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RHP - Q3 2018 Ryman Hospitality Properties Inc Earnings Call

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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. - SVP of Asset Management*

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

CONFERENCE CALL PARTICIPANTS

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

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

PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Third Quarter 2018 Earnings Conference Call. Hosting the call today from Ryman Hospitality Properties are: Mr. Colin Reed, Chairman and Chief Executive Officer; Mr. Mark Fioravanti, President and Chief Financial Officer; Mr. Patrick Chaffin, Executive Vice President of Asset Management; and Mr. Scott Lynn, Executive Vice President, General Counsel and Corporate Secretary.

This call will be available for digital replay. The number is (800) 585-8367, and the conference ID number is 3459129. (Operator Instructions) It is now my pleasure to turn the floor over to Mr. Scott Lynn. Sir, you may begin.

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

Good morning. Thank you for joining us today. This call may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including statements about the company's expected financial performance. Any statements we make today that are not statements of historical fact may be deemed to be forward-looking statements. Words such as believes or expects are intended to identify these statements, which may be affected by many factors, including those listed in the company's SEC filings and 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 an exhibit to today's release. I will now turn the call over to Colin.

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

Good morning, everyone, and thank you for joining us on the call today.

FYI, travel schedules necessitate Mark being at another location this morning. And so, he is going to be dealing with his piece remotely.

First of all, I want to thank you for, all of you who attended our Investor Day recently here in Nashville. It was an enjoyable and productive, certainly from our perspective.

Now, those of you who have been following us for some time, have long heard us say that the third quarter of '18 will be a slowest quarter this year from a RevPAR perspective.

We long anticipated and guided for a slight decline year-over-year in RevPAR in this quarter, the culprit was 1 very large group cancellation late last year that was scheduled to travel in the -- this year's third quarter. This was not a macro-related cancellation, but a large and loyal customer that was undergoing a short-term reorganization process and postponed their 2018 meeting, but as already made plans to resume travel with us again in future years.

And yet, despite this gap and despite Hurricane Florence's arrival, which cost us an estimated 2,300 room nights and a little under $1 million in revenue, mostly at the National, the third quarter turned out to be our best third quarter on record.

Even though we had a very slight decrease in RevPAR for the third quarter, what's really important to -- in our world is total RevPAR. And when you look at the very strong banqueting performance from our customers and a higher mix of corporate customers than Q3 '17, the net result was 4.7% total RevPAR growth, which exceeded our own internal projections. And on top -- and to top things off, our hospitality adjusted EBITDA margin came in very nicely, up 110 basis points over last year's Q3, partly due to the collection of a cancellation fee that had been owed to us from another customer after a prior period cancellation.

Together, this drove adjusted EBITDA growth for our hotel portfolio of 12.6% year-over-year. Of course, we're very pleased with this performance, particularly given the obstacles we encountered, both foreseen and unforeseen.

The other highlight of this quarter for our Hotels business was the first full quarter of operation of our Texas expansion. With 300 new rooms open for the full quarter, the Texan still delivered 1.6% increase in occupancy, 1.9% RevPAR growth and 4.3% total RevPAR growth, thanks to corporate mix shift and very good outside-of-the-room spend. We're really happy with how this new bigger and better Texan is performing.

As I said last quarter, at a time when the rest of the industry is merely trying to see around the corner to the next month or 2, we enjoy a high degree of visibility into our future performance, based upon our long-term book of business. And in the world of limited large convention resort supply growth, the performance of our Texas expansion gives us more greater confidence in all of our hospitality investments underway across our hotels. These include: our upcoming room renovations at National and Opryland over the next couple of years; our expansion of the Gaylord Palms, in terms of both rooms and meeting space; our addition of SoundWaves, water experience to Opryland, and of course, the Gaylord Rockies project.

And as we made clear at our Investor Day in September, there are many more potential avenues for us to continue to invest around our core strategy of serving our long-term group customers across our network of all under one roof hotels.

Now let me turn to our bookings performance.

As you read in our release, the volume of gross bookings for the full Gaylord Hotels, including the Rockies was -- sorry, excluding the Rockies, was a very healthy 459,000 group room nights, but was down to last year's third quarter by 146,000 room nights.

Now I must remind you how extraordinarily strong our third quarter bookings have been the last 2 years running. Recall that in Q3 '16, our bookings grew 25% year-over-year to an all-time Q3 record. And then, in Q3 we came within 1,000 room nights of matching that performance again.

