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Ryman Hospitality Properties Inc Announces Strategic Investment in Opry Entertainment Group by Atairos and NBCUniversal - M&A Call

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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Investor Call. Hosting the call today from Ryman Hospitality Properties are Mr. Colin Reed, Chairman and Chief Executive Officer; Mr. Mark Fioravanti, President; Ms. Jennifer Hutcheson, Chief Financial Officer; Mr. Scott Bailey, President, Opry Entertainment Group; and Todd Siefert, SVP, Corporate Finance and Treasurer.

This call will be available for digital replay. The number is (800) 938-0996 with no conference ID required. (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 & Director***

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. Any statements we make today that are not statements of historical facts may be deemed to be forward-looking statements. Example of these statements include, but are not limited to, statements regarding the pending acquisition of the Block 21 mixed-use project in Austin, Texas; the proposed investment by Atairos Group, Inc. and its affiliates in our Opry Entertainment business and the potential benefits of such transactions.

These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made today. These risks and uncertainties include, but are not limited to, any event or change in circumstances that could delay the closing of the Block 21 transaction or the Atairos transaction or that could result in the termination of the Block 21 transaction or the Atairos transaction prior to closing or the occurrence of any other event which could adversely impact our business, including the outbreak of a new variant of COVID-19 virus or a downturn in the U.S. economy generally. Other risks and uncertainties that could cause results to differ are described in filings made from time to time by us with the Securities and Exchange Commission and include the risk factors described in our annual report on Form 10-K for the year-ended December 31, 2021 and subsequent filings. Except as required by law, we will not update any forward-looking statements, whether as a result of new information, future events or any other reason.

We may also discuss non-GAAP financial measures today. We reconcile any such non-GAAP measure to the most comparable GAAP measure in the investor presentation we issued in connection with today's call.

I'll now turn the call over to Colin.

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

Thanks, Mark. These safe harbors get longer. Good morning, everyone, and thank you for joining us.

Today is the beginning of the next chapter in the life of Ryman Hospitality and, particularly, Opry Entertainment business. Over the last several years, we've spent a lot of time exploring ways in which we can unlock value in our entertainment business, but at the same time demonstrate to you, our shareholders, that this business that we know as OEG is indeed very valuable.

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Notwithstanding the impact of COVID on our company, last year, many entities, including multiple SPAC originators, contacted us to suggest that we partner with them or, in some cases, sell this business outright to them. I can tell you firsthand that this has been an enormously complex set of challenges that we've had to navigate, but I believe we've arrived at a very satisfactory outcome.

Since 2013, being a REIT has clearly served its purpose and allow us to create a lot of value for our shareholders, but a REIT structure is not ideal for our entertainment business. We hold OEG in a taxable REIT subsidiary and the increasing value and profitability that these businesses generate don't contribute to the qualifying assets and income for our REIT compliance tests. This creates some challenges for us as we look to continue to grow this business and unlock its value.

So early in the second quarter of last year, we appointed Morgan Stanley to help us think through the optimal structure and to help evaluate which strategic partner would bring the most muscle to help us turbocharge the growth of our entertainment business.

In the third and fourth quarter of last year, we spent time in discussions with about 10 different organizations who had expressed serious interest in partnering with us. During every discussion we had, we stressed that there were very, very, very important points that we were looking for. Number one, a partner who cares as much about this business as we do, someone who is committed to preserving and protecting the cultural integrity of the magnificent assets under our care. Two, a partner who brings expertise and resources to the table, that will help us position our business with a global audience and form new relationships with customers. Three, a partner who shared our vision for how our company could become a global leader in the country lifestyle and live entertainment space. And four, a partner who was prepared to work with us and accommodate our needs, particularly as it relates to our REIT structure and our desire to control this business for the foreseeable future given our belief around growth and long-term value creation.

As a consequence of all of this, we found a partner that we believe checks every box, and we are excited to announce that Atairos, an investment firm whose capital comes from NBCUniversal, as well as NBCUniversal itself in a direct investment role, will be our partners prospectively.

