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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties' First Quarter 2022 Earnings Conference 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. Patrick Chaffin, Chief Operating Officer; and Mr. Scott Bailey, President, Opry Entertainment Group. This call will be available for digital replay. The number is (800) 925-9951 with no conference ID required. (Operator Instructions) It is now my pleasure to turn the floor over to Ms. Jennifer Hutcheson. Ma'am, you may begin.

Jennifer L. Hutcheson - *Ryman Hospitality Properties, Inc. - Executive VP, Corporate Controller, CFO & CAO*

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

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

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

Thank you, Jen, and good morning, everyone. The first quarter of '22 was one of the most remarkable quarters I've witnessed in this business, and I've been in it a long time. The rate of change from week-to-week and month-to-month as the Omicron variant receded and the group demand resurged was unlike any other trajectory I've seen except perhaps for the earliest days of the pandemic when the trajectory was essentially reversed.

Our hospitality portfolio went from 60 points of occupancy and $42 million of adjusted EBITDA in the month of December, down to 33% and less than $1 million in January as the Omicron impact was felt. Then in February, rose to 46% occupancy and nearly $17 million of EBITDAre before in March, reaching over 63 points of occupancy and $52 million of adjusted EBITDAre.

The pace of recovery exceeded our expectations, as we anticipated, it would be much harder to offset the Omicron cancellations in such a short window as we discussed very clearly on our February earnings call. But there were 2 primary factors that helped deliver these results. One is the continued strength of our leisure transient business, which we have highlighted before. This trend carried over from the holidays through to a robust spring break season in March.

Our leisure transient ADR grew 26% compared to the first quarter of '19 and 35% over the first quarter of last year. The Gaylord Palms saw some of the largest spring break crowds hosting 5,000 more transient room nights in the first quarter of this year than in the first quarter of '19. In March, the Palms turned in their single best months performance on record for revenue and adjusted EBITDAre.

And the hotel's first quarter was only $1.1 million below its first quarter of '19 levels in profitability. Despite 27 fewer points of occupancy due to the Omicron cancellations on the group side. This was truly a remarkable performance. The other factor leading us to surpass internal expectations was the rapid recovery in group travel as the weeks went on. Now to give you a sense of just how fast things were happening, we quite literally had groups who early in the quarter, indicated that they were likely to cancel. And then as things started to look better, their message became, well, we still plan to meet, but you should expect higher-than-normal attrition. Then as the meeting date arrived, some of these groups not only traveled but exceeded their original blocks, crazy times indeed.

On the group side, we collected close to $20 million in cancellation and attrition fees. And since the beginning of the pandemic, we've collected now over $95 million in fees. We feel very good about the strength of our contracts going forward as some of the last vestiges of the pandemic restrictions fall away, such as the airline mask mandate and travel truly normalizes.

Looking ahead for our hospitality business, we feel confident that the momentum we experienced in the first quarter will continue barring an exogenous event. To highlight this, at the end of the first quarter, our lead volumes were the highest they have been since the pandemic began and only 4% below 2019 lead volumes, having added 2 million new leads in the 3 months in the first quarter. And within those leads, our near-term in the year for the year lead volumes continue to exceed 2019 levels.

In terms of production, the 422,000 gross group room nights booked in the first quarter exceeded the first quarter of '19 by almost 7%. Now to help frame how impressive this is, consider that in the immediately preceding quarter, that is in the fourth quarter of '21, we booked nearly 1 million gross group room nights. Typically, a large fourth quarter production number like that, like the one I just talked about, includes some amount of draining the funnel at the year-end.

So the following first quarter of the new year is more likely to see slower production as the funnel of new leads gets replenished. And our emphasis on driving future rate growth paid off handsomely in the first quarter, with ADR or new group bookings 8% higher than in the first quarter of '21 and 13% higher than the first quarter of 2019.

The value proposition we offer meeting plan is through the investments that we have made in our portfolio over the last 5 years, positions our hotels with a significant competitive advantage in terms of quality and volume of meeting space, variety and attractiveness of food and beverage outlets, renovated room product and extensive and unique amenities. Altogether, we feel very good about the trajectory our hospitality is on as we exit the first quarter. And the prospects for continued recovery in organic production for both this year and future years.

Now turning to our entertainment business, we saw a similar pattern of month-by-month improvements as Omicron abated. If we set aside our investment in Circle and look at the wholly owned operating businesses in this segment, led by the Ryman, Opry House and our Ole Red venues, these businesses started in January at a loss of $1.1 million in adjusted EBITDAre.

By February, as attendance recovered, they generated positive $2.3 million, and in March, turned in $6.4 million. For this first quarter as a whole, these businesses reached $7.4 million of positive adjusted EBITDAre on a same-store basis compared to the first quarter of '19, and thus, excluding both Circle and Ole Red Orlando, which opened in 2020, this segment reached 93% of its first quarter 2019 performance, even with the impact of Omicron in January and February.

