka, Deutsche Bank.

Chris Woronka - *Deutsche Bank - Analyst*

I wanted to ask you. One of the things that kind of shows up in the model is you guys have done a little bit better on total RevPAR guidance. I think there was a 90 bps difference in the full year of 2016. Is that purely attributable to mix, or is it something else, and do you think that continues, or do you think the two level out a little bit more going forward?

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

Do you want to take it?

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

Chris, this is Patrick. If you look across our model over the years, we historically are able to drive a little bit more growth outside the room than we do from the room side. And so if you look across those years, that pattern pretty much holds true.

As we move into 2017, you see our guidance is pretty much even for 0% to 3% for both RevPAR and total RevPAR, and the reasoning behind that is to your point, a bit of a mix shift. In 2015 and 2016, we benefited from a higher mix of corporate groups and high premium association groups. As we move into 2017, we have a little bit of a flip-flop there. We have a little bit more growth in the what we call SMERF, the social, military, education, religious and fraternal organizations, and a decline in corporate and association room nights on the books.

So while we are always doing a great job to enhance our ability to drive outside the room revenue, it is a little bit more challenged in 2017 simply because of the nature of the groups that will be in-house.

Chris Woronka - *Deutsche Bank - Analyst*

Okay. That's helpful, Patrick. Thanks. And then I guess kind of a follow-up to that and a little bit of it is looking out to 2018 generically, do you guys think rate growth -- you've been getting a little bit more of your RevPAR this year from OCC. Do you think that flips back to rate whether it's 2017 or 2018? Again, maybe it's a mix question, or maybe it's a quality of group question. But we generally think of rate becoming a little bit more prevalent here in the cycle. Have you any thoughts on that?

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

Yes, let me sort of give a 60,000 foot answer, and then if, Pat, you want to jump in.

Here is the reality, Chris, when you've got 6.4 million room nights on the books, we've got less availability going forward than we've ever had, and that's certainly the case as we look at 2018, 2019, 2020.

And so I know Patrick's discussions with me and Patrick's discussions with the management of Marriott and the sales leadership of Marriott has been over the last few months, particularly as we close the year with such strong bookings, is, guys, we've got to get -- because we've got less availability, we've really got to push the rate side of the equation. And that is the subject of the day with the discussions with our manager. So it's something that we're going to be all over, and that's why I suspect -- I'd be pretty shocked if we book as many group room nights in 2017 as we did in 2016, simply because we're going to be a lot more focused on the rate side of our business because we think that's the big opportunity.

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

The only thing I would add to that -- this is Patrick -- is, if you think about the nature of the projects that we have coming online in 2018, they should help us in our ability to drive rate. And the reason I say that is, the Texan expansion, that 60,000 square feet of additional space that we are adding really enhances our ability with some of the smaller corporate groups, especially in the 0 to 300 range. It helps us for the overall property. But that space specifically helps us get in some of those premium corporate groups that are looking for some dedicated space that they have the full run of.

The RiverView Ballroom at Gaylord National is very much the same way. We can do a lot of great things on local social, but we can also do a lot of great things in that space with the smaller groups.

To your question of what we were talking about earlier, if you look at the mix for 2018, where it stands right now with what's on the books, we shift back towards a higher mix of corporate groups in 2018.

So, as Colin said, we are taking advantage of the opportunity right now to shift more towards driving rates, given what's on the books, and we have a number of projects that should help us do that even more as we move into the future.

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

And those projects should drive outside the room spending as well, right? Waterpark, banquet facility, etc.

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

Absolutely. And that was one of the things I didn't cite when I think it was Jeff asked the question about the outside of the room growth. One of the benefits we've had is that the capital we've deployed in things like our water features in Texas and the Palms, we are generating a lot of business outside the room as a direct cause of that.

Chris Woronka - *Deutsche Bank - Analyst*

Okay. Great. Very helpful. Thanks, guys.

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

Let's take one more question. It's 10:00, and then if you have other questions, you can call us here. And if there are investors that are going to be at the conferences that I know we are attending this week in New York and next week in --

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

Wells and Citi.

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

Wells and Citi. We're looking forward to spending time with you all, but one more question.

Operator

Adam Trivison, Gabelli.

Adam Trivison - *Gabelli - Analyst*

Thanks for squeezing me in. I guess looking back to the 2020 outlook you guys presented at last year's Investor Day, the low-end of the EBITDA range is still about $120 million more than the midpoint of the 2017 EBITDA guidance range. I guess does that outlook still seem feasible, and if so, can you help us understand how you get there? I'm not sure how much of that is from the Rockies, but?

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

A slug of it, but also from these projects and also the business on the books. So what I think will be helpful, why don't we take that question with you offline, and we will walk you through the model. But we are pretty excited about where this Company is headed to. You are okay with that?

Adam Trivison - *Gabelli - Analyst*

Great. Yes, that works for me.

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

All right. Good. Thank you. Give your boss my regards, please.

Adam Trivison - *Gabelli - Analyst*

Will do.

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

Any other questions from you? Okay. So, Crystal, I think the call is concluded. We like to thank you all for spending time with us today. This is an exciting time for our Company, and 2017 is going to be a big transition year for us, and 2018 is where we are all focused on. Thank you very much, indeed.

Operator

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