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RHP.N - Q3 2024 Ryman Hospitality Properties Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 05, 2024 / 4:00PM GMT

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PRESENTATION

Operator

Good day, everyone, and welcome to the Ryman Hospitality Properties' third-quarter 2024 earnings conference call. Hosting the call today from Ryman Hospitality Properties are Mr. Colin Reed, Executive Chairman; Mr. Mark Fioravanti, President and Chief Executive Officer; Ms. Jennifer Hutcheson, Chief Financial Officer; Mr.

Patrick Chaffin, Chief Operating Officer; and Mr. Patrick Moore, Chief Executive Officer of Opry Entertainment Group. This call will be available for digital replay. The number will be 1800-839-5685 with no conference ID required. (Operator Instructions)

It is now my pleasure to turn the floor over to Ms. Jennifer Hutcheson. Ma'am, you may begin.

Jennifer Hutcheson - *Ryman Hospitality Properties Inc - Chief Financial Officer, Executive Vice President, Chief Accounting Officer, Corporate Controller*

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 facts may be deemed to be forward-looking statements. Words such as believes or expects are intended to identify these statements which may be affected by many factors, including those listed in the company's SEC filings and in today's release.

The company's actual results may differ materially from the results we discuss or project today. We will not update any forward-looking statements, whether as a result of new information, future events or any other reason. We will also discuss non-GAAP financial measures today. We reconcile each non-GAAP measure to the most comparable GAAP measure in exhibit to today's release.

I'll now turn the call over to Colin.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

Thank you, Jennifer, and good morning, everyone. We are pleased to report strong third-quarter 2024 results. Our same-store hospitality segment delivered record third quarter revenue and adjusted EBITDAre driven by continued strength in our group business. And our entertainment business delivered record third quarter revenue driven by continued momentum in our Ole Red brand.

During the quarter, we continued to make progress against our major capital investment initiatives. And with many of our 2024 projects nearing completion, we are more excited than ever about the value this will create for our shareholders in the years to come. Mark will review the third quarter in more detail in just a moment. But first, I'd like to remind you how we think about some of these exciting improvements.

As we first shared with you at our Investor Day, in our hospitality portfolio, we are focused on continuing to grow our business through investments that are customer informed and replicable across the portfolio, resulting in at least mid-teens unlevered returns.

This year alone, we've undertaken a significant portion of the more than $1 billion capital program. And the early results of these efforts are beginning to show in our bookings production for '26 and beyond.

Now the strategy sounds simple. One, we build demand; two, we provide the customer with great service; three, we retain the customers and then move them across our system and then further enhance and expand the product and generate superior returns on the capital we deploy. But in reality, it's taken years to perfect this strategy, but our superior TSR is because of this disciplined approach.

At the Gaylord Rockies, we've completely repositioned the entertainment spaces with beautiful sellable space that seamlessly bridge the indoor and outdoor spaces. We've also increased our food and beverage outlet seat count ahead of a potential further rooms' expansion at this resort.

The Gaylord Opryland, we are replicating what we've learned at the Gaylord Rockies to reposition underutilized courtyard space adjacent to our largest meeting space into a modern sports bar complex featuring an event launch and indoor-outdoor pavilion.

This complex will add flexible space for group buyouts. And during group low periods will provide necessary additional seats for our leisure transient guests. At the same time, we're modernizing the governors and presidential boardrooms which together account for approximately 40% of the property's competent meeting space.

At the Gaylord Palms, we're renovating the lobby and rooms to match the 2021 expansion. When these projects conclude, nearly every group and guest-facing aspect of that hotel will have been completely refreshed within the last four years, which is critical to our long-term positioning in that market.

Our entertainment business, we're wrapping up significant investments in Austin and Nashville, including opening our first venue under the Category 10 brand, our partnership with country music superstar, Luke Combs, arguably the most successful country music artist today, is up and running.

Category 10 soft opens over the weekend, initially with a private event for Luke's Bootleggers Fan Club, and then more broadly to the public. This multifaceted entertainment venue is one of a kind in downtown Nashville, and we believe it will be hugely successful with the anticipated revenue growth of tourism in the city and the East Bank development that is underway across the river.

We look forward to hosting the grand opening later in 2025, following the completion of the rooftop in the first quarter, we will have that rooftop done at the end of the first quarter, and further expanding the brand in the years to come.

Let me go off script just a second here. if you're okay with this, Mark. Category 10 is 70,000 square feet. Most of the bars on Broadway that we often get peered against a small honky-tonks. By contrast, there are five distinct entertainment experiences within Category 10. Yes, we have a honky-tonk. We have this beautiful hall, which we call Hurricane Hall that can accommodate up to 1,500 people, which comes with an incredible light display that replicates an intense storm. And it's one of the few places in this hall where people can actually dance. The Still, is a VIP area for the affluent fan that travels to Nashville. We have a sports bar, that on Saturday was absolutely packed, catering to the country lifestyle consumer that loves sports.