Now when you step back and observe what Atairos and NBCUniversal brings to the table, it's quite impressive. Patient capital, deep industry expertise, a vast network of resources, capabilities and relationships highly relevant to the Opry family as well as an international expertise. This is very exciting.

The structure of our partnership, whereby Atairos and NBCUniversal will initially acquire 30% of the Opry Entertainment's group equity for a combined sum of $293 million, $15 million of which comes directly from NBC, is also the ideal outcome for our shareholders.

The agreed upon valuation of our business at a minimum of $1.4 billion, inclusive of Block 21 assets to be acquired, is far above the average of what most analysts who write about our stock have ascribed to it, which validates what we have long believed and puts a public mark on these assets. And that value can grow by an additional $100 million, implying an additional $30 million of proceeds to Ryman should Opry Entertainment Group achieve certain targets. This valuation range represents a multiple of 19 to 20x on 2019's pro forma adjusted EBITDA of $74 million, and this assumes Opry and Block 21 have been combined for this year.

Alternatively, it represents a 17 to 18 multiple, at the midpoint of our expectations, for the combined entities in 2022's pro forma adjusted EBITDA of $84 million.

For comparison, our shares this year to date have traded right about 17x on analyst views of our consolidated 2022 EBITDA. But of course, 2022 is not a full COVID-recovered run rate for our hotel business, so with so many of our expansions and investments still maturing and the impact of Omicron weighing on the first half of this year.

So truly, this transaction represents an attractive valuation for our company compared to where RHP as a whole is currently valued by the market on a normalized earnings basis.

Furthermore, by retaining 70% of the business at this time, our shareholders will participate meaningfully in the value creation that we,

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Atairos and NBCUniversal envision in the years ahead.

And the capital that we will raise from this investment will allow Ryman to incrementally delever our balance sheet, accelerating our return to pre-pandemic levels.

Separately, the new Opry Entertainment Group entity will take on its own direct indebtedness in the form of a fully underwritten $300 million Term Loan B and a revolving credit facility with a $50 million -- with $50 million of capacity. After fees and expenses, the proceeds of this term loan, along with the Atairos' funds, will be applied to pay down Ryman's $300 million Term Loan A and the remaining -- and the remainder to outstanding balances on our revolving credit facility, resulting in a net reduction of about half-turn in leverage on the consolidated RHP.

Finally, our artists, employees, sponsors and other community stakeholders, this structure ensures that the will continue to contribute to the stewardship of these iconic venues, with no abrupt changes or disruptions as we bring Atairos into the fold. So it's truly a win-win all around for everyone involved in this transaction.

Now I'm sure you'll have plenty of questions about what we and Atairos may have in our strategic plan for the future. We'll do our best to address these for you today, though it's too early to talk in terms of specific plans and decisions as we're currently focused on closing and integrating Block 21 and then closing this transaction.

Nevertheless, there are some broad strategic categories in which we can give you a taste. These include exploring new distribution channels and methods; developing new forms and sources of content and programming; applying more technology across all facets of the business, both online and in and around the venue experience; and finally, leveraging our combined financial and strategic resources to pursue both organic unit growth and further acquisitions, development or partnerships.

From this point, the real fun and interesting work begins as we pursue these and other opportunities together now with Atairos with a unified vision of establishing the Opry Entertainment Group as a leading player in the country lifestyle and live entertainment content.

Last but not least, I want to thank my partners here at the company, particularly Mark and Scott Lynn, our General Counsel, and the rest of the management team, who have really worked so hard on these negotiations and the structuring of this pretty complicated transaction. They've done a world-class job, very proud of the work they've done.

And so now what we'd like to do, Gretchen, I think, is go directly to questions. I'm sure there are quite a few. So let's open the call up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll take our first question from Dori Kesten from Wells Fargo.

