REFINITIV STREETEVENTS

EDITED TRANSCRIPT

RHP.N - Q2 2021 Ryman Hospitality Properties Inc Earnings Call

EVENT DATE/TIME: AUGUST 03, 2021 / 2:00PM GMT

CORPORATE PARTICIPANTS

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

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

Patrick Chaffin *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

Scott Bailey *Ryman Hospitality Properties, Inc. - President of Opry Entertainment Group*

CONFERENCE CALL PARTICIPANTS

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

Dori Lynn Kesten *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Shaun Clisby Kelley *BofA Securities, Research Division - MD*

Smedes Rose *Citigroup Inc. Exchange Research - Research Analyst*

PRESENTATION

Operator

Hello. Welcome to Ryman Hospitalities Properties Second Quarter 2021 Earnings Conference Call. Hosting the call today for Ryman Hospitality Properties are Mr. Colin Reed, Chairman and Chief Executive Officer; Mr. Mark Fioravanti, President and Chief Financial Officer; and Mr. Patrick Chaffin, Chief Operating Officer; and Mr. Scott Bailey, President, Opry Entertainment Group.

This call will be available for digital replay. The number is 800 (585)-8367, and the conference ID number is 5259795. (Operator Instructions)

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

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

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

And with that, I'll turn the floor to Colin.

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

Thank you, Mark, and good morning, everyone. As those of you who follow us closely may have already seen from our last investor update published just over 2 weeks ago, the month-by-month acceleration in our business that we witnessed in the first quarter continued to gain steam throughout the second quarter.

I'll highlight a few of these remarkable rates that have changed, which I can now add some preliminary July results as well, just to emphasize again how rapid the pace of recovery has been in our industry and for our company. At the start of the second quarter in April as the vaccine was still in the early stages of a nationwide rollout, we saw just over 20,000 group room nights travel in our hotels. Total hotel occupancy for April, excluding the National, was 30%. And these group room nights represented about 28% of all room nights as leisure transient continued to constitute the majority of our guests that month.

Now just 2 months later in June, we saw it surged to over 69,000 group room nights or 47% of total room nights traveling in the month as overall occupancy still excluding the National reached nearly 59%.

To add to this, I'm happy to report that in the month of July, with the Gaylord National once again opened, we serviced for the 5 resorts nearly 105,000 group room nights. This year-to-date has seen an extraordinary rate of change for such a short time in our group business such that week by week over the last few months, it continually outpaced our internal forecast.

Meanwhile, our average daily cancellations in June fell to a post-COVID low of about 1,000 room nights per day, the fourth consecutive month of steady decline and not that far off from our pre-COVID average of about 600 room nights per day over the 2018 and 2019 time period.

Cancellation and attrition fees collected in the second quarter also mirrored this decline, falling to $7.6 million from $10.2 million in the first quarter and from a peak of $16 million in the fourth quarter of 2020.

Even as cancellations fall, we are pleased with our increasing capability to collect on our contracted terms. As group room nights were increasing, cancellations were receding, on the production side, organic new bookings continue to overtake and outpace COVID-related rebookings, reaching 63% of total bookings in the month of June, which we were very pleased to see. And lastly, one of the most positive signs for us in this stage of the recovery has been in-the-year, for-the-year activity to date. In every month in the second quarter, we booked more group room nights for travel by the end of the current year than we did for the corresponding month in '19.

And in June, we had 34% more lead volume for the remaining in-the-year, for-the-year bookings than we did in June of 2019. And just off the press, in-the-year, for-the-year bookings for July were about 25,000 room nights. This is purely group room nights, up 14,000 room nights on July of '19. And the new in-the-year, for-the-year -- this was, by the way, a record for July in-the-year, for-the-year production.

In addition, when we look at lead volumes over the past 2 weeks, for groups looking to book a meeting in 2021, it is up significantly compared to the same time in 2019. In a typical year like '19, we see lead volumes start to decline because there were fewer dates to book into and there was less room and meeting space available. However, we're seeing meeting planners who would begin to look further out into, say, next year and now more interested in potentially booking meetings for this year, plus there is more availability at our hotels than in a typical standard year. These data points indicate to me a real desire for businesses and organizations to get back together in person soon.

