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RHP - Q1 2016 Ryman Hospitality Properties Inc Earnings Call

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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties' first-quarter 2016 earnings conference call. Hosting the call today from Ryman Hospitality Properties are Mr. Colin Reed, Chairman and Chief Executive Officer; Mr. Mark Fioravanti, President and Chief Financial Officer; Mr. Patrick Chaffin, Senior Vice President of Asset Management; and Mr. Scott Lynn, Senior Vice President and General Counsel.

This call will be available for digital replay. The number is 800-585-8367 and the conference ID number is 86270847. (Operator Instructions).

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

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

Good morning. Thank you for joining us today.

This call may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including statements about the Company's expected financial performance. Any statements we make today that are not statements of historical fact may be deemed to be forward-looking statements. Words such as believes or expects are intended to identify these statements, which may be affected by many factors, including those listed in the Company's SEC filings and in today's release.

The Company's actual results may differ materially from the results we discuss or project today. We will not publicly update any forward-looking statements, whether as a result of new information, future events, or any other reason.

We will also discuss non-GAAP financial measures today. We reconcile each non-GAAP measure to the most comparable GAAP measure in an exhibit to today's release.

I will now turn the call over to the Company's Chief Executive Officer and Chairman, Colin Reed.

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

Thanks, Scott. Hello, everyone, and thank you for joining us on the call today. As an aside, we're going to have to change that music.

At our investor day in March, we went into great detail for all of you how we are thinking about the strategy and outlook for our business in the months and years ahead. So with that in mind, we will keep the prepared comments relatively brief and leave more time for questions this morning.

As such, I will give you a high-level overview of our actual results for the first quarter, including forward sales, then touch on how we are thinking about the rest of the year, which I would say looks pretty good. Then I will pass it off to Mark to discuss the financials.

Now for those of you who attended our investor day, you will no doubt recall how we described our expectations for each quarter of this year based upon the really solid book of group business we have for 2016. And to remind you, what we said was the first quarter would be flat to last year. The second and third quarters would be our strongest quarters. Given that the fourth quarter skews more towards transient, we anticipate it to show modest year-over-year growth.

Our first quarter in fact came in where we expected to be. Compared to our own internal operating plan, our hotel business was off very slightly in terms of revenue, due to a few groups underperforming, as well as the impact of winter storm Jonas that disrupted travel for groups traveling from the Northeast. However, this minor shortfall was offset by good margin management and the performance of our entertainment business, and on a consolidated basis, adjusted EBITDA was about $100,000 better than our internal plan, so we look at this as a pretty uneventful quarter.

Now some of you may say the flowthrough this quarter was not within our usual targeted 50% range, and there are a couple of specific items you need to take into consideration. The mix shift that occurred with Easter falling into the first quarter affected profitability, as groups by nature are far more profitable than leisure customers. Winter storm Jonas had a total impact of about $1.3 million due to cancellations.

And three, given what we anticipate happening to our business in the second and third quarter of this year, which I will talk about in a moment, it is our expectation that our manager will earn lucrative incentive fees this year and we accrued a portion of this fee during the first quarter. To be precise, this accrual was approximately $1 million higher than it was in the first quarter of 2015, so we view this as a nice problem to have.

Now the perennial question that we get is, is the cycle coming to an end? So let me try and deal with that up front. As you all know, given our unique mix, we have multiple ways by which we can judge the health of the business, be they forward bookings, lead volumes, meeting planners' willingness to sign booking contracts, and attrition and cancellation levels, to name a few.

Now you'll recall what we said at our investor day, which is that none of the metrics that we are continually monitoring would indicate the world is coming to an end.

As you will have read from our release this morning, we had a pretty good quarter from a gross room night production perspective. In fact, we booked over 386,500 gross room nights for all future periods, which is a 13% increase over our room night production in the same quarter last year. On a net basis, we booked over -- just about 320,000 room nights during the quarter or a 21% increase over the first quarter of 2015.

