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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Third Quarter 2021 Earnings Conference Call. Hosting the call today from Ryman Hospitality Properties are Mr. Colin Reed, Chairman, and Chief Executive Officer; and Mr. Mark Fioravanti, President and Chief Financial Officer; Mr. Patrick Chaffin, Chief Operating Officer; and Scott Bailey, President, Opry Entertainment Group. This call will be available for digital replay. The number is (800) 938-2113, with no conference ID required. (Operator Instructions)

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

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

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

I'll now turn the call over to Colin.

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

Thank you, Mark, and good morning, everyone. When we last spoke on August 3, we were on the front slope of a rising wave of COVID-19 Delta variant cases and bombarded by headlines about the potential return of the restrictive measures we saw last year. Today, 3 months later, we are past the peak of that wave and now clearly on a downward slope. As of the end of last week, the national 7-day average of new COVID-19 cases had fallen over 59% from its peak on September 13 and about 19% in the last 2 weeks and hospitalizations have followed the same trend. And I'm happy to report that despite the impact of the Delta variant in the third quarter, it's remarkable that our business performed in the upper end of our expectations, which we originally said and communicated before the Delta wave began.

On a consolidated basis, we generated over $18 million of positive cash flow per month in the third quarter, which we define as adjusted EBITDAre less cash interest and debt service. This is compared to our expected range, again, determined pre-Delta, of $16 million to $19 million of positive cash flow per month. This is an impressive performance, and I want to quantify the impact of the Delta variant on our business during the third quarter because from the headlines we all read and from the media, in general, in August and September, you sometimes got the impression that the sky was falling, and we would be returning to government-mandated lockdowns and gathering restrictions. In the third quarter, we saw about 160,000 group room nights lost related to concerns over this Delta variant.

However, let me give you some important context around this figure. First, 160,000 room nights is about 5% of the total cancellations we have experienced since the start of the pandemic. So in scale, the impact of the Delta wave was and is nothing like what we went through last year or earlier this year. In addition, 93% of these third quarter cancellations were for travel dates this year or roughly 40% for the third quarter and 53% for the fourth quarter with only a handful spilling into 2022. This means the cancellation window we experienced in the third quarter was shorter, about 50 days on average, compared to the roughly 90-day window for cancellations during the first phase of this pandemic. What this demonstrates to us and what we are hearing from the meeting planners themselves is that there continues to be a strong need and desire to hold their meetings.

So many of these gatherings are mission-critical to their organizations, and they are waiting until the last possible moment as they watch the data before making any cancellation decisions. As a result, as the Delta variant wave subsides, the cancellation window has been shrinking, which is good news for us as we look towards next year. As of the end of the third quarter, we had 44 points of net group occupancy on the books for 2022 compared to 47 points at the end of the third quarter of '18 for '19, our last pre-COVID year. These group room nights for next year also contracted at a 6.5% higher rate than our T1 rooms at the same time in 2018. Therefore, in total, we have more group rooms revenue on the books for next year than we had at the same point in time headed into 2019, which turned out to be a record year for our business. And of course, it's important to highlight that even with these recent cancellations, we still traveled over 300,000 group room nights in the third quarter. That is more than double the number of group room nights that traveled with us in the first half of the year before the Delta wave.

For the quarter, our hotel portfolio reached 54.5% occupancy, with a peak of 63.4% in the month of July, just before the Delta variant took hold. In fact, for the peak month of July, excluding the just reopened Gaylord National, which only we opened on the 1st of July, the other 4 Gaylord Hotels reached 69 points of occupancy for that month. Now think about that for a moment. We reached nearly 70 points of occupancy in hotels of our size, including the additional inventory of 300 new rooms at the Gaylord Palms. Again, this is a clear signal of the pent-up demand among both group and leisure travelers for what our hotels have to offer. I would add that we've already seen cancellations materially decline in recent weeks after it became more apparent that the Delta wave had subsided in mid-September, which brings us to another very important dynamic to note in our group business, which is that we collected over $10 million in cancellation and attrition fees for the third quarter.