Now when you look at the rapid progress over just the last 6 or 7 months, I don't know how you can -- cannot but conclude that group travel is staging a strong comeback, very different from anything we have seen in past economic cycles, which is something we have stressed from the beginning. So much for the view, the group will be the last sector of the hotel industry to recover.

Now I know what is on many of your minds as you're listening at this moment, and that is, well, what about the headlines we're seeing with this delta variant and the uptick in COVID-19 cases? Doesn't that mean we're headed right back to where we were a few months ago? Now let me tell you what we're hearing right now at this moment on the ground in the markets we operate in. First, we believe it's important to remember the context. We're not in 2020 anymore when there was no vaccine and there were fears of the health care system's capacity being overwhelmed with serious illness.

Second, health authorities have advised that the case increases we have seen in many states in recent weeks are driven predominantly by the unvaccinated. Though, so-called vaccine breakthrough cases have certainly occurred in some instances as well. But even amongst these breakthrough cases, the same authorities and experts confirm that the vaccine is effective at preventing high rates of serious illness and hospitalizations against the delta variant. From everything we're hearing that the state county and city levels in our market, city leaders are less worried about case counts now than they were in 2020 because of this. Instead, they are focused more on hospitalizations and health care capacity, which remain in very good shape as the case numbers remain quite low relative to last year, even if the headline percent increases sound large.

As long as we remain within that capacity, we don't anticipate return of widespread interventions like mandatory masking, distancing and other restrictions, particularly in the markets we operate in. Instead, we expect to see a continued emphasis on driving vaccine adoption in those regions of the country with a low uptake. And I'll note here that we, as a company, are doing our part. And we've gone to great lengths to encourage and make it easy for our people to get vaccinated. And we see our customers doing the same as part of their meeting planning activity as well. So we will continue to watch this delta variant very closely. But to date, we have not seen a material impact in our hotels.

And if we do see one, we would expect it to be to be a modest impact as vaccination rates and immunity continues to increase. As surprisingly positive as the first half of this year has been, what we're even more excited about is how our business stands for the long term, including the remainder of '21, but well into '22, '23 and later. You should all be familiar by now with our strategy from the start of this pandemic, which was to prioritize rebooking the lost room nights. Cumulatively since the first COVID-19 cancellations began in early 2020, we have materially exceeded our targets of 50% by rebooking 67% of all canceled room nights. That success has left us with a formidable book of business for not only the rest of '21, but for the next several years.

And when you layer on all the capital we have invested into our businesses, including our Entertainment business, which I'll talk about in a minute or so, you have a powerful combination to resurging businesses and multiple maturing capital projects, which we expect to fuel growth well into the future. Now starting with just the remainder of this year. At the end of the second quarter, total room revenue on the books for the second half of '21 was 72% of the same period for '19. The second half of this year will also benefit from the reopening of the Gaylord National, which occurred as scheduled on July 1. Indeed, the National hosted its first full house group a week after reopening, checking in on the 8th of July. While the National was closed, we took the opportunity to complete an ambitious $63 million full renovation of all guestrooms, and initiated a repositioning of our food and beverage operations. The positive response from the first groups to experience a new product has affirmed this decision for us, and we're very happy with how the National performed in its first month back.

Turning to '22 next year. This will be the first full year of our 100% ownership of the Gaylord Rockies after buying out our final 35% of the JV and surrounding acres this year for $210 million. And it will be the first full year of the contribution from our $158 million Gaylord Palms expansion, which added 302 rooms and 96,000 more square feet of meeting and event space plus an expanded resort pool product that opened in June. As of July 1, our total hotel portfolio had 43 points of group occupancy on the books for '22, which is not far off the pace of 45 points, which we had on July 1 of '18 for '19, our last full pre-COVID actualized year. And do remember that it's not quite apples for apples, we have 300 more rooms this year. So 43 points of occupancy. If you restate those 300 rooms, we're almost at the same level as we were in '18 for '19.

