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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Fourth Quarter 2023 Earnings Conference Call. Hosting the call today from Ryman Hospitality Properties are Mr. Colin Reed, Executive Chairman; Mr. Mark Fioravanti, President and Chief Executive Officer; Ms. Jennifer Hutcheson, Chief Financial Officer; Mr. Patrick Chaffin, Chief Operating Officer; and Mr. Patrick Moore, Chief Executive Officer of Opry Entertainment Group. At this time, participants have been placed on listen-only mode. It is now my pleasure to turn the floor over to Ms. Jennifer Hutchison. Ma'am, you may begin.

Jennifer L. Hutcheson - *Ryman Hospitality Properties, Inc. - Executive VP & 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 directly comparable GAAP measure in the exhibit to today's release. I will now turn the call over to Colin.

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

Thank you, Jen, and good morning, everyone. We've had a very busy start to the year here. So I thought I'd start off our call today on some of those developments. In mid-January, we opened our newest a much anticipated Ole Red in Las Vegas to a very encouraging early start. Super Bowl weekend generated strong results, including an impromptu visit and performance on stage by Blake and Gwen. Our operations continue to ramp there, and we will host our official grand opening celebration in April, and this will be a very hot ticket. At the end of last month, we hosted many of you at our Investor Day here in Nashville, where we also announced the name of our new brand partnership with Luke Combs Category 10. The response from Luke fans and the country music community has been extremely positive, and we look forward to reopening that venue in stages later this year.

Both Mark and Jen will get into the earnings discussion in a minute, but I thought I'd revisit some of the more salient points from our Investor Day to help frame how we think about our fourth quarter results, the '24 outlook and why we're so excited as we look forward to the years '25 and beyond. For 20 years, our management team has executed a unique strategy built on our employee-centric model that delivers long-term customer satisfaction with a particular focus on the group customer. We've built and continue to enhance an industry-leading portfolio of hotels to serve that customer and our service model continues to drive high customer retention, rotation and loyalty. Furthermore, group demand has surpassed prior peak levels and is very robust, especially against the backdrop of limited new supply under construction and structural constraints to new ground-up development.

As a result, we have significant visibility into the future, a meaningful reoccurring revenue stream, strong pricing power and ample high-return investment opportunities to sustain our growth trajectory. This has been our formula for industry-leading shareholder returns that I think speak for themselves. Through building great relationships with our customers, we've built loyalty and the byproduct being retention that drives overall demand. This, in turn, allows us to expand our product restaurants, hotel rooms, convention space, pool complexes, et cetera. This is an awfully efficient way to generate very high return on investments that drive our superior shareholder returns. And as the team explained in great detail at our Investor Day, the demand we're building in the out years will lead to some very exciting new projects at our existing hotels, thus stimulating further growth in our company.

On top of all of that, we have an incredibly valuable entertainment business built on some of the most iconic brands in the music industry. And recent events, such as Luke Comb performance with Tracy Chapman at the Grammy Awards and Beyonce's recently released country singles continue to highlight the growing popularity of the country music and lifestyle category. For those of you who are fortunate to be at the Investor Day dinner that we hosted on the stage of the Grand Ole Opry. I hope you were as thrilled as I was to get to see Luke up close previewing the incredible Grammys performance of Fast Car. He's an exceptional artist and friend and someone we are proud to be in business with.

Both of our businesses have generated sector-leading returns for our shareholders, and we think this will continue to be the case going forward. I've said this many times before, our business is not based on hope, hope that city-wides return to a particular market hope that a particular city cleans up its image. Our strategy is grounded in the things we know well and can control, extensive knowledge of our customers and delivering what our customers want and thus driving loyalty. And with that, let me turn it over to Mark to review our fourth quarter results and 2024 outlook in more detail.

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

Thanks, Colin. Good morning, everyone. Our record fourth quarter results were in line with the preliminary results we reported in mid-January. So for today's call, I'll simply highlight a few key metrics that drove our financial performance in the quarter. In the fourth quarter, led by the strength of the group segment, our same-store hospitality portfolio generated a record ADR of $260, up 2% compared to last year. Banquet revenue increased 13.5%, driven primarily by higher contribution per group room night, evidence of our continued success with attracting higher-quality groups. Gaylord National and Gaylord Palms achieved particularly strong results in October with the National setting a brand record for monthly banquet revenue and the Palms achieving record monthly banquet revenue for the property.