For context, through the end of the third quarter, we have collected $28 million in cancellation and attrition fees year-to-date, which is the same level of fees we collected in 2009 during the great financial crisis. As you know, the contractual nature of our business provides a level of downside protection, which we have highlighted with you often over the years and sets us apart from the rest of our hospitality peers that are not as group-focused. With all of our hotels now open and operating and plenty of group meetings successfully and given there were no further governmental restrictions on gathering sizes in our markets, the collectability of our contracted fees for groups who do choose to cancel has become much stronger.

Now switching over from group for a moment. The other area of momentum in our hospitality business, which was even less affected by Delta, is the powerful resurgence we've seen in our leisure demand. We sold over 215,000 transient room nights in the third quarter, which is over 11% more than in the third quarter of '19 before COVID. And our transient ADR in the quarter exceeded $250, which is almost 24% higher than the third quarter of 2019. This transient momentum has continued into the fourth quarter, which is very exciting for us as we head into our most leisure-heavy months of the year over the holiday season.

We recently began publicizing our 2021 Christmas program for the Gaylord Hotels, which this year will be a completely new multi-century experience built around the Warner Bros. Elf franchise with several highly unique, interactive challenges for families to complete. This program is generating great response, driving material leisure transient pickup compared to last year. The bottom line is that while the Delta wave took a bite out of our group business in the third quarter, which will also linger into the fourth, it did not stop the broader reawakening that we have been witnessing in our hotels since the beginning of this year when the vaccine rollout commenced.

And when it comes to our entertainment business, the effect of Delta was barely noticeable. Indeed, our entertainment business was just a few percentage points from matching the levels of 2019's third quarter on a same-store basis. That is excluding the contributions of both the Ole Red Orlando and our Circle Media joint venture, neither of which we had in the third quarter of 2019, revenue and adjusted EBITDAre in the third quarter were 92% and 95%, respectively, of 2019's third quarter. Live entertainment demand has clearly been reanimated post-pandemic. That is also why we're excited to have reached a new agreement with Stratus Properties announced last week to acquire Block 21, the one-of-a-kind mixed-use entertainment complex in the heart of downtown Austin.

Block 21 is anchored by the iconic 2,750 seat ACL Live at the Moody Theater and accompanied by the 3TEN at ACL Live club, the 251-room W Austin hotel, and over 50,000 square feet of Premier Class A commercial space. We could spend quite a bit of time discussing the menu of exciting opportunities created by this marriage of Nashville, the music city, with Austin, the live music capital of the world. Those of you who have followed our company since before COVID-19 know the history of this transaction, which we had originally announced in December of '19, but were forced to cancel in the depths of the pandemic. We stay close -- we stayed in close contact with Stratus throughout the past 1.5 years, and we were delighted to bring this deal back to fruition.

And as we said the first time we announced this acquisition, opportunities to own assets like this in an absolute fantastic growth market like Austin do not come around very often. The acquisition of Block 21 will be a transformational deal for our entertainment segment, providing not only a tremendous increase in scale and geographic diversification but also a host of opportunities to leverage our existing capabilities, including our artists and audience relationships to create value across our physical and digital platforms. For example, we see opportunities to further utilize the ACL Live venue across all dayparts to cross-market our customer bases and cross-promote content and artists between ACL Live and our other venues and channels to improve the W Austin hotel utilization, especially in our wheelhouse of group business and finally to enhance margins through shared services.

And to be clear, we expect to be accretive. We expect this deal to be accretive to AFFO in its first full year. Therefore, as Delta fades into the fourth quarter, our focus is squarely on returning to growth. This includes the investments we are making in Block 21 to supercharge our live entertainment strategy and a significant amount of capital that we have deployed into our hospitality business in the last 3 years that we look forward to maturing in the years to come.

