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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties First Quarter 2021 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; and Mr. Patrick Chaffin, Chief Operating Officer.

This call will be available for digital replay. The number is (800) 585-8367, and the conference ID number is 7986514. At this time, all participants have been placed on listen-only mode.

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*

Thank you, Maria. Good morning, everyone. Thanks for joining us.

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 exhibits to today's release.

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

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

Thank you, Mark, and good morning, everyone. Well, another 2 months have passed since we last updated you, and I'm pleased to say that the green shoots we observed in the fourth quarter of 2020 continue to grow in the first quarter of '21.

But before I walk through some of our company's performance metrics during this period, I'd like to point out two other recent developments related to COVID-19 that are really important, particularly to our company. That is, as of May 2, more than 147 million Americans have received at least one COVID-19 vaccination dose, and 105 million have now been fully vaccinated. That is up significantly from the 63 million and 19 million totals when we last convened. Indeed, today, more than 40% of U.S. adults over the age of 18 are now fully vaccinated, and over 56% of the adult population has received at least one dose. And it's -- and it was only recently, in mid-April, that the vaccine became available to all adults, regardless of age or health status. The vaccine rollout has always been one of the biggest variables outside of our control, so we're very pleased with how it has progressed so far and what this means for our industry.

The positive impact of this rollout was observed last week here in Nashville, when the city announced that it will be lifting all restrictions on indoor venues, aside from a mask mandate. Now this is good news for the Opry House, Ryman Auditorium, the Ole Red in Nashville here, the Wildhorse Saloon and, of course, Gaylord Opryland, which stands to gain most from the lifting of these restrictions than any other of our business units.

Now let's take a look at what's happening in our business, and there's a lot of good news to unpack in the trends that we are tracking. So we've also published an investor supplement this quarter that goes into more depth on many of the points I will mention. I urge you to obtain a copy of that supplement, as I will just touch on some of the highlights.

Now first, our hotels continue to outperform our expectations in a rapidly evolving environment. For the first quarter, we achieved 20.4% occupancy in our hotels, excluding the Gaylord National, which remains closed during the quarter. Now this was down sequentially from the 24.5% open hotels achieved in the fourth quarter of 2020. However, given how strong our fourth quarter has always been from holiday leisure travel, we expected the first quarter to be a little bit more challenging for this customer segment. And I can add here, the second quarter is off to a great start, as we surpassed 30% occupancy for the month of April, excluding the Gaylord National.

Now, while leisure has carried a lot of weight for us through this valley over the last 12 months, and we have learned a great deal about how to enhance this aspect of our business and target leisure in the future, at the end of the day, Gaylord Hotels are predominantly group houses. As we move now into the recovery phase, it is that group business where we are most happy to see trends and indicators continuing to move in the right direction.

So, what are we seeing in group? As we outlined last quarter, we expected the return of group in the early days of the vaccination rollout to be led by small organizations and what we call SMERF, and this is what we're witnessing. We accommodated over 26,000 group room nights in the first quarter, which is small by our historical standards, but an increase of 50% sequentially from the fourth quarter of last year. Of these, about 70% were associations or other groups, and about 30% were corporate. And the monthly trend was upward from January to March for group room nights, with 12,000 traveling in the month of March alone.

While we continue to experience group cancellations in the first quarter, we have seen a slow but steady deceleration in the pace of cancellations since the vaccine became available. We began 2021 averaging about 5,000 to 7,000 group room nights canceled per day. But as April -- as of April 30, the 2-week moving average was down to 2,200 cancellations per day. Furthermore, the window for new cancellations continued to gradually shrink. Whereas the average canceled room nights in the 30 days ended January 30 this year was about 107 days out from arrival, now 3 months later, as of the end of April, that window is down to 92 days. This means, as time goes on, groups are waiting a little bit closer to their travel date to make the go, no-go decision, reflecting an interest -- an increased anticipation of being able to hold their meetings.

Of those groups that do still cancel, we continue to see -- we continue to lead, should I say, the industry in rebooking rates, with 60.6% of room nights lost during the pandemic rebooked as of April 30. And I think that number, Patrick, as of yesterday morning, grew to 61.8%. And it is not only rebookings where we're seeing very encouraging activity. We are seeing it in our organic sales production as well.

Of the 382,000 future group room nights we booked in the first quarter, organic bookings unrelated to COVID-19 cancellations represented 44%. Now, this was the highest contribution of organic new bookings to sales performance in the last 4 quarters. Our lead volumes for organic business are also accelerating. And in fact, we're being led by short-term and in-the-year, for-the-year meetings, rather than distant dates. We just received the fresh sales figures for the month of April, for example. And in-the-year, for-the-year production, that is room nights booked for travel by the end of this year, that number was 52,000 room nights. Now for context, that is up 28,000 room nights, or 119% over our in-the-year, for-the-year production from April 2019, not April 2020, but over pre-COVID April of '19. In fact, that is an all-time record for in-the-year, for-the-year bookings for any month of April.