Our big news in the first quarter was that we have reached an agreement with the Atairos and NBCUniversal to partner with them and sell 30% of our entertainment business at a minimum enterprise value of $1.415 billion with the potential decline to $1.515 billion, if certain performance metrics are met in '23 and '24 with both valuations inclusive of the presumed closing of Block 21. This agreement is a win all around for our shareholders, our employees, our customers, the artists that are on our stage and our new partners.

For starters, it sets a public valuation mark on this business, which we've long argued was undervalued by the market, given the demand for live entertainment assets, especially ones as unique and irreplaceable as the Ryman Auditorium and the Grand Ole Opry House. It provides a boost of liquidity to Ryman in the form of Atairos, roughly $290 million equity purchase, which will lower our combined leverage by nearly 0.5 turn after fees and expenses and helps accelerate our post-pandemic deleveraging plans. It brings the extensive expertise and strategic capabilities of Atairos and NBCUniversal to accelerate the reach and expand the growth opportunities of this business across live entertainment performances, content creation and digital distribution.

It also creates scale and thus new opportunities for our employees and new avenues and outlets for our artists and consumers to discover each other. It retains 70% of the upside of all of these opportunities for our existing shareholders with a clear set of options to eventually fully separate this business from the REIT, something we've always said was the best alignment for both businesses.

Now turning back to our hotel business just for a moment, let me talk briefly about the future. And here's where we get really, really excited. All of the proactive decisions that we have taken over the last few years, including product enhancements and expansion, group sales staff retention and bringing in new folks to bolster our group sales processes have all resulted in a really strong book of forward business and a very impressive leisure business. As a consequence of all of this, the remainder of this year is shaping up to be remarkably strong.

At the beginning of April of this year, we had over 524,000 net group room nights on the books for the second quarter and approximately 1.4 million for the remaining 9 months of the year. Now in terms of how these numbers compare to where we sat at the same time in '19, here's what's interesting. As of the 31st of March of this year, our room nights on the books for the rest of '22 represent 97% of 2019 group room nights on the books for '19, but with an ADR growth of 8.6%.

And by the way, when you look at the group room nights that we have on the books as of the 31st of March 2022, for the year of 2023, these represent 102% of the 2019 group room nights we have on the books as of the 31st of March of 2018, again, with an ADR growth of 8.6%. These are incredibly strong numbers considering we just spent the last 2 years fighting a global pandemic.

Now Jen will share with you details of our guidance for the second quarter and the year. And you'll see, given the strength of our business, we're projecting that the next 9 months on a consolidated basis at the midpoint will exceed our 2019 performance from adjusted EBITDAre perspective.

Now I'll stop here, as I have both Mark and Jen joining me today, as Jennifer has now stepped into our Chief Financial Officer role, and Jen, congratulations again on that. And Mark's duties have expanded as President of the company, and congrats to you, Mark as well. So I'll turn it over to them for additional comments, and then we'll open up the lines for questions. Mark?

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

Thanks, Colin. Let me add a bit of color to the hospitality operational results for the quarter, particularly a snapshot of March as it's the best indicator of where our business stands post Omicron. Colin indicated the rapid improvement in the quarter in group occupancy as we ended at 63% overall occupancy in the month of March. I would add that our group mix for the month of March was 70% of total room nights, and that compares to 76% of total room nights in March of 2019. In January of this year, group booked 61% of room nights traveled compared to 80% in January of 2019. So while the transient was very strong throughout the quarter, it was the group recovery that really closed the occupancy gap as the period went on.

And within those first quarter group room nights, our mix of corporate groups was 66% compared to 60% in the first quarter of 2019. So while early in the pandemic, recovery of corporates have seen the most tendency to dive back in, we're happy to report that they're now coming back in numbers. Another positive trend in the quarter was the level of group outside the room spending. For the full quarter, we saw about $229 of banquet spending per group room night, only 1.5% below the first quarter of 2019. However, in March, that figure continued to improve and reached $254 per group room night, a 7.6% increase compared to March of 2019.

So with the return of more corporate groups, we're pleased to see outside the room spending activity reached pre-pandemic levels as both leisure and groups are spending well on property. Quickly, a few trends by hotel. The Gaylord Palms had the steepest occupancy recovery month-by-month during the quarter, going from 27% in January to 79% in March. Opryland also performed very well with leisure transient picking up over 4,600 transient room nights compared to the first quarter of 2019 and seeing over 32% growth in transient ADR over the same period.