So when you consider these back-to-back comparisons, which were further fueled by the introduction of the Texas expansion inventory that we began selling in '16 and are now reaching equilibrium, we are now -- we are not surprised to see our Q3 bookings in '18 ease up on a relative basis.

More importantly, the first 9 months of this year remain up in net bookings to the first 9 months of '17, despite having materially more net room nights on the books than at any time in our history. And we feel very good about the leads and the tentatives and the prospects that we're working on right now for Q4.

Furthermore, I hope those of you who attended or listened to our Investor Day came away with the appreciation for how much more there is to our Hotel business than merely booking volume. This is why we carefully laid out for you the science and art of our asset management capabilities, and why we chose to illustrate with that example of a 1-week period at the Texan, how selecting just the right piece of business at just the right time for just the right travel dates is ultimately the critical decision that maximizes the yield of our assets.

In this regard, we feel really good about the business we're choosing to book into our key future travel dates. And Patrick, when we get to the Q&A, why don't you share with the listeners our full book of business for our same-store hotels, because it really is quite impressive.

Now let's give you a little more color on the growth projects underway for our Hospitality segment.

First and foremost, the finishing touches have been put in place in the Gaylord Rockies, such that we expect to open the hotel just 6 weeks from today on December 18. Needless to say, we're very excited about the Rockies finally arriving. And last week, we received our certificate of occupancy and started the process of moving our people into the hotel.

We will gradually open up rooms, until the first group customers arrive on January 7 to a full open -- to a fully open house. We expect that given this ramp-up of occupancy over the last couple of weeks of December, combined with our anticipated ownership of approximately 62% at that point, that the Gaylord Rockies will contribute about $2.5 million negative impact to our Hospitality segment adjusted EBITDA in Q4.

Previously, we had incorporated only around about $1 million impact in our guidance range for this segment, based on our 35% ownership and a slightly later opening date.

However, given how well our other hotels have performed thus far, particularly, in Q3 as well as our view on the rest of the year, we do not intend to change our current guidance for the overall hotel business, other than to point out that the same range now includes the greater anticipated opening loss that will occur in the final couple of weeks of December.

Looking ahead for the Rockies, I should add that this hotel booked an additional 78,000 gross group room nights in Q3, and year-to-date has produced 6% or 16,000 more gross group room nights than the same period last year.

And just to let you know, as of the end of October, we have about 50.4% net room nights of occupancy on the books for 2019. And we believe -- and believe it or not, over 55% net room nights on the books for 2020. And frankly, in my entire career in the hotel business, I've never seem pre-bookings in any large convention hotels as strong as we're seeing in this Denver hotel.

So after the many years our company spent nurturing this project from its inception, it is quite exciting to at last be just 6 weeks away from seeing the doors open and to be on track once again to become its majority owner, when our latest transaction with RIDA and ARES closes. We believe this project will be a great success and will be a game changer, as it relates to the Colorado convention industry and particularly, in terms of the benefits it will bring to the entire Gaylord Hotels brand network.

But before we even get to that milestone, we're equally excited to be just about 4 weeks away from our other big opening of SoundWaves at Opryland in Nashville that will occur on December 1.

Our sales figures for access packages by transients and group guests match our expectations, and maybe when we get to Q&A as well Patrick, you can give the folks listening some color on that, too.

We're very glad to have had the opportunity to walk many of you -- many of the analysts and investors through the facility a few weeks back. And we hope you all came away with a true appreciation for the scale and quality of this project, and what it will add to an already dominant Gaylord Opryland. And FYI, I walked this facility last Friday. And it is quite stunning. The work that's been done in the last month, this thing is quite different.

In Orlando, the Palms expansion continues to be very much as planned with the addition of the multilayer parking deck progressing on schedule, before we turn to the addition of the new rooms and meeting space. Our timeline for a Spring 2021 opening of this project has not changed.

Lastly, I mentioned the rooms renovation just a few minutes ago, the projects that we are preparing to undertake at the National and Opryland. Initially, our plan was to perform a full renovation of the National beginning in Q4, and then to turn our attention to the 500 rooms in the Magnolia wing at Opryland at the end of next year.