Now what is more? Those group room nights for next year are contracted at a 6% higher ADR than the equivalent T1 room nights for '18. That yield's over $343 million of group rooms revenue on the books for next year or 4.7% more than at this time in '18 looking into '19. We find the same pattern of consistent rate growth when we perform this comparison for each subsequent year such that even those years that fell marginally behind in occupancy points during the pandemic, that is '22 and '23, nevertheless, remain on par or ahead in terms of group rooms revenue. And those years that are on par or ahead in occupancy points, which is '24 and '25, they're well ahead in terms of group rooms revenue. And that's just a snapshot as of the 1st of July, as new organic bookings continue to recover. As I just mentioned, they have outpaced rebookings for now, 3 months now.

We expect to be able to further improve our on-the-books position for these future years and make up for lost time. This is especially possible given the scarcity of new supply in the large group hotel space, which was the case long before COVID. And will no doubt be the case long after, given the structural and economic barriers to build and open assets like ours. All of which supports the case for continued pricing power and ADR growth. This degree of visibility into the largest component of our business is something no one else in this industry, I believe -- or I believe, many other industries, whether real estate related or not can speak to.

Our considerable contracted book of business and our $800 million of still maturing high-returning capital investments demonstrate that our company has the capability to not only return to the 2019 levels of performance, but to surpass them in the years to come.

Now to be clear, I speak for both our combined businesses in that statement because our Entertainment segment's recovery has been no less rigorous than our hotels over the last 6 months. Some highlights you will have seen in our investor presentation such as how the Grand Ole Opry show sold 80% of its available seats for the month of June, including 4 full capacity sold-out shows with attendance above 4,400 people. Or how at quarter end, we had 130 shows scheduled at the Ryman for July through to December compared to 107 shows scheduled during the same time period in '19.

And just like our group business, we have a great forward book in our core entertainment venues. For next year, we have 147 confirmed concepts at the Ryman, while at the same time in '18, we only had 45 confirmed for '19. Now what is interesting, however, is if your primary focus is on when we might surpass '19 levels, our Entertainment business is already there in the month of June on a same-store basis. That is if you exclude the contribution of Ole Red Orlando and the impact of our Circle Media joint venture, neither of which existed 2 years ago, the core entertainment assets of the Opry, Ryman, the Ole Red Nashville, Gatlinburg, the Wildhorse Saloon, General Jackson in June of '21 exceeded their June '19 performance in terms of profitability.

As I said on our last call, the resurgence of consumer demand for large entertainment has been one of the bright spots in all the pandemic recovery. It aligns with something we've always emphasized in our group hotel business and our hotel and our Entertainment business, which is people crave in-person experiences and Nashville has been a beneficiary of this increase in demand. Do you know that during the pandemic, 5 different airlines have added 34 routes to Nashville International Airport. And out of the top 25 airports in the country, Nashville ranks fifth in recovery. Airport passenger counts into Nashville is almost back to pre-pandemic levels, which is quite remarkable. BNA, the Nashville symbol, has been undergoing a $1.2 billion airport expansion to accommodate the increase in passenger traffic over the past several years and just recently opened a new state-of-the-art tumble to welcome these visitors. Throughout the second quarter, our hotel and Entertainment business certainly benefited from people's desire to get out and travel again. In short, the second quarter was another step forward across our businesses, with key measures that we track continuing to move in the right direction.

Now one last thought. Last week, I had the opportunity to sit down with a partner of one of the nation's preeminent investment firms, and he posed this question to me. He said, as I look back over the years preceding COVID, it's apparent that Ryman has not marginally, but materially outperformed its competitive set. And I wonder why that is. Is it something structural?

And my answer was as follows: one, within our hotel business, we've developed a strong customer base strategy that drives loyalty and repeat visitation. It's not a product-based strategy. And two, our capital deployment has been focused on high returning projects and you don't see us buying hotels that generate marginal returns over our weighted cost of capital. And three, by and large, we financed growth through our balance sheet and taking advantage of our strong cash flows, and we are not a serial issuer of equity. And I went on to say, so as you think about the next few years, because of our focus on the treatment of our customers through the pandemic, we expect to come out of this stronger than we went in. And as the hundreds of millions of dollars of capital we have deployed in high-returning projects over the last several years mature, we expect to see good growth in earnings and high returns on equity. Net-net, I wouldn't trade our position for any other company in our sector.