The group recovery was also pronounced at Opryland as total occupancy increased from 30% in January to 72% in March. The Gaylord Texan was close behind these leaders reaching 72% occupancy in March and also adding 3,000 transient room nights compared to the first quarter of 2019. The Gaylord Rockies and Gaylord National were the 2 hotels where the pace of Omicron recovery was not quite a dramatic month by month within the quarter. The Gaylord Rockies gained 4,900 transient room nights compared to the first quarter of 2019 and doubled occupancy from 27% in January to 54% in March.

As most of you know, the Gaylord National has the lowest leisure transient mix of our 5 Gaylord hotels. As such, the National did not benefit as much from the strong leisure demand recovery and continue to experience the lingering impacts from the Omicron variant on group room nights. Overall, hospitality margins held up relatively well in the face of Omicron in the quarter, with adjusted EBITDAre margins off a modest 7 points year-over-year compared to the first quarter of 2019 despite a 25 point decline in occupancy and a 21% increase in average wage rate over the first quarter of 2019.

Our emphasis on retaining key staff members is proving prescient as group business has returned in volume post the Omicron disruption. And we continue to believe that as occupancy recovers and high-margin outside the room revenue streams return with these groups, the productivity measures we've implemented through the course of the pandemic will yield improved margins longer term compared to pre-COVID levels.

Looking ahead, our on the books position for the balance of the year looks very healthy, as Colin provided a snapshot of our group room nights on the books for the second quarter and the rest of the year. Translating these figures to occupancy as of March 31 for the balance of this year, we had 48.4 points of net group occupancy on the books, down only 3.1 points compared to the same time in 2019 for the balance of the year.

The ADR for these group room nights is 8.6% higher than the same period in 2019, which means we have 5% more group rooms revenue on the books for the balance of the year than we did for the balance -- than we did for the balance of 2019. And with our in-the-year-for-the-year lead volumes also outperforming 2019, we feel very good about the rest of the year given this pace of business and the momentum coming out of March.

On the investments front, we're in the final stages of the assumption process with the CMBS servicer for Block 21 and anticipated closing before June 1, and we anticipate our strategic partnership with Atairos and NBCUniversal to close after the Block 21 transaction by the end of the second quarter. I'll now turn it over to Jennifer to provide a brief financial balance sheet and liquidity update along with our guidance.

Jennifer L. Hutcheson - *Ryman Hospitality Properties, Inc. - Executive VP, Corporate Controller, CFO & CAO*

Thank you, Mark. In the first quarter, the company generated total revenue of $299.1 million and a net loss to common shareholders of $24.6 million or a loss of $0.45 per fully diluted share. In terms of our balance sheet, net debt was approximately unchanged sequentially from the end of the fourth quarter of 2021 at $2.8 billion. The company had available liquidity of $638.4 million, consisting of $510 million of capacity under our revolving credit facility and $128.4 million of unrestricted cash.

We effectively exited our covenant waiver period for our secured credit facility with the end of the first quarter. So beginning with the second quarter, we will now once again be required to meet certain maintenance covenants in terms of consolidated fixed charge coverage and implied debt service coverage ratios. However, these ratios are modified to reduce threshold to reduce threshold levels of 1x and 1.1x respectively, through the balance of 2022 and will be based on annualized results for that time. All other special restrictions related to our pandemic covenant waiver are no longer in effect, such as limits on discretionary capital spending, acquisitions, investments or debt incurrence.

For the Block 21 transaction, we expect to assume approximately $137 million of CMBS debt on the property when the deal closes and expect to fund the balance of the $260 million purchase price with cash on hand or borrowings under the revolving credit facility. Subsequent to the Block 21 closing, we expect to receive gross proceeds from the Atairos investment and the new $300 million OEG segment level term loan B of approximately $590 million before transaction fees and expenses, which we will use to retire our existing Term Loan A and outstanding amounts under our revolving credit facility.

We're currently making progress in the execution of the new Term Loan B for Opry Entertainment and expect to simultaneously place a $65 million revolving credit facility for this business, which will be undrawn at close, but available to support the business' growth with our new partners. The net result of this transaction, as Colin noted earlier, should be around a 1.5-turn improvement in net leverage on a consolidated basis. And we will continue to prioritize both deleveraging postpandemic and taking advantage of high-return reinvestment opportunities across our businesses with our free cash flow.

And finally, given the momentum with which we exited the first quarter, we are comfortable resuming the provision of guidance for the current year. For this current second quarter of 2022, we expect our hospitality business to deliver between $120 million and $124 million of adjusted EBITDAre and our consolidated company to produce $135 million to $145 million of adjusted EBITDAre, including any partial quarter contributions from Block 21 subsequent to closing.

For the full year 2022, we expect Hospitality segment to deliver $425 million to $440 million of adjusted EBITDAre. Combining that with our corporate segment and our already published annual guidance for our entertainment business of $80 million to $88 million of adjusted EBITDAre, which we issued last month in conjunction with the announcement of the Atairos investment and which again includes the expected contribution of our pending acquisition of Block 21, we expect the consolidated company to produce $476 million to $502 million of adjusted EBITDAre this year.