Now I also want to point out that these numbers exclude the sales production for the Gaylord Rockies, which I will talk about in a minute.

Now what makes the bookings in the first quarter all the more impressive is that you'll recall our fourth quarter last year was the single best quarter for forward bookings in our Company history. Now one other piece of data I will share with you that gives us confidence that we are well positioned for the future, given the volume of group bookings we have been adding over the last year, we have at the end of the first quarter of 2016 about 353,000 more group room nights on the books for all future years than we did at the same point in time last year. And I will touch on the April production in a minute.

Now as of the end of March, our 2017 group bookings are trending at about the same pace as -- our 2017 group bookings are trending at about the same pace as 2016 at the same time last year. However, 2018 is trending well ahead. In fact, at this time last year, looking out two years, i.e., 2017, we had 27 percentage points of occupancy on the books. As we sit here today, looking two years out to 2018, we have 31 percentage points of occupancy already on the books for 2018.

Now just before I walked into this call, I was handed our April production by Patrick and it again was up year over year by 45,000 room nights. So, I think it is fair to say meeting planners are signing contracts.

In regards to lead volumes, as of the end of the first quarter our lead volumes were up 11% on a same-store basis over the same time last year.

In regards to attrition and cancellation levels, attrition was 11% for the first quarter, which is 30 basis points lower than the first quarter last year and a 170 basis-points improvement over the past fourth quarter, which is all very encouraging. Our cancellations this quarter came in at just over 15,700 room nights, which was partially due to the impact of the storm that I mentioned, but well within our five-year historical average.

So when you step back and look at this data objectively, you clearly see the group side of our industry that dominates our business is in very good shape, which mirrors I think some of the recent comments made by other large C-Corps. Needless to say, we believe we are well positioned in the hotel business right now, with very little new competitive supply and a strong book of forward business and a ton of leads.

Now typically, our industry on calls like this heavily focused on the quarter in question, primarily as they are transient dominated and quarter-by-quarter businesses. But for us, I think the exciting part of the story is what is before us. We have capital projects underway at each of our resorts that will drive further growth and about 5.8 million group room nights on the books for all future years.

Now to remind you, given the demand that we have been seeing in our business, we are expanding our resort pool at the Gaylord Texan, which will open around Memorial Day of this year. We're also underway expanding our resort pool at the Gaylord Palms in Orlando and expect that to be completed in November. We're building a new ballroom at the Gaylord National in Washington and, of course, eagerly anticipating the opening of MGM's world-class casino later this year within the National Harbor complex. And we are in the preconstruction phase of our expansion at the Gaylord Texan, which we expect to start construction in August and anticipate opening in 2018.

And finally, for now, I suppose, we are hard at work figuring out a world-class water feature at Gaylord Opryland in Nashville. These are indeed very exciting times for our hotel business.

Now, another exciting development we announced last quarter was that we had entered into an agreement to take a 35% ownership stake in the new Gaylord Rockies Resort and Convention Center project in Aurora, Colorado. Now as many of you know, we have been a strong believer in this development of a Gaylord Hotels branded property in Colorado, which we have heard for years from meeting planners and customers is one of the most desirable tourist and business travel destinations in the United States. We have been confident for years that a resort of this caliber in a highly strategic Western location bearing the Gaylord Hotels brand will appeal to both new and current group customers who rotate through our network.

Now some of you may have seen that this project cleared a major hurdle two weeks ago as the Colorado Supreme Court struck down a legal challenge brought by a consortium of local hoteliers to overturn the state's tax subsidy for this project. With this ruling, there are no outstanding legal challenges to the state's tax subsidy for this project.

We are very excited to see this project move forward, and I want to take a brief moment to congratulate our partners on this project, RIDA Development and Ares Management, as well as the political leadership in Aurora and particularly Mayor Steve Hogan for all of the hard work they have put in overcoming these hurdles, and we look forward to working alongside them to successfully open this world-class resort.