And then all of this will be supplemented, as I say, in the first quarter with this best rooftop experience in downtown. And I think the whole team has done a wonderful job bringing this to fruition, and I know we're all very, very excited about the prospects of Category 10.

Finally, we–ve just announced our plans for Opry 100. Our 2025 programming around the 100th anniversary of the Grand Ole Opry, including 100 Opry debuts that we'll be making and an international exposure with a special performance at London's Royal Albert Hall, in the fall of 2025. Tickets for most of the 25 shows went on sale on October 18, and sales are pacing very well.

I'm also very personally excited about the impact the Opry will have in London, as we work towards broadcasting that show throughout that part of the world. And in case you missed it, over the last few weeks, [Icelandic Air], which has a major hub routes through Scandinavia and Air Lingus, have announced direct flights into Nashville. And we believe the European tourist flow to this city is in its infancy. Taking the Opry to London will be a big long-term demand generator.

We're really excited about the future of our entertainment business, with our major capital investments nearing completion and the opportunity to connect with more country lifestyle consumers through our activation of Opry 100, our entertainment business is poised to have a very good year in 2025. Taken together, our businesses are in the best shape they've ever been in and our company's future looks awfully exciting.

Now with that, let me turn over to Mark to review the third quarter results in more detail. Mark?

Mark Fioravanti - *Ryman Hospitality Properties Inc - President, Chief Executive Officer, Director*

Thanks, Colin. Good morning, everyone. I'll provide a review of the third quarter, highlight some of the trends we're seeing in our business and discuss our revised guidance ranges before handing it over to Jennifer to cover our financial position and outlook for capital expenditures.

Both our businesses continued to perform well in the third quarter. We finished the quarter with consolidated total revenue of $550 million, a third quarter record, up 4.1% year over year, and record third quarter consolidated adjusted EBITDAre of $175 million, up 2.3% year over year.

Our same-store hospitality segment delivered year-over-year RevPAR growth of 2.1% and total RevPAR growth of 4.2%. ADR of $245 was a third quarter record, up 6.2% year over year, driven by record third quarter rate in both group and transient.

Same-store hospitality adjusted EBITDAre of $142 million was also a third quarter record. Same-store hospitality margin increased 30 basis points year over year to 34.4%, despite a $4 million year-over-year reduction in attrition and cancellation fees which flow through to profitability at 100% after management fees.

Leisure transient softness in the Nashville and Orlando markets continued into the third quarter. However, continued solid group performance, robust out-of-room spending, and operating efficiencies, more than offset the profitability impact of leisure declines, again, demonstrating the merits of our group-centric model.

In the quarter, same-store group rooms revenue was a third quarter record, up 6.8% year over year. Banquet and AV revenue was also a third quarter record, up nearly 16% and on higher contribution per group room night traveled.

Catering was particularly strong at Gaylord Opryland, Gaylord Palms, and Gaylord Rockies. Foundational to our differentiated business model, our all under-one-roof offerings are uniquely positioned to capture out of room spending and drive market share gains relative to our competitors. We continue to see it in the numbers.

Since the third quarter of 2019, the average total RevPAR index is measured by STAR, for our five dealer hotels compared to their Marriott defined competitive set has increased more than 20 points.

Looking ahead, same-store bookings production metrics remain healthy. In the third quarter, we booked over 581,000 gross group room nights for all future years, at a record third quarter gross ADR of $282, an increase of 5.2% year over year. Room night production was down approximately 16% due to the timing of a few large bookings in a tough comparison against the strong prior year quarter.

In October, room night production rebounded to up approximately 75% year over year at a gross ADR of $283 up 11% year over year, both representing October records. Year-to-date, room night and rooms revenue production through October are up 3.5% year over year and 10.5% year over year, respectively.

As of the end of the third quarter, same-store group rooms revenue on the books for 2025, 2026, and 2027 were up 2%, 12%, and 10%, respectively, compared to the same time last year for '24, '25, and '26. Notably, rate growth comprises roughly 60% of the group revenue pace for '26 and '27, which we believe is a testament to the value we're creating for our guests through our multiyear investment strategy. Turning to the JW Marriott Hill Country. In the third quarter, this property delivered RevPAR growth of 2.7% and total RevPAR growth of 8.5%. As with the same-store portfolio, Banquet and AV revenue were up substantially due to higher contribution per group room night traveled.