Better still, only 11,000 of those room nights were associated with COVID-19 rebooking. Yes, that means we contracted 41,000 new organic, non-rebooked room nights for travel this year, just in the month of April alone. It appears April is also the first month since March of last year, when the pandemic first hit, that organic new sales production has exceeded COVID-19 rebooking production. Now, this type of short-term activity is very encouraging data to us, and let me explain why.

Remember that despite all of the cancellations we've experienced, they continue to be concentrated into the year 2020 and '21. Further out, we have consistently maintained a nearly comparable pace of group occupancy on the books compared to typical pre-COVID-19 levels. In fact, for some years, such as '25 and '26, thanks to the rebookings, we have more net group occupancy on the books than we did for T5 and T6 at the same time 2 years ago. Overall, in April, we booked 190,000 room nights, which was up 110,000 room nights we booked in 2019, with about 90% of this April's production falling in the years of T plus 0 to T plus 5.

Now what that means is that, with this base of business still in place for '22 and later, there is potential for 23 or even next year to be as good or better than the pre COVID-19 levels if we can continue to book rooms at the same pace that we've experienced over the last couple of months. Now the important takeaway here is that all the Dominoes are falling in the right direction at this moment, and in some cases, they're even falling faster than we expected. The first Domino was the vaccine, and from there, we have begun to see cancellations decelerate, cancellation windows coming in, new organic bookings accelerate, lead volumes increase, and finally, group room nights traveled per month has grown sequentially throughout the first quarter. This is exactly the confluence of events you want to see as we return to normal.

Now let's talk about the future some more. Now, before the COVID-19 pandemic, Ryman distinguished itself among its peers as not just a typical REIT, buying and selling assets or trying to find the next hot geographic market. We've always had growth -- always had a growth mindset at our company as long-term stewards of invested capital, reinvesting, innovating, and expanding around our assets in a supply-constrained industry to deliver outside returns to our shareholders. It is in this context, supported by the trends and data I've just walked through, that we announced today the acquisition of the 35% of the Gaylord Rockies that we do not own from our joint venture partner, RIDA Development.

Those of you who have followed our company for many years know that we were the original architects of the Gaylord Rockies before we converted to a REIT in 2012. When we converted to a REIT, we transferred our development rights to RIDA. Over the subsequent 5 years, we partnered with RIDA in stages, initially as a minority equity and asset manager in the construction phase, then majority owner at 65% after we acquired the interest of Ares' private equity funds. And now we're delighted to acquire RIDA's 35% share, bringing this hotel fully into the Ryman Hospitality portfolio, along with 130 acres of adjacent land, which is not part of the original JV, but owned separately by RIDA and Ares. This transaction is an attractive financial proposition. At a purchase price of $210 million, we expect it will be accretive to AFFO in 2020.

Now Mark will provide more details on this transaction itself and how we view the returns going forward, but this deal carries broad strategic benefits to our hospitality business which I believe are very compelling. As 100% owned Gaylord Hotels, we now have total control of the positioning of the Gaylord Rockies, in sync with the rest of the portfolio. Combined with the adjacent land, this control gives us significant option value, whether that is a resumption of the suspended rooms expansion project or other investment concepts, like a potential SoundWaves product, or overflow hotels or other future development at or around the site.

In a short time, Gaylord Rockies has become the premier non-gaming convention resort in the West. And when you look at the possibilities in that market with the adjacent airlift from the tremendous airport there and the lack of competing product, there is a tremendous opportunity to grow, not only the asset itself into an Opryland type -- an Opryland of the West, but also the surrounding area into something like National Harbor. National Harbor was essentially an empty river bank before the Gaylord National arrived, and has since become a thriving confluence of hospitality, food, beverage and gaming and tourism. And just to remind you, we're excited to be reopening the Gaylord National on or around July 1. I see no reason why over time, the area around the Gaylord Rockies couldn't evolve in a similar vision.

Late last week, when we were finalizing our purchase agreement on the Rockies, Mark pointed out something to me which I really think is worth you all considering. As we entered the pandemic in March of 2020, the Gaylord Hotels brand was made up of 9,000 rooms. And since that time, we've increased the room count by 800 rooms with the Palms expansion and the Rockies purchase, or about a 9% increase. So, as you think about the future growth in this sector, reflect on the fact that no other hospitality REIT comes close to what we have accomplished from a growth potential, and our positioning post COVID should allow us to show greater growth than those companies who have stood still or who have shared assets through this period.