Our proprietary holiday programming continued to induce leisure demand during the seasonally low period for groups. In the fourth quarter, ICE! admissions equalled last year's record levels, while higher per caps yielded revenues above last year's high watermark with particularly strong results at Gaylord Opryland and Gaylord Texan. The success of our holiday programming initiatives, combined with the strength of banqueting results I just mentioned, resulted in record quarterly same-store total revenue in the fourth quarter. Furthermore, for the month of December, Gaylord Opryland set an all-time monthly brand record for total revenue and Gaylord Texan set an all-time monthly brand record for total RevPAR.

Early results from our initial holiday programming at the JW Hill Country were encouraging, and we look forward to activating the full slide device programming there this year.

Finally, we continue to command strong pricing power, evident both in the fourth quarter ADR as well as in our group revenue pace. At the beginning of 2024, group rooms revenue on the books for 2024 is pacing up 8% compared to the same time last year for the T+0 period and booking trends through January have remained on pace. This underscores the demand we continue to see in the group meeting segment for the quality meeting experiences like we provide. Demand for live entertainment and country music continues to drive growth in our entertainment business. In the fourth quarter, driven by strong show calendars and higher per caps across the portfolio, revenue grew 4.1% and adjusted EBITDAre grew 15.8%, translating into margin expansion of 340 basis points compared to last year.

Taken together, the momentum we're seeing in both our business segments supports our confidence to continue to invest in our assets. And as we laid out in our Investor Day presentation, we have ample opportunities to pull capital into high-return projects. In our hospitality business for 2024, we expect to invest approximately $290 million to $360 million in several major projects, including the repositioning of the Grand Lodge and a new group pavilion at Gaylord Rockies, which are already underway and expected to open in phases beginning this summer, transformation of the Governors and Presidential ballrooms and pre-function spaces at Gaylord Opryland and renovation of the lobby and the remaining 1,416 rooms at the Gaylord Palms.

Additionally, we're analysing and designing rooms and SoundWaves expansion at Gaylord Rockies, a meeting space expansion, a new sports bar and an event lawn at Gaylord Opryland and a rooms renovation at the JW Hill Country and Gaylord Texan. We look forward to being able to give you more details on these rollouts later in the year. In our Entertainment business in 2024, we expect to spend approximately $70 million to $80 million on the major projects already underway, including the opening of Ole Red Las Vegas, the renovation of the W-Austin Hotel and other enhancements at Block 21 and the redevelopment of the Wildhorse Saloon into Category 10 in downtown Nashville.

Now turning to our outlook for 2024. We are reiterating the full year guidance ranges we presented at our Investor Day, including same-store hospitality RevPAR growth of 3.5% to 5.5%, which reflects approximately 215 basis points of disruption from 2024 capital projects. Same-store Hospitality total RevPAR growth of 3.25% to 5.25%, which reflects approximately 160 basis points of disruption and consolidated adjusted EBITDAre of $740.5 million to $785 million, which reflects $10 million to $11 million of disruption within the same-store hospitality portfolio $8 million to $10 million of disruption within the entertainment business.

Below the line, we expect to generate adjusted funds from operations, or AFFO, of $484.3 million to $527 million, and AFFO per diluted share of $7.60 to $8.20.

Let me provide some color on how we expect the quarterly cadence to play out, which will be a little bit different than what we saw in 2023, but largely in line with our historical trends. In this first quarter, we expect same-store hospitality RevPAR and total RevPAR to decline low single digits compared to last year, due primarily to the timing of Easter, which falls on March 31 this year compared to April 9 last year, shifting group business out of the first quarter and into the second. We expect same-store hospitality adjusted EBITDAre margin in the first quarter to decline 150 to 200 basis points year-over-year due primarily to the Easter shift and the continued normalization of attrition and cancellation fees.