These include the Texan and Palms expansions, SoundWaves at Opryland, the National renovation, and our full ownership stake in the Gaylord Rockies, and we take a full plate of further -- future investment opportunities under consideration across our businesses, from scouting new locations for Ole Red to develop opportunities for the recently acquired land around the Gaylord Rockies to further enhancements, renovations, and expansions across our hotel portfolio to continue to serve our group and leisure customers and their evolving needs as this long-awaited recovery continues to take hold.

Now, before I hand it over to Mark, who will review our balance sheet and the detailed -- financial details of the Block 21 transaction, let me just make one last comment. I've been in this business for a long time, and I've witnessed my share of crises over that span, COVID-19 merely being the last. However, as I sit here today, I cannot overemphasize how excited I am about everything happening in our portfolio and the opportunity set in front of us. Our teams inside and out of our hotels and entertainment venues have done just a wonderful, tremendous job taking care of our customers and our assets through this extraordinary period of time. And I believe we, as a company, have emerged better for it given everything we've learned.

So with that, let me hand over to Mark.

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

Thank you, Colin, and good morning, everyone. In the third quarter, the company generated total revenue of $306.9 million and a net loss to common shareholders of $8.5 million or $0.16 per fully diluted share. On a non-GAAP basis, the company's third quarter consolidated adjusted EBITDAre was positive $86 million and AFFO available to common shareholders was $52.1 million or $0.94 per diluted share. This marks the second quarter of positive consolidated adjusted EBITDAre since the first quarter of 2020 for the COVID-19 pandemic. And as Colin noted, we delivered in the upper end of our previously expected range for monthly cash flow as we've defined it, generating an average of over $18 million per month in the quarter.

These results are a marked improvement in our business over the third quarter of last year when we had substantial monthly cash burn during the height of the pandemic and illustrates how far our businesses have recovered in the last 12 months. While cancellation rates in the last few weeks related to Delta have materially improved, as Colin noted, approximately one-half of those group cancellations occurred for travel dates in the fourth quarter. These cancellations will have a lingering impact on this current fourth quarter. We expect that fourth quarter average monthly cash flow after debt service will be in the mid-teens as those cancellations flow through the balance of this year.

In terms of liquidity, due to our positive cash flow, we retired $45 million of our revolver in the third quarter and netted with an outstanding balance of $180 million. This left $520 million available and, combined with the $53.2 million of unrestricted cash, gives us approximately $573 million of available liquidity. As we announced last week, the purchase price for the acquisition of Block 21 will be $260 million, of which we will assume approximately $138 million of the property's existing non-recourse CMBS debt. We plan to finance the balance of approximately $122 million using our available liquidity.

We expect the transaction to be accretive to AFFO on a full-year basis and the combined purchase price, net of a projected $11 million of cash reserves acquired, represents approximately 15x the last 2019 pre-COVID adjusted EBITDA of Block 21 and approximately 12x our anticipated 2023 adjusted EBITDA contribution. This acquisition is fully permitted under our existing credit facility covenant waiver, and we expect to be able to exit that waiver on schedule early next year.

The company once again did not tap our existing ATM program in the third quarter, but it remains in place and available to us as we look at our recent and upcoming capital investment activity. This includes Block 21 and the many exciting opportunities we see for the newly combined entertainment portfolio after this transaction as well as the next generation of expansion, enhancements, or improvements across our hotel portfolio.

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

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

Thanks, Mark. No, I'll hold my remarks. Let's, Emma, go do some Q&A, and then maybe we'll have a closing remark at the end.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we will take our first question from Bill Crow with Raymond James.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

Mark, just following up where you left off on Block 21 and the financing on a long-term basis. Is that accretive in the first full year if you maintain your capital structure? In other words, kind of a 50-50 debt-equity assumption?

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

Yes, marginally.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

Okay. And then the other question I wanted to clear up is on the cancellation fees. What do they look like? What have you collected for the fourth quarter, if you can tell us that? And based on cancellations as you look forward, can you give us a picture for what that -- those fee collections could be next year?