Now let's talk about our entertainment business, which in many ways has mirrored the progress we've seen at our hotels these last few months. That is, short-term trends are moving in the right direction, and the underlying vision for growth is untouched. We continue to have a full slate of concerts on the books for the Ryman for the final 5 months of the year. And when we talk to the artists and their managers, they're all looking forward to resuming normal touring schedules later this year, though individual venues will likely vary across the country in terms of capacity and restrictions. That is why we are fortunate that our existing venues are in markets that are faring ahead of the curve in terms of COVID-19 prevalence and are seeing most of our restrictions and capacity restraints eased or removed. Our Ole Red venues across Tennessee and Florida, for example, are currently at full capacity, aside from some minor limitations on dance floors or standing at bars. And as I've mentioned, things are about to change here in Tennessee.

One thing that has stood out to us as this pandemic recovery process has unfolded is just how much live and in-person entertainment, as a category, really matters to people. Concerts and live entertainment are now viewed as among the most resilient out-of-home entertainment categories. And you see this in the market today, where premium live entertainment assets are in high demand, yet in short supply. There are very few public comparables, but if you look at some of the hardest hit segments of COVID-19 shutdowns a year ago, you can pick companies like Live Nation and Madison Square Garden, and it doesn't matter. All of these companies' values have since soared back in anticipation of recovery to levels in even higher than pre COVID-19.

Now, what this tells me is, investors expect these businesses to make an accelerated recovery, and we certainly agree with that. This phenomenon validates the view that we have long held, which is that the assets that we have in our entertainment group, especially the Ryman Auditorium and the Grand Ole Opry, are not only valuable, but irreplaceable. And then we have layered in the Ole Red brand as an extension of the Opry and Ryman live experience, adding a next-generation artist and consumer funnel and driving content creation capabilities beyond Nashville. We've woven them all together with a digital strategy anchored by our country lifestyle network, Circle. And I'm happy to tell that Circle was named best streaming TV platform at the recent 2021 Digiday Video and TV Awards in March, ahead of major players like Samsung, TV+, Tubi, Atmosphere, and Local Now. Circle is now available through NBC Universal Peacock, Universal's Peacock, Roku, Red Box Free Live TV, Samsung TV, VIZIO SmartCast, and Xumo. And that is on top of its linear distribution through Gray TV, for total reach of nearly 150 million potential viewers. That is a tremendous reach in a very short time for a service -- for a new service, and has excited -- and we're very, very excited about what the next 2 to 3 years brings for this this particular part of our business.

To wrap up, wherever we look in our portfolio, things are moving rapidly in the right direction, and we expect continued progress, as more vaccine milestones are reached. So, in the short term, we will stay focused on executing our recovery gain and minimizing our cash burn, while longer term, we look to guide our company back to a path of sustained growth, such as we long experienced before COVID-19. And this is evidenced in our Rockies acquisition that we announced today.

So now let me turn it over to Mark to give you -- for him to walk you through details of a little bit more details on the transaction and talk about cash burn.

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

Thanks, Colin. In the first quarter, the company generated total revenue of $84.2 million and a net loss to common shareholders of $104.5 million, or $1.90 per fully diluted share. On a non-GAAP basis, the company's first quarter consolidated adjusted EBITDAre was negative $22.4 million, and AFFO available to common shareholders was a negative $50.5 million, or $0.91 per fully diluted share. While these losses are all greater when compared to the fourth quarter of 2020, it's important to emphasize that our business demonstrated sequential improvement throughout the first quarter, and the quarter performed substantially better than we had anticipated.

We had expected that the normal post-holiday seasonal decrease in leisure transient demand coming before large-scale vaccine distribution could be achieved to drive the return of group business would lead to a larger decrease in revenue and profitability than we actually experienced. As Colin outlined, this was due to several factors, including better transient occupancy and ADR, attrition and cancellation fee collection, better-than-expected early group turnout, and success in controlling expenses. These results reduced our cash burn for the quarter compared to our expectations. In February, we communicated that we believed our first quarter cash burn before capital expenditures would be in the range of $23 million to $26 million per month. Our actual cash burn for the first quarter averaged $17.9 million per month.

In keeping with the improving month-by-month trends that Colin described in our operating metrics, lead volumes and so on, we saw the same cadence in our cash burn. That is, steadily improved -- steady improvement from January's $24.3 million burn through March at $10.8 million. Looking ahead, as the recovery continues, our cash burn will improve each quarter, though month-by-month results may have more sequential variability depending on where leisure holidays and the travel dates of groups still on the books fall on the calendar. Whereas previously, we expressed our view that second quarter cash burn might fall in the range of mid- to high teens, our latest data leads us to believe that it will be below that range, at approximately $10 million to $13 million per month, with most of the improvement coming in late May into June. In the third quarter, we believe that our hotel segment, our entertainment segment, and our consolidated corporate results will be in positive territory for both adjusted EBITDAre and cash burn.