As a reminder, the first quarter of 2023 was the highest first quarter adjusted EBITDAre and adjusted EBITDAre margin on record. We expect the remaining 3 quarters to show positive same-store RevPAR and total RevPAR growth and adjusted EBITDAre margin expansion with high single-digit RevPAR and total RevPAR growth in the second and third quarters, followed by low to mid-single-digit growth in the fourth quarter. In our entertainment business, we expect first quarter revenue growth to be tempered modestly by the severe winter weather we experienced in Nashville in January. Consistent with historical trends, we expect the strongest growth in the second and fourth quarters. The third quarter will be heavily impacted by construction disruption.

As Colin discussed at the outset, we are incredibly well positioned. We have significant visibility into future bookings. We have a meaningful recurring revenue stream, strong pricing power and ample high-return investment opportunities. These investments that we're making, though disruptive in 2024 will sustain our long-term growth trajectory. And importantly, we can fund this growth plus our dividend from our balance sheet and free cash flow generation. And to that end, I'll turn it over to Jennifer to discuss our balance sheet, liquidity, free cash flow and dividend.

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

Thanks, Mark. We ended the year with $592 million of unrestricted cash on hand, and our $700 million revolving credit facility remained undrawn. OEG's $65 million revolving credit facility had a balance of $5 million outstanding. Taken together, our total available liquidity was approximately $1.3 billion, net of approximately $15 million of outstanding letters of credit. We retained an additional $109 million of restricted cash available for

FF&E and other maintenance projects. Our net leverage ratio based on total consolidated net debt to adjusted EBITDAre was 4.1x, below where we ended the year in 2019 and at the low end of our targeted range of 4 to 4.5x.

On a pro forma basis, assuming a full year contribution of adjusted EBITDAre from the JW Hill Country, our net leverage ratio was 3.9x. In 2024, we expect to generate free cash flow before payment of dividends and capital expenditures of between $500 million to $550 million, which, together with our unrestricted cash balance of $592 million at year-end and funds available in our FF&E escrow accounts will be more than sufficient to fund the dividend and the capital investment priorities that Mark outlined. At the end of 2024, we expect our total available liquidity to remain above $1 billion and our net leverage ratio to remain well within our target range. As our projections demonstrate our balance sheet and liquidity position continue to be in excellent shape to support the capital deployment opportunities available to us and the continued growth of our businesses. Finally, we are pleased to announce the declaration of our first quarter dividend of $1.10 payable to shareholders of record as of March 29, 2024. It remains our intention to continue to pay 100% of our REIT taxable income through dividends. With that, we can open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll take our first question today from Chris Woronka with Deutsche Bank.

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

Congratulations on another really great year. One of the things you guys mentioned throughout the course of 2023 was that you saw almost all the groups performing in excess of the contract on both tenants and out-of-room spend. I'm curious as to whether you're still seeing that and also whether you're able to negotiating new group contracts every quarter, whether you're continuing to bring up those minimums on things like out of room spend.

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

Chris, it's Patrick Chaffin good to hear from you this morning. To your question, how we're pacing so far in the first quarter. Like the entertainment business, we had a little bit of a setback just from the weather in Nashville in January. But overall, the group trends continue to be encouraging. We are seeing groups that are showing up and signing up for a lot more food and beverage outside the room than they originally had anticipated. I don't know that we'll see quite the outsized performance that we saw last year. But thus far, we are encouraged by what we've seen. As far as how we're contracting going forward, we continue to make sure that the inflationary pressures that we've all been feeling across the industry get priced into our food and beverage in real time. And we are making sure that the pricing is appropriate and always trying to move folks to a higher food and beverage minimum. But I would say there's been no material change in how contracting has gone forward thus far.

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

Okay. Super helpful. And then just a quick follow-up. You mentioned it also at the Investor Day, a lot of capital projects on the horizon. How are you thinking about prioritizing those based on whether it's an ROI or just expected performance at a given property or market?

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

The way that we're looking at these, Chris, is, one is based on ROI and the other is based on customer feedback in terms of what's important to the meeting planner and the attendee, the feedback we've gotten through not only primary research, but also the customer satisfaction scores that we receive. And then also, ultimately, managing construction disruption as we look at the various hotels, room renovations, et cetera, some of that timing is determined when is the best time to undertake those projects.