Now based on group patterns for these hotels and the positive early response to SoundWaves, we have decided to call an audible and to reverse these plans. We will begin renovating the Magnolia wing at Opryland -- on Opryland starting in the next several weeks, with a target completion of all 500 rooms sometime throughout the course of next year.

Then we will begin the National renovation in the fourth quarter of '19, one year later than originally planned. As the Magnolia rooms at Opryland are physically the closest to SoundWaves, we decided the sooner we can get this product renovated and made more family-friendly by interconnecting more of these rooms, the better.

The impact to our full year '18 guidance of this switch is immaterial, and we will, of course, factor in any anticipated impact for '19, when we provide you guidance in a couple of months from now.

Now, I'd like to turn my attention to our Entertainment segment, as we have plenty of exciting things to update you on there as well.

The Entertainment segment revenue was up 22% for the quarter and adjusted EBITDA was down $700,000 in Q3. The top line growth was driven by our core same-store assets as well as the contributions of our Ole Red Nashville venue, which had a terrific third quarter, its first full quarter of operation. Of course, this segment's adjusted EBITDA was impacted, first and foremost, by the losses we sustained at Opry City Stage in Times Square, and Mark will give you more color on that in his remarks.

We told you at our Investor Day that we were examining all options regarding this venue. Subsequently, we decided that the most prudent course of the action was to suspend operations, while we study the concept and best -- the concept and best use of that space from top to bottom. If and when we should decide to reopen a refresh concept, we will, of course, update you.

Meanwhile, the adjusted EBITDA impact of the suspension was contemplated in the updated guidance range for the Entertainment segment that we provided in September. Thus, the only additional impact of this decision in Q3, beyond what we talked about at our Investor Day, is the approximately $4.5 million noncash impairment charge that we recognized in the quarter.

Back here in Nashville at Ole Red concept on the other hand, is off to a strong start. As we were pleased to announce in September, we've added Orlando to the roster of key markets, where we will be bringing Ryman and Blake Shelton's unique blend of live music, with Southern food and hospitality. The flagship Nashville location has been busy since we kicked things off at CMA fest in June. And the second location in Gatlinburg is taking shape very nicely, heading towards a Spring '19 open. We hosted an event in Gatlinburg in September to showcase the building and the site for the local media and residents, which highlighted how this venue will really stand out from a -- the typical fare you find in this region. Ole Red Gatlinburg will offer the millions of country lifestyle tourists that pass through the area a place and a way to have fun that is of a quality they won't find anywhere else in the region, with concept level productions, sound and visual capabilities and of course, first-class live curated musical talent on display.

The rest of our Entertainment initiatives, especially on the content side, are moving along nicely. And we're very pleased to have Scott Bailey on board as President of the Opry Entertainment Group.

We introduced Scott to you all at our Investor Day. And since he started a little over a month ago, he has already immersed himself deep into this business. We're very excited to have Scott bring his extensive experience, serving tailored original content to large specialty audiences across all forms of media. And we look forward to him helping us do the same here at Opry Entertainment for both our existing and new country lifestyle consumers.

In conclusion, our businesses are in great shape. Now, I suspect many of you all are probably looking at the macro headlines right now, with everything going and -- with everything going on, it may feel like a little bit of a crazy time. The stock market took a rapid dip in October of the speed and size that we've not seen for some time, while benchmark interest rates took another jump up, all while a very contentious midterm election season has come to a crescendo right here today on election day. While this environment may cause many companies to step back and lose those visibility into their business, the way that we manage our business does not change. We continue to invest in our unique strategy that we carefully spelled out for you in September. That is to stay focused, primarily, on the group meetings business, to build relationships with our group customers and to [retake] them through our soon to be 5 world-class assets, all while reinvesting in those assets to best serve those customers the next time they come back, thereby extending our competitive advantage against other group hotels in a world of limited supply. Now with that, let me turn over to Mark to give you some additional color on the financials.

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

Well, thanks, Colin. Good morning, everyone. In the third quarter, the company generated total revenue of $292.2 million, up 10.4% from the third quarter of 2017, driven primarily by strong outside-the-room spending from our group customers in our Hospitality segment as well as the benefit of the first full quarter of operation of Ole Red Nashville in our Entertainment segment. Net income available to common shareholders of $22.6 million or $0.44 per fully diluted share was down $1.3 million or $0.02 per share due to the $4.5 million noncash impairment charge related to our decision to temporarily suspend operations at Opry city stage.