At the midpoint of $489 million, this would represent over 95% of our pre-pandemic 2019 full year adjusted EBITDAre of $510 million. And if you subtract our first quarter actual results, our guidance ranges for the balance of this year represent at the midpoint, 98% of our 2019 performance for our hospitality segment and 106% for our consolidated company. And with that, I turn it back over to Colin.

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

Thank you, Jen. Well done, and thank you, Mark. So Chelsea, let's open up the lines for questions and see what's on folks' minds here this morning.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question will come from Shaun Kelley with Bank of America Merrill Lynch.

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

Thank you for all the detail and color and congratulations on a really strong March. So I wanted to start, maybe the best place I think, would be to dig in on the revenue side a little bit. So I appreciate all the clarity on guidance and the bottom line trajectory where everything is at. If we think about the mix of where you're at, I think the numbers given we're 48.4% of net group room occupancy on the books down about 3 percentage points and then up 5% overall in group room revenues. Can you help us think about how that translates into just the overall revenue or RevPAR picture for Ryman, just given that obviously, there's still some work to be done on the balance of the year. So what are some of your assumptions around kind of that book of business or what needs to be -- what kind of needs to go in to fill in the gaps between here and the rest of the year?

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

Right. So first of all, I think, Patrick, the reach we have is pretty limited, we're in really good shape on reach on group side for the year given the tremendous book of business we have, in particular the rate. The other thing that we didn't really talk about as we think about the rest of the year is what is going on leisure. And we are seeing leisure volumes, how do I describe this? Very, very encouraging in terms of room nights but extraordinarily encouraging in terms of the rate that we're booking these leisure room nights out. So Shaun, we feel really pretty good all round about right now. That's why we're prepared to give guidance for the year. We feel very good about where we sit right now for this year. You want to add something, Patrick?

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

Sure. Shaun, it's Patrick. To your point a minute ago, we talked about the 48 points of occupancy. It's about 1.38 million room nights on the books from a group perspective. If you add on to that, just what we did in 2019 from a transient perspective, which was about 22 points of occupancy or 620,000 room nights, that would give you about 2 million room nights for the remainder of the year, which would imply around 70% occupancy for the remainder of the year as far as what we have on the books on group, what we expect to do on transient at a minimum.

We anticipate that we'll exceed the transient we did in 2019 because as you've seen over the past couple of years we've gotten more savvy with our transient leisure programming. More and more folks have become aware of the unique offerings that are amended or our hotels have from a leisure amenity perspective. So I expect we'll exceed the transit room nights. So if you say, okay, if they do nothing else on the group side, they're going to be at roughly 70%. We anticipate that we'll obviously do a lot more. And on average, I would say we would book probably somewhere between 60,000 and 80,000 more room nights for the remainder of the year.

So that would give you a feel from the group side. That will give you a feel for how much more we think we can still do. So then you add on to that the rate. Mark mentioned this a minute ago, we have room nights on the books from a group perspective that are up 8.6% in terms of rate growth over 2019. And if you look at just what we did in the first quarter on the leisure transient side, we saw a growth of 14% ADR in what actually traveled during the first quarter. So room nights, if nothing else happened, we'd be in good shape. But we expect obviously to outperform and continue to deliver more room nights on the group side. And on the transient side, a great story, especially with what's going on in the rate side.

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

Shaun, I don't want to crow about this, but we've taken as a company, a very different approach to what I think most of our competitors have done in terms of continuing to enhance the product through Omicron. We've spent a lot of money on improving just the proposition. And I think we've also, Patrick, on the hotel side, I think we work with Marriott and encourage them to be more creative on the programming side for leisure. And I think all of this stands us in really, really, really good stead to beat '19 this year, as Jen said. And if things happen the way I hope they happen maybe come in stronger, but our business looks really good right now.

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

Clearly from the numbers that seems to be the case. And then second or follow-up question would just be, could you help us think a little bit about like maybe the ramp-up of Rockies and National Harbor. Obviously, is a little bit -- those two properties sound like they were a little bit behind the trajectory you're seeing in some of the other markets. So how is either the pacing at those properties? Or the step function that you may expect to see because overall, clearly, the portfolio is getting to levels that would rhyme with 2019, but is that disparate between -- are some properties well above and those two are still trailing? Or do you see those catching up meaningfully in the next couple of quarters?

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

The latter. And -- but let me say this. The reason why these two hotels are slower coming out of the gate is because they don't have the same at the stage of their life. You've got to remember Aurora is 2.5 years old. And it does -- this hotel does not have the leisure amenity and -- amenities and the historical relationship with hundreds of thousands of customers that the other hotels have that have been open a long time. And we've been able to build a book of really strong leisure business in the Opryland, the Texans and the Palms.