Operator

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

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

Given the phasing of renovations over the next few years, would you expect this year to be the most disruptive to earnings?

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

I mean if you look at probably the next 2 or 3 years, you'll have about the same level, I think, of disruption as we rotate through the portfolio with the various room renovations. We've got 3 slated, I guess, for the next 2 years. So I think that this year or next year, it would have the most amount of disruption, and I would guess about the same the dollar amount.

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

Let me add to this. I mean we can look at disruption, it's half empty, but the half full part of all of this is we're showing enormous growth in our hotel business. And I suspect that we'll see in '25 and '26 as some of these projects start to come online, very, very good growth. But it's just part of the price you have to pay for building superior demand into your business. We have this ability to grow our business materially, and we'll do that. And we'll manage disruption just like we have over the last pick a decade.

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

I would tell you that even on the Palms renovation, which is a 1,400-room renovation slated for this year that will start in a few weeks. We're continuing to massage that schedule to make sure that when we see high demand opportunities to take advantage of, that we manage the design and construction process so that the tail is not wagging the dog and that we're putting value creation first, even in the midst of this disruption.

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

Yes. There's many, many times this year that at hotel with already its contracted book of business will be basically full and we'll manage around that. And this is the way we've run this business over the last decade. And we know how to do this. But the real exciting thing is the underlying business that we have on the books for T+1, T+2 and Patrick, when we look at things like lead volumes, bookings, I feel like we're going to see very good growth over the next few years. But disruption is going to happen because we're going to be doing these projects.

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

Just one other point. On the entertainment side, the projects that are creating the disruption this year will be completed this year. So we shouldn't have any next year in that business.

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

Right. And I probably should have said construction. And then on Austin City Limits, can you walk through, I guess, maybe what best practices from your Nashville assets you've been able to instill there to drive results?

Patrick Moore - *Ryman Hospitality Properties, Inc. - CEO, Opry Entertainment Group*

So in the Investor Day, we outlined sort of our value creation program that we deploy across all of the venues. And when you look at Austin City Limits, there's a number of factors that were sort of pushing both the top and bottom line. For example, we brought food and beverage in-house we are taking over some of the frontline staff that is outsourced. We are improving overall show count and driving sort of demand relative to pricing and dynamic pricing. We are looking at things like block booking and routing from some of the Nashville-based assets into Austin. So there's a number of factors across a range of areas that were driving at ACL. Two other ones that I would mention is, first, we're redeveloping some of the areas between the hotel and Austin City Limits to have private events and other events before the show. And I'd say the second thing is, like we have in other assets, we are driving a tour business that we expect to launch at the end of this year.

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

Okay. And if I can keep you, Patrick, would you expect majority of growth at OEG over the next few years to come from your internal growth drivers, what you just talked about and then just the projects that are ongoing? Or is there a likelihood of external growth there?

Patrick Moore - *Ryman Hospitality Properties, Inc. - CEO, Opry Entertainment Group*

We're putting 3 major projects online, Vegas, Category 10, which is going to be, as Colin outlined, a significant upgrade to that property. And obviously, the improvements both to the W Hotel in Austin and Austin City limits. I would say the short answer is we're looking predominantly at the organic growth of the things that we have because we're putting so much capital into service. That being said, we're always looking for unit growth of our existing brands and other investment opportunities.

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

Yes. And again, Patrick, I think in conversations yesterday with our Board, we talked about focusing on those new opportunities that are not embedded into our business today. We should see very good growth next year and the year after, just based on what we're doing today on the existing assets, but we're looking at multiple other things here with this business. It's a very interesting business that we have many different avenues to go down to continue to grow it.

Operator

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

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

Mark, I was wondering if you could address the National. It been slower to ramp post pandemic. And we don't spend a lot of time talking about that asset on these calls. I'm just wondering from a momentum perspective, how is that asset doing relative to the rest of the portfolio?