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

And congratulations on the announcement. Can you give us some details around your partners' right to acquire up to 49% of OEG?

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

Yes. Mark, do you want to take those?

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

Sure. Dori, they do have an incremental purchase right. And that purchase right in over 3 years, 2023, 2024 and 2025. And it is -- it's based on a formula value subject to a floor, and it's capped. The amount is capped each year in association with our ability to sell down due to our REIT constraints, specifically the 75% gross income test.

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

Okay. And I guess I was just wondering, was the delay in the closing of Block 21 in any way related to this? Or is it just a slow process with the servicer as it was last time?

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

No. It's just been a slow and opaque process with the CMBS servicer, particularly because it's in special servicing coming out COVID. So it has just taken longer than we certainly anticipated. But we are, I would say, rounding third and headed home, we've gotten servicer approval at this point and just finalizing the documentation. So ...

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

We are hopeful, what, you think at the end of the month, Mark?

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

Yes. We've extended our agreement with (inaudible) at the end of May.

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

Yes, but we hope to get it done before then -- yes.

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

Yes. So the midpoint of OEG's net debt-to-EBITDA looks like around 5.5x on 2022 estimates. But what do you think the appropriate long-term leverage is for this business?

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

We're targeting 4.5%.

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

Yes, it's no different to the way we think about Ryman. The good news is we have a partner that has a lot of capital, and we have a partner that has as higher expectations for growth as we do. And so we will navigate leverage as we deploy more and more capital into this business.

Operator

Our next question comes from Chris Woronka from Deutsche Bank.

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

Congratulations on getting this across the finish line. First question was kind of on focus of the Opry Entertainment business now that you've got this done. Because I know historically, right, it's been kind of centered around Nashville and then kind of expanding into the Ole Red locations. So does having a partner like this kind of get you more of a national and broader focus beyond just some of the traditional venues that you've operated?

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

You -- Chris, Colin. I'll give this a go and then I'll let my, let the team here weigh in on this.

This is a very, very -- the way you've described it, I suppose, is somewhat accurate. But the way we think about it is the customer that we are trying to build the relationship with lives all across this country and also lives in other countries across the world.

Scott Bailey, our President, has talked about -- President of OEG has talked about through the pandemic, we're streaming to upwards of 100 countries every week. The Opry goes out to -- through streaming to approximately 100 countries.

So the thing that excites me about this relationship, hitching our wagon to an organization that has the tentacles that this organization has is that it will, in our opinion, if we do this right, we'll speed up the communication process with these consumers, that they're all

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across this nation and all across the planet. And that's what we're ultimately focused on.

The work that we've been doing recently with Ole Red, Block 21 in Austin, Texas is essentially putting facilities in markets that we know that this consumer either visits or lives in. Las Vegas will be a hell of a deal for us because there probably is 20 million country lifestyle consumers out of the 45 million that frequent Las Vegas every year. It will give us this ability to touch these consumers.

The thing with this organization with Atairos and their affiliation with NBCUniversal will allow us to penetrate these customers far more so and speed up this relationship building, bringing the artist community into the lives of these consumers wherever they live. That's the thing that excites us about this deal.

And by the way, we believe -- I believe this passionately, that if we do this right and we build these relationships with these customers, it is also going to increase the amount of consumers that frequent the city of Nashville and frequent the city of Austin, Texas. So this is not just a deal that benefits our shareholders, Atairos, NBCUniversal. I think it's going to have a profound impact on the communities in which we do business.

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

Yes, Colin, that's really good perspective. And then I guess the second, the follow-up, the other thing this does, right, is kind of it delevers your overall business, but especially the hospitality business. So how do we -- I know we're talking more about this deal today. But how do you frame it in the context of this opening up more doors for you, do things on the hotel side as well.

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

Yes. I'll -- I don't want to be doing all the talking here, I've got a world-class team sitting around this table. But let me answer this question, and then I'll start opening to our colleagues.

Look, we're not going to get into the detail, but our business is rapidly recovering. Our business is -- we're very excited about our hotel business and the way it is recovering and the way the consumer is reacting to these world-class assets of ours.

We have very strong views about ways we can grow these assets further, make them even more, the lawyers hate me using this word, dominant in the markets in which they do business in. We know SoundWaves has really done a world-class job through COVID and has had enormous positive impact on Opry land through COVID. And so we have aspirations to maybe do more SoundWaves-type facilities.

So we're very excited about our hotel business. All this does is bring more capital in line here.

And the other part of it is downstream, when we identify the next Block 21 that we want to do, the next $250 million, next $300 million, it won't be exclusively our capital. We have now a partner with very deep pockets that wants to deploy capital and grow this business.

So I think this deal is going to be not only good for our entertainment business, not only good for the communities, not only good for the artists, but it's going to allow us to probably accelerate the growth of our hotel business as well.

Anyone else want to lay on that one?

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

Anything else, Chris?

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

He's gone.

Operator

Our next question come from Rose Smedes from Citi.

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

It's Smedes. I was just wondering if you could talk a little bit about some of the metrics you need to achieve to get the additional $30 million investment?

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

Yes. It's simply profitability measures in '23 and '24 that are associated with the long-range plan that was used in the valuation work of the deal. So we have an LRP. And if we execute against that LRP in '23 or '24, then it would trigger that additional value.

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

The practical part of it is that because of the capital that we were in the process of deploying, building an Ole Red at the airport, building here in Nashville, building an Ole Red in Las Vegas, doing all the things that we want to do at Block 21, in our discussions with our partners, it was -- these businesses are going to ramp up. And so we came to an agreement that the value of the business would be greater if the projects that we have identified come to fruition in a way we think they will. That's how this thing is, we structured this way.

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

Okay. And then I just wanted to ask, Colin, as OEG now, I mean, opportunities will accelerate investment and you will be spending more time there. So is it fair to say that Mark will be taking on more responsibility in terms of the hotel side of the business? Or how should we just think about how everyone kind of spending the bulk of their time?

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

Yes, I read your report this morning with the headline, is this the precursor to succession? And I think you've -- when we were together at the -- great conference down in Fort Lauderdale, we touched on this subject, and I think I made the comment that we've been working on succession in this company for the last decade, and that's just the way good Boards operate. And so as I look around this room, these are folks that we have penciled in to carry the torch of this company for the long term.

And so I have, over the last 20 years, spent quite a bit of my time building a relationship with many of the folks that we deal with on the entertainment side, the artists. Yesterday, I spent a good part of my time talking directly to world-class artists directly, not just their management teams, about this.

So I feel like the opportunity for growth in the entertainment business, the net is going to be much wider than the -- what I would call the opportunity for growth in the hotel business. I don't -- you're not going to see us in the hotel business go by 5, 6, 7, 300-room hotels at $1 million a key in places like Key West, we're not going to go do that. We're going to continue to work on the strategy that we have been very, very clear about in our hotel business for the last decade.

And that's -- our hotel strategy growth I think is far simpler but will be good from a growth perspective, far simpler, than the complex set of issues that we have to navigate on the entertainment side because I think the net on the entertainment side is much wider. How we deal with Circle, how we deal with more Theaters, more Ole Reds, how we build out the whole digital side of this business.

And so I suspect in my 8 to 10 hours a day, I suspect I'll be engage more so in the entertainment side. But we've got a really good team of people that run this business. And I expect and the company expects, the Board expects the strategy to sort of come from the bowels of our entertainment business.

So I know I'm rambling here a bit, but I think the growth opportunities for our company over the next 12 to 24 months are enormous. Mark and I will be spending our time where we identify growth as an opportunity.