Adjusted EBITDA of $84.7 million represented an increase of 12.1% or $9 million compared to the third quarter of 2017.

In terms of AFFO, the company produced $63.4 million, a 13.3% increase over the third quarter of 2017 or $1.23 on a fully diluted per share basis.

Moving specifically to our hotel segment both, attrition and in year for the year cancellations in the third quarter of 2018 improved. Attrition fell over 300 basis points to 12.2%, the cancellations were lower by over 5,400 room nights. We continue to see no patterns or trends in our attrition and cancellation data that would indicate any concern despite the recent stock market volatility and election noise.

Hospitality adjusted EBITDA in the quarter grew 12.6% to $78 million as a result of strong outside-the-room spending and very good margin performance, up 110 basis points.

As for our Entertainment segment, revenues for the second quarter increased 22% to $43 million. And segment adjusted EBITDA in the third quarter decreased $700,000 to $12 million.

Growth in our same-store Nashville asset plus the contribution of Ole Red drove the top line, while the losses incurred by the Opry City Stage prior to our decision to suspend operations resulted in the year-over-year decline in adjusted EBITDA.

Lastly, corporate and other adjusted EBITDA totaled a loss of $5.4 million in the third quarter of '18. This was a 17.3% improvement over the third quarter of 2017.

Moving on to the balance sheet and capital. As of September 30, we had total debt of approximately $1.7 billion, net of unamortized deferred financing costs and unrestricted cash of $86 million resulted in net debt outstanding of $1.6 billion. This includes $270 million of borrowings, drawn under the company's revolving credit facility. Combined with the cash, this leaves with the company approximately $516 million of available liquidity.

Our only significant near-term commitment of capital for the remainder of this year, is the approximately $242 million that we expect to spend on our acquisition of another 27% of the Gaylord Rockies joint venture. We're currently planning for a December third closing date, about 2 weeks prior the hotel's official opening.

We plan to use available cash and the capacity under our revolver to close this transaction. And we will then consider longer-term financing options for our interest in this asset in the broader context of our overall balance sheet and the longer-term capital commitments for projects like the Palms expansion and additional Ole Red venues.

In the meantime, we are comfortable with our anticipated leverage following the Rockies transaction, given our current book of group business and the anticipated contribution of -- to EBITDA of the SoundWaves and the Gaylord Rockies' projects, which have both been pacing consistent with our expectations.

Now let me touch on our expectations for Q4 and our guidance for the year. As Colin mentioned, while we have not changed our midpoint of expected range for the hospitality segment adjusted EBITDA, we've now included in that range our updated expectation for the negative contribution of Gaylord Rockies in the fourth quarter.

Now that we have a -- now that we are firm on a mid December opening, we expect [to have] approximately 62% by that date. We are incorporating the $2.5 million headwind for the segment, which is our expected share of the stub 2018 loss at the hotel.

In terms of RevPAR and Total RevPAR, we continue to expect low single-digit growth for both metrics, based on our book of group business, the Holiday program we have prepared and the initial days of SoundWaves operation.

We expect flow-through comparisons in Q4 will be a bit challenged, given several items in the fourth quarter of 2017 affecting year-over-year comparisons. These include the receipt of a sales tax settlement at the Palms and the receipt last December of the cancellation fee for the group Colin mentioned who were supposed to travel this past July.

Our ranges for Entertainment and Corporate adjusted EBITDA also remains unchanged, as the decision we made in Q3 to suspend the Opry City Stage, is one of the options we incorporated into the guidance range for the Entertainment segment. As we are in the process of completing our valuation work related to the Rockies transaction, we have not undertaken to provide any guidance to incorporate the positive impact this deal will have on our GAAP metrics,[neither will we] report on the carrying value of our original investment and instead, we will report those items to you with our fourth quarter results.

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

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

Thank you, Mark. Now, I think what we'll do is, is we'll open the -- Maria, we will open up the call for questions, and Patrick and -- will talk about a couple of things, the SoundWaves and full book of business. So Maria, let's open it up, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Chris Woronka of Deutsche Bank.

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

You made some really nice progress and have some good momentum on the out-of-room spend. I was just curious, can you talk a little bit about how much of that is maybe favorable mix and how much of it is maybe pricing increases? And how you feel about it looking forward?

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

You know, most of it is mix, Pat, you want to take that question for Chris.