So now let me turn over to Mark to go through some more of the financials. Mark?

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

Thanks, Colin. In the second quarter, the company generated total revenue of $170.9 million, and a net loss to common shareholders of $57.9 million or a net loss of $1.05 per fully diluted share. On a non-GAAP basis, the company's second quarter consolidated adjusted EBITDAre was positive $28.2 million, and AFFO available to common shareholders was negative $1.6 million or negative $0.03 per diluted share. This marks the first quarter of positive consolidated adjusted EBITDAre since the first quarter of 2020 before the COVID-19 pandemic. And we saw steady sequential progress in this measure month by month, reflecting the rapid pickup in our group business that Colin described.

April was close to breakeven at a negative $1.2 million, followed by our first positive month in May at $2.8 million before jumping to a positive $26.5 million in June. These figures consistently exceeded our internal expectations moving through the quarter and allowed us to substantially exceed the cash burn guidance that we provided on our February earnings call. Specifically, we had cash interest expense and debt service of approximately $29.3 million in the quarter, leaving us with an average cash burn rate of only about $1 million per month, substantially better than the $10 million to $13 million we initially anticipated going into the quarter. As we noted in our investor supplement issued 2 weeks ago, we continue to expect further improvement in both our hospitality and Entertainment businesses based on their existing books of business. We expect positive adjusted EBITDAre and positive cash flow after debt service in both the third and fourth quarters and are looking forward to retiring the term cash burn for good. As Colin said, we are watching the delta variant closely for any impact on our business. Notwithstanding that scenario, we continue to expect third quarter positive cash flow defined as adjusted EBITDAre less our average monthly debt service before maintenance capital in the range of $16 million to $19 million per month.

In terms of liquidity, we ended the quarter with $225 million outstanding on our revolving credit facility, mostly attributable to the purchase of the 35% interest in the Gaylord Rockies from our prior joint venture partner, which closed in the quarter.

This leaves $475 million of available capacity and another $72 million of unrestricted cash for total available liquidity of $547 million. While the company put an ATM program in place in the second quarter, no equity was raised through this program to date. We view it as giving us added flexibility with which to take advantage of future investment opportunities or equitize some of the significant capital we have invested in our business in recent years and that we're excited to see finally mature after the COVID-19 disruption. We provided a comprehensive breakdown of these investments in our most recent investor supplement and Colin has emphasized several of them again today. I would encourage you to go through each of these investments using our investor supplement as a guide, and look at the capital we've committed in our expected returns.

We're confident that if you go through this exercise, you will be as enthusiastic as we are about the future of both our hotel and Entertainment businesses. With virtually all this capital deployed, we expect to delever over the coming quarters and by the end of next year, anticipate approaching our long-term target leverage levels once again.

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

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

Mark, I think for getting through the next few minutes, let's just go straight to Q&A. So Crystal, if you could open up the lines, we look forward to hearing some of the analysts have to say.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Shaun Kelley with Bank of America.

Shaun Clisby Kelley - *BofA Securities, Research Division - MD*

Just wanted to -- maybe, obviously, there's a lot of eyeballs and attention being placed on sort of what's happening very much at the margin here with COVID and the variants out there. So Colin, you obviously touched on this in prepared remarks, and it doesn't sound like there's too much concrete for you to give us. But we've definitely heard a little bit of concern around incremental cancellations in Las Vegas. And I wanted to get your kind of like latest up-to-date thinking. Have you seen either anything at the margin there? And maybe you can give us a little bit of an update around given the group nature of the properties themselves, localized mask mandates or requirements and how you think that would impact business, if they are in place today in any of your properties and what your sort of outlook for that kind of looking forward might be?