Michael Jason Bilerman ***Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst***

Colin, It's Michael Bilerman, here with Smedes. I just had a question. As you talked a little bit about at the outset of settling then on this partnership and finding a partner who would take the care and be committed and have the expertise, the resources, have the globality, but you talked about obviously accommodating your needs as a REIT, both from a control perspective, that you also want to maintain

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control of this business but dealing with a lot of the income and asset tests.

As you think about the value, and it sounded like there were some partners or buyers that wanted to buy this thing outright, how did those values compare to the 1.4 or 1.5 of an earn-out and contingency as to say a premia today for it?

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

No, no, look, so I'm going to give you -- I can -- I'll give you a one-liner answer. And that is these values -- the ones that took it seriously, the values were all in the same ZIP code, period, end of the story.

But -- but this wasn't just about the value of the business. It's -- who's got the muscle and the strategic horsepower that can drive this, that can drive this business forward with us. It is also -- I guarantee you, the valuation was sort of my third, fourth on the list of things we wanted to test. Because this business of ours, it relies, Smedes, relies on the relationship that it has built over 96 years with the members of the -- of the music industry.

And so if somebody came in here and said, "Hey, the number is 1.6 and that organization could potentially blow up that relationship because they don't give a" -- I was going to use a little bit of profanity.

Michael Jason Bilerman ***Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst***

I know where you were going with it.

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

They don't give a damn about it. We're not going to do that in this community. We're not going to do that.

So this was a very complicated series of interviews that we did with all of these organizations. And the folks from Atairos and NBCUniversal, I think, convinced us, the management team, and convinced our Board that when you add all these things up, when you look at their capabilities, you look at the value, and you look at just the integrity of these people, this was by far the best dance partner for us.

Michael Jason Bilerman ***Citigroup Inc., Research Division - MD, Head of the US Real Estate & Lodging Research and Senior Real Estate Analyst***

Yes, I know it sounds like they bring a lot to the table. And the last question we had was just, you talked a little bit about their right to move up to that 49% level and that there's a floor on valuation and a methodology to calculate that value. Does Ryman have any repurchase rights on the stake that you're selling? And does that have any calculations or floors with that? What are your ability to buy it back effectively? I know you got into a marriage, and I have been talking about divorce, but I was just wondering what's the reciprocal in the event it doesn't turn out the way you wanted it to.

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

Yes, we don't -- I mean, we don't have a specific buyback right? The way that the deal is structured, currently, we've retained the ability to cause a liquidity event, whether that's an IPO, a spin, a sale, et cetera. And in different circumstances, we would have the ability, if we would determine not to undertake a liquidity event, to buy them out at a return and a prenegotiated return. But we don't have specific rights that in a year, we determined, this isn't working, that we can buy them out at a specific price.

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

No, but it would have to sit down. That's exactly right. But yes, I -- since I've lived in this country for 34 years, 35 years now, I've been fortunate enough to be involved in many different deals working with Mike Rose's, Chairman of Holiday Corp. And I've got to tell you, this is one of the more complicated deals. But we -- and this deal wasn't done over some dinner. This took hours and hours and hours of discussion.

And I honestly go into this feeling that the folks on the other side, world-class quality people. And my view is just like our relationship

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with our friends at Gray Television. And I feel like that if we get to a point where there is a difference of opinion, a dispute,, I feel like we'll be able to resolve those issues. And in the event that we feel like the marriage shouldn't go forward, I feel like that we'll be able to deal with this in a way that's acceptable to our shareholders. So that was my answer.

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

Yes, the only thing I would add is that it was important to us that they have real equity risk and not -- just not be structured as a preferred instrument where they have preferred exits or guaranteed returns.

And keep in mind that we are the majority shareholder, we will control the Board. And while they have, including in terms of major decisions, we continue to control the liquidity events and ultimately manage the business.

Operator

Next question comes from Shaun Kelley from Bank of America.