In terms of liquidity, we ended the quarter with a 0 balance on our revolving credit facility and $67 million of unrestricted cash on hand, for total liquidity of $767 million. Our overall liquidity was enhanced by the senior note offering we completed in mid-February and talked about on our last call, where we retired $400 million of 5% senior notes maturing in 2023 and replaced them with an upside $600 million senior notes issue at 4.5% maturing in 2029. The upside of $200 million provided a measure of flexibility to make investments in our business during the pandemic disruption to put the company in the best position to take advantage of the eventual recovery.

As Colin mentioned, through the pandemic, we've prudently deployed capital at the Palms, National and Rockies, thereby entering the recovery cycle with a portfolio of hotels that is larger and in better physical condition, allowing us to aggressively compete, grow market share, and generate solid returns. While we will continue to remain -- while we will continue to maintain an aggressive posture towards growth, we will do so with the intent of deleveraging our balance sheet. As our business levels and equity value return to pre-COVID levels, we will consider all capital market options, including the equity market, to fund recent or new growth opportunities as efficiently as possible.

Now in terms of recent capital investments, I just mentioned, we've completed the Gaylord National -- Gaylord Palms expansion. And as with any large-scale project of this size, there are still punch list items to be closed out and invoices to pay, so we have approximately $15 million remaining to be spent. This project has come in on budget and on time with our initial projection. The completion of this expansion is timely and positions this property well for group recovery we're beginning to see. We're also making very good progress on the full guestroom renovation at the Gaylord National, with approximately $12 million remaining to be spent on this project. This project is anticipated to be complete in June, just in time for the property's reopening on July 1.

Finally, in terms of the Gaylord Rockies transaction announced today, as Colin described, this deal carries a very compelling set of strategic benefits to our company. At the same time, it's a very attractive use of capital on its own terms. We intend to pay for the $200 million transaction price using cash on hand and on our revolver, which was paid down by $200 million of incremental liquidity that we raised in February. So we're effectively redeploying this incremental capital into a high-return opportunity. At a later date, we expect to revisit the $800 million property level debt, which matures in 2023 and use our balance sheet to explore interest savings opportunities. For this price, we're acquiring the 35% incremental economics of the hotel that we did not already own, including future expansion potential. And as a reminder, any expansion of the hotel carries the same substantial tax rebate structure as the existing hotel. We're also acquiring approximately 130 acres of land surrounding the hotel that was not part of the JV structure, but was owned separately by our partners.

As Colin said, this plan carries tremendous option value from a future development, anchored by the presence of the Gaylord Rockies, and we have great examples of that around Opryland, the Texan and National Harbor. Like these, the greater Denver market is one we really love and has all the attributes you'd like for a top-tier group meetings market. Denver International, which sits 10 minutes east of the hotel, ranks as the fifth busiest airport in the country, with 69 million passengers in 2019, including 3.2 million international passengers. The state of Colorado ranked sixth for percentage population growth over the last decade, and the state's low tax burden and the favorable economic incentive structures are long-term drivers of development and economic growth. We believe the impact of the Gaylord Rockies is only just beginning to be felt in the immediate region and will continue to spur more economic development and transform the area around our hotel. So, in the end, we looked at this transaction as not just strategic to our current portfolio, but a long-term commitment of capital to a market we see as very compelling.

In terms of valuation, at a price of $210 million with the $800 million of debt on the property, this implies an asset value of approximately $1.4 billion. That's effectively a 12.5x to 13x forward multiple on a stabilized post COVID-19 adjusted EBITDAre figure by the year 2023, excluding any hotel expansion, or a capitalization rate on net operating income of 7% to 7.5%. If one assigns an approximate market value of the raw land purchase and deducts that from the applied hotel valuation, it's our -- it is, in our view, more like a 12x to 12.5x multiple of a potential stabilized 2023 adjusted EBITDAre, or a 7.5% to 8% cap rate. The transaction should also be accretive to AFFO in its first full year and offer a low-teens IRR on its own before any expansion, refinancing, or other strategic value that we can bring as sole owner.

If you look at our overall Rockies investment history since our initial preconstruction equity investment in 2016, in total, we've acquired the Rockies for an implied multiple of approximately 10.3x to 10.8x projected 2023 adjusted EBITDAre. So that's a great price and return profile to us, considering our view of the overall market and the strategic value we believe we can create on the site.

In conclusion, I join with Colin and emphasizing that we see encouraging improvements in all the key operating and financial indicators that we track across our businesses. And while we are by no means over and done with the pandemic's impact to our businesses, we think that we're at a point where we're getting some clarity on how the future will unfold as the vaccine continues to do its work. And we are encouraged enough by what we see that we continue to put capital to work where we believe it will drive long-term value, whether that's in expansions, enhancements, renovations, or acquisitions like the latest transaction.