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

Yes. Well, Shaun, we're obviously watching this hour by hour. It's just -- we're watching this with a massive microscope. And Patrick spends a lot of his time talking to the health -- and I'll hand over to Patrick in a second here. He spent a lot of time talking to each of the health organizations that sort of govern the jurisdictions that our hotels sit in. We saw in Las Vegas, some mandate that was put back in about wearing masks. And I think probably that's having some impact. But as we talk to communities here in Texas, Nashville, here in Tennessee, we look at what's going on in Florida, Colorado that was fairly aggressive in dealing with COVID in the early stages. We don't see any major changes in things like mask mandates. We've had 1 or 2 groups come at us, talk to us about potentially not turning up in August, September.

But from our perspective, net-net, when you look at what is going on on the leisure side of our business, the in-the-year, for-the-year bookings. I mean, look, we booked in July 25,000 room nights in July group room nights for this year in July. And that was -- delta variant, it's not something that's occurred in the last week. It's been ongoing here for the last month. So we're not overly concerned about this. We're obviously keeping our beady eyes on it, but that's how I would describe it. Patrick, do you want to weigh in on Shaun's question?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

Yes. Shaun, it's Patrick. I'll give you 4 data points just to back up what Colin's already told you. On the masking, we are in jurisdictions that may have said we recommend masking, but we're not in any jurisdiction and operating right now that has mandated masking. So it is an option for both our guests and for our employees on property. Second thing I would tell you is that from a transient perspective to Colin's perspective or Colin's point a moment ago, what we have seen as far as group disruption from the delta variant. We've seen really strong transient production. And so we think that, that will serve to mitigate any impact from delta in the short term.

Let's talk a little bit about cancellations. We've had a few, but it's pretty minor. If you look across what we've incurred thus far, we've had, let's say, 15,000 room nights canceled. That is really not that significant. It's less than 2% or 3% of what we currently have on the books for Q3. And less than 1% has canceled for Q4, and we're kind of pushing back on those and saying, "Hey, canceling for Q4 at this point would be very premature." The other thing I would tell you...

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

And those contracts are all enforceable. So...

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

That's correct.

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

So there's no force majeure discussion here.

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

And then to Colin's point around in-the-year, for-the-year leads, you look at what we produced in July and the lead volume that we're seeing in July in-the-year, for-the-year lead volume is up about 21% over where it stood for 2019. So masking remains a choice, transient remains strong. Lead volumes are very encouraging to us and the impact from cancellations has been slight minor at this point. But we continue to watch it, and we'll continue to see how to best respond to it at each of our hotels.

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

Patrick, the other piece of data that you shared with me yesterday afternoon is the lead volume jump we've seen in the last week. It's been what we were expecting to see, Shaun, with the constant debate that's going on regarding this delta variant. All of the political issues that are going on around the country, what happens with schools and Tyson Foods are making things mandated now. And all this rhetoric, we were expecting to see our lead volumes week over week, which we check flat to down. But last week was quite the exception.

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

Yes, we've watched over the past 2 weeks, a steady recovery. Early in July, we saw the impact of delta as the media frenzy around that really started. And our lead volumes did start to slow down a bit. But to Colin's point, in the past couple of weeks, we've seen it coming back very strongly, both from an in-the-year, for-the-year perspective as well as for T+1 or in this case, 2022. And those are the 2 years that we're watching most closely right now. So we're watching what's happened in the U.K., and we're watching more and more companies mandating vaccines. And we think these are both very positive bellwethers for where this issue is heading for us.

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

Yes. As every day goes by with people getting vaccinated not at the rate any of us would like to see, with people contracting the delta variant, with the immunity in the community from those that have had it, we're getting near and nearer to herd immunity as every day goes by. So we may have a little bit of choppiness here for the next 3 to 4 months. But I feel certain that very soon, this thing is going to be well and truly behind us.

Shaun Clisby Kelley - *BofA Securities, Research Division - MD*

And then just as my follow-up, you guys have given great clarity and disclosure with the investor presentations on what you're seeing on the forward book of business. The last update there was as of July 15. Just any change in effectively sort of how those numbers look today, positive or negative? But just any change at the margin on sort of what was provided back there? Or is it relatively steady as you look at particularly revenues on the books for Q3, the trend into Q4 and then obviously for 2022?