Shaun Clisby Kelley ***BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst***

Colin, maybe just to stick with the structuring question because we're kind of on that topic. Just to dig a little deeper, is there anything in the process or in your ownership here, be it tax basis or whatnot, that actually precludes or makes it penalizing to do sort of an outright acquisition here when we think about structuring minority investment going up to 49%? Was there -- I would think there's probably a reason that you didn't want to maybe trigger that change of control. What is that? Or what governing factors might have been incorporated into your thought process?

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

Well, I mean, first and foremost -- first and foremost, the fact that we're a real estate investment trust and this is -- these are nonqualifying assets makes it -- there are some things that we can do and some things we can't do. And one of the things we can't do is we can't go and sell 75% or 100% of this business for the value that we think it's worth today. We can't do that. It blows the REIT up. And that -- the tax consequences of that are things that we don't want to talk about or think about. It is problematic.

And so the way we've structured this with a partner like Atairos, we're comfortable -- we're comfortable at some point if they own 49%, we want to make sure that as long as this business is under our umbrella, that we're doing -- we're doing all the right things to grow this business in a way that maintains the relationship we have with the music industry.

So we've agreed to allow them to buy up to a maximum of 49%. We've also agreed downstream, Mark, you may want to touch on this, we've agreed in year 4, year 5 that they can call for an IPO of this business. And at some point, we will separate the business. We've talked about this. I don't know for -- I don't know, 3, 5 years now.

So we feel like this structure gives us all the wiggle room we need to do this in a way that allows us to navigate the complexities of this REIT structure.

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

Yes. To Colin's point, the REIT structure does create some liquidity constraints, both for us as well as our partner. And so as Colin mentioned, in the event of a sale or an IPO, we have provided them with certain return guarantees because of the potential for liquidity impact due to our REIT compliance. If we would do a spin, then they don't have those return guarantees because the liquidity issue of the REIT goes away.

And it's also, as Colin mentioned, they do have, after year 4, the right to request an IPO and then we have the ability to execute against that. Or again, they can put it to us at a -- put their investment back to us at a specified return.

And the only other thing I would mention is that we talked about their ability to purchase options in '23, '24 and '25. If they execute that purchase option, then those minimum return and put rights go away.

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

Yes, that's right.

Shaun Clisby Kelley ***BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst***

Just a little deeper. And then my other question is just as we think about the financial run rate here, I think you provided some incremental information here. So we think about the $80 million to $88 million for 2022. Obviously, super healthy growth over pre-COVID levels. So can you just help us think about what you're seeing on the organic growth piece of the business? And then there are some capital needs, I think, here as you build out Ole Red in particular, but probably some other features in the business. So you can obviously think about capital needs for '22 and '23. So first one was organic growth and the second one will be some of the capital needs going forward.

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

Do you want to tackle...

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

Yes. I mean there is -- there has been and there continues to be strong organic growth in the business. We have made considerable investments both pre and during COVID in things like yield management, our ticketing -- new ticketing systems and how we manage tickets in our venues, our food and beverage offerings that help drive per caps. We've also improved our -- if you look at our run rate of events over time, we've increased utilization at our existing assets. You obviously have the continued ramp-up in Orlando, Ole Red opened in Orlando during the pandemic. And so that business, as that market comes back and conventioneers come back to that market, we'll see that business ramp.

And then as Colin mentioned, we have -- we've got Las Vegas and BNA under construction. And that really speaks to capital. We do have those 2 projects that are under development.

But the greatest capital need in this business, Shaun, is -- will be Block 21 in that closing, both the equity check and then the improvements that we have planned there for the venue as well as the hotel.

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

The other part of all of this, of course, is when you look at the amount of hotel rooms that have been built or are under construction in this market over the last couple of years, what is going on right now, you look at that, [W] that just has traded for $950,000 a key, we -- everyone expects this market here in Nashville just to continue to see more and more visitors. And I think that will happen. And that, of course, will be good for our business as well.

Operator

Our next question comes from Jay Kornreich from SMBC Nikko.