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

I would say, relative to the rest of the portfolio, it has been slower to ramp. But what's really driving that, Bill, is the market. The D.C. market has not recovered as quickly as the other markets that we're participating in. And when you compare the National to itself and how it performed pre-pandemic, that hotel has never performed better. Whether you're looking at how they're performing with groups, group penetration, food and beverage revenues, food and beverage margins, customer satisfaction scores. That team there has really done a terrific job and the investments that we made both in terms of renovations and food and beverage during the pandemic have paid dividends for us. So we're always working to drive better results, but we're pretty happy with where the National is and where it's going. And as that market recovers, that hotel is very well positioned to perform.

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

The other thing that I've noticed with the National, Patrick, you may want to talk about this is that just the pace of bookings that we've seen over the last 12 months, it's been very encouraging. We have a very good 2023 in that hotel in terms of bookings for future years and lead volumes are very attractive at this hotel.

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

Yes, I would agree. I mean everything Mark and Colin we agree with the hotel, while the market is a bit slower to respond, we've seen tremendous growth on all fronts to both Mark and Colin's point. So one of the things that we told the property a few years ago was that we needed to fix some of the things that had been maybe lagging behind its sister properties, and the hotel has done an outstanding job of getting everything on par with its sister properties, and that allows us to start talking about growth for that hotel long term. And I think we've reached that point now. And so as we talked about at Investor Day, we're prioritizing Opryland, Rockies and then our Texas hotels, we are starting to have conversations around what do we do to stimulate additional growth with investment at Gaylord National because they've done such a great job of really getting the ship righted and much more competitive with the sister hotels.

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

Through COVID Bill, unlike all of our competitors in that market, Patrick, we probably invested I'm thinking almost $100 million. When you think about the rooms refurbishment and to leverage and the food and beverage and repositioning, we put $100 million into that. And as Mark said in his comment to your question, I think this year, we're going to accomplish internally our number for this hotel is the best year we've ever had. And it's a consequence of all of those repositioning. And I've been personally very encouraged by some of the booking trends that we have seen in this hotel over the last few months.

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

That's great color exactly what I was looking for. If I could just do a follow-up, and I can't remember if this was addressed at the Investor Day or not. But I know when you went into Austin, there was originally talked about selling the W, it's now part of the Atairos deal. And does that change the outlook for sale? Or does the closure of the convention center make a sale less likely, at least for the next handful of years?

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

I don't think that the convention center renovation and closure will influence that decision. We were undertaking a full renovation there. And generally, the way that we think about it from an entertainment business perspective is that it's a terrific asset. And the real question for us is how we want to operate that Block 21 complex? And what are the relationships and synergies that we can drive and create between the hotel and the venue. It is an asset that we do have the opportunity to monetize if we would choose to in the future. It is not encumbered by management or brand on sale. So in terms of value creation, there is an opportunity for that hotel to be repositioned if someone want to build a luxury product there. So we have that optionality, Bill, I don't think we know at this point what we want to do with that asset.

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

We want to get through the repo and see the consequences of that, which we're excited about.

Operator

We'll hear from Jay Kornreich with Wedbush Securities.

Jay Bradley Kornreich - *Wedbush Securities Inc., Research Division - Analyst*

It looks like your future room bookings in the fourth quarter came in at ADR, it was like 8.5% above the prior year. I'm curious now as we think about into your fourth year bookings in 2024, what kind of rate increases do you expect over 2023? And maybe also just remind us what percent of the total booking that in the year for-the-year segment typically represents?

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

So let's start there are a couple of questions there. We typically entered the year with about 50 points of occupancy on the books from a group perspective, and we book somewhere between 15% to 20% in the year for-the-year. We expect that, that will be consistent with this year. From a rate perspective, let me break it down this way and see if this answers your question, our RevPAR for 2024 assumes about 1/3 of our RevPAR growth assumes about 1/3 of that is coming from occupancy and about 2/3 of it is coming from ADR growth. And if you look at our RevPAR growth in total and the guidance we provided, about 45% of that is coming from group ADR growth alone. So we've entered with a great position, and we believe that we will even further that position with some of these in the year for-the-year bookings. Our sales team is doing an outstanding job of pushing group rate with the investments that we're putting into the hotels. It further justifies that we're not just raising and increasing pricing, but that we are enhancing the value proposition and groups are responding in a positive way to that. And we are very, very pleased with where group rate is heading.