Now, to validate our partners' belief in this project, let me give you a sense of what has been going on so far, given that the Gaylord Rockies group sales team has begun group booking -- has begun booking group room nights in this last quarter and is off to a pretty impressive start. In Q1 2016, the Gaylord Rockies booked 80,000 group room nights, 65,000 of which were in March alone, which was consistent with our expectations, based on historical booking trajectory, of a new Gaylord Hotels and the project's long-range plan.

Now here is the statistic that will please the political leadership at the state level who supported this project and underscores what we have been saying for years. Approximately 88% of the group room nights booked are new meetings to the state of Colorado and over half were connected to a multiyear, multiproperty booking for the Gaylord Hotels brand. Based on our expectations and the number of leads in the funnel, we anticipate Gaylord Rockies producing a comparable number of room nights for the following three quarters of 2016.

So we're really seeing that excitement and interest amongst meeting planners that we have known existed for years tangibly materialize, which is very, very encouraging.

Now, switching subjects to our entertainment business, this is an incredibly exciting time for this business and you have heard us talk about this a lot. Many of you were able to get a firsthand look at some of what we were doing here in Nashville with these assets on our analyst day.

Now in terms of the segment's performance this quarter, while revenue was marginally up, profitability was down as anticipated, compared to the first quarter of last year. This was mainly due to a number of things, one being ongoing investments and construction projects we are undertaking in this business. Specifically, we are investing in people, as well as dedicating more resources to areas such as social media, e-commerce, and content development that will enable us to execute on the many opportunities that lay before us.

In addition, as many of you witnessed while you were here in Nashville, the Wildhorse Saloon has been under heavy renovation for the past few months and this negatively impacted the results of the entertainment segment. And this renovation will be by and large complete by the end of May, in time for the CMA Festival.

In addition, our Times Square JV is now under construction and I'm excited about this, as well as several other very interesting projects that have materialized recently and which we are working on, and I hope we will be able to share more with you on these over the next several months. Needless to say, we are very excited about the possibilities before us with this business and believe it will create long-term value.

Now before I hand over to Mark, let me give you a little more information about how we are seeing the second and third quarters and why we're pretty confident that 2016 will be another record year for us. And I would like you all, those of you that are on the call, to contrast how we can lay out what we know is going to happen because of the group nature of our business model.

With April now completed, we are expecting to post RevPAR gains in the second quarter in the high single digits, and to help validate this, April came in again as expected at about 9.5% RevPAR growth over the same month last year. Now given the very solid book of group business for the third quarter, where we have almost 40,000 more group room nights on the books, we are expecting to post double-digit RevPAR growth for this quarter. Let me say that again. Yes, I said double-digit RevPAR growth.

Now all of this means we are reaffirming our guidance for this year and are awfully excited with what lays ahead. So with that, let me turn the call over to Mark to give you some color on the financials.

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

Thank you, Colin. Good morning, everyone.

In the first quarter, the Company generated total revenue of $261.5 million, up 3.3% from the prior-year quarter, and net income available to common shareholders of $26.3 million or $0.51 per fully diluted share.

As Colin outlined in his opening comments, our first-quarter results include the negative impact of the Easter holiday shift and the impact of winter storm Jonas. With these events in mind, the Company generated $73.4 million in adjusted EBITDA, which was essentially flat from the prior-year first quarter, and adjusted EBITDA margin decreased 110 basis points. For the quarter, the Company generated $56.6 million in AFFO or $1.10 per fully diluted share.

Turning to the hospitality segment results, the hotels finished the quarter on a same-store basis with RevPAR essentially flat, down 40 basis points, as compared to the prior-year first quarter, while strong outside-the-room spend in group banquets and catering increased total RevPAR by 1.4%.