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

Good morning, Chris. this is Patrick. To your point, it is primarily the result of favorable mix. As you look at the quarter for us, we did benefit from the increase of corporate group room nights, they increased about 17,000. We did have a decrease in some of our Association and SMERF groups, but that improvement in the mix is what drove the majority of our improvement outside-the-room. We continue to move pricing as the opportunity arises, but that's really not what drove the growth that we saw in Q3.

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

Okay, that's helpful. And then, Patrick, I'll give you the SoundWaves question. I guess, my angle on it is, kind of, how you internally underwrite, whether it's some of the take rates or the pricing or the bundling that you've been doing, and how much I guess, conviction do you have things will come out, at least as good or better than you expected for -- I guess, for next year?

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

Yes, that's a great question. As we look at that, it's going to be a mixture -- success for our us at SoundWaves is a mixture of both, an increase of occupation transient side as well as an improvement on rate for both group and transient because what this will enable us to do is drive additional rate as folks see additional destination appeal at Opryland as well as add on additional days from some of our group customers, and thus, drive the rate as they see in the attractive reason to bring their families and stay a little bit longer. As we talk about SoundWaves, let me give you a little bit information, as far as how we feel about it right now. To date, we've sold about 3,300 packages, that equates to room nights, so 3,300 room nights have been sold. We're really just now into the primary booking window, because the primary booking window is about 30 days out. With those 3,300 packages, we sold about 10,700 tickets. And so, that includes both the packages on the transient side as well as some group sales. On the group side, we're very encouraged, because we're really only began to tap the opportunity to sell this to our groups via site business that they're making for the future as well as reaching out to groups and saying, hey, this thing is just about finished, it will be ready for you when it you arrive. And so, over the past 2 or 3 months, we've began selling that to groups and have been encouraged by the results. 70% of our current bookings are for December, which is slightly ahead of the target that we have for December. The parties that are traveling, about 64% of those are parties of 3 or more, they're staying for 2 nights or more. And we're seeing a significant ADR premium versus same time last year, as a lot of those customers are paying retail rate. So again, on the front of driving ADR, we're encouraged with what we're seeing so far.

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

And those numbers, Chris, you got to remember that we're really only opened up the inventory on this thing, in what, early September. And so, we haven't really done any world-class photography yet to showcase this thing and then the associated marketing that will go with that photography. So people have sort of seen the conceptual drawings. But the marketing is all going to really take place here over the course of the next month, as we do -- as I said, the photography. But I can't impress on you on how extraordinarily beautiful this thing is. When I walked it on Friday, all the pools were working, the lazy rivers were working, the flow riders were working. The family party rooms that are below these rooms have been put together with technologically a -- it's hard to describe it as a games room because this thing almost looks like -- it's sort of massive. But it is -- we're very excited about it. And I think the early indications have more than met our expectations.

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

And the only thing that I'll add to build on what Colin had already said is, we're encouraged by where the folks that are booking thus far are coming from, about 20% of them are coming from Tennessee, but we see a significant portion coming from destinations outside of our normal 300-mile drive market. So even with the limited exposure now that we're just really into the primary booking window, we're seeing a lot of interest from places as far as way from New York, California, et cetera. And we even have a few international travelers booking in as well, coming from Great Britain and Canada. So overall, we're very encouraged by what we've seen, thus far.

Operator

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

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

I apologize, I was a little bit late to joining. I may have missed this in the up front prepared remarks Colin, but could you guys just give us a little bit more color on sort of the puts and takes as it relates to the full year guidance. I know I caught -- I mean, it seems like the headline outside the room spend RevPAR number was probably at the high-end or certainly better than The Street expected but how of much is this just timing or is there any pull-forward in this? Or is some of this going to flow through to the full year?

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

Mark, you want to take that or you want me to?

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

Go and take a stab at it and I'm happy to jump in.