And with that, I'll turn it back to Colin.

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

Thanks, Mark. So, Maria, let's open the lines for questions. We covered a lot of territory here this morning, and let's hear what our investors and the analyst community have on their minds. Thank you.

QUESTIONS AND ANSWERS

Operator

The floor is now open for questions. (Operator Instructions) Our first question comes from Shaun Kelly of Bank of America.

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

Congratulations on the Rockies deal. Maybe just to start with that, thank you for all the clarity on the underwriting. Could you just talk about a little bit maybe more about the strategic vision and positioning here as it relates to both the land purchase and sort of the opportunity around the hotel tower expansion, Colin. Just what's your thinking here? Does spending this money upfront sort of change the timeline at all for the possible hotel expansion there, and just how are you thinking about the opportunity set?

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

Yes, sure, Shaun. That's a really good question, and it's something that Mark and I and Patrick have spent a lot of time talking to our board about. So, if you think about Opryland here in Nashville, Tennessee, if you think about, like, for instance, Nashville, we get, on average, about 13 to 15 million tourists come through here. It has grown as a very good convention market. It is -- we have an airport that has somewhere in the 13 million to 15 million deplanements/enplanements. It doesn't really have a hub system here and has one international flight.

Now if you jump to Colorado, if you jump to Denver, this hotel is 1,500 rooms. It's the largest hotel of its kind. It sits next to a mecca of tourism, being the Rockies. It sits next to an airport that really has 65 million deplanements/enplanements on an annualized basis, has three hubs, does, pre COVID, about 10 international flights a day. And it's one of the fastest-growing tech centers in the United States of America. So it is our belief as a company that we can do, over time with the Rockies, what we have done over time with Gaylord Opryland. Gaylord Opryland is 2,880 rooms. It was on track to generate about $150 million of EBITDA for 2020 pre COVID, 650,000 square feet of meeting space, was going to accomplish the highest occupancy in our system in 2020, simply because groups want to go there. And it is our belief that, over time, we can do the same thing with the Rockies.

We can essentially make the Rockies the dominant group house on the central western coast of the United States of America. And so this land purchase, this 120 acres, it's not something that we're probably going to lay out a plan 6 months from now and say, we're going to go build this, we're going to go build that. We will do it with a developer, I'm sure, similar to what went on in National Harbor. But we have this vision that this hotel, over time, can grow. There's no reason why it can't move to 2,500 rooms. We were going to expand it pre COVID, as you know, by 300 rooms, simply because of the tremendous amount of business this hotel was able to accommodate in its first year of operations.

So we're very excited about the Rockies, and frankly, if it hadn't been for COVID, we probably would not have had -- we would not have been able to purchase this interest the way we did. And this thing came together, by the way, very rapidly. We started -- I started having conversations with the owner group, I think about 3 weeks ago, Mark. I think it was about 3 weeks ago. I mean, we've been having ongoing conversations over the last 1.5 to 2 years, but we actually made progress about 3 weeks ago. So that's the vision, Shaun.

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

That's great. And again, I think given what we already know about unit level economics there, it's super attractive. So the second question, slightly different gear, would be to just -- can we get an update on -- and I know I think some of this is in the supplement, but I just wanted to get your color on how sort of the back half of '21 and '22 specifically are kind of filling in on what you've got on the books right now. Clearly, pace has been difficult because you're seeing the constant cancellation sort of rebook pattern. But are you seeing either a more compressed calendar in '21 that is holding together as you look into the third and fourth quarter? And maybe more specifically, I think the number was 41% in 2022, but how do you think that's going to firm up as we get 3 and 6 months from today, as we look out to 2022?

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

I'm going to turn this question over to Patrick, to justify his existence in being here, Patrick. But before I do that, let me say this, if I could. The thing that's very, very hard right now, Shaun, and I've never experienced this in my career, is the pace of change that we are dealing with. What has occurred here over the last 4 to 6 weeks, as this nation has -- by and large, 50% of the nation have got vaccinated, the pace of change here is quite something. And the old saying, one swallow doesn't make a summer, right? We booked 50,000 rooms plus in-the-year, for-the-year in the month of April. We've never seen that in the month of April, that type of production in the month of April. What we're seeing right now, bookings, in general, are accelerating, lead volumes increasing, cancellation rates are decreasing. How -- what is going to happen 4 weeks from now? Will these cancellation rates continue to decline from the tremendous decline we've seen here over the last 2 months? And this is the hard thing.