Adjusted EBITDAre of $17.5 million was essentially flat year over year due to increased investment in leadership, sales and banqueting and in the infrastructure to support and launch our ICE! holiday programming. These investments in people, process and programming will generate returns for years to come.

In addition, flow-through was impacted by the timing of a $1 million incentive management fee accrual adjustment that was booked in the third quarter of 2023 related to the acquisition. We continue to be very bullish on the long-term potential of this asset under our stewardship.

Now turning to the entertainment segment. Despite plant construction disruption at the W Austin Hotel at Block 21 and Category 10 in Nashville, OEG reported revenue of $83 million, a third quarter record, and adjusted EBITDAre of $22 million, driven by continued strong performance of our recently opened Ole Red Las Vegas venue.

With our major capital investments nearing completion and our planned activation around Opry 100, this business is poised to deliver meaningful growth in 2025 and beyond. We're fortunate to own some of the most iconic brands and venues in live entertainment, and we look forward to reaching more consumers in the years to come.

Now turning to our revised outlook for the remainder of the year, for the same-store hospitality segment, we are modifying the midpoint and tightening our full-year guidance ranges for RevPAR growth total RevPAR growth and adjusted EBITDAre.

Several factors are equally contributing to these adjustments, continued leisure softness in Orlando and Nashville, incremental construction disruption at the Gaylord Palms, as labor shortages due to the construction of the new Universal Theme Park has extended our renovation timeline, and lost business related to Hurricane Milton.

For the JW Hill Country, we're raising the midpoint and tightening the range of our full year 2024 adjusted EBITDAre guidance. And for the entertainment segment, we're lowering the midpoint and tightening the range of our full year 2024 adjusted EBITDAre guidance, to account for incremental disruption at the W Austin Hotel.

In total, we're revising the midpoint of our full-year 2024 consolidated adjusted EBITDAre guidance by $5 million, or 0.7%. It's important to note that this revised guidance midpoint of $770.5 million represents an 11.5% increase over last year, and a record performance by our company.

Finally, we're raising the midpoint and tightening the range of our full year 2024 guidance ranges for adjusted funds from operations or AFFO and AFFO per diluted share, as we expect lower interest expense to more than offset the downward revision to adjusted EBITDAre.

In summary, we had a terrific third quarter. We remain incredibly bullish on the current performance of our businesses, and we're excited about the value creation opportunities associated with our multiyear investment strategy in the years ahead. Importantly, we can fund this strategy plus our growing dividend from our balance sheet and free cash flow generation.

So with that end, I'll turn it over to Jennifer to discuss our balance sheet, liquidity, and capital expenditures outlook.

Jennifer Hutcheson - *Ryman Hospitality Properties Inc - Chief Financial Officer, Executive Vice President, Chief Accounting Officer, Corporate Controller*

Thanks, Mark. We ended the third quarter with $535 million of unrestricted cash on hand and our $700 million revolving credit facility undrawn. OEG's $80 million revolving credit facility had a balance of $16 million outstanding.

Taken together, our total available liquidity was approximately $1.3 billion, net of approximately $4 million of outstanding letters of credit. We retained an additional $36 million of restricted cash available for FF&E and other maintenance projects.

At the end of the quarter, our net leverage ratio based on total consolidated net debt to adjusted EBITDAre was 3.8 times. We continue to have the flexibility and liquidity to support our capital allocation priorities, and the continued growth of our business.

To that end, we are pleased to announce the declaration of our fourth quarter dividend of $1.15, payable on January 15, 2025, to shareholders of record as of December 31, 2024. This represents a 4.5% increase in our quarterly dividend and a 4.2% yield based on yesterday's closing price. It remains our intention to continue to pay 100% of our REIT taxable income through dividends.

For the full year 2024, we expect to invest capital of approximately $400 million to $450 million. As both Colin and Mark discussed, much of our 2024 major capital activity is nearing completion.

In our hospitality business, at Gaylord Rockies, the final phase of the Grand Lodge repositioning, which includes several additional food and beverage outlets, will reopen at the end of this month. Phase 1 of this project, which opened in May, is already driving incremental out-of-room spend.

At Gaylord Opryland, the repositioning of the currently underutilized Magnolia Courtyard into a new sports bar complex, including a group pavilion and event lawn space, is well underway. We expect to complete this project in early 2026, and Marriott sales teams are already selling into these improvements.

Renovation of the Governor's Ballroom there and pre-function space is also progressing well, and we expect to complete this work in early 2025. Renovation of the presidential ballroom and pre-function space is scheduled to begin later this month.

At the Gaylord Palms, we expect to complete the final phase of the lobby renovation by year-end, and the rooms renovation in the first quarter of 2025. As Colin mentioned, when these projects are completed, nearly every guest and group -facing aspect of the property, will have been refreshed within the last four years, positioning the property well as growth of the Orlando market reaccelerates.

In our Entertainment business, both major projects have at least partially reopened to positive early reception. At the W Austin Hotel, the public space and food and beverage concepts have reopened, and the rooms renovation is expected to be completed by year-end.

Finally, as Colin mentioned, our first venue under the Category 10 brand soft opened over the weekend. The construction on the rooftop is ongoing and will complete in the first quarter of 2025.

And with that, David, let's open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Patrick Scholes, Truist.

Charles Patrick Scholes - *Truist Securities, Inc. - Analyst*

Good morning, everyone. Thank you. A couple of questions here. It looks like in your full-year guidance, CapEx is going up. Can you talk a little bit what is driving that? And then I have one or two more questions. Thank you.

Jennifer Hutcheson - *Ryman Hospitality Properties Inc - Chief Financial Officer, Executive Vice President, Chief Accounting Officer, Corporate Controller*

Sure. It is a modest increase in terms of the base of spending that we're estimating now a $400 million to $450 million range. And really, that's more a function of timing of the cash spend. We've not added any incremental projects or changed the scope of projects that's caused that to increase, nor have the budget estimates for our individual projects materially changed. Again, this is just largely a function of the timing of the cash payments, whether we're carrying into this year or carrying into next year.

Charles Patrick Scholes - *Truist Securities, Inc. - Analyst*

Okay. Thank you. And then on a similar topic, I've been reading some media reports about a potential expansion at your Colorado property. Anything you can give us some color on that. And related to that, what type of ROIC would you target from that? It seems like it would be sort of a pod add-on to an existing property. So what do you target with that? Thank you.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

Well, they–re all mid-teens. That was -- Patrick, Morning, Colin. Pat, we've done like three big projects there. All of them are mid-teens. So you want to just give Patrick Scholes a little bit of color.

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

Sure. Yeah. To Colin's point, our internal rate of return, we're targeting to be in the mid- to high teens. The Grand Lodge revisions are at that level or higher. The group pavilion that we just opened, which both assets are meeting great success and exceeding pro formas thus far. We're both in the mid to high teens.

From an expansion perspective, we've made it very known that we would like to expand that property. And we continue to explore that, and we'll be having conversations with our Board of Directors in the coming months around potential expansion.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

And Patrick Scholes, the reason why we are going to talk to our Board about this is when you look at the business on the books across our portfolio, this is the hotel that sticks out with having the most room nights on the books for 20 -- as a percentage of available for '25, '26, the numbers look really, really strong for the Rockies.

So we're very excited about this long term, this particular building. And I think you've heard us say before, there's no reason over time why this building can't morph to something that physically looks like Opryland. And when you look at the geographic positioning of this hotel, the airlift, the customer reaction, I think over time, this thing -- this hotel can do extremely well for us.

Mark Fioravanti - *Ryman Hospitality Properties Inc - President, Chief Executive Officer, Director*

The only thing I was going to say is, Patrick, that hotel when it originally opened had meeting space to carry the expansion. So we won't have to add additional meeting space. And with the most recent capital investments we've made, we've added about 650 food and beverage seats in that hotel. So it will have the food and beverage capacity as well.

Charles Patrick Scholes - *Truist Securities, Inc. - Analyst*

Okay. So I mean are you talking ballpark 200 rooms, maybe 1,000 rooms? Or is it too early to give us?

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

Patrick, this is Patrick Chaffin again. What we're looking at right now is potentially a two-phased expansion. The first expansion would be around 450 rooms. And if that stabilizes and performs the way we would expect, we would come back and do a second expansion down the road when it makes economic sense based on how the first expansion performs.

Charles Patrick Scholes - *Truist Securities, Inc. - Analyst*

Ok, thank you for the color.

Operator

Chris Woronka, Deutsche Bank.

Chris Woronka - *Deutsche Bank - Analyst*

Good morning. So really, really impressive rate performance in the quarter and also on the forward. And my question is, we obviously lost a little bit of a occupancy in Q3, and I know that might be related to leisure. The question though is, are you at a point where you begin to consciously trade a little group occ in favor of rate?

And I know there's another component to that, which is the out-of-room spend, but I'm just curious as to whether we should expect maybe slightly lower occ levels at the next peak, but with much better rate growth than we've seen in the past.

Mark Fioravanti - *Ryman Hospitality Properties Inc - President, Chief Executive Officer, Director*

Well, I mean our goal is still, obviously, to get these hotels to an aspirational 80% occupancy running consistently. But to your point, Chris, coming out of the pandemic, we've really focused on driving the rate because with the capital investments that we made, we feel like we're delivering the value to the customer and the customer is responding to these enhancements, and you can see that in our bookings.

So ultimately, we're trying to drive and maximize our RevPAR and total RevPAR in the yield of the hotel. But I don't -- I wouldn't necessarily assume that means that we ultimately peak at a lower occupancy rate. We're in a segment that has very limited supply growth and demand continues to grow. And when you look at our assets and how they're positioned relative to our peers, we're in a pretty good position.

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

Chris, this is Patrick. The only thing I'd add to that is I would point out that we've only seen a couple of months post pandemic where demand levels got back to where they were pre-pandemic. And so you weigh that against this type of rate and occupancy, future room nights that we're putting up and we're extremely pleased with how the sales teams are doing in driving room nights and especially rate.

And as that demand continues to build back to where it was pre-pandemic, to Mark's point, we think we're going to have the best of both worlds where you have strong rate performance based on the improved value proposition from these investments in hotels, as well as similar or even better occupancy performance.

Chris Woronka - *Deutsche Bank - Analyst*

Okay. Very good. I did have a quick follow-up, which is I think there's been a lot of -- so San Diego is getting closer to come across the finish line. And just curious as to whether there's any updated thoughts on whether that's something -- your messaging has been pretty clear in the past that it can only be on the table if certain conditions are there. I'm just curious as to whether any of the conditions you look at are more likely or less likely than our last update.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

You do it. But I mean things haven't changed.

Mark Fioravanti - *Ryman Hospitality Properties Inc - President, Chief Executive Officer, Director*

Yes. I mean our position relative to our participation in that asset really hasn't changed. I would say that again, as they move closer to opening and continue to sell that hotel, we've not seen any cannibalization in our production numbers. And in fact, we're seeing room nights and groups that are originating there booking into our part of the portfolio at a rate premium.

So the operationally and how that hotel relates with the increased distribution of the San Diego market, its performance as it relates to the overall portfolio is kind of unfolding as we thought it would because it's consistent with what our experience has been historically when we've opened other properties. But in terms of us participating in our view at this point hasn't changed.

Operator

Smedes Rose, Citi.

Smedes Rose - *Citi - Analyst*

I just wanted to ask you a little bit more about some of the leisure trends you're seeing in the fourth quarter. I think on your last call, you talked about maybe some weakness in the lower end consumer, but the higher end consumer was maybe hanging in there. And I just kind of interested in any discussion around kind of any changes you've seen to that customer?

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

Well, Smedes, as you know, our fourth quarter is very leisure centric. It is the biggest quarter of the year from a leisure demand perspective. Patrick, you want to give Smedes a little indication of what we're seeing on the fourth quarter.

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

Sure. Smedes, let me start by saying that the trends that we've seen all year long continue. Dallas, Denver, Washington, D.C. are all doing okay from a transient perspective. San Antonio is doing well.

The opportunity has always been primarily in the Orlando market with some spillover into the Nashville market. The Orlando market continues to see the greatest challenge a lot of speculation in the market is the result of the fact that a lot of folks believe that this is the consumer waiting until Universal Studios opens their new theme park, Epic, next year and that that's creating a drain currently on the market.

Those trends have continued staying in the same segments that we've been seeing previously. From our perspective, the metrics that we can look at as really lead indicators of how the fourth quarter transient performance will actualize. ICE! tickets are pacing right at our expectations and have held pretty steady.

Now we've only booked about 15% of the total tickets that we expect to book for the quarter, but early indicators are that we're doing exactly what we believe we will be able to do. From a transient room night packages perspective, we're pacing largely in line with our expectations.

So we've built in lower expectations on the transient side that's reflected in our guidance based on the trends we've seen primarily in Orlando, somewhat in Nashville. And we are thus far holding at those expectations.

Now we'll caution you just to say that a lot of ICE! packages and tickets are booked within 30 days of arrival, and an even greater portion are booked within seven days of experiencing the event. So we'll continue to watch it closely. But right now, we believe that our guidance and our forecasts are in line with what -- where it will actualize for the quarter.

Smedes Rose - *Citi - Analyst*

Thanks and then I just wanted to follow up, Mark, you mentioned, I just wanted to make sure I understood that right. Not only is Chula Vista not impacting any of your group bookings are cannibalizing, but you -- it sounds like you think it's in fact, benefiting your group bookings going forward?

Mark Fioravanti - *Ryman Hospitality Properties Inc - President, Chief Executive Officer, Director*

Yes. I mean thus far, we picked up about a little over 200,000 room nights that have rotated into the portfolio that originated from Chula Vista. So we're seeing that we're seeing that behavior begin.

When you look historically, though, what typically happens is that those people who experience the brand in a new location like that, once they've experienced it then they book rotational business. So you would expect that percentage to increase over time as people experience the asset and the brand.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

This is exactly what happened in Colorado.

Mark Fioravanti - *Ryman Hospitality Properties Inc - President, Chief Executive Officer, Director*

Colorado and also the same thing happened in Washington, D.C.

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

And just to put a fine point on it, those roughly 200,000 room nights that have booked into Pacific and driven those 200,000 additional room nights for the rest of the brand have come in at about a 9% premium on ADR versus other multiyear programs.

So we've talked about this in the past when you enter into the brand and the gateway market with high rate like San Diego, those groups have a higher propensity to book through at a much higher rate. So we believe that will benefit the entire portfolio and the Gaylord brand long-term.

Operator

Dori Kesten, Wells Fargo.

Dori Kesten - *Wells Fargo - Analyst*

Based on your expectations for Q4 group bookings, what group revenue pace would you expect to enter '25 with from the 2% today?

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

Dori, I don't know that we are prepared to give that level of granularity. I will tell you that we are expecting -- we had a historic second quarter. Third quarter came in exactly where we expected it to, given the fact that we had the second best production and revenue quarter for our second quarter ever.

And we just finished October. October came in as the best October ever, both in terms of rate, with the highest rate ever achieved for forward bookings and the highest October production in the history of the portfolio.

So we'll watch November and December closely, but I would tell you from a funnel perspective, lead volumes are very, very promising, and we believe we'll turn in a really solid performance, both on occupancy and on rate.

Where we stand right now, year-to-date, I will tell you that it's the best revenue on the books ever in the history of the portfolio by $45 million over the next best performance. So we feel really good about where bookings are going to come in. And 2025 does have the impact of some disruption from work going on at Opryland and Texan, but we're going to manage through that very effectively and believe we'll turn in really solid '25 based on how bookings are pacing.

Dori Kesten - *Wells Fargo - Analyst*

Okay. And then just on that, can you provide a little bit more context on renovation headwinds versus tailwinds that you would expect next year? And then I guess, I think there's been about maybe $10 million to $12 million of headwinds in entertainment. Would you expect those to fully reverse?

And then I guess on top of that, it's the 100th anniversary that you'll receive more tailwinds for. So just provide some kind of context around the headwinds and tailwinds we should think of next year.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

Entertainment-wise, we will have basically zero disruption next year. And I suspect that when we when we deliver our guidance to you in February, you'll see decent year-over-year growth in entertainment. The hotel business will also show growth next year, year over year. But as Patrick Chaffin said, that we do have this major refurbishment at the Texan and also this transformation that's underway at Opryland that will absolutely pay huge dividends in '26 and '27. And I think Mark said it when he did his piece, the room nights on the books and revenue on the books for T plus 2 right now is tracking 10% up.

As we come out of this refurbishment program that we're going to be doing, which we are underway right now in our hotel business, and also next year as we come out of that, the lift will be very, very good.

Jennifer Hutcheson - *Ryman Hospitality Properties Inc - Chief Financial Officer, Executive Vice President, Chief Accounting Officer, Corporate Controller*

No, I think that's right. And just to again put a finer point on that. The data that we have given as of right now is what's on the books for T plus 1, T plus 2, T plus 3, in terms of contracted rooms revenue. And again, we point to the fact that we did declare a $0.05 increase in our quarterly dividend, and that has read through implications in terms of our expectations for the free cash flow that we'll generate next year.

Operator

Shaun Kelley, Bank of America.

Shaun Kelley - *Bank of America - Analyst*

I wanted to go back to Patrick's discussion, if we could, on just the leisure point and really just a clarification, but I'm still trying to get my arms around a little bit of what changed exactly on the leisure outlook. I mean as we go back to maybe April of this year, I think that's when you started to kind of comment that leisure was coming in a bit weaker.

Was it really that we just didn't derisk in the fourth quarter and maybe there were higher expectations that ultimately actualize the things to rebound? Or was it something else that was kind of different than expected? Because again, you said, the behavior is not that different than what you've been experiencing, but clearly, that's a big enough change to impact the outlook here.

Mark Fioravanti - *Ryman Hospitality Properties Inc - President, Chief Executive Officer, Director*

Yes. I mean we've continued to see, I think, softness as we've moved through the year. To your point, it started really in the spring. And then as we moved into summer, we saw some increases. As it relates to the adjustments to the guidance, it's really -- there's really three components there.

A portion of it is leisure, but we also have some incremental disruption, and we also have the impacts of Hurricane Milton. So they're really kind of almost a third, a third, a third when you break the numbers down. So it's not -- the guidance change that we're making as we look at the rest of the year is not strictly the leisure.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

And look, the reality is that we're going to -- when you look at our guidance for the year, and you dissected for the fourth quarter, the fourth quarter is going to show good growth over the fourth quarter of last year.