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

Sure. So, we always have a debate at this time of the year about the fourth quarter. And the primary reason for that is, is that, so much of our business in the fourth quarter is leisure. The whole dynamics of our company change in this fourth quarter, as we put in place these programs, these Ice! exhibitions, the Country Christmas. And I would say to you right now what we're seeing is, we're seeing good leisure business being booked. Our leisure room nights on the books as of the end of October for November and December are up a few thousand room nights on this time last year. And our group business, we expect to materialize -- our group essentially shuts off as we approach Thanksgiving, and I think that our guidance, we've sort of been cautious in our guidance, simply because of the just -- the leisure nature of this fourth quarter. And as Mark said, there were 2 or 3 things in last year's fourth quarter that boost the level of profitability. We had a very large cancellation fee collection last year that improved profitability. So what we decided to do is keep guidance for the year. I don't think any of the things that occurred in the third quarter was -- I think you described it as a pull-forward. The third quarter was the third quarter, we were pleased with the outside-of-the-room spend in that third quarter, and I expect that we can have a very decent fourth quarter and our guidance reflects that.

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

Great. Sorry, Mark.

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

Just 2 things I would add, obviously, Shaun, is that we didn't move the midpoint and we picked up the additional stub of the Rockies. But also, we had about $1 million of impact associated with Hurricane Florence. So when you look at the same store basis and you consider those factors, I think holding the midpoint is a pretty good story for us.

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

Right, okay. And then, second question, would just be as we look at the -- and again, I think you probably just touch on this in your prepared remarks, Colin as you went through your room night booking statistics. But when we look at just the overall hospitality segment, the trajectory of what you're kind of showing is gross definite room nights and net definite. Those totals are down some in the quarter. I imagine you're up against pretty tough comps and you're also -- you may be more full than where you were last year but can you just remind us of sort of why decline in the period?

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

Yes, so this happens from time to time. As I said in my prepared remarks, Shaun, and you can go in and listen to them. Q3 of '16 was the biggest quarter -- third quarter we ever booked. And Q3 '17 was only 1,000 room nights less. We come into this year with record room nights on the books and it's just the third quarter. There's a little breather being had here, but still the production is extremely good, 450,000-plus room nights. But what what is really exciting for us -- and by the way, the other thing I said in the prepared remarks, if you look at our year-to-date bookings this year, they're up on last year, which was a tremendous year in booking. So things are in very good shape. And we expect the fourth quarter to be a good fourth quarter because of just the overall lead volumes that we are dealing with. But what is incredibly impressive, I think guess, Patrick, just talk about T plus 1 and T plus 2 -- T plus 0, T plus 1, T plus 2, what we have on the books for '19 and '20, which is frankly, tremendous.

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

Yes, to build on that, as Colin mentioned, for 2019 where we stand right now. This is looking at the Gaylord Hotels for 2019 and this excludes Gaylord Rockies, we have about 48.4 points of group occupancy on the books, Shaun in that perspective. That is a slight improvement over the same time where we stood last year heading into '18. If you look at 2020, we're very encouraged. We have about 41.5 points of group occupancy on the books from a net perspective, which is a 5-point improvement over where we stood the same time last year. So we're very good position for both '19 and '20. And you hear a lot of rumblings from folks about citywide calendars and the negative impact into '19. We are very pleased with the fact that we have somewhat insulated ourselves from that, by the very focused and intentional way we're going about selling our group business over the past few years. The only thing I would add to that is, we started selling the Texan expansion in the third quarter ['16 .] And so, you add about 110,000 room nights of availability into every year going forward, as a result of that. And so, you're obviously going to have a period, where you filling a lot of brand new inventory up, until you reach a point of equilibrium. So that's impacted the past 2 third quarters.

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

Positively.

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

Positively. In addition to that, I would say, we talked a lot about trying to drive rate, given where we are from an on the books perspective, the strength of our on the books room nights. In order to that, we've been shifting our sales more towards a short-term focus because those are the harder room nights to sell given how much already we have on books. And -- but that enables us to drive rate as we see compression occurring. So we're making a calculated decision that we will have fewer room night booked in some of these future quarters as we shift towards really driving the short-term and allowing us to drive rate in the short term as well.

Operator

(Operator Instructions) I'm showing no further questions at this time. I'd like to turn the floor back over to our management for any additional or closing remarks.

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

Okay, that's good. I hope the questions are not a lack of appreciation of the company, but maybe the fact that most of you all attended our Investor Day here a few weeks back. So look, I think it's a good third quarter. We're looking forward to an exciting fourth quarter, and 2019 is shaping up to be really, really good for us. And so a lot of good openings happening here over the next few weeks. And look forward to seeing all of you folks, may be some of you over the next 2 days in San Francisco at REIT Week. So anyway, look forward to seeing you then. Thank you.

Operator

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