And the other good part about all of this is the leisure bookings are performing at a very high rate, and my gut tells me that, as we get into the latter parts of May and kids, whether they are learning online or whether they're learning in the classroom, break up for summer, I think our leisure business in the back end of this year is going to be pretty, pretty good. So I -- my sense is the back end of this year is going to be good. And next year, if you look at Page 14 of our supplement, it really amplifies how much business we've got on the books. And by the way, these numbers don't take into consideration what actually occurred in April.

So Patrick.

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

Yes. Hey, Sean, this is Patrick. It's good to talk to you this morning. Just to accent and add to what Colin has already said, we are seeing the recovery coming together. We initially were talking about some of these SMERFy groups, the affinity groups that were dance, cheer, sports, et cetera. We've started to see pharma and medical sourcing and starting to travel again. And we're very encouraged that, in just the past few weeks, we started seeing some of the West Coast tech starting to book for the second half of 2021, as well as into 2022. Now, they're not doing user conferences, but they are starting to look at internal sales meetings, which is a very encouraging thaw for the West Coast tech to really start moving in a positive direction.

As we look at the second half of 2021, we have about 786,000 room nights on the books. That's about 21 points of occupancy. Yes, that's about half of where we were for 2019, but it is a recovery. And we've seen -- if you think about January, February, March, April, we started out the year with maybe 7,000 room nights of business on the group side, traveling in a month. That grew up to 8,000, and that grew up to -- into the low teens. And then, we just closed out April and were above 20,000 room nights that have traveled in the month of April on the group side. So, as we look out to the future, we're seeing that steady increase. And we are getting to the point now where we think we're going to be booking more in-the-year, for-the-year room nights in a given month than we see from a cancellation perspective, and that's very, very encouraging, given where we've come from.

If you look at the second half of this year, it's a little bit more heavy on the association side, which is exactly what we'd expect. We have more association on the books than we do from a corporate perspective. But as you move into 2022, our corporate and association both are getting back to levels that were very similar to what we saw in 2019 as far as what was on the books. So we are clipping along. We remain cautiously optimistic, but all of the metrics are starting to point to a very positive momentum building for us, so we're very encouraged with what we see.

Operator

Our next question comes from the line of Smedes Rose of Citi.

Smedes Rose - *Citigroup Inc., Research Division - Director & Senior Analyst*

I just wanted to ask you a little bit more on the corporate group booking side, where you're seeing some sort of resurgence. Are you getting any sense that corporations are eager to basically spend less going forward, having spent the last year with no travel budget essentially? Or kind of any changes in sort of willingness to spend from the corporate clients, not so much from the association side, but more interested in what you're hearing on the corporate group side.

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

Pat, do you want to take that?

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

Sure. Yes, Smedes. Yes, I would say that what we're hearing from corporate groups is they've essentially been in a lockdown state, and they remain concerned with safety, and so they're watching CDC, and they're watching the vaccination trajectory. But there's a lot of pent-up demand, and there's a tremendous desire for corporations to get back together and celebrate. And so, as we look to the second half of 2021 and their desire to get back together, yes, they're expecting to come with smaller numbers for those who are already on the books. And for those who are booking into the second half of this year, they're coming in at exactly what they would expect. But they're -- I would say that they're very anxious to get back together, and they're very anxious to create a positive culture after everyone sort of being separated. So I think they're going to be cautious from a numbers perspective, but a spend per person is not something we're necessarily seeing them pulling back on.

Smedes Rose - *Citigroup Inc., Research Division - Director & Senior Analyst*

Okay. And then I just wanted to ask you, too, are you having any trouble on the labor side, either having to pay people more to come back or any kind of shortages? We sort of hear differing stories around that. Just wondering what you guys are seeing.

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

So, for instance, as we've been opening up our entertainment business, and now we're calling -- now we know that come May 14, we can actually put 2,200 people in the Ryman and 4,400 people in the Opry house, we've been calling some of the on-call folks that were laid off, and we've been having, I think, pretty good success. It's been a little bit more challenging in our hotel business, but I think that is a fair way to describe it, Patrick. Until this this government unemployment benefit that is out there is curtailed, there's a lot of folks that like sitting at home, collecting their unemployment checks.

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

Yes. The only thing I would add to that is, for a lot of the folks who are ready to come back, it's more of they're looking at the hours and saying, look, I need to be able to make sure I can get a certain number of hours every single week. And so, as we are planning for the future, we're making sure that when we bring them back, we can guarantee them a certain number of hours, and that's very dependent on the group side continuing to recover. So, as we're seeing these group numbers tick up and build on one another, it gives us more confidence to go ahead and let folks know, hey, we want to bring you back, and we can guarantee the hours. So, for those who haven't moved on to a different industry, or even those who have, if they can come back at a good wage rate and we can guarantee their hours, then we should be able to get there. But it is challenging right now.