Jay Bradley Kornreich ***SMBC Nikko Securities America, Inc., Research Division - Research Analyst***

I guess as you've been continuously investing into this entertainment platform over the years and it's performed quite well, from a timing perspective, what made you interested in selling a stake at this point in the platform's growth instead of continue to grow before looking in for an equity partner?

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

So there was many reasons, many reasons. Number one, we've just gone through COVID. And whether we like it or not, 2020 probably cost us $600 million, $700 million with the shutting of all of our businesses. And our balance sheet went out of whack, like everybody else in the hospitality business. We have a responsibility to deal with that. So that's number one.

Number two, we have been inundated with every -- every investment banker that has been dealing with SPACs coming to us and saying, "Hey, this is a beautiful business to SPAC." We just didn't like the idea we're giving away 10% of the business to somebody that just brings money and no real expertise.

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We've also had strategics come at us. And we've witnessed what has gone on in just the investment community's appetite for live music businesses. If you look at the multiple expansion that Live Nation has gone through over the course of the last 12 to 24 months through COVID, that there's been a real appreciation for what these folks do. And that also has sort of shone a light on our business. So we felt that we're doing this at a reasonably good time for many different reasons.

But at the end of the day, you just heard from half a dozen of the sell-side analysts that have asked questions on this call this morning and not one of these folks had evaluation on this business anywhere like this. And so it was the confluence of all of these things that -- and frankly, we've been working on this issue for 12 months. Because like it or not, if this business continues to grow, it could have caused a structural problem. If it continues to grow in the form it was in, it could have caused a structural problem within the REIT at some point in time. We'll have to deal with it at some point.

So we decided that this was a really good time for the reasons I've just articulated. And quite candidly, I'm very pleased with the valuation. I'm very pleased with the partner that we've selected. And I think we can grow the living daylights out of this business and create a lot of value.

Jay Bradley Kornreich ***SMBC Nikko Securities America, Inc., Research Division - Research Analyst***

Yes, that makes a lot of sense and a great perspective. And I guess just a follow-up on just that last comment. As you've been expressing commitment to the entertainment business and continuing to grow it, I guess on the flip side is, as Atairos can increase its ownership to 49%, I guess does this transaction really demonstrate maybe more of a shift to the hospitality business and more pure-play strategy? Or do you really intend to keep a historical level of focus on the entertainment business going forward?

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

We're -- no change on the entertainment business. We are going to continue to apply the focus that we've applied over the last few years as we've grown this baby. And we're going to continue to apply that same degree of focus prospectively.

But I think with a partner now like Atairos/NBCUniversal, the opportunity for growth becomes a little wider and a little more exciting.

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

Yes. The only thing I would add to that is that a pure-play strategy has always been our strategy. I think we've articulated since we converted to a REIT that ultimately we thought that the opportunity here to maximize value for shareholders was to have 2 separate businesses, 1 being entertainment and 1 being the hospitality REIT. And we're still on that path. This is just the next chapter as we move towards that as an ultimate.

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

Yes. And we've been very clear. Historically, we've said one of the things -- one of the attributes of this business, well, several, that we need to demonstrate, number one, that it has scale. It is a business that could generate $100 million of EBITDA. It's got the scale to stand on its own 2 feet.

And it's got a growth curve, it's got a growth curve that is really exciting to the investment community. And we believe doing what we've done, this interim step just accelerates those 2, we believe, important features that we're going to need in order to allow this business to stand on its own 2 feet.

Thanks, buddy. All right. So I think -- do we have...

Todd Siefert ***Ryman Hospitality Properties, Inc. - SVP Corporate Finance & Treasurer***

See if anybody has anymore questions.

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

We'll see if there's any more questions and -- question. Gretchen, if not, we'll terminate the call.

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Operator

No more questions at this time.

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

Excellent. All right. Well, thank you, everyone, and appreciate your time this morning and upward and onward. Thank you very much indeed.

Operator

This does conclude today's program. Thank you for your participation. You may disconnect at this time. Have a great day.

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