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

Bill, this is Patrick Chaffin. As we look to the fourth quarter, I think this was already mentioned. We're expecting in the mid-teens, not quite as high as what we saw in the fourth quarter of 2020, but pretty close. As we've -- it's a much easier discussion with meeting planners as they canceled for Delta in August and September. And so as we collected roughly $9 million or $10 million in the third quarter, we expect mid-teens for the fourth quarter. And based on how everything is going so far that we are standing by that forecast. As we look to next year, we do expect those cancellation fees to start declining rapidly as we're seeing fewer and fewer cancellations. I mean Delta -- at the peak of Delta, we were seeing 3,000 to 5,000 cancellations per day...

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

Room nights.

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

Room nights. And that's now dropped to below our pre-pandemic level of about 600 per day. So we're definitely getting back to a much more normalized state of cancellations. And therefore, we'd expect to see cancellation fees decline in 2022.

William Andrew Crow - *Raymond James & Associates, Inc., Research Division - Analyst*

I may jump back in.

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

Bill, let me just add one thing to Mark's comment about accretion, first year of operation. It's going to take us a good 12 to 18 months to put things like tours into the Moody Theater. It's going to take us some time to get the renovations of this hotel done, which -- I mean, we're very excited about it. I mean, you think about that W hotel, we purchased at maybe $250 a key, something like that, not $2.2 million a key. And so this thing will crank up, I think, in that 12 to 24 month period. But we're very excited about this deal.

Operator

We'll go next to Shaun Kelley with Bank of America.

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

Colin, you were rattling a couple of these off quite quickly at the beginning. And I just wanted to make sure I caught it. So you gave sort of your updated performance metrics as it relates to what's on the books for '22. If I caught it correctly. I think it was 42% occupancy on the books. That's a modest -- so maybe if you could just start there. Was that the right number?

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

No. No, we -- the number -- I didn't rattle. I mean I stated for -- we have 44 points of net occupancy on the books, which compares to 47 at the end of the third quarter of '18 for '19, but the rate is materially higher. So net-net, we've got more group revenue on the books for next year than we did in '18 for '19. But the other piece of this that -- this is very important. The group part of this is very important. And by the way, we saw really good group bookings in the month of October and lead volumes. We'll have all of the lead volume data here, Patrick, in the next 24 hours. But we booked a bunch of rooms in the month of October.

The thing you've got to keep focused on, in my mind, is can we keep the level of leisure business that we have seen in the middle of this pandemic next year? Our product is fabulous. The assets that we own are really great for the leisure customer. And we booked in the third quarter 11% more leisure rooms at a rate that is about 20% -- I think the number was 20% up on last year. So when we talk about our group business, revenue-wise, being above where we were in '18 for '19, I am hopeful that our leisure production is going to be materially better in '22 than we saw in the year of 2019. So I've sort of branched out from your questions. That's how we sort of see the world next year.

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

Thanks for clarifying. And sorry about the rattle. So let's just -- like -- so -- but the 44 compares to, I believe, on the last update, 43, if I looked at the data correctly. So is that -- so you did actually see things fill in a little bit more for '22. And just help us think through, do you expect to get those last couple of points? Do you actually -- or do you actually hold them back as we move through the fourth quarter because you're -- because the rates you're seeing are so good? You want to see what you can do in the year -- for the year. Just talk a little bit about the -- maybe the booking psychology for the last kind of fill in for 2022.

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

Yes. Yes. So I'll give you my answer, and then I'm going to throw it over to Pat to amplify. What we have told our sales folks is that we want to put occupancy on the books for next year. Rate is obviously important, but we want to bring our people back to work, and we want to put occupancy on the books. And so I don't know what -- I haven't got the detail of the 160,000 room nights that we booked in October, Patrick, in terms of T+1. We'll have that data here shortly. Do you have that data?

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

I do.

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

All right. Well, put it on.

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

Yes. So just talking about what we booked in October, we booked about 163,000 room nights. About 51,000 of that was going into T+1 or 2022.

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

That's good number.

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

And as you think about that, our average in October for T+1 is about 33,000 to 35,000 room nights. 2019 was our high point. It was the best that we ever did in terms of how many room nights we booked in. It was about 60,000, 63,000, something like that. So not quite as good as the very best we ever did, but certainly above the average at 51,000. And so Delta obviously had some impact on 2022. And it slowed down folks. It didn't necessarily stop them from looking, but it stopped them from the decision-making process.