Now -- but we've got plans for that. And I would say Aurora has shown some strength on the leisure side this year, but the group book of business for Aurora looks extraordinarily good. And Patrick, you may want to touch on that.

In terms of Washington, the hotel just doesn't have the same pool complex, massive food and beverage offerings that some of these other hotels do. And those are the things that we are fixing. The Washington hotel relies more on group than it does on transit. It has its lowest transient is -- this hotel is the lowest percentage of transient business. But again, we've got ideas and thoughts about how we, over time, will fix that issue. But the book of group business for Washington looks really, really good over the next few months. Do you want to give some data on that?

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

Yes, let's just consider the markets first, right? So in the first quarter, D.C. was 23 out of -- ranked #23 in the top 25 markets from an occupancy perspective. The D.C. market has struggled to get back compared to some of the other cities across the country. So you have a market phenomenon going on there, and it's not too different from what has happened in Denver. D.C. is much harder hit, but Denver ranked, from a RevPAR perspective, about 17 out of the top 25 markets. So both markets have been a little bit slower to come back, D.C. more pronounced.

But to Colin's point, National depends more on the group side. And I would tell you, as you look at the summer, they have a very strong book of business, and we're very encouraged by what we've seen there. From a margin perspective, I'm very encouraged because as we've talked about, we took the COVID period to really make some positive changes at that hotel. We did rooms renovation. We're doing a full renovation of our food and beverage outlets. But from a margin perspective, that helps on -- the F&B is helping on the margin side. But we made some fundamental changes in our union contracts that help us position the hotel to perform better.

It would sort of have handcuffs on it, and we've removed those handcuffs. So the hotel should perform much better, especially in the food and beverage outlets. So we see the group book of business strengthening as we go into the summer. We're encouraged by that. We're very encouraged by how that hotel is performing on the margin side and is set up for success.

And for a union hotel, it's been hitting the top of the brand in terms of guest satisfaction. So it's doing all the right things. And as that book of business is increasing on the group side, I think it's set up for success. On Rockies, to Colin's point, it takes 4 or 5 years for us to build the transient base, on which you can drive transient demand into a hotel. And because of COVID, that's been stunted a bit. And so we're very encouraged, and we know Rockies is going to get there. If you look at this summer, they also have a tremendously strong book of business. Their summer will be above 80% occupancy throughout the summer. So feel really good about where Rockies is heading and know that as transient builds that hotel will be set up for future success very much so.

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

Q1 is a tough quarter seasonally in both of those markets, too, relative to Nashville, Orlando and Dallas. So it's a tough quarter.

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

Is that good enough, Shaun?

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

It's perfect.

Operator

Our next question will come from Bill Crow with Raymond James.

William Andrew Crow - *CIMB Research - Research Analyst*

I appreciate all the details so far. Question number one of two. Can you talk about the stability of the workforce from two different perspectives. I guess just staffing levels/turnover would be one? And then kind of where is labor cost from a stability perspective? Have we seen the biggest increases, are those continuing?

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

Do you want to take that?

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

Sure. Bill, let's take wage increase first. We saw roughly a 20% increase in the fourth quarter. We saw about 21% wage increase in the first quarter. So it feels like the pace of increase has slowed a bit, and we're normalizing. So we think there will be additional wage increases, but we don't think it will be as dramatic an increase as what we saw in 2021. So we're getting a little bit more comfortable and better handle on how to forecast for the future from that perspective.

From a staffing perspective, we've tried to stay ahead of this. We've been very aggressive in trying to get quality folks on staff, get them trained and then use bonuses and other means to keep them in place. So we've -- I would say, relative to our peers, we've been able to keep our turnover a little bit lower. From a staffing perspective, though, I would say we still have a little bit of room to go given the levels of occupancy that we're projecting for the summer. And we're getting aggressive. Applicant flow has increased over the past 60 days. And so we're encouraged that we're going to be able to get there. But I would say that we were probably at 75% to 80%, depending on the hotel of the full level of staffing we wanted. And I'm comfortable that we'll get to 95% or 100% here in the next 45 days.

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

Remind Bill about the efficiencies around management, Patrick, to offset the increases that we've seen in front line.

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

Yes. And I want to make sure we draw a clear comparison or a clear distinction here. On the front line, we are going to come back to the original levels of staffing. Those frontline stars in housekeeping and front desk we'll go back to the original numbers. But from a management perspective, we've driven some synergies into the business putting in quality over quantity and not just throwing bodies at problems, but really using the COVID time to solve some of those issues so that we can be more efficient on the manager side. And we think that there's long term, probably at least 15% reduction in our management headcount as a result that will drive margin improvement into the business.