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

No. I would say that when we push that out, that data out in the middle of July, we were pretty excited about what we were seeing. And notwithstanding the massive debate around the delta variant. I think 2 weeks, 3 weeks later when we look at our production for the month of July, which was where we expected it to be. And we look at the organic bookings for July. And we -- in fact, I think in-the-year bookings in July came in a little stronger than we expected. And so I would say to you that our move as an organization, our belief in where this -- where the organization is going, is a strong -- is as strong today as it was 2 weeks earlier when we put out that release.

And we generated, in the month of June -- we haven't gotten yet the financials for the month of July. We have a good sense of where revenues came in and they came in pretty good in terms of our expectations. But in the month of June, we generated $25 million of EBITDA, up from almost a goose egg in May. And our revenues in the month of July were indeed stronger than the month of June. So we're moving in the right direction really rapidly, and we're pretty happy with where we are.

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

Yes. I would tell you that our re-forecast in July was increasing essentially every 3 to 5 days. So July just kept getting stronger and stronger through the month to Colin's point. The other thing I would tell you is that what has changed just even since we put the supplement out there is, typically, at this point in the year, our in-the-year, for-the-year demand kind of falls off the cliff and folks kind of move on to T+1. There's still so much pent-up demand that our in-the-year, for-the-year continues to be very, very strong. So what that's indicated to us is that the in-the-year, for-the-year booking window has been elongated because of COVID.

And so while we have a very good book of business on the books for the second half of this year, there continues to be a lot of strong interest. So if delta continues to cause disruption and potential cancellations, it's very encouraging to us that there's so much demand looking to book into the second half of the year just in the past few weeks, that's new that we should be able to replace any delta impact with.

Operator

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

Smedes Rose - *Citigroup Inc. Exchange Research - Research Analyst*

I just wanted to ask you a little bit about what you're seeing on the margin side. And I guess, specifically about have you been able to restaff at the levels that you would expect? And are you -- would you expect to be able to maintain -- when you look at like the run margin in the quarter, it was actually higher than where it was in 2019. I mean I know lower absolute levels but a higher margin. And is that something that you think you can continue with going forward? Or do you have more staff that needs to come back as the levels continue to grow?

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

Simple question, complicated answer. It really is a complicated answer. There are -- we do have, in both our hotel business in some markets and in our Entertainment business here, we have some labor deficiencies where we're doing job fairs recruiting. And the margins in our business are benefiting from the fact that our customers are returning at a far quicker rate than our employees are returning. And so -- but we're managing through that. And our managers are doing a really good job.

The other thing that's going on is that we have made some fairly healthy labor cost increases over the last month to 2 months, both in our hotel and in our Entertainment business. But correspondingly, the other part of all of this is we've been able to affect pricing, particularly and surprisingly so on our hotel business. And I'm going to turn it over to Patrick in a second, and I may push this over to Scott to talk a little bit about the Entertainment business. But I think there's going to be some rebalancing here through the course of this year as we return to normalized occupancies.

Remember, in the month of June, we ran at 57 points of occupancy. We've still got 15 to 20 points of occupancy to go. Although on our Entertainment business, the amount of covers that we're pushing through and the amount of people we're putting into the seats is as good and as strong as what we saw back in '19. So there will be some shakeout here. There will be some structural changes that will occur through the next 6 months. But we are not moving off of the position that we have been fairly vocal about over the last 6 to 9 months. And that is that when we're through this, we expect to run our businesses with improved margins because when you go through a crisis like this, you learn certain things, you learn how to adapt and deal with some of the structural problems that we've had thrown at us. So that would be my 60,000-foot . Pat do you want to talk a little bit about get into the detail a little bit with Smedes?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

Yes. Yes. Just to give some additional context to what Colin has already offered up, you're right. Our margins, especially on the room side, are benefiting from the fact that we simply don't have enough folks in-house to fully service to the level we historically would. Yet we have very high occupancies. We're addressing that. There's a labor shortage across the country for us, specifically in rooms, front desk and culinary. Those are the areas where we're trying to get some of the folks staffed up quickly. We are having to increase wages some. We're using referral bonuses to the extent we can, signing bonuses, et cetera.