Attrition and cancellation fees collected during the quarter totaled $3.4 million. We continue to monitor all of our groups that cancel or attrite and have determined that there are not any discernible patterns or trends that would give us cause for concern.

Consolidated hospitality adjusted EBITDA increased 0.7% to $76.3 million, generating an adjusted EBITDA margin of 31.3%. During the quarter, the entertainment segment revenue increased 3.7% to $17.3 million and the segment's first-quarter adjusted EBITDA decreased 25.9% to $2.8 million. As Colin mentioned, the decrease in adjusted EBITDA was within our expectations and was the result of the accelerated renovation work at the Wildhorse Saloon and growth investments we are making in the entertainment business.

Corporate and other adjusted EBITDA totaled a loss of $5.7 million in the first quarter, compared to a loss of $5.8 million in the first quarter of 2015, or an improvement of 1.1%.

Moving on to the balance sheet, as of March 31 we had total debt of approximately $1.48 billion, net of unamortized deferred financing costs, and unrestricted cash of $57.2 million, resulting in net debt outstanding of $1.42 billion, including $361.4 million of borrowings drawn under the Company's credit facility, leaving $336.5 million of availability under that facility.

In August 2015, our Board of Directors authorized a $100 million share repurchase program, which extends until December 31 of this year. During the first quarter, the Company repurchased and canceled approximately 539,000 shares of its common stock at an average price of $46.03 per share for an aggregate purchase price of approximately $24.8 million, which was funded using cash on hand and borrowings under our revolver.

On April 15, the Company paid its first-quarter 2016 cash dividend of $0.75 per share, and it is our current plan to distribute total 2016 annual dividends of approximately $3 per share in cash in equal quarterly payments in July, October, and January 2017. Any future dividend is subject to the Board's future determinations as to the amount and timing of the distributions.

Let me close by saying that the quarter was a solid one for our Company. It came in consistent with our expectations and we remain bullish on our outlook for the remainder of the year. And with that, I will turn it back over to Colin for closing remarks.

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

Thanks, Mark. I think what we will do is we will hold any closing remarks, and Maria, we will open up the phone lines for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Chris Woronka, Deutsche Bank.

Chris Woronka - *Deutsche Bank - Analyst*

Appreciate the forward-looking data points and I think that book of business looks pretty encouraging. I wanted to ask if you are seeing any change in the nature of the groups or the -- I guess I would call it, whether it is from an industry perspective or from a geographic perspective? How do you guys view the overall quality and the nature of those future groups? Thanks.

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

The bookings of recent, we have done a ton of corporate business, and also, Patrick, if I remember that [gated tiger] report that you gave me yesterday is also skewing to larger groups. We are seeing a lot of groups over the 1,000-person size groups, which is really great for us because there is very few places in the nation that can accommodate those groups.

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

Yes, Chris, I would agree with what Colin said, and the only thing I would add to it is we really haven't seen any discernible negative behavior in any way from groups, and we have seen some growth, to Colin's point, in a number of corporate segments, tech being one of them.

So, with a lot of the uncertainty and volatility out there, we have been watching closely. We have talked to every group if there is any kind of attrition or cancellation, and quite honestly, there is just really no discernible trend that would give us cause to feel that the remainder of our year is in danger.

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

And just to, Chris, repeat an often -- a question that we often get asked, we have very little oil-related business on the books and we have very little government-related business on the books. So, we're not sitting here like some of the big banks who are dominant in that sector. We're not sitting here looking at potential smoking guns here.

Chris Woronka - *Deutsche Bank - Analyst*

Okay, that's great. And then, Colin, I wanted to ask you about the Rockies and we are still a couple years away from opening, but I know you guys think long term. Your option to buy that later, what are some of the things that you do now from a balance-sheet perspective to leave yourselves that flexibility when the time comes?

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

Our balance sheet is in really good shape. Our leverage levels are somewhere between 4 and 4.5 and that's where they will be. Obviously this business, we expect it to open up operating very solidly, and our partners, of course, love them to death, think this business is going to create a ton of money for them.