William Andrew Crow - *CIMB Research - Research Analyst*

Great. I appreciate that. The other question I had is really, what are you hearing from prospective groups for next year? And clearly, the advanced booking pace has been terrific. But are you getting any indication of concerns about economic growth slow in a recession as you talk to prospective groups for next year?

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

We're seeing none of that. It's something that we monitor lead volumes Patrick and his team engaged, I mean daily with the sales leaders. And I think we see a lot of encouraging signals in our business. This industry, Bill, is big and deep and there's just a ton of organizations across America that want to meet. And we just need to continue to gnaw away and slowly build our share here, the way we've been doing it. And we've done it through the way we treat our salespeople, the recruitment of more salespeople and the quality of our products and the quality of our service.

And so if we have a recession for 6, 9 months, whatever it may be, you go back and look at what happened to us in 2009 in financial crisis. Because of the quality of our business and the quality of our people, we absolutely look at these periods of time, the likes of which we've just gone through, there's a period of time where we can actually gain share. And we think that's what we've done here and that's why we're as optimistic and confident that we have this forward book of business. So if there is a recession, I think we'll do just fine through it.

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

Yes, I mean, I would only add that current behavior, it may not be a full indication of where we're going, but current behavior when we just in 3 weeks ago had a group in-house that spent $680 per person -- or I'm sorry, per group room night in their banquets alone. So folks are getting on property and increasing their spend in a very encouraging way. So maybe things will pull back at some point, but we don't see any indication of it right now.

Operator

Our next question will come from Smedes Rose with Citi.

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

I was just wondering if you -- as the business builds back for the balance of '22 and into '23, are you seeing any changes in sort of new customers versus repeat customers that would make you -- suggest that maybe you're gaining share from either other cities or other group houses? And my second question, I'll just kind of pop in. I'm just wondering if you're seeing any changes in customer behavior around, say, taking housekeeping that might help you on the margin side? Or is that kind of just return back to more normal expectations given more normal operating environment?

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

Patrick, you want to talk about retention?

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

Yes. So one of the things that we did coming off of opening Rockies has set pretty aggressive acquisition targets because we don't want to always just be taking from the same customer pool. We have very, very loyal customer base. But we know that we need to be always feeding into that so that we can increase our group business long term. And we have set pretty aggressive targets and the hotels year-to-date have been beating those targets. So we are very encouraged by the level of acquisition into the brand. That's not happening because we're losing customers. Our loyal customers continue to return, but we're growing the pie. So yes, we do believe we've stolen some share. Mark, were you going to add something?

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

I would just -- we increased -- we recruited salespeople from competing brands for this reason.

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

That's right. And then on the housekeeping side, we brought housekeeping -- daily housekeeping back at our hotels back in the October, November time frame, and it has been met with very positive responses and reactions. I think that's something a lot of folks struggle to get back. But from a labor perspective, we were able to bring it back. I'm not sure if that answers your question or not.

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

Well, I was just wondering, I think there's always a percent of customers that choose not to have housekeeping regardless of the environment. I was just wondering if you've seen a market change in that percentage take sort of up or down.

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

No, I would tell you that -- especially on the transient side, with rates going up, folks expect to get daily housekeeping if they can. There's always going to be some folks who opt not to do that, but we haven't seen a material change in that mix.

Operator

Our next question will come from Dori Kesten with Wells Fargo.

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

Historically, what's been the difference in transient and group rates? And then what's your expectation for that spread going forward.

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

No, you're fine. I mean, as we've -- I mean, it's obviously been evolving, Dori, because as we've added things like SoundWaves, we've been able to drive a lot better rate at Opryland. And as we've added additional pool amenities at the other hotels that increases our ability. So historically, we looked at it and we said the group customer is much more valuable to us from a total RevPAR perspective, the rate really depends on the time of year.

But historically, most -- your corporate groups and some of your premium association groups have been able to outperform on the rate side. as we've added these pool amenities, we've seen the transient total RevPAR portfolio or total package has increased to the point that, other than banquets, the transient customer is worth almost as much to us as the group customer, which is a very positive thing to see.

But I mean, it really depends on the time of year that you're looking at. During the holidays and the summer period, transient drives extremely high rates and then group drives much higher rates during the historic group travel periods. But give me just a second to look at some additional data, and I'll either follow up later or call you separately after the call.

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

But here's the dynamic that's really, really, really interesting. We, through this pandemic, have been able to, because of what Patrick said, because of product and because of just amenities and the quality, we've been able to move our leisure rates up materially. Now this plays into the group side, big time, because we have a very sophisticated yield management system. Here comes a group salesperson comes in, says to your management, folks, the pricing people, this is a group I want to bring for the 3rd of May to the 5th of May and the price they want to pay is x.