And so we do know that there will be labor expense increases. However, to Colin's point, there's a lot of levers that we're pulling to offset that for the future to ensure that we come out of this leaner. From a transient rate perspective, quite honestly, we've been setting records in terms of the transient rate that we've been able to achieve. Each week has been a very pleasant surprise to see how much we're able to push rate. On the transient leisure side, our amenities are very unique. Our pool offerings, our programming and folks have been very clear with us that they're willing to pay higher rates to be able to enjoy our unique offerings. So that's one lever we're pulling.

On the group side, I would just refer back to what we saw in July. Our July production ADR grew about 10% for all future years. So we're having great luck and capability and driving rate on the group side for the future. To Colin's point, we're reworking our pricing in food and beverage outlets. We're reworking our menus to make sure that we take advantage of where cost works best, chicken is higher because of something that we're going to move towards beef and back and forth. And we're going to push pricing where appropriate. And then we're looking very hard and having ongoing discussions last month, this month and next month around which management positions do we need to invest in, hire talent and be able to reduce our numbers across the board. So lots of levers that we are actively pulling to offset the cost and labor increase and very encouraged by what we've been able to achieve so far.

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

That's a lot of detail, Smedes, but it's not a simple question. Anything on the Entertainment side do you want to...

Scott Bailey - *Ryman Hospitality Properties, Inc. - President of Opry Entertainment Group*

Yes, I just think we're seeing the same thing. We're seeing high demand. Obviously, we're taking advantage of some pricing flexibility. We do have some costs that are coming in with increased labor costs. So we're seeing -- in June, we saw a 6.5% increase versus '19 in terms of margins. We think it comes down a little bit. But we're obviously taking advantage of some of the opportunity in terms of the consumer demand. And we think that will continue to stay. We also invested during the time of COVID. We knew that we would come out of this, and we wanted to make sure that we didn't come out with the same kind of company that we walked into and make some efficiency decisions during that time, including bringing in some new technology like a new ticketing platform that's going to allow us to be more efficient in the out years.

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

I'm just going to finish this up with 1 statement, Smedes. If you own and run businesses that are iconic where people want to come and spend time, you have a much greater chance of being able to adapt your pricing model. If you run businesses that are vanilla, like everybody else, it's real hard. There's going to be some organizations that struggle through the labor shortages and COVID and pricing increases and inflation that we read about daily. But I think businesses like ours, our hotel businesses, the product, physical product and the state-of-the-art convention facilities that we operate are pretty extraordinary, and it's the same with our Entertainment business. So we'll get through this.

Operator

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

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

Appreciate all the helpful data points thus far. I was hoping maybe you talk a little bit about the composition of the groups you're seeing and kind of their tendencies and booking as we look out to the back half and into 2022. And you mentioned, I think, the 6% rate growth versus '19. I guess the question is, does that imply that there is a bigger mix of corporate higher-rated business? Or are you seeing the associations also willing to pay more for next year and beyond?

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

This is -- not wishing to sound patronizing, this is a very good question. So Patrick, there's some very good data points to try and address this question. This is very critical to the future of our business.

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

Yes. Chris, I would -- let's talk a little bit about what we saw in travel in Q2 because that's a great starting point. We're very encouraged by the fact that what -- the groups that traveled in Q2, 40% of those were corporate. I think that's a little surprising to a lot of folks, but very encouraging to us, and I would say a direct result of a lot of our rebooking efforts. Association was about 22%. As we look to the back half of this year, we're seeing association come back stronger even as corporate continues to strengthen as well. We saw in Q2, a lot of our large group folks or customers who were returning. About 28% of what traveled in Q2 was a large group, 1,000 plus, which, again, is very, very encouraging. Because I think a lot of folks were looking at Q2 and assuming that it would just be a lot of small group, which it was not.

If you look at our mix for 2022, we're encouraged by the fact that as we sit right now, we have a slightly higher percentage or mix of corporate business on the books for 2022 when you compare it to where we stood going into 2019. So that is very, very encouraging to us. Association is very similar to what we looked -- how we stood going into 2019. From a rate perspective, because you also added on a question around, are the associations willing to pay. If you look at our July production, association rate increase for July production was 15%. So some very, very encouraging signs that we're seeing corporate business come back quicker than I think most anticipated. Our mix for 2022 is very similar to what we've seen in our most successful performance years in the past. And we're seeing a willingness not just on the corporate side, but also on the association side to pay higher from a rate perspective going forward.