And so to your question, Q4 is a very important quarter for us. We do expect that Delta will have a little bit of hangover because it takes us -- we talk about a 90-day cancellation window. It takes us about 90 days to sort of overcome and get the lead volumes going again. And so we do think that they'll continue -- we saw what happened in October was very encouraging, and we hope that, that will continue through the rest of this quarter. But I think a lot of what we saw in the second quarter will occur again in 2022.

And what I mean by that is, in the second quarter of this year, we saw a lot of in the year, for the year business starts showing up again and pent-up demand starting breaking free. So we're hopeful and are looking towards 2022 and believing that there will be more in the year, for the year business than we saw in 2021. So yes, we have a little bit of ground to make up. If you're comparing us to 2019, the best ever. And fourth quarter will be important in helping close some of that gap. But we think that the in the year, for the year business will be displaying the fact that pent-up demand is ready to start booking again.

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

Net-net...

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

Keep in mind, you're comparing occupancy rates with 300 more rooms at Palms as well. So we're selling more rooms.

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

Yes. That's a good point. But net-net, we're pretty encouraged with what has gone on with this glide slope of Delta and witnessing the behavior of the meeting planners. The -- when Patrick gave me these numbers for October yesterday, this surprised me a little bit, surprised me on the upside. And the number he's just gotten this morning for the T +1, that 50,000-plus room nights, that's really encouraging. So I'm pretty optimistic, absent another wave of whatever. I think 2022 hotel-wise is going to be -- could be pretty good for us.

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

Great. And maybe just as my final question would just be, could you talk a little bit about -- I mean, obviously, we did see occupancy pick up a lot in the quarter, July, and August both. Can you talk a bit about just what's the group spending behavior? So when people are on-site, how are you seeing them act relative to maybe kind of, let's call it, pre-COVID type levels in terms of uptake on food and beverage, uptake on other amenities? Just what's the psychology of the groups as they are -- once they're actually on site?

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

Do you want to take it?

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

Yes. Shaun, I would sum it up as the psychology is we want to get back to business. We want to get back to meeting. And so when they're on-site, we are seeing folks opening up the pocketbook. Obviously, they're trimming their budgets just to match up to the occupancy of the group that's in-house. So maybe they have fewer attendees simply because of Delta or something else. But on a per-person basis, we're very encouraged by what we've seen. And we're getting -- corporate has been getting back to 2019 levels in many cases. So folks are definitely ready to get moving. We've talked about this before. People know that they need to be meeting again. And once they get together, they're excited to be together again, and that's showing up in the food and beverage revenues that they're capturing.

Operator

We'll go next to Smedes Rose with Citi.

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

I wanted to ask you a little bit more about next year as well. And you talked about the significant rate improvement for the groups that are on the books now for '22. Could you maybe talk a little bit more about what you're seeing on the expense side? And I mean, for the quarter for what it's worth, your margin was better than what we had expected. But I'm just wondering if there's -- what you're seeing on kind of labor costs and food and beverage costs and how much of those rate increases will kind of flow through to margin improvement next year?

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

Yes. Well, why don't I let Patrick handle this rather than me starting and then handing over. You go for it.

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

Yes. Smedes, you're very correct. Labor is the biggest challenge. We've seen increases in the third quarter versus '19 of about 20% in terms of labor wage increases. Now, we're working very hard to offset that. We are -- we've talked about this for several months that we are targeting significant decreases in our management head counts simply because we've learned so much through COVID and believe we can operate with fewer folks, highly talented, highly compensated, but fewer bodies in place. And so we've targeted around the mid-teens in terms of reductions in head count at the management ranks to help offset the hourly increases in wages. Pricing in our rooms is obviously helping. And obviously, the food and beverage can be priced in more real-time. And meeting planners understand that food and beverage is going to go up as the cost of meat and proteins go up.