So, there will be this discussion around the performance of that business when it opens, but what we will do is maintain our leverage levels at around that 4, 4.5. So, we won't stop doing deals between now and then in anticipating of doing that deal. That deal will float on its own merits.

And we -- if you will recall when you came to the analyst day, we showed a slide right at the end of the analyst day that said if we just do the things that we have on the hopper, these things in our control right now in our hotel business, our business in 2020 will look very, very different to the way our business looks today. We had ranges of EBITDA in that $450 million-ish range. We had leverage levels -- Mark, I am trying to do this from memory -- at 2.8 times.

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

Right.

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

And what we said is we had somewhere between $600 million and $1 billion of potential capacity on our balance sheet by doing the things that we are doing today.

So, this Company is going to be in great shape providing we don't have another cataclysmic event a la 2009, but if we have an event like 2009, as you all know, this Company performs dramatically differently from the rest of the industry, which will give us an opportunity to buy assets that will be depressed if we see, God forbid, another 2009. So, we are in really good shape as a company.

Chris Woronka - *Deutsche Bank - Analyst*

Okay, very good. Thanks, guys.

Operator

Shaun Kelley, Bank of America.

Shaun Kelley - *BofA Merrill Lynch - Analyst*

Colin, I wanted to dig in. I think you made in the prepared remarks a comment about an incentive management fee accrual for your relationship with Marriott. And, obviously, that is a new structure to or relatively new structure to Gaylord. So, could you just help us understand that a little bit more? I imagine there are some specifics you don't want to get into, but can you help us understand a little bit about how that feature is structured and what high watermarks we should look to and is it -- how it will trend out across the year? That would be helpful.

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

Look, we are not in any way not willing to be transparent on this. We can be very transparent on it. These agreements, the management agreements, were all publicly disclosed agreements.

We have an owner's priority that Marriott has to deliver, and once we get above that in any given year, there is an incentive management fee that kicks in. We paid a minimal incentive management fee in 2015, even with those record results. It is the way we structured this contract.

But in 2016 with our anticipated level of EBITDA, we have probably, I don't know, $5 million, $5.5 million-ish incentive fees simply because the level of profitability this year is going to kick in.

And so what we do as a business is we look at the likelihood of the performance, and because we are -- because, unlike most of our competitor in the hospitality REIT land that are transient dominated that don't have as much visibility on the second quarter and third quarter as we do, we're now pretty confident that this incentive management fee is going to be earned.

So that's why in discussions with our accountants we said we should take that -- we should take a part of that charge in the first quarter and that's how it works. Mark, did I miss anything?

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

No, I mean, essentially we accrue over the course of the year for our anticipated incentive fee obligation at year-end.

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

Yes. So (multiple speakers). And as I said to Arne Sorenson about a month ago when he came to Nashville and visited, I said, Arne, our goal is to pay you $50 million a year in incentive fees. That's what we would like to do, because we all know that if we do that, we are making a ton of money in this Company. So, we like incentive fees.

Shaun Kelley - *BofA Merrill Lynch - Analyst*

That's helpful. And then, have you guys calculated -- I don't know if it's possible, but relative to the guidance how much of a drag on margin performance you think the IMF will be this year?

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

We budgeted for that fee and that fee is calculated in our guidance, and that's why -- and we talked about that (multiple speakers) in February.

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

On the investor day. Yes, we did. We talked about that. We said -- we are showing good margin growth on our guidance and we said that margin growth is being tempered by about a $5 million additional incentive fee.

Shaun Kelley - *BofA Merrill Lynch - Analyst*

Got it. Okay, thank you. And then, the last question would just be just a clarification, really. Q2, I believe you said that April was up 9.5%, and did you say for the entire second quarter you are looking at high single-digit RevPAR?

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

Yes, that's right, and we have got a very good book of -- I think, Patrick, we have got a very good group bookings for June this year, but our third quarter looks particularly strong. We have about 40,000 additional group room nights there or thereabouts in the third quarter over the third quarter last year. So we are -- as we sit here today, we think we're going to be double-digit RevPAR growth in the third quarter.

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

Yes, and so to Colin's point, the group RevPAR that is already on the books, year-over-year increase, is reflective of the guidance he gave around RevPAR expectations for Q2 and Q3. So it's not based on hopes or dreams; it is really based on what we already have on the books and expect to do on the transient side.

Shaun Kelley - *BofA Merrill Lynch - Analyst*

Great. Thank you guys very much.

Operator

Jeff Donnelly, Wells Fargo.

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

I just want to circle back to the Rockies. One of the challenges I think you guys faced when building the National in DC were, I guess I would say, containing costs to ensure your returns came out as you expected. Can you compare or contrast that project, the Rockies project, to National for us, so just talk about how you're going to try and protect your cost basis and the investment return there from just the usual development risks?

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

That was a spirited conversation, Jeff -- good morning. Colin. That was a spirited conversation we had with our Board, as you can imagine. We had it when we first discussed the Rockies project with them about four years ago and we had it, obviously, several quarters back.

The way this is being done is very, very different. We -- what we were doing in Washington when the whole world was on fire, we were building and, if you recall, we modified the -- we modified the project in the middle of the project. We went from a 1,500-room hotel to a 2,000-room hotel, and we built the hotel in an all-union environment in Washington when that market was on fire.

So what was happening -- and we did not have a GMP, a guaranteed maximum price, on this project and that's what happened in Washington. And there was a shortage of trades and it was, as I say, got built all union.

And by contrast, what has happened here is the detailed -- as this litigation has been ongoing for three, four years, now our partners did all of the detailed design work on this project, had it all nailed down to the quality of the light fittings, and went out and bid this project to two main contractors. I think one contractor was actually Colorado based. And we have a GMP on this project.

Now what we have done separately and aside is that the way we have negotiated our investment in this deal is that we have also shifted the burden to the project manager, who is RIDA, one of our partners. We have shifted the burden to both RIDA and Ares to cover any overspends up to a specific sum of money. So this project is like apples and oranges.

And so, I'm pretty confident that we are not going to see -- and particularly with the environment that we're in right now where you are not seeing thousands and thousands of new projects across the country, I am pretty confident that this project is going to come in as and around where we thought it would come in. So that's the answer.

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

That's helpful. Just one other question and maybe it's a little specific, but a lot of your competitors are reeling a little bit or could be reeling a little bit next year because Moscone Center in San Francisco is going to be going under renovation and it is going to disrupt a lot of citywide events, which I know is little apples and oranges maybe for the business that you target. But I was curious if the Gaylord product could potentially be a net beneficiary of some of that disruption or if you are seeing that at all in any of your bookings if you think about 2017 and 2018.

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

Well, I think we have probably seen very little of that. We already have a very strong solid book of business on the books for 2017, and I suspect that the convention center in San Francisco has known for a long time that they're doing their work. What is exciting to us is the business that we are seeing literally month by month this year for 2018, 2019, 2020 that would not have gone to San Francisco in a city convention center. So, I am not sure we are seeing any benefit from that. Patrick?

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

I would agree, and I would tell you that one of the factors that plays into our expected performance for 2017, Jeff, is the fact that we have a pretty large renovation that will be occurring at Gaylord Opryland in our Delta section, which will be the last major renovation hurdle that we have for that hotel. So we will have roughly 1,000 rooms out over the course of the year getting renovated.

Then the other mitigating factor and why we are seeing somewhat flattish room nights on the books for 2017 right now is the fact that there is a little bit more of a challenging citywide convention calendar in Orlando and DC for next year. So I would say that we are pleased with where we stand right now, but I would not say that we've seen any significant impact from Moscone being shut down or renovated.

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

That's helpful. Actually, just one more, we are in this interesting time where you guys are seeing strong group business, but the corporate transient world has been fairly sluggish. Some people would say that's very typical towards the end of the cycle where groups hold on better than the corporate transient world. But it does feel a little different this time.

I guess, how are you guys thinking about that disconnect between those two channels and are there any signals that maybe the prior cycles have given you that you can be or you are looking for in your own business in how you manage the business? Do you find, for example, your customers tend to be a little less willing to commit to events that are many years out if they are less certain about things?

I think people are wondering if the corporate transient trends ultimately catch up to the group side of the business or if group is more of a longer-term indicator and corporate transient is just a little more reactive to the current economic environment.

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

First of all, let's be clear, what has happened across the 25 top corporate market -- transient markets across the United States is there has been tremendous pricing, increasing pricing, going on right across these markets. And you have seen historically over the last five, six, seven years very strong RevPAR growth.

So you've got compression and occupancies and rates have been going up, and it's natural that consumers get a little wary.

But our business is a very different business. These groups want to meet, and we are seeing more and more group demand, particularly in the 1,000-room-plus number of groups. But the contrast to previous cycles, Jeff, as you well know, is there is very, very little new supply coming in facilities that can accommodate the group business.

And so, I think that's one of the reasons why there is a little bit of a disconnect where certain of the analyst communities say, oh, the world is coming to an end and the cycle is coming to an end, but have a hard time understanding why our group business is pretty good.

You know, corporate profits are not being smashed. Corporate profits are pretty good. Companies' balance sheets are in really good shape. People are meeting, and our businesses -- we have seen that consistently over the last 12 months. We have added 350,000 group room nights to our future inventory over the last 12 months, and everything we look at, first-quarter bookings up on last year, April up on last year.

And I think there is -- just naturally because of what has gone on in these markets, the top 25 markets, there is going to be a little bit of a hesitancy to book hotel rates at $350 where you were paying -- if you look at Nashville as an example, if you look at what has gone on in this market, you see huge increases in pricing by the hotels in this market because of the demand. And just naturally, there comes a pause. But I think our business looks really, really good over the next 2 to 3 years.

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

Great, that's helpful. Thank you, Colin.

Operator

Bill Crow, Raymond James.

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

Colin, could you clarify for me if the Aurora advance bookings are included in your total advance bookings?

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

No, I was very clear in the prepared remarks, William, that that is not the case.

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

Okay, that's what I thought. I just wanted to make sure.

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

(multiple speakers) our first quarter, up 20% net and April up 45,000-ish room nights, excludes Aurora, which is really good news.

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

And when will you start to include Aurora in your advance bookings numbers (multiple speakers)

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

We won't do that until that hotel is 1 year old.

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

Okay, great.

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

One year operating old.

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

Okay, and the fact that Aurora has, as you expected, been able to capitalize on the rotational aspect of groups, has that left any holes in your existing portfolio that are significant or we should be aware of?

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

Look, we have tried to convince you guys for as long as we have been talking that what happens when we put a new hotel in place, that hotel becomes an exporter of room nights to the system, as well as an importer of room nights to the system. And what happens is that when you add a new hotel, we always see a lift in the number of customers that we are doing business with.

So, what is very, very -- the answer to the question is we booked more room nights in the first quarter into the existing hotels, and in April we booked more room nights into the existing hotels with Aurora in the system. But we also booked a ton of hotel room nights in Aurora. We are touching customers that we didn't touch before, and that will give us the ability to say to those customers, if you want to book Aurora, here is when you can book Aurora. We've got the space available, but by the way, you can also come to Texas. You can also come to wherever.

And that's the difference of our model compared to any other organization that does business in the hotel business in the group business in this country, and it's a very, very compelling business model that we have.

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

I appreciate that (multiple speakers)

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

Bill, this is Patrick, just to expand on what Colin is saying. Essentially, our strategy is two pronged. Number one, to go heavily after the West Coast groups that are new to the brand and acquire a whole new breed of customer into the brand with the addition of Rockies to the brand. And the second is to go after the existing group customers, but ensure that it is an existing customer with a new meeting being added to the rotation, so that we are not cannibalizing from the existing rotation, but that we're adding a new meeting to the rotation from an existing group. And so, those are the two prongs of the strategy that we are really focused on.

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

That's helpful, Patrick. Thank you. One last question from me, as you look at 2017 and the solid group bookings, how does it stack up going property to property? What is doing the best as you look ahead? What is struggling a little bit?

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

Yes (multiple speakers) Patrick (multiple speakers)

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

Yes, so as I mentioned, Opryland is a little more challenged just because they have more room nights out of service.

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

Right.

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

And then, Palms looks pretty good.

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

But it is not a demand issue. We (multiple speakers)

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

Not a demand issue.

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

It is a pattern issue.

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

That's right. Palms looks good, even though there is a little bit more challenging citywide convention calendar in that market for 2017, and then Texan and the National are pretty much on par with where we would expect them to be. So, Opryland simply because of the renovation has a little bit more of an uphill climb, but the other three properties look pretty good.

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

And no unusual ramp expected because of the election and the inauguration?

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

No, we pick up -- the honest truth is we have been operating for several years with inaugurations and we pick up some banquet business for various groups, but the impact to the rooms' revenue is really not that significant.

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

I am actually more excited about the January weekend casino business (multiple speakers)

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

That's right.

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

-- in DC than I am the Washington inauguration gatherings.

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

Great, all right. I appreciate it. Thanks, guys.

Operator

Harry Curtis, Nomura.

Harry Curtis - *Nomura Securities Intl. (America) - Analyst*

Just as a quick follow-up specific to National Harbor, when you said that you thought it was on par with your expectations, as far as forward bookings for National Harbor for next year, does it look like it is a net positive versus 2016, negative, or neutral?

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

Harry, this is Patrick. Essentially, it changes from month to month based on what groups you're booking. Where we stand right now is essentially it is flat to 2016, and so from that perspective we're pretty much on par with where we expect to be.

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

We had a (multiple speakers)

Harry Curtis - *Nomura Securities Intl. (America) - Analyst*

Okay, and then the -- and then, just to clarify because I think I might have missed a comment, Colin, you said that 2018 was well ahead, but in 2017, did you say that it was essentially in line with 2016?

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

Yes, 2016 is going to be a record year for us. And 2017 is pacing consistent with where 2016 was pacing a year ago, okay? And so, we are comfortable because it will enable us to shift our now salespeople's focus on filling the patterns for 2017.

2018 is trending four occupancy points ahead over where we were last year for 2017, okay? So we -- altogether when you add what we did in April and you look at where we were at the end of March, we got about 400,000-ish more room nights on the books at the end of April for future years than we did this time last year at the end of April for future years.

This inventory continues to grow for us and this is very exciting, and that's one of the things, Harry, that is leading us to some of these capacity modifications at these hotels that we are doing.

Harry Curtis - *Nomura Securities Intl. (America) - Analyst*

Very good, thank you, and we look forward to seeing you in two weeks.

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

Yes, we look forward to being there. Thanks very much and thanks for being on the call this morning.

Operator

That was our final question. I will now turn the floor back over to Mr. Colin Reed for any additional or closing remarks.

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

Maria, thank you very much. I again want to thank everybody for joining us this morning. We're a very interesting business in the sense that we are not a quarter-to-quarter business. We are a long-term business, and we really are very excited as a Company about the future and look forward to spending more time with our investors here over the next few months. So, thank you for joining us.

Operator

Thank you, ladies and gentlemen. This does conclude today's call. You may now disconnect.