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

Patrick, I've heard 1 or 2 analysts sort of make the observation that they don't think that large groups are going to come back as quickly as small groups. I don't know where that data is coming from. But could you give Chris to amplify a little more on his question the actual facts of what is going on with large group?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

Yes. To the point I made a moment ago, we are seeing the 1,000-plus definitely traveling already. And if you look at -- because I've been watching this one very carefully, what's happening in the lead volume side, I'm very pleased to say that one of the stronger performance in terms of lead volume recovery is on the 1,500 to 2,000 peak room night group size. So they're traveling in greater, greater numbers. I mean if you look at April, May and June, large group was recovering through the second quarter. And from a lead volume perspective, looking towards the future, large group is getting stronger and stronger. So very, very encouraging information for us to see.

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

Yes. That's super helpful. Maybe if I can sneak in a second one. Colin, you guys have built up this Entertainment business over time. Obviously, it took a little bit of a pause for COVID. But maybe thoughts on reaccelerating some of the things you were considering a few years ago in terms of where you want to take that business now that we're, I think, hopefully, on the other side of this thing?

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

Yes. Yes. It's -- look, this business, in our opinion, has only gotten stronger in our minds over the last 12 months. When you see what has been going on with Circle, the distribution, the organizations that want to hitch their wagon to this platform. When you look at the inbound inquiries we get from organizations that want to partner with us on this business. If you look at some of the deals that have been done recently in live entertainment. This business is very -- has got a very strong runway. And I suspect, Chris, over the next 2 to 3 months, you will hear us talk about explicit ways in which we're going to expand this business. We're very excited about it.

Operator

Your last question will come from Dori Kesten with Wells Fargo.

Dori Lynn Kesten - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Can you tell us how attrition changed from April to July versus what was initially booked by the meeting planners?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

Yes. Dori, it's Patrick. I would tell you that going into Q2 and as we were preparing for Q2 and Q3 several months ago, we were expecting attrition numbers to be much higher than historical norms. And it's definitely still a component because you still have areas of the country where folks are more hesitant. But I would say from an attrition perspective, we are not seeing the levels that we anticipated. They're higher than historical norms, but they are moving in a positive direction pretty quickly. So we're very encouraged by what we're seeing. Just to give you some perspective, we would normally operate, let's say, 14% to 15% attrition. We're operating at 18% to 19% in the second quarter. So a little elevated, but certainly not the 30% to 35% that we were fearful might occur.

Dori Lynn Kesten - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Okay. And then other lodging companies are talking about business transient and leisure overlapping as leisure or whatever you want to call it, just adding to the length of stay. Do you think that same concept exists with groups in and leisure?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

I mean, we've tried to make sure that we built these assets where they have the leisure components to encourage folks to stay. Our length of stay has not materially changed to date. We are attracting a lot more leisure than we have historically. But from a group perspective, we've not seen a material change in the length of stay.

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

Well, though we are seeing groups that are family-orientated booking into our businesses because of the shift.

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - Executive VP & COO - Hotels*

Yes, that's fair. I mean you've heard us talk about cheerleading groups and other sports groups where there's a lot more of a family component to it. So to Colin's point, the mix early on in the recovery has favored some of those more family-friendly groups. And I would tell you, SoundWaves here at Gaylord Opryland has been in a very positive way slammed all summer long. Our pool at Paradise Springs at Texan has been operating at full capacity. Our offering at Palms, especially with the new river components that we added with the expansion, has stayed busy. So that the pools have been busting at the seams in a very positive way all summer long.

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

Crystal hey, it is 7 minutes before the top of the hour. We have maybe time for one more question.

Operator

(Operator Instructions) No other questions.

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

Okay. Thank you, everyone, for being on the call today. Any questions that you may have offline, you know where we are. Appreciate it very much. Thank you.

Operator

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