We're doing other things, though, to help offset that by bringing some of our meat preparation, protein preparation in-house. We've been doing some of the butchering in-house. We're making housekeeping optional. We're installing more and more technology to help with the check-in process, with beverage or food process, with wayfinding. So looking for more and more opportunities to have less bodies in play, more efficient and easier for our customers to actually use us. We're moving to more grab-and-go options on the food and beverage side because it's much more efficient to offer a grab-and-go as opposed to sit-down dining. Obviously, we'll continue to have that option, but just looking for more and more ways to do things efficiently and then looking for efficiencies on the utility side with cogeneration and other opportunities. So doing a lot of things to help offset that. We're in our budget process right now. We have not landed on what that margin is going to be. But between the increases in rate and a lot of the efficiencies we're achieving we're hopeful that we can offset a lot of the labor increases.

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

Yes. Smedes, it's Colin. I'm going to give a shout out to not our manager. Chris Nassetta, who made a comment, he was being interviewed, I don't know when it was, but it was reported here. I read it maybe on Sunday or Monday. He made a very important point, which is, this industry that we are very much part of, both entertainment business as well as our hotel business, is unique in one respect. We can reprice our business basically every day. And so we've been on the offense as it relates to rate. And we've been on the offense as it relates to cost. And that's why I think you saw margins the way they were in the third quarter. I'm not saying this is easy, but I feel like 2022 is going to be a good year for this company.

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

I think, we still -- when you net it all down, we still believe that we have margin expansion post pandemic versus pre-pandemic.

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

Yes. Because of all of the things we've done from an offensive perspective. Is that okay, Smedes?

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

Yes. No, that's good. I wanted to ask just one more question about those things you're seeing. And do you have any sense of -- are you getting, I guess, maybe new customers that are coming in that maybe previously were on to other larger kind of resorts or cities that are choosing now your destinations, whether it's Denver, Dallas or Orlando? Or do you (technical difficulty)?

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

Yes. Smedes, good question. We've actually hired additional sales resources who are specifically focused on the acquisition and stealing market share away from some of our competitors, and we are having success with doing that. Initially, it came in the form of folks who couldn't meet maybe where they wanted to in the past. And so we became a new option for them, and we've been able to win over their business. So we've specifically hired sales folks to help us do that, and we're very encouraged by what we're seeing.

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

And again, I don't want to keep touting the same horn. This was a directive that we made to our manager Marriott months ago, I mean, literally, probably 12 months ago in the height of the pandemic. And that is we want to go on the offense here. We do not want to be a victim. We want to go recruit the best salespeople that have been disenfranchised by our competitors. And that's what we've done. And we're probably doing more of that. And it sets us up really well for next year.

Operator

We'll go next to Dori Kesten with Wells Fargo.

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

You previously said that in order to spin out the entertainment business, you needed a base of about $75 million in EBITDA and the right management team in place and an improving operating environment. Is there any update that you can give us regarding your view on the timing of the spin?

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

No, simply because we've got just so much going on with this business right now, we've got a TV platform, media platform that is in its growth -- in a growth mode. We've got to bring in Block 21 fully and explain to our shareholders what this group of assets look like. We're working on other growth initiatives at this stage. But I feel confident that over the course of the next few months, 6 months, 9 months, we will be able to, one way shape or form, demonstrate to our shareholder group the underlying value of this enterprise. Whether it's stand-alone or whether it's still within the company, remains to be seen, but this is a very valuable business and one of which we're very excited about.

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

And how are you thinking about your holiday programming longer term? I mean, would you expect to return to ICE!? Or you found that the programming of last year and this year may have a better return?

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

No. We love ICE!. The problem is, with all of the travel restrictions from China to this country, we spent 2, 3 months with applications into Beijing to try and get visas for these artisans from Harbin. And unfortunately, because of the travel restrictions, it just -- this was dragging on, and we couldn't get it. So we had to make an audible here. And that's why we've gone with Elf, which we're very excited about. But I think, Patrick, we will bring ICE! back as soon as we can get those folks from China.