The world is not falling apart here. These are rounding errors that we're trying to be very precise in laying out what we expect to happen in the fourth quarter. And as Mark said, this is -- the modification that we're making to EBITDA is de minimis.

It's -- when you look at the year-over-year growth of our company, this is a minor modification. And there's really no real substantive change in our thinking about leisure trends and group trends, which are tremendous.

Mark Fioravanti - *Ryman Hospitality Properties Inc - President, Chief Executive Officer, Director*

The other challenge for us is Q4 is so heavy leisure and it's where we have the least amount of visibility. As Patrick mentioned, most folks are booking within 30 days. So we're sitting here today with about 15% of the business on the books. And -- so we're trying to be mindful of the risk and appropriately provide the right level of guidance.

Shaun Kelley - *Bank of America - Analyst*

And then just as a follow-up, and I know I think people have kind of hit on the bridge for next year a little bit in terms of a question earlier about sort of group -- the pace that you've got on the books. If we just think about the operating cost outlook, we're starting to kind of get into that season where people are formulating budgets.

Just what are you seeing out there on the kind of labor side, in particular, for your model and for your markets? Kind of what do you think is the right general inflationary range to be thinking about operating expenses next year?

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

That's a good question. You want to take the hotel side, Patrick, breakdown between union and non-union and what we're seeing.

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

Yes. So to Colin's point, we have one union hotel. I'm happy to report that we have finalized our negotiations with Level 25. The agreement has been ratified. So we have a new collective bargaining agreement in place.

We're pleasantly -- we're pleased when we say that, with the results, it's about a 6% CAGR over the course of four years. So we feel that our long-range plan and our expectations for next year fully have comprehended that growth in labor wages.

On the non-union side, we are going through the budgeting process with Marriott right now, but a much more moderate growth rate than what we've seen over the past few years. So we feel that we've made the appropriate increases in 2021, '22 and '23, and finishing up here in '24 that '25 will not see quite as steep of an increase on the wage side.

So I'll give you more color when we get to February and we–ve finalized the budgeting process with Marriott, but we feel great from a union perspective, that we've got it locked in and the non-union side, we don't see any significant surprises and a much lower level of growth in wages than what we've seen in the past few years.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

Would you also Patrick comment here to Shaun are what has happened margin-wise in our hotel business over the last couple of years? Because even though we've seen this wage pressure, we've been able to increase the margin of our business materially, because we've dealt with more and more efficiencies. So maybe you could just comment on that, too.

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

Yes, there were two things I would call out to that. Number one, we've done a phenomenal job, and I really want to complement revenue management teams as well as the sales teams and driving both leisure rate and you're seeing more and more of the group rate show up. And that puts us in a great position to absorb a lot of these wage increases successfully and still drive margin.

The second to Colin's point, is we improved our wage margin even as wages were going up. So we became more and more efficient we did that both on the management side as well as the nonmanagement side. So we held Marriott's feet to the fire and they proved to be great partners in helping us reassess and rationalize all of our management positions and hold to an agreed-upon level as far as how many to add back post COVID.

And we -- I think it's fair to say we've taken great care of the STARs and so we've been able to gain additional efficiencies even as wages have gone up. And so both in terms of room rates and efficiencies gained in the business with the management and non-management side of the business, we've been able to drive margin.

Mark Fioravanti - *Ryman Hospitality Properties Inc - President, Chief Executive Officer, Director*

At the midpoint of our guidance, we're growing year over year, our margin for same-store will be up 70 basis points, and that's on a midpoint RevPAR growth of 0.5 point and 3%. So the margin management has been very, very good. The team has done a terrific job.

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

And I would add to that, we identified in early January that transient was going to be soft. And so worked with the properties to start putting in place profit improvement plans, some long term, some short term, but to make sure that we were continuing to manage the business very, very closely in light of short-term headwinds, and that has paid great dividends for us.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

If I may, I just want to add one last comment. Shaun, you've been around with us for quite a while. And you will have heard over the years, Mark and I talk about we want to get this business, this hotel business at a sustainable 35% margin. And we were on a tear to get that done pre-COVID obviously not for sideways. But when you look at the consolidated EBITDA of our company in 2022, we were 33%, in '23, we were at 34.2%.

And if you look at sort of the midpoint of our guidance, as Mark said, we're pushing 35% margin. So all of this wage stuff, I think our teams have done, both in our entertainment business and our hotel business, a really good job.

Operator

(Operator Instructions) Jay Kornreich, Wedbush.

Jay Kornreich - *Wedbush Securities - Analyst*

As you're getting those robust group bookings into future years that you outlined, can you just comment on kind of the demand segmentation you're experiencing and where you've been able to push rate the most from among corporate associations and SMERF customers?