Jay Bradley Kornreich - *Wedbush Securities Inc., Research Division - Analyst*

That's very helpful. And then just one as a follow-up. You referenced fully overlaying the ICE! program on the JW Marriott Hill Country later this year in the fourth quarter. And so I'm just wondering if you can give any context as to the EBITDA contribution upside you believe that can provide?

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

So when we enter into a market with ICE! for the very first time. It takes a little while to build the customer base, if you will. We see it takes 2 to 3 years. However, given the fact that Dallas is only about 4 hours away, our analysis of the markets and the MSAs indicates to us that this could be a strong performer for us. And so maybe a little bit better than what we would normally see. But I would say that we believe there's somewhere between $3 million to $5 million of revenue and profitability opportunity from putting ICE in at this property in the first year, and we'll see how it goes.

Operator

Our next question will come from Smedes Rose with Citi.

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

I just wanted to circle back on you talked about kind of the cadence of RevPAR growth over the course of the year. So are we right in thinking that the first quarter will maybe be the weakest of the year followed by the fourth quarter with the second and third quarter being your last 2 quarters. Is that the right way to think about just kind of the seasonality of earnings?

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

Yes, that's correct, Smedes. You got that right.

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

Okay. And then I was just also kind of wondering, you talked a fair about the capital projects and then you're doing a fair amount of work at the Rockies. And I guess the question is this, the need to go in and kind of make the property more accommodated to groups. It seems like it's relatively new to maybe misunderstood in the market or to misunderstand the kind of groups that were coming. And I'm just wondering what do you ascribe that to? Is it just kind of live and learn and everything you need your open and then you got to figure out what you have to do differently? Or is there something that you are particularly kind of pinpoint this year that you would have to put this much CapEx in when it's still a relatively new property.

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

Yes. It's not a misunderstanding of the groups. Keep in mind that we were a minority partner in the Rockies through the construction period and then bought our partners out after opening. And really, what we're doing with the Rockies is that we're taking essentially that Grand Lodge, which is the best real estate in that hotel and converting it from areas that are theming that are not revenue-producing and converting that square footage into space that is sellable that we can generate revenue by servicing groups. So it will allow us to drive profitability, service more groups. So Grand Pavilion is an expansion of meeting space, which really speaks to the demand that we're seeing there versus the original product that was built. So it's not that we misunderstood the market. I think it really is more an issue of design and how that hotel was built and how they use the sellable square footage to maximize the profitability of the asset.

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

Do you mind if I add to this. The other thing that our investors need to understand is prior to this hotel arriving in Colorado, there was not another convention resort in that state that drove really any material group room nights into that state. And when we open this hotel, as Mark said, we were a minority partner at the time. When we opened this hotel, we had well over 1 million room nights on the books, of which the vast majority had never been to the State of Colorado before. So what we have discovered is that this market next to this airport is so attractive to the group consumer. And that is why we've been deploying this capital to make sure that this hotel, once it's fully completed-- and by the way, we're looking at potentially adding 300 to 400 hotel rooms here.

We're looking at a potential SoundWaves here. And it's because of what we have discovered in terms of the appetite and desire of the group meeting planner to frequent this location. And what we're trying to do with this hotel over time is create an asset that looks a little bit like size-wise Opryland that is so competitively superior, and that is what we're doing here. And this is a very exciting asset in a very good market with extraordinary tax benefits that we have that really help generate very high returns on capital. So if there are any members of our investment community that don't understand that, we're happy to help them. But I think, Mark, the folks, Jennifer, the people that we meet understand that what we're doing is repositioning this hotel into something that we believe will be quite extraordinary when it's completed.

Operator

That will conclude today's question-and-answer session. I will now turn the call over to our presenters for any additional or closing remarks.

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

We've done this earnings call this morning, but it's on the back of a 1.5 days of investor meetings we had just several weeks ago. So I think if we keep talking, we're just repeating everything that we've said over the last month to thank everyone for being on the call this morning. And if you have any additional questions, please feel free to reach out to our IR folks or Jennifer or Mark. And we look forward to all the conferences that our team will be participