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RHP - Q4 2017 Ryman Hospitality Properties Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 23, 2018 / 4:00PM GMT

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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Fourth Quarter 2017 Earnings Conference Call. Hosting the call today from Ryman Hospitality Properties are Mr. Colin Reed, Chairman and Chief Executive Officer; Mr. Mark Fioravanti, President and Chief Financial Officer; Mr. Patrick Chaffin, Senior Vice President of Asset Management; and Mr. Scott Lynn, Senior Vice President and General Counsel. This call will be available for a digital replay. The number is (800) 585-8367, and the conference ID number is 4490557. (Operator Instructions)

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

Scott J. Lynn - *Ryman Hospitality Properties, Inc. - Senior VP, General Counsel & Corporate Secretary*

Good morning. Thank you for joining us today. This call may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including statements about the company's expected financial performance. Any statements we make today that are not statements of historical fact may be deemed to be forward-looking statements. Words such as believes or expects are intended to identify these statements, which may be affected by many factors, including those listed in the company's SEC filings and today's release. The company's actual results may differ materially from the results we discuss or project today. We will not update any forward-looking statements, whether as a result of new information, future events or any other reason.

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

I will now turn the call over to Colin.

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

Thanks, Scott. Good morning, everyone, and thank you for joining us. One year ago, I referred to 2017 as a transition year, given the number of projects slated to open in '18. But I also said '17 could be a record year for us. And indeed it was, as we set new records for revenue, adjusted EBITDA and gross group bookings, which, of course, is the lifeblood of our hotel business.

Now let me start with group bookings. In the fourth quarter, we produced 968,000 gross group room nights for all future years. This is only about 9,000 room nights less than the fourth quarter record we set at the end of '15. This put our total '17 production, and this by the way excludes the Rockies, at a tremendous 2.6 million room nights, topping 2016 full year record by 1.3%. Now recall that '16's 2.57 million room nights production was not only a record at the time but a 10% increase over 2015. I've been saying in recent quarters that the strong demand we're seeing from groups, combined with the fixed inventory of room nights we have to sell in future years, would offers us more opportunities to focus on achieving good rate growth as our key patents fill up. And I'm pleased to report that across these 968,000 room nights booked in Q4, we saw average daily rate growth of 5.7% or just under $11. We, therefore, ended the year with a total of 6.9 million gross group night -- gross group room nights. And again, this excludes the Rockies on the books for all future years. And this is a 7% increase over the end of 2016 and another record for our combined hotels.

In addition to these bookings, the sales team for the Gaylord Rockies booked another 244,000 gross group room nights in Q4 '17. As we stand here today, 10 months away from the opening of this newest member of the Gaylord family, this property has already amassed 948,000 gross group room nights for all future periods, which exceeds our planned trajectory and sets this property up very well for the future. It is worth noting that much of the early bookings activity for this hotel when it was still years from completion were for association-type business. Today, we get -- as we get closer to opening, we are passing through the prime booking window for many corporate groups. So we're very excited to be adding another important layer of inaugural customers onto our book of business for the Rockies.

Now turning to RevPAR and total RevPAR. We have -- we had indicated since the beginning of '17 that the first and fourth quarters of last year would be our strongest, and both quarters fulfilled that guidance. A solid book of group business in October and early November, followed by a very good leisure transient response to our holiday programming across our hotels, delivered 5.9% RevPAR and a 7% total RevPAR growth in Q4. Our properties executed well across the board, capturing significant flow-through and driving Hospitality adjusted EBITDA over the $100 million mark to $104 million. This is a 12.7% increase year-over-year at an impressive 33.2% margin. That is 168 basis points (sic) [160 basis points] higher than Q4 of '16.

Now there were couple of large nonrecurring noncash items that affected the bottom line operating and net income of our company, which I'm sure you've noticed in our release. The first of these is an impairment charge of $35.4 million on the carrying value of the Series B bonds issued to us by Prince George's County back in '08 when we opened the hotel. And this was all part of the Gaylord National development incentive package. Now these bonds attract an interest rate of 10%. Now we are required every year to test for impairments on both of these series, which we achieve by updating the projections for the hotel tax revenues that will service these instruments all the way out to the years 2034 and 2037. This year, during our testing, we decided that these extremely long-range projections should be modified for a couple of reasons. Up until '17, the looming entry of the MGM casino into the market was the big remaining variable that would determine for us if National Harbor, and thus our hotel, was positioned to hit the trajectory that was determined over a decade ago. Now while we've been pleased with the number of overnight regional guest that MGM has driven our way as well as the underlying performance of the hotel, it has not been quite enough, nor at a high enough rate for us to confidently hold to the previous projections, as I said, set a decade ago. The resulting calculation of expected future hotel tax revenue all the way out to 2037 led us to conclude that the Series B bonds, which stand behind the Series A, may not collect all of the debt service payments we previously expected before they reach maturity.

Now as you know, some of our competitors have a hard time projecting the rest of this year. So trying to figure out what happens a decade from now is somewhat of a challenge. But nevertheless, we have assumed pretty modest growth through this period. And also, the actuaries who advised us on this whole computation felt it was appropriate to increase the discount rate we use to reflect the times we live in. The present value of this computation is what drives the $35.4 million impairment. Now I want to emphasize again that this is a nonrecurring noncash charge that does not reflect how we view our group business nor the overall opportunity at the Gaylord National, but merely the current view of the world today versus past expectations.

Now the other noncash item is a large tax benefit, the $53.4 million, that we recorded due to a release of deferred tax valuation allowances. And at the end of -- the end of '17 marked our fifth anniversary as a REIT. And our 5-year leases between our prop cos, which are in the REITs; and our op cos, which are in the taxable subsidiaries; were due for renewal. The renewal terms should allow us to realize additional deferred tax assets, and so we released the corresponding valuation allowances. Again, just as with the impairment charge, this is a nonrecurring noncash item and neither one impacts our adjusted EBITDA or AFFO.

All in, the fourth quarter was a tremendous ending to a very solid year for our hotel business, even in the face of a few challenges, such as the renovation displacement in Opryland, the major construction projects going on both at Opryland and the Texan, and of course, the hurricanes in Texas and Florida in Q3. For our hotels to deliver 2.1% total RevPAR growth and 2.7% adjusted EBITDA growth against the difficult comps of 3.5% and 6.8% set in '16 reflects the sweet spot we find ourselves in right now in terms of rising group demand, coupled with the lack of supply growth in the 1,000-plus room hotel space.

Now not to be outdone, our Entertainment segment once again delivered its own record in the fourth quarter, posting an 18% revenue growth and 22% adjusted EBITDA growth. Full year totals came in at 14.1% and 15.1% (sic) [15.4%] respectively, marking the fourth consecutive year this business has grown revenue and adjusted EBITDA in double digits. And amazingly, this growth is coming from our core business as our new unit growth in the Entertainment space does not really get underway until this year. So not bad for a transition year.

Now let us turn to '18. I will first review, once more for you, the milestones that we have on tap for this year in each of our 2 segments, and then I'll boil it down into our guidance. Starting with Hospitality. In May, we will open the 300-room expansion of the Gaylord Texan. And many of you had the opportunity to see this new tower at the investor reception we hosted in November during REITWorld, and I believe those who saw it would agree that the space looks fantastic. This addition could not come sooner for the Texan, which has been out in front of its competitive set for at least the last 3 years. Bookings linked to the expansion have consistently met our plans since we announced this project, and we believe it sets the Texan up to lead the Dallas meetings market for years to come.

In December, we'll open SoundWaves at Opryland. Like the Texan, the timing of SoundWaves is perfectly aligned with the performance we are seeing at Opryland and the growth we are seeing in the national -- Nashville market. This feature will be virtually impossible for any of our new -- for the new hotel supply in Nashville, or surrounding region, to replicate and will be a critical component of Opryland's continued success in both group and leisure transient business for years to come.

At about the same time, the first Opryland guest did put a toe in the water, so to speak. We will be also opening the doors of the Gaylord Rockies for our -- with our partners in Colorado, with the first group customers scheduled to arrive shortly thereafter in early '19. Construction out west on this great project is proceeding on pace and on budget as we near the finish line, and I just highlighted the remarkable bookings interest we're seeing at this property.

These 3 projects manifest what I've said in the past that now is the right time for us to be investing in the group business. Demand remains strong, supply remains constrained, and the returns we can derive on these projects are outstanding. As a result, we will continue to study more ways to deploy capital into our assets to service the group customer and create economic moats around these world-class hotels.

Now turning to Entertainment. At the end of last year, after an unfortunate delay, we opened our first Opry City Stage restaurant and music venue in Times Square. And Mark and I had the pleasure of seeing many of you just several weeks ago at our Investor and Analyst event to showcase this property. We're excited to be up and running and look forward to the first full year of operation in '18.

In Nashville, we're just several months away from lighting up the flagship Ole Red location with Blake Shelton on Broadway. And in the same way we aim to capitalize on supply and demand dynamics in our hotel business, we have several other initiatives in the works in our Entertainment segment to capitalize on the strong dynamics around the consumer appetite for all things Nashville and the country music lifestyle. So look for more details on these in the months to come.

Now with that, let me turn to guidance. I've mentioned throughout the past year that '18 was setting up very nicely from a group bookings perspective. At each point in time over the last year, 2018 was pacing ahead of where '17 was at the equivalent lead time. Now I'm happy to confirm this remained the case at the end of Q4 and that we entered this year with 3% more net room nights on the books and 5.8% more net rooms revenue on the books for this year than we had at the start of '17 for 2017. Now these figures include the contribution from the new rooms that we're opening at the Texan, but again, exclude anything related to the Rockies. We have also completed the major rooms renovation project at Opryland that had been going on through most of '17, leaving us with no rooms out of service in '18 for this hotel versus the 49,000 that we had taken out in '17. We do expect to begin a rooms renovation at the Nashville -- at the National in the fourth quarter of '18, which will lead us to about

14,600 room nights out of service in that period. The National will mark its 10-year anniversary in April, and so the time is appropriate to begin our rooms renovation work here, which we will then complete in '19.

Now based on these factors, we expect 2% to 4% RevPAR growth, and yes, I said growth, and 3% to 5% total RevPAR growth across our consolidated Hospitality portfolio. I want to point out here that we estimate the dilutive impact to both RevPAR and total RevPAR from the ramping-up period of the Texan expansion to be approximately 70 basis points on a consolidated -- on the consolidated Hospitality segment.

Moving to profitability. We believe there's additional opportunity to drive incremental margin across the portfolio despite the improvement that we've already seen over the last 2 years. We're, therefore, targeting up 20 basis points of adjusted EBITDA margin improvement at the midpoint of our guidance for the Hospitality segment. Together, these expectations drive a range of $365 million to $375 million of adjusted EBITDA for our hotels. Meanwhile, our Entertainment business is not letting up, and we expect the core assets, together with the new venture, to deliver in the range of $44 million to $50 million of adjusted EBITDA.

So in short, we're projecting another record year for our company. And we're just getting started. It is not until '19 that we truly begin to reap the benefits of SoundWaves, the Rockies, the full year of the rooms at the Texan as well as the full year of Ole Red in our Entertainment business. So there is much more yet to come, and we believe many more records -- record years ahead for us, so long as supply remains constrained, which we believe it truly will, and this country's economy continues to grow.

As I very much like to do at this time of the year, I would like to highlight one more item, and that is the first quarter dividend of '18 that our board declared today. The increase of $0.05 per share represents a 6.3% increase. And subject to the board's continued evaluation and approval, it will be our intention to declare total dividends of $3.40 per share in '18. We're delighted to deliver this very tangible benefit of the continued strength of our business to our shareholders.

And with that, let me turn the call over to Mark. Mark?

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

Thanks, Colin. Good morning, everyone. Now in the fourth quarter, the company generated total revenue of $345.2 million, up 7.9% from the prior year quarter. And for the full year 2017, total revenue increased 3.1% to just over $1.18 billion. During the quarter, the company generated net income available to common shareholders of $72.3 million or $1.41 per fully diluted share. The company generated $106.3 million of adjusted EBITDA and improved adjusted EBITDA margin by 120 basis points in the fourth quarter. And for the full year, the company's adjusted EBITDA exceeded $360.8 million, an increase of over $10.6 million, and full year adjusted EBITDA margin was flat compared to 2016.

In terms of AFFO, the company produced $87 million in 2017, an 11.9% increase over the fourth quarter of 2016 or $1.69 on a fully diluted share basis. For the full year, the company generated $285.5 million in AFFO, a 1.4% increase over 2016 and equivalent to $5.56 per fully diluted share.

Attrition in fourth quarter of 2017 was 13.1%, slightly higher than Q4 of 2016 by approximately 42 basis points, but was down sequentially as compared to the third quarter by 240 basis points. In-the-year, for-the-year cancellations were lower by 500 room nights or 8.5% year-over-year and approximately 7,400 rooms sequentially. Attrition and cancellation fee collections during the quarter totaled $4.3 million, and for the year, were $10.9 million.

Consolidated Hospitality adjusted EBITDA in the quarter grew 12.7% to $103.9 million, equating to an adjusted EBITDA margin of 33.2% or an increase of 160 basis points in the quarter. Full year Hospitality adjusted EBITDA increased 7.2% to $346.1 million, representing a 30 basis point margin improvement.

Our Entertainment business finished strong with fourth quarter and full year revenues increasing 7.9% and 14.1% respectively. Segment adjusted EBITDA in the fourth quarter increased 22.1% to $9.7 million, and for the full year, increased 15.4% to $41.2 million.

As Colin mentioned, this segment continues to perform extremely well as it sets new high water marks for both revenue and profitability. We expect this segment to continue on a strong growth trajectory with the opening of Ole Red Nashville and a full year of Opry City Stage.

Corporate and other adjusted EBITDA totaled a loss of $7.3 million in the fourth quarter of 2017 compared to a loss of $5.4 million in the fourth quarter of 2016. Full year 2017 corporate and other adjusted EBITDA totaled $26.5 million. We continue to invest in our core support functions and staffing for both segments of our company to support their growth.

Moving on to the balance sheet. As of December 31, we had total debt of approximately $1.6 billion, net of unamortized deferred financing costs and unrestricted cash of $57.6 million, resulting in net debt outstanding of $1.5 billion, including $171 million of borrowings drawn under the company's revolving credit facility. Combined with available cash, this leaves the company with approximately $585 million of available liquidity.

Earlier, Colin provided some highlights of our 2018 guidance for the year, let me just provide a few additional details and a bit of color regarding the quarterly pace of RevPAR growth. On a consolidated basis, we anticipate 2018 full year consolidated net income of $155.3 million to $157 million; full year adjusted EBITDA of $383 million to $400 million; funds from operations, or FFO, of $275 million to $278.3 million; and adjusted funds from operation, or AFFO, of $300 million to $306.5 million. I would note that both net income and AFFO are negatively impacted by an anticipated noncash deferred tax expense of approximately $12 million in 2018.

In terms of our quarterly Revpace -- or RevPAR growth, we expect the second quarter to be the strongest quarter of the year, with RevPAR growth up in the high single digits. Q3 will be the slowest at a -- and will be flat to down low single digits. And finally, the first and fourth quarters, we expect both will be up in low single digits. In terms of total RevPAR, we, likewise, expect the second quarter to be the strongest, again in the high single digits. We expect the third quarter to be up mid-single digits, while the first and fourth quarter should be low single-digit growth.

You will note that our total RevPAR expectations are essentially reverse of our 2017 pattern, driven by difficult year-over-year comparisons. A detailed reconciliation of our current guidance from net income to adjusted EBITDA, FFO and AFFO can be found at the supplement schedule to our earnings release.

Finally, while not providing guidance for 2019 at this point, we do want to remind you that as you model 2019, you should consider the Gaylord Rockies and SoundWaves projects that will be opening at the end of this year and will have a significant impact on our financials in 2019. As a reminder, we are 35% owner and the asset manager of the Gaylord Rockies. While on a GAAP basis, we will report our pro rata share of the JV's net income under the equity method of accounting, we will also be reporting our pro rata share of Rockies' adjusted EBITDA in our Hospitality segment, and we will receive an asset management fee of 1% of hotel revenues that will be reported as corporate revenue on our consolidated financials. Also recall, our property -- our results for the property will include Ryman's pro rata share of the public incentives that the hotel will generate.

SoundWaves at Opryland will benefit both Opryland's RevPAR and total RevPAR by helping close the transient rate gap with downtown Nashville, capture additional room nights from new leisure guests and extend group stays, incremental food and beverage spending and the admissions fees collected from guests for access to the facility. While we've provided capital and return assumptions in the past, if you have additional questions on the impact of these projects for the mechanics of modeling them, please contact Todd or me, and we'll be happy to help.

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

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

Thanks, Mark. I'm going to hold off on closing remarks. Let's open up, Maria, if we could, the phones for questions. We've shared a lot of data here, and I'm sure there's a few questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Patrick Scholes of SunTrust.

Patrick C. Scholes

First question is going to be on, how should we think about sort of a base case RevPAR dollar amount for the Rockies? Certainly, it doesn't look like on the website that it's taking reservations. Where would you put us in that direction? Or would you say the RevPAR at that property is similar to one of your other 4 properties? Maybe you could point us in that direction.

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

Patrick?

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

This is Patrick Chaffin. We don't want to give too much information just yet, but I would tell you that the RevPAR that we're expecting at the Gaylord Rockies would be in line with what we see in the Gaylord Texan as far as a comparison.

Patrick C. Scholes

Okay. Next question concerns the Opry City Stage. I'm just -- I'm curious where you could envision this concept going. It seems like it's gotten some, from what I can see online, some pretty good reviews so far. Could you envision this concept sort of being the next House of Blues as it relates to country music?

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

Patrick, this is Colin. Let me make a couple of observations here. The -- we -- I don't envision, truly don't envision, Opry City Stage being like the House of Blues, which has, in this country, 60 to 80 locations. Actually, there's a few locations under a different name, but 60 to 80 locations, various shapes and sizes. Very good concept. What we envision with Opry City Stage is that this would go into, what I would call, the primary market -- tourist markets of this country where we see tens of millions of tourist markets reasonably put it in Times Square is because Times Square gets about 45 million tourists a year. For New York City, it's about 55 million. We would see markets, I would think, Orlando, New -- Las Vegas, these types of markets would be a home for Opry City Stage. So that's how we are currently thinking about it. With the product in New York City, this is, obviously, the first of its kind. There are -- we're in the process. We've had this thing open for, I don't know, Mark? 6 weeks, something like that, 7 weeks? We're in the process of refining some parts of this product. We want to -- we're going to change the ground floor out a little bit to make it clearer to the consumer that runs up and down outside on Broadway there, what indeed goes on, on the second and third floor, on the fourth floor. So we're going to do some modifications on that. And also, the marketing side of this is in the early stages of really cranking up. We had, as you'll remember, this tragedy at the place when one of the workers unfortunately fell from scaffolding in the middle of the construction last year that essentially shut the construction down for a period of time. And that caused us some -- not sure when we were going to be opening this facility. Anyway, it's now open and the marketing has been cranked and ramped. And we -- you're right, we've got very good reviews on our food and entertainment. And it's -- and the -- I think, over the next 2 to 3 months, you're going to see a lot more activity by us to promote this facility domestically. And the other thing I would say to your question about Opry City Stage is that, we've had some outreach from the international market on this. People who love -- if you go to Europe, there is a tremendous amount of people in Europe that love country music. What is going to happen here in Nashville, come early May, is pretty sure we're going to be flying directly Dreamliner every day, I think, every day, or maybe 5, 6 days a week to Nashville. And so it's not out of the realms of possibility that we would find an international partner and do something internationally with Opry City Stage because of the love of country music.

Patrick C. Scholes

Okay. And one last question here. Any updated thoughts on possibly divesting the Entertainment segments when you have a -- when your investor is interested in pushing for that? And I also bring that up because some companies, public companies like Live Nation, that we might comp that segment again. So it's had pretty good multiple, valuation multiple run ups here. What's your latest thoughts on that possibility?

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

Well, I -- most of us sitting around this table, we had a little discussion earlier wondering at which point in the question and answer we'll get that question. And you're the first one up and the first one to ask the question, so let me give you the answer. The -- we have never talked about divesting this business. What we've talked about is potentially spinning this business and putting it in its own separate public company. This business, we believe, is very unique and has very good traction. And the growth rates in it are very, very strong. And we think this business has lots of ways to grow and that's how we think about it. And we are very much at work trying to grow this business in all sorts of ways. So at some point, it will be mature enough to stand on its own 2 feet. And that -- ultimately, that is the goal.

Operator

Our next question comes from the line of Chris Woronka of Deutsche Bank.

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

My first question is kind of on the -- you mentioned in the press release that there was some good strength in corporate group rates in the fourth quarter. And I'm wondering, is that -- are you continuing to kind of see that general trend in '18? And do you expect the Corporate group piece to be considerably stronger this year than it was last year?

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

Chris, this is Patrick Chaffin, and I'll take that question and then Colin can add any additional comments he has. As we look into 2018, as we have a higher level of corporate room nights on the books as far as our mix. And I would tell you that we are -- we've been driving tremendously strong volumes of room nights in terms of production. You're going to see us pivot a little bit more towards trying to drive rates in 2018, because we are seeing the continuance of strengthening in rate. And so we're going to take this moment and time with the number of room nights that we already have on the books, which is a record, and the strength that we've seen in bookings production to push rate a little bit more and take advantage of the environment that we see. So yes, we have seen that. It's continuing. And we want to make sure that we take advantage of it.

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

Chris, let me -- I'll -- let me -- I want to add one thing to this and that is that however you cut it, our industry, the hotel industry and particularly, the large group sector, is so heavily correlated to the underlying economic strength of this country. When times are good, people are out spending money, businesses are out holding meetings. And when times retrenches, we saw in 2009, the world behaves very differently. So the question, the central question -- and this is, by the way, was one of the things that I always struggle with the question of where we stand in the cycle, because what we never try and do is sort of try and figure out what's going to happen over the next 1, 2, 3 years with the economy of the country. We sit at a very interesting point I believe. My personal view is that, Corporate America, the balance sheets are very, very strong. Corporate America have just got this big windfall with -- particularly the C corps with tax reduction. You're going to have then all this repatriation of funds from overseas coming back to the United States of America. And the question is, what happens to this economy? And my sense is that we're going to see -- over the next 1 to 2 to 3 years, we're going to see strength in this economy. And I think that will bode well for, particularly the group sector. And as Patrick Chaffin has just said a second ago, our focus here is going to be driving rate, and this is what we've been sitting and talking with our operators at Marriott, doing -- driving rate here over the course of the next 12 to 24 months. And we believe, given this slow supply that we see in our sector, given the underlying health of the economy, the next 2 to 3 years should be pretty fun for us.

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

Great. That's great color, Colin. And just as a follow-up. You guys, obviously, have a lot of growth coming later this year and next year, including SoundWaves in Nashville. But I wanted to ask, as you think out strategically beyond that, is there any -- are you any closer to maybe adding another some kind of hotel development in Nashville, now that everything else is coming closer into view?

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

Well, look, we don't play in the sandbox of 200- to 500-room transient folks' hotels, which is really the supply increase you see in this city. The supply increase you're seeing in this city is to accommodate the leisure customer that wants to come to this city. And so I don't think you'll see us do that, unless it's parked next to Opryland, the mothership that generates 80 points of occupancy there or thereabouts, 70% of which is group. And I think as we get to opening up the inventory for SoundWaves, Patrick, that's what May, June of this year we're going to be do that?

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

SoundWaves will open in December.

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

Yes, I know that.

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

Inventory?

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

Yes, the inventory.

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

Yes, the inventory will open in May of this year.

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

Right. So if we see huge demand here, you may see us come back and want to build a 300 room-ish leisure-focused hotel to accommodate demand as we open up this inventory. But you're not going to see us build a Downtown hotel here in Nashville. In terms of other big boxes. Look, we look at every box that comes on the market. And here's the reality. I mean, this is the bizarre thing I read all of the reports from the analyst community and talk about our multiple as a function of what's going to happen in '18. But clearly, we've got some really world-class things happening in '19. But the thing is, we can't buy hotels at the multiple we trade at. We can't buy hotels that we have at the multiples that we trade at. So -- but we look at every transaction that comes before us. But the -- either that multiple has to increase or the multiples of hotels, big hotels, world-class hotels that gets old have to decrease for us to be in the acquisition of large group hotels.

Operator

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

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

So Colin, I just wanted to ask at a high level, so thinking about all the capital development projects. I thought that there was a portion of SoundWaves that might have the opportunity to open local sort of the summer. Perhaps, that had already been pushed out or updated. But can you just give us kind of the time line. And then also maybe give us a little bit more color on the features? I mean, you talked about it opening in December, I mean, meaningful for '19. But what's the part that's indoor versus outdoor to make it attractive to guests in the middle of December?

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

Yes. The -- what -- we got to get you to Nashville to see this construction. I was there yesterday for our board meeting at the hotel and with all of our board members, and they couldn't believe the scale of this construction. We've spent a lot of time with our operator, trying to figure out whether we could open the ex -- outside part of this in sort of the July, August time frame here to capture the latter part of the summer months. And the -- as we've spent so much time with our operators, what we've come to conclude is that it would be fairly -- it would be very difficult, essentially, to try and get people out of the hotel around the construction and into the pool complex. The amount of policing that we would have to do to do that. And then these folks would be in an exterior pool complex, looking at a massive construction of the indoor piece of this. And so as we've analyzed the pluses and minuses of all of this, Patrick Chaffin, I think we came to the conclusion that the pool just wasn't worth the dive for 2 or 3 months over the exterior. And let's get up -- get all of this fully done, integrated, work -- and open it at one big point in time. Well, obviously, the inside first, because we can't open the exterior in the middle of the winter. But that's the way we've been thinking about it. And -- but I got to tell you, we are very excited about this, and this is going to be quite some feature for this hotel.

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

Shaun, this is Patrick. The only thing I'd add to what Colin has already said is, we watch very closely some of the missteps that were made by some water park operators that opened over the past couple of years in Orlando, who still had ongoing construction sites for guests to be interacting with. And the guest commentary and feedback and negative reviews gave us even more pause to say, let's make sure that when we show this to our customers for the first time, they get a wow experience, a great sense of arrival. And to your second part of your question, just to let you know, it's about 4 acres, the site itself. About 80,000 square feet is indoors, and that's about 3 levels of water features. So an expansive outdoor area, but a very large indoor area on 3 levels that is unlike anything you see, certainly in this region.

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

And Shaun, one last thing on this. The other thing that we just take for granted, but we probably shouldn't, is we have got one hell of a good book of business in that hotel this year. And one of the things that we are very, very sensitive about is making sure that the customers that are booked into this hotel and this hotel is going to run almost 80 points of occupancy and generate tremendous EBITDA for us, that we make sure that those customers have a world-class experience. So that was the really the reason why we decided that we would not open the exterior piece of this for 2 or 3 months towards the end of the summer.

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

I think it makes a lot of sense. And then as we think about on the CapEx for 2018, obviously, a lot of these projects are starting to come to fruition. I know you said that Rockies was on time, on budget. Could you just give us a reminder of sort of the overall CapEx breakdown? And if you could give us a sense of sort of for the growth projects, where you're at kind of by projects, at least on rough numbers? That would be helpful.

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

Well, Mark can do this. But let me just say this now that, we're fully funded on the Rockies. I mean, we paid for that last year. So when you look at our leverage levels, we've got the eye, the investment, but no income. And so our capital for 2018 is not really significant. So Mark?

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

Well, yes, in terms of growth capital left on the tax and the spend, we're going to be $28 million to $30 million here as we finish it in '18. The remaining SoundWaves' construction this year will be between $60 million and $62 million. The venue, downtown Ole Red, that opens in May is $8 million to $9 million. And then we're doing an expansion and enhancement to the Opry House and the Opry Plaza, that's about $11 million to $12 million. So growth capital is kind of in that $107 million to $113 million range. On the maintenance side, obviously, you'll have your FF&E reserve of 5%. This is a little bit heavier owner-funded year for us. So on owner-funded projects we've got some infrastructure of replacements that we're doing, boilers, et cetera. So between that and the carryover, maintenance you can have -- it'll be in the $80 million to $90 million range this year. So when you kind of add it all up, you're probably at $190 million to about $205 million for CapEx in total for '18.

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

Got it. And so I don't have the old numbers in front of me, was there any budget change to SoundWaves out of that number? Or is that pretty much in line with where you were?

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

I think that's pretty much in line with where we were. But the overall budget hasn't changed. We're on budget there. It may be a few million dollars higher than what we've previously provided, because we had very wet 6 months or so in Nashville, which has slowed some of the work now. And so it's pushed a little bit more of the capital spend into this year versus '17.

Operator

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

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

Colin, congratulations on advancing the ball on the growth initiatives. I want to start with the growth initiatives. I think you talked about opportunities in Nashville and on the acquisition front. But I'm just curious about going out and developing another project, now that the Rockies is coming to the finish line. Where is that in your priorities? And based on any discussions you might have had, what is the environment for securing tax incentives to build another Gaylord or Gaylord-style hotel?

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

Yes. Well, there's good news and bad news here, the tax incentive piece of it is much hotter today than it was, simply because of the economy of the country. And the -- when I say, it is good news, bad news, the good news piece of that is, is that there's limited supply being built right across the country. As you know, despite 1,000-room hotels, and I think, 3 of those are parked next to convention centers and are essentially -- have 100,000 or less square feet. So that's the benefit of this. And I think you may have seen some press in Chula Vista, the project that we initiated, Lord knows, what was that about? 8, 10 years -- oh, it's before the financial crisis.

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

It was probably 2005, right?

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

Yes, it was. So probably, I don't know, 10, 12 years ago. And the people that are behind that are the same, our partners in Denver. So we talk to these folks about that project, if it comes to fruition, we would have an interest. And that community is, we are told, enthusiastic about building world-class hotels just south of San Diego there. So -- but right now, when communities are doing pretty well, growth is pretty good across the country, it's much harder to get these big tax incentives. But here's the thing, we'll -- we will keep monitoring that. We will -- we're looking at certain markets. And here's the good news, we know how to do this. We've done it multiple times before. And so, I'd say, just keep focused on that, Bill.

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

Okay, I appreciate that. The other question I had was on the gross advance bookings. In the fourth quarter, there were down just slightly for all future periods, but there were also down just a little bit last quarter. And I'm just curious, if that sends a message that maybe the windows are lengthening? Or maybe you're just maxed out and we're not getting any better than this? Or how do we interpret that?

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

Bill, I don't want to be critical, because I have...

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

But you are, so that's okay.

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

I have the highest of regards for you, but you're looking through the wrong end of the telescope. The bookings that we did last year were -- it was record bookings for us. And the quarter, the fourth quarter of just under 1 million gross room nights was the second best quarter we ever had as a company. And this is the other thing I would ask you to think about, if you look at the bookings that we had on the books for all of our hotels, excluding Denver, at the beginning of '17. And then you fast-forward, with all the bookings that we booked in '17, you fast-forward and look at the bookings that we have on the books on the 1st of January of 2018, the bucket of group room nights grew by 7%. 7%, which is monstrous. So the issue for us is patents and where we accommodate. And that's why we made point in this release to say, we have really focused, even though we're at record levels of bookings, we're focused so much on rate. And we saw that to our benefit in the fourth quarter when we had rate up north of 5%. So I don't think you can look at it accurately, fourth quarter of '17 and fourth quarter of '16 and say, "Oh, we are down 9,000 room nights, or whatever it is and therefore, things aren't good." There are in tremendous shape. Patrick, have I missed anything?

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

No, I think you're absolutely right. I will tell you though that we've intentionally, because of our strong book of business, in both in our business and well as our competitors and our focus on multiyear rotational business, we have been successful in pushing some Corporate groups to lengthen their booking window, because they're trying to secure space, because they think it's not going to be available. And with the multiyear rotational business that we're securing, we're naturally getting folks to sign up for longer periods than they normally would book into. So we have been successful intentionally in extending that booking window as a result.

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

Okay, great. Now I wasn't trying to find something to criticize. I was just really wanting to know that the booking window was changing there or anything like that, so?

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

No, I'm pulling your leg a little bit, I probably shouldn't on this call, but, no, this group market is in really good shape. Mark, is there something you want to add?

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

Yes, if you look at -- well, I was just going to say that if you look at where we're trending, where we sit today for '19 and the business, right, it looks quite good. We're -- we are on the books revenue perspective we're up mid-single digits versus where we were at the same time...

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

Last year for '18.

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

Correct. Yes, so as you -- as we look out prospectively both at '18 and '19, and beyond, bookings look really good, really nice growth, both in terms of occupancy as well as rate.

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

One final question that occurred to me is just, I think before you've talked about the Rockies and whether it's picking up some of the rotational business and kind of taking it away from your existing hotels. And it seems to me you had a lot of new business that may be you hadn't seen in your existing hotels. Any update on kind of where that business is coming from for the Rockies?

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

Bill, this is Patrick again. That's a great question, it has been a high area of focus for my team in making sure that what we're introducing into Rockies is not just recycling, if you will, of existing groups, which we certainly want to do. We want to bring them and capture an additional meeting in the rotation. But we have said what the team feels, I set, and what they would say is an aggressive target on an acquisition business. And we are watching that closely. And I would tell you that Rockies is performing rights within the range of what we think is acceptable on new acquisition business. Just about 35% to 40% brand-new business that has never been to a Gaylord Hotel in the past. And so bringing new folks into Rockies and then introducing them to the full brand is the objective here. And I'm very pleased with how the team has been able to execute against that objective.

Operator

And we have reached the allotted time for questions. I would now turn the call the call back over to management for any additional or closing remarks.

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

Well, let me say this, Mark, if there are any other -- if there's anyone with their light lit up, we'll take one more question.

Operator

And we do have a question from the line of Chip Oat of Traditional Capital.

Charles Oat

You answered 7/8 of my intended question about acquisitions. So the 1/8 is, since you had ruminated almost 2 years ago about possible interesting opportunities. Are the opportunities you saw that didn't work for you price wise? Were they even close?

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

Sort of. I mean, we looked at -- yes, I would say, in the last couple of years, we looked at 2 or 3, close-ish, but not ones that we would say that they blew our socks off. And so we've taken a very disciplined approach to this. And then the other part of it is, is that in this period of time, of course, we're expanding Texas. We've got SoundWaves going on. We've got tremendous growth coming in these world-class assets that we own. So look, we get all this expansion done. We may expand one of these hotels again here with the amount of group demand that we're seeing. And we'll keep our beady little eyes on opportunities that come forward. So that's where we are Chip, and thanks for the question. All right. Maria, thank you. I think what I would say to our investors is, thanks for being on the call this morning. We feel like we have a differentiated strategy. We've been talking about this for a long time. I think it's showing up in our underlying business strength. The thing that we haven't talked about I suppose this morning is, our leisure transient business and what happened to us in the fourth quarter. And we sort of look at our revenue generation as, we're not victims, we're proactively driving business into our hotels. And I think that's going to bode well for '18 and '19 and years to come. So thanks, everyone, for being on the call this morning. And you know where we are, if you have any other questions.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference call. You may now disconnect, and have a wonderful day.