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

Yes, I would tell you that our focus has been across the board. And so going to give you a couple of examples. Obviously, on the corporate side, that is probably where you have the greatest success. It's not the harder sell. A little bit tougher on the association side, but I would tell you that we've -- we've made some really tough decisions in the past three years and said goodbye to some of the SMERF groups and some of the associations by sharing with them that given the value proposition improvements from all the investments we've talked about, rate was going to have to go up for some of these groups that were maybe lower rated.

And we have parted ways with a few groups and told them they take a look around and if you can find a better value proposition for what we offer for a rate that's as low as what you're asking, good luck to you. And some of those groups have gone their own way. Some of them actually have come back to us.

So it is a full court press, both on corporate association and on SMERF, you obviously have tremendous success on the corporate side. It is the easier sell, but we've had great success both in association and SMERF because we have made some tough decisions, recognizing our own value and how that's improving with these investments.

Mark Fioravanti - *Ryman Hospitality Properties Inc - President, Chief Executive Officer, Director*

And Jay, one of the ways to manage this with some of the more rate-sensitive groups is what date they travel on. So it's not just -- it's not a consistent rate, obviously, for every travel pattern. And -- and so one of the things that the sales teams do has worked with these more rate-sensitive groups to hopefully accommodate them during a travel pattern that works for us as well.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

I want to add something here. I want to give you, Patrick Chaffin, and your asset management folks, I want to give you a shout out here because I'll give you one example. We've had a group here at Opryland-I'm not going to tell you which it is-Well, we've had a group here at Opryland has been with us for 20 years, and they basically fill Opryland for three days in March.

And it's an association, and they have historically been low rated. And they started to choke when we pushed a new rate structure for them. Patrick Chaffin brought the CEO of that association here into Nashville.

And we spent a couple of hours educating these folks on all of the work that we have done at this hotel, the millions and millions of dollars of investment to upgrade the quality of the hotel and make it a better experience. At the end of the day, this group just booked 20,000 room nights with us in the month of October.

But our team has been individually working with these long-standing groups to educate them on the transformation that has taken place within our properties. So shout out to Patrick and his team, but they played a big role here in the continuation of this rate growth.

Patrick Chaffin - *Ryman Hospitality Properties Inc - Executive Vice President, Chief Operating Officer – Hotels*

So Jay, just to put one final point on this. If you look at through September, year-to-date rate growth and production that was booked for this year for all future periods, Corporate, Association and SMERF have almost the identical growth rate and rate for everything that's been booked this year for all future periods.

So again, it's a full court press on all fronts. And we are very pleased with how the sales team has hit all of them appropriately with this improved value proposition from the investments.

Jay Kornreich - *Wedbush Securities - Analyst*

Great. Appreciate all the color. And then just one follow-up going back to the entertainment side. It looks like there's some sequential softness in the third quarter on EBITDA and margins. And so just curious if you can expand on maybe what that was attributed to and did you expect a pickup in the fourth quarter.

Patrick Moore - *Ryman Hospitality Properties Inc - Chief Executive Officer – Opry Entertainment Group*

Well, some of the sequential softness you're looking at is the disruption, the $8 million to $10 million of disruption related to the Wildhorse being closed this year versus being opened last year. And then we have the W Hotel disruption as well. So those two components were predominantly the reasons for some of that change on a year-over-year basis in the third quarter.

Jay Kornreich - *Wedbush Securities - Analyst*

Okay. So I guess it's fair to say that the third quarter came in with where you were expecting it to? And then just following up on that, do you expect fourth quarter to be a bit better, especially as the [Category 10] has now opened up?

Patrick Moore - *Ryman Hospitality Properties Inc - Chief Executive Officer – Opry Entertainment Group*

Yes. No, we're very excited about the opening, as Colin mentioned, of Category 10. It opened up extremely well and above our expectations. It's obviously just a few days open, but Luke Combs is a fantastic partner, and that building, that multifaceted entertainment concept is incredibly unique and distinctive relative to any other property on Broadway or in the market. So we're incredibly encouraged by the potential of that particular asset.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

David, if there are any more questions, we'll take one more. If not, we'll shut it down.

Operator

And there are no further questions on the line at this time. I return the program to you.

Colin Reed - *Ryman Hospitality Properties Inc - Executive Chairman of the Board*

Excellent. All right. Well, thank you, everyone, for taking the time this morning. As the team articulated, the business is in really good shape, and we look forward to getting through the next couple of months as we close the year and then articulating '25 and beyond. But thank you, everyone. And if you have any further questions, you know how to get hold of us. Appreciate it. David, thank you.

Operator

And this does conclude today's program. Thank you for your participation, and you may now disconnect.