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

Yes. The only thing I'd add to that is, good employers, people who have looked after their people -- you've heard us talk about the people culture that we've been focused on as we built the Gaylord Hotels brand essentially 18 years ago. Good employers, people who have good connections with their people, will have an advantage over those employers that really haven't operated their business with the same centric around people. And so, it will be a struggle, but I think we'll do a better job than most of our competitors.

Operator

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

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

I appreciate all the detail you've given out thus far. I had a question on, as we think about second half and more about next year, Patrick, you just discussed the fact that there's return to more normalization in terms of the, I guess, composition of the groups. But are they -- or do you think they performed similarly from a total RevPAR standpoint? Or are there mix shifts going on kind of behind the scenes that are going to kind of muddy those comparisons?

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

Yes. Chris, I would say that definitely, it's going to be choppy in the second half of 2021, right? We are going to see more of the SMERFy type groups that are anxious to get back. Associations are moving back in. And the corporate is starting to recover -- as I mentioned earlier, we're seeing a thaw there. As we get into 2022, from where we stand right now, looking at the mix on the books, it appears that corporate is holding and doing a good job of not backing off and saying, hey, we can't travel. So we are confident, based on what's on the books right now, that 2022 would be more of a historical mix composition. We'll see how they spend when they actually get on property, if they increase their events, they increase their spending. That remains to be determined. But right now, from a mix perspective on the books, the composition is similar to 2019.

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

Okay. Fair enough. And then, congratulations on picking up the rest of the Rockies, and you've talked about possibly expanding that, right, at some point in the future. I wanted to kind of look back to the Texan, and it's been several years since that initial expansion opened. I know you have, I think, some excess land there. Is that a property you look to? And I know we're now starting to talk about multiple expansion projects, which you don't normally talk about at once, but just thoughts on longer-term potential at the Texan also?

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

Well, yes. So if the question that Shaun Kelley asked about the vision for the Rockies, and you were to ask the same question about the vision for the Texan, remember, the Texan has evolved into the most -- the dominant group house in the state of Texas. There's not a hotel that operates at the same level of profitability in the markets of Austin, San Antonio. It is the best group hotel in Texas. We do have land there. We have the ability to expand, and it will be done purely as demand builds. Remember, the Texan -- I remember, Chris, someone asked me a question, an analyst asked me a question, and it was back in 2005 to 2006. It was about 1.5 years -- a year after we opened the hotel, and we were generating about $45 million a month in -- $45 million in EBITDA. And the view was, where does this go? We said we thought this hotel has tremendous potential. And we've done many expansion projects there, building the Glass Cactus area. We've expanded the pool complex two or three times. We built the room expansion, and that hotel was on a run rate in 2020 to accomplish about $110 million of EBITDA. So we believe that hotel has the DNA that we can continue to expand it over time as demand grows into that market. That's how I think about that project.

Operator

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

William Andrew Crow - *CIMB Research - Research Analyst*

Congratulations on the Rockies, Colin. Following up on Chris' call or Chris' question, at what point do you think about new unit growth versus expanding existing properties? How important is the rotational nature of the business? How do you -- in a world with restricted capital, how do you make those choices?

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

Yes. I mean, look, this is not rocket size. And Mark, if you want to jump in on this question, we've gone about this business very different from the other companies that you track. We've started focusing on the customer first, rather than the physical product in a physical market, and that is what's led to these 5 behemoth group houses that also do a ton of leisure business. And the customer that we focused on, Bill, as you well know, is this group of consumers that want to hold, once a year, a convention and somewhere over 600 rooms at peak that rotate their convention, market to market, year by year. And what we built this brand to do was to essentially accommodate anywhere from 75 to 100 of those groups per year into each hotel. And if we do that, we know that we can generate really high returns. And as you well know, we've tended to build these babies on the other side of the railroad tracks, because we tend to get incentives to help defray the capital costs and improve the return on investment. So, over time, in this country, there's 26,000 of these groups, or there were when we asked all the research. And what we need to accommodate, if you take 5 hotels times 80, that's 400 of the 26,000 that we need to accommodate on an annualized basis.

Now, as we do a good job in each of these hotels retaining those customers and rotating them, what has occurred is that the demand has -- pre COVID -- has continued to grow, and that's why we've expanded the Texan. We've expanded the Palms. We had -- we built Colorado, and we were going to expand Colorado. And just candidly, between us, pre COVID, we were contemplating putting more rooms here at Opryland, which is crazy to think about the largest convention hotel in this country, non-gaming hotel in this country, we were thinking expanding it. So our thesis is continuing to love these customers, and then continue to expand these hotels. And you know that the internal rates of return on an expansion for us is somewhere in the -- anywhere from 12%, 16%, 18% internal rate of return on an unleveraged IRR. And that is massively superior to going out and building a new building in a market where you have to build all the infrastructure and everything else. And hopefully, you can get some incentives, but the internal rates of return on a new build anywhere in this nation tends to be, I would think, Mark, in about in and around the 8%, 9% range.