Well, now your management are saying, "Well, okay, historically, our leisure rate was x, but now it's x plus 15%, 20%." And so this is now having a positive impact on what is going on in group. And that's one of the reasons why when we make comments about what happened in the month of March or in the first quarter in terms of room nights booked, you see our rate up fairly healthy. And by the way, we haven't talked about this, but we've just closed the books for April from a sales perspective, and we booked over 150,000 room nights in April, again, at a very healthy rate. So there is a very interesting dynamic taking place here. And I think it's going to be very favorable to us long term.

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

Dori, you gave me a minute or two to actually do some math. So I can come back to you with some more data. So if you go back about 4 years, our group rate was about 88% of the transient grade, right? But the outside the room picture makes the group customer much more valuable. As the transient rate has continued to increase here recently, '22 is more like group rate is about 73% of the transient rate.

So a little bit more distance between the two. But again, we've seen the banquet spend and the outside the room picture continue to grow on the group side. So the distance between them, as I was mentioning earlier, is narrowing in total spend. Their rate differential has grown a little bit.

So we -- honestly, we are looking at this and saying we can get really great transient customers in here during the summertime that helps us not have to take some of the lowest-rated groups just to fill space. So both customers are becoming more and more valuable to us given the change in mix of what we've been able to drive by driving a more fluent higher-rated transient customer.

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

We have this several weeks back when the RNC, the Republican National Convention, was looking to come to Nashville that the government's office calls and says we need 2,000 rooms at Opryland for 3 days, when we talked to Opryland and the rate for May, because of it's now a very strong leisure period, the rate is up $40 on what it was a year or 2 years ago.

And so the feedback to the RNC is if you want to come and you want 2,000 rooms from us, the price you have to pay is x. So this is a very interesting period of time for us as a company. And I know this is going to sound melodramatic, but I think we're in the middle of essentially re-rating the value of our hotel business because I think the leisure customer has discovered us. We've been able to price aggressively and group demand is very healthy. And I think overall, this is going to lead to really, really good rate growth on both sides of the isle.

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

No new supply.

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

Yes and no new supply exactly right, Mark.

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

Yes. I mean, Dori, while I keep thinking about this more and more, and I want to make sure it's clear while transient has been picking up steam faster on the rate side as of late, group is getting on board and our sales team is doing an outstanding job of driving rate to match serve, if you will, on the transient side.

So Mark talked about earlier how the room nights on the remainder of the year on the books are up about 8.6% in terms of rate but you look at April production for all future years we booked an ADR increase of 13%. So our sales team is doing an outstanding job of understanding the assignment, if you will, and going out there. And as we've talked about in past calls, they have a very different value proposition to pitch.

They have a narrative that is, hey, we're not just raising rates on the group side because of inflation or what's going on in the environment. We're raising rates because we've delivered a lot more value to our customers in the past few years by continued investment into the brand when a lot of brands were not investing into their brands through COVID. So transient is sort of at the head of the pack right now in terms of growth, but we really do believe, to Colin's point, the group is going to come up and be able to match that growth here over the next few years.

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

I think, Chelsea, we've got a couple more.

Operator

Our next question will come from Chris Woronka with Deutsche Bank.

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

Colin, I know you're always kind of thinking about the next -- what's next for the company, and you have a lot of potential projects, right, that could come to fruition. But one of the things I want to ask about was Nashville, and you have a lot of varied offerings there, obviously, with Opryland, the hotel, but all the other attractions. The one thing you don't have, right, is kind of this luxury boutique kind of thing, and we've seen a lot of that spring up downtown. Is that something you think you need or want at Opryland?

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

Luxury boutique hotel?

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

Yes, something like that. I mean we're seeing a lot of those still. A lot of those popped up, right, in Nashville prior to COVID, and I think there's more still kind of on the drawing board. Is that something where you can keep folks kind of on-site instead of some of them migrating downtown?

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

I -- so the answer to the question is it's not something that's on my agenda, my radar. And I don't think it's on Mark's either. But what is on our radar is, do we need more rooms? Do we need more meeting space given the demand? And rather than going and building a luxury hotel in downtown Nashville, where you have to pay multiple millions of dollars an acre for, no incentive to build and maybe, I don't know, a 9%, 10% return, we'd rather plow the capital into meeting space and leisure room nights that we can plug into Opryland at 15 returns. That's how we think about it.

Mark is right, we have got our luxury boutique hotel that we are going to sprinkle our pixie dust in Austin, Texas.

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

Right, right, right. No, actually I was actually thinking about that hotel being on site of Opryland, not downtown, but I think it sounds like you're still, yes, more focused on.