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

Yes. Dori, this is Patrick. We definitely even further believe in the power of ICE!. I would say, though, that what we learned over the past 2 years is how we can take some of the interactive programming that we've got in place now to further enhance ICE! and make it even more exciting and a little bit fresh as well as the fact that we've gotten better at the ancillary offerings around ICE!, some of the other attractions. So I would say that we've learned more about our transient customer. We've learned more about what they like on the holiday side, and we've learned how to enhance ICE! for the future. So we're very excited as we look forward and get the Chinese artisans traveling again, hopefully, next year.

Operator

We'll go next to Chris Woronka with Deutsche Bank.

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

Thanks for all data points. Question about -- do you know how much business that canceled, whether it's yours or maybe broader industry view, has rebooked yet? It seems like there's a pretty good opportunity. You guys are already getting a lot of rate growth for next year. It seems like there's even more rate growth opportunity coming shorter term, right, because there's going to be just a shortage of space as everybody gets more confident in their need to meet. So is there any way to quantify that? Or maybe that's more of a 2023 opportunity as well?

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

I -- we find it difficult to quantify simply because our competitors, the folks you sort of tend to, all the analyst community tend to compass to, really don't disclose too much data around group cancellations, rebooks. I mean we're really one of one when it comes to this degree of transparency, I think. But the point you're making is extraordinarily important because the meetings industry has been decimated over the last 18 months. And this is one of the reasons why we went on the offense in terms of going and recruiting salespeople, why we weren't -- in the first week of COVID, why we instructed Marriott to instruct our salespeople that let's not worry about cancellation fees and argue about force majeure. Let us do rebooks, and we're at 65% of the almost 2 million room nights that we rebooked 65% of the almost 2 million room nights have been canceled.

We're working with a big bucket of room nights that have canceled with us that haven't rebooked. And we're working through that process. But the competitors of ours have also suffered the same set of issues. And we see this as a huge opportunity. And particularly the other part of it all is the city convention centers that just shut their doors down and basically shunted their customers and said, we can't hold these conventions. And we've picked up some business from these companies that have been essentially shuttered and put them into hotels of ours.

And so there's a big opportunity here. Every time -- Patrick, every time we have seen problems within the group industry. This occurred in 2009. There are those organizations that treated the customer well and those organizations that didn't. And we came out of 2009 a stronger company. And I bet you that same thing is going to happen here. We're going to attract new customers. We're going to attract the best salespeople. And I think that really bodes well for '22, '23, and '24. Do you want to add to that?

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

I think you captured it.

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

Great. And then a follow-up for you on -- when we think about kind of the out years, you obviously have the opportunity to expand the Rockies. How would you -- there's -- obviously, whatever the cost may be you do that, how do you weigh that against a potential to buy an existing property or in another market or possibly a joint venture and a new market for you? Just trying to get a sense as to how important building that historical rotation strategy is versus possibly getting, obviously, a pretty attractive return on expanding Rockies?

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

Yes. This is the real interesting part of that job, and I think it's going to be something that Mark and I and Patrick will spend a ton of our time weighing here over the next 6 months because we're in a very fortunate position that we have a lot of opportunity here to grow this company. And we've got some really exciting return projects that we can do. We've proven the thesis of SoundWaves. When we built this baby, there was a lot of concern of did we build it too big? Why did you put a water park in a big group, dominant group hotel like Opryland? But when you look at the 240,000 tickets we've sold this year -- I beg your pardon, room nights we sold this year, we've really proven the thesis of this thing. It's operating at or above our internal rates of return, which we had mid-teens.

So balancing these types of projects with the unique opportunity of finding an asset in a market that would aid the rotational strategy is something that we're spending a lot of time on right now. But I really do believe that net-net 6, 9 months, 12 months from now, we're going to demonstrate to our shareholders that we have got a tale here of growth that is pretty compelling. And I'm not going to tell you which one comes first, which one comes second. And by the way, the same thing applies to our entertainment business. We've got some really good interesting opportunities in our entertainment business as well. So this is going to be a fun period of time for us, I think, over the next 12 months, not as we stab ourselves in the chest being the victim. It's how we transform this company for its next wave of wonderful growth.