So we've always focused on -- we've always focused on the effective deployment of capital, and we much prefer to expand hotels. And the other part of all of this that we love is that, the bigger we make these hotels and the more compelling they become, the harder it is for them to be competed against. So that's how we think about it.

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

To that point, Bill, the barriers to entry that this segment has, right, is a double-edged sword in terms of growing distribution, particularly when you're looking at acquisitions. We've looked at acquisitions in the past. Pre-pandemic, we were looking at purchases. But we have a very narrow, I think, target set because of the discipline we have around the business we want to be in. And frankly, in those cases, we weren't able to underwrite those acquisitions successfully versus what other people were willing to pay for when we look at alternative uses of capital. So it's not that we are opposed to doing it. It's just that we haven't found the kind of the -- I guess, the appropriate situation yet that's compelling from a financial perspective versus our alternatives.

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

Yes. This is Patrick, Bill. Let me just add one last thing, which is we've made it clear that we are interested in a West Coast presence at some point and that that's an opportunity for us. But I would point out to you that, as we built up the book of business at Rockies, 40% of the room nights that we're booking into that hotel were brand-new to the brand. In fact, 15% of them were brand-new to Marriott overall. So, while we would love to have a presence even further west, we are tapping into the heart of the demand based on the West Coast through Gaylord Rockies and having success with that. So, yes, we would love to be right in the heart of the West Coast, but we're definitely getting into that demand base via Gaylord Rockies. And so we will, as Mark and Colin have already pointed out, continue to be very prudent in how we deploy capital and make sure we don't do anything that's stupid just to get there, because we are tapping into that demand base with our Gaylord Rockies property.

William Andrew Crow - *CIMB Research - Research Analyst*

Yes. That's helpful. Real quick for me, Colin, you mentioned in your prepared remarks early on that you were seeing strength in T plus 5 and T plus 6 from rebooking activity. I'm just wondering, is that really rebooking? Or these -- are these groups paying cancellation fees? I mean, clearly, if they're rebooking, it's from a 2020 or 2021 event, and going out 5 or 6 years doesn't seem like it's really rebooking. You just talk about the economics of that?

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

Yes. No, what I said was that in the month of April, we booked about 190,000 room nights, of which it was the first month where the majority of the room nights were new, organic room nights, not rebooks. And what I said is that 90% of those room nights fell into the years, T plus 0 through T plus 6, I think, I said. I don't have my remarks in front of me now. So what I'm saying is that this is really good stuff, what is going on building this block of business.

And again, if you look at -- I know this is varying from your question, Bill, but this Page 14 of our deck that we put out, you look at the revenue that we have on the books, Q1, Q2, Q3, Q4. This didn't include -- for next year. This didn't include the production that we did in April. And I think the actual April production for 2022 was about 26,000 room nights. So if you compare this revenue that we've got on the books, because the rate is higher compared to what we had on the books back at the same period for 2019, we're basically almost there, but we've got a different portfolio. We've got now the ability to own 100% of the Rockies. We've got the Palms coming. We've got SoundWaves maturing. So my sense is 2022 is going to be a good year for us. And if we continue to book and we continue to see what we've seen over the last month for the next month, the next 2 months, then I'm starting to get really excited about '22.

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

Bill, the only thing I'd add to that is, if you look at our cancellation collections, you've seen we did $16 million in Q4 and $10 million in Q1. Those are big, big numbers. And so, if you're rebooking with us beyond the next 2 to 4 years, we're going to put a lot more emphasis on collecting cash, because that is a long way out. And so we are saying, hey, we don't just want a rebooking. We want to pick up more than 1 year in the rotation. I want to pick up 2 or 3, if we can, and we need some cash. And that's why we're having great success with the cancellation fees at the levels that you're seeing, because we are thinking about the long-term implications and saying, hey, that's 2025, '26, '27, '28. That's a long time from now, so we need cash in the short term, and we need more than just 1 year in your rebooking.

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

But what's driving that length of rebooking is the booking -- the average booking window all of those customers. Those are large groups who already have the next 4 or 5 years booked. So that's their next available date for those big meetings.

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

All right. It's top of the hour, Maria. I think we will shut it down now. And if there are other analysts or investors that have questions, they know how to get hold of us with Todd, Mark, or me. And thank everyone for their time this morning.

And I can tell you this that -- let me just say one last thing. I was reflecting here early this morning with Mark. A year ago when we were doing this, the world was miserable. And I've got to say that I much, much, much prefer the environment that we're now seeing to the environment we saw 1 year ago. And thank you, everyone, for taking the time this morning. Maria, thank you.

Operator

And thank you. Ladies and gentlemen, this does conclude today's call. You may now disconnect.