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

I think what -- I think given what's going on with leisure right now in Nashville, if you think about what is taking place here. This town and its core product, music, is being plugged in through technology all across the world. One of the reasons we've done this deal with NBCUniversal is because they own Sky in Europe, and we want to put this music in front of these Europeans, and we want them to drag those Europeans on British Air or whoever we -- whatever the flights are here to Nashville. And we want to fill our hotel. That's why we're thinking more family-orientated rooms and rooms that can be used for group. We see this market here growing tremendously over the next 5 to 10 years. If we do things right in the city and I think that's where our focus is going to be.

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

Okay. Understood, Colin. Then just as a follow-up. It wasn't that long ago that we had your call on the entertainment kind of transaction and venture. And one of the questions we get a lot from investors is, what else can that business be? We think of it as just being the live entertainment venues, but we know that it's more than that. There's a content side. Is there any way to just think about directionally your blue sky scenario years out, what percentage of that business is still live entertainment versus what's like monetization of content and others? Is there any way to think about that in a clean way?

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

I'm going to just say it this way, one sentence and that is I think the potential of this business is only constrained by our imagination. I think we have so many avenues for growth in this business. The thing that Mark and I talked to the team about is staying focused on the things that deliver the greatest level of value because there are so many different things that are coming at us on this deal. And yes, it's -- the core of this business is live entertainment right now, but I really do think it will evolve, and there are so many great opportunities here.

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

Chris, obviously, that notion is what factored into -- was an important factor in the partner that we chose when you think about the relationship of Atairos with Comcast and NBCUniversal. They, obviously, bring a lot of strategic muscle to the media side, content distribution side of the business.

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

Time for one more question.

Operator

Yes, sir. Our last question will come from Jay Kornreich with SMBC.

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

I guess as a follow-up to the last question. I'm curious what are some near-term expansion opportunities in the portfolio beyond Nashville. I believe you previously considered a 300-room expansion to the Rockies. So curious if that's back on the table or any other potential near-term reinvestment opportunities you're considering?

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

Yes. Well, we've -- I think in our last Board meeting in February, we talked to our Board about potentially $0.5 billion, $0.75 billion worth of capital we can deploy into our hotel business by doing some really, really interesting things with room expansion, SoundWaves expansions. This SoundWaves has proven to us this concept of what we put here at Opryland has created enormous value for us through this pandemic. And we've really, I think, proven the thesis of doing something of this size and scale, and we can replicate it in 2 or 3 of these hotels. So we've just got lots of different options here, as this recovery takes shape. And we're very excited about it really truly.

Jennifer L. Hutcheson - *Ryman Hospitality Properties, Inc. - Executive VP, Corporate Controller, CFO & CAO*

In the near term, we've got the National food and beverage reconcepting that's already underway, and we've got the 130 acres of land outside of Rockies that's always an opportunity for us as well.

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

Yes. And we sit on land at the Texan. We sit on an enormous amount of land here in Nashville. There's just lots of ideas that when they're baked and approved, we'll communicate them to you because some of these things are a little different to what our competitors are doing. And we don't want to preview that prematurely.

I know that sounds a little convulsive. But we really truly do have some very interesting ideas in terms of positioning these extraordinary assets in a way that's a little different to what we are today.

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

All right for a bit more color there. And I guess just as one follow-up. I believe you mentioned corporate group representing about 66% of the group demand mix in the first quarter, which has been elevated relative to the dynamics historically. So I'm wondering if that's due to corporate groups beginning to travel more than they historically have? Or if it's from SMERF associations being a bit more subdued? I'm just curious how you see that trend continuing for the remainder of the year?

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

Yes. I would say it's corporate is coming back much stronger than anyone anticipated in a much faster fashion. So we were very lucky that a lot of the associations in the rebook phase of COVID, we're very anxious to get rebooked into future periods and the corporate folks kind of held off. And I would say that the mix that we're seeing is an indication they're coming back fast and swift and are anxious to get meeting again. So I think it's a growth in corporate, not a decline in association or SMERF.

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

Yes. And I would say slightly differently. It is a growth in corporate, no question. The corporations all across this country have been cocooned for the last 2 years, people haven't gotten together to talk culture, talk strategy. And organizations that have done well through COVID have a deep desire to do that in a safe and secure way and that is what is happening here. And the good news is it's giving organization, an organization like us the opportunity to build relationships with companies that we haven't seen historically. So I -- this is a very interesting time, I think, in the hospitality life cycle. And our business is going to do just fine here over the next 12, 24 months.

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

Chelsea, thank you. And for those folks who are still on the call, thank you very much indeed for tuning in. If you have questions, you know how to get hold of Jennifer Hutcheson, who is our CFO; Todd Siefert, who is our Treasurer. And if there are questions you have for Mark and I or Patrick, you just call into the company, and we'd be very happy to communicate with you. So again, thank you, be safe, speak soon. Thank you.

Operator

Ladies and gentlemen, this does conclude today's program, and we thank you for your participation. You may disconnect at any time.