Operator

We'll go next to Patrick Scholes with Truist Securities.

Charles Patrick Scholes - *Truist Securities, Inc., Research Division - MD of Lodging, Gaming and Leisure Equity Research & Analyst*

A couple of questions here. It sounds like there's been a bit of geographic shift in taking some business from other markets. Any particular markets that you have been able to take share from? Certainly, markets like New York City, San Francisco, Chicago are really hurting right now as far as group business. Any particular markets that stand out to you?

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

I don't know how to answer that question because it's not obvious from our -- the information that we've sent that you can conclude that. Our business has been pretty solid all the way across. And yes, we've recruited salespeople out of Las Vegas and Southern California, and we'll continue to focus on those markets. But our business -- the amount of business that we have conducted in this third quarter has been pretty uniform across each of our businesses. And we've seen a lot of customers that we've seen in prior years. Do you want to add any comments on that, Patrick?

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

No, I agree. I mean, geographically, I think it's pretty consistent. I think we've picked up some opportunities out of the tech area. We've picked up some opportunities out of the medical devices and services areas. But geographically, I think, it's pretty consistent.

Charles Patrick Scholes - *Truist Securities, Inc., Research Division - MD of Lodging, Gaming and Leisure Equity Research & Analyst*

Okay. I have 2 more questions here. Outside of the purchase of Block 21, how should we think about CapEx spend for next year?

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

Well, at this stage, the only capital that we have got planned for next year, the -- would be the capital replacement reserve. I mean, we don't have any...

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

FF&E.

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

We don't have any major projects that we've announced yet.

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

Yes. Beyond just FF&E and maintenance, we'll be finishing up the F&B repositioning at the National, where we will put some capital to work at Block 21...

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

To be announced.

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

Correct. But in terms of the enhancements, we think about tour product, hotel, food and beverage, et cetera...

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

Sure. Sure. But we haven't announced that yet.

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

But that's not a significant amount of money. So the biggest -- depending on when we close Block 21, whether it's year-end or early the first quarter, that will be the biggest capital outlay.

Charles Patrick Scholes - *Truist Securities, Inc., Research Division - MD of Lodging, Gaming and Leisure Equity Research & Analyst*

Okay. Then my last question, and I won't use the term rattle, but Google says, ran through quickly the number that you had mentioned -- did you say mid -- for 4Q mid-teen monthly positive cash flow, was that correct? And if so is that...

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

Yes.

Charles Patrick Scholes - *Truist Securities, Inc., Research Division - MD of Lodging, Gaming and Leisure Equity Research & Analyst*

Okay. Good. Is that a comparable figure, look at those -- the monthly PDFs that you put out. Is that comparable to what you had talked about most recently, the positive $16 million to $19 million? Is that kind of apples-to-apples, how to think about that?

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

Yes. So here's the hard thing, as we get into the fourth quarter. The fourth quarter shifts from group dominant to leisure dominant. And leisure, we all know, is booked short term. So what we've seen so far into the fourth quarter for leisure has been exciting. And the issue is, does that continue. So we've said mid-teens, and we're pretty comfortable with that. And then we move into '22 where group takes over again.

Operator

I will turn the program back over to Colin for any closing or additional remarks.

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

Emma, thank you. And folks on the call, thank you very much indeed for taking the time this morning. We're very excited about where our company sits. We're very excited about the growth opportunities for '22, those that we have already announced. And hopefully, we'll have some more interesting projects to share with you over the months ahead. And if there are any more questions that you may have that you want clarification on, please feel free to reach out to either Mark Fioravanti or Todd Siefert, our IR guy, and thank you again. Look forward to meeting face-to-face at some point. And if we don't speak beforehand, have a great holiday season, both Thanksgiving and the Christmas program. Thanks very much.

Operator

This does conclude today's program. Thank you for your participation. You may disconnect at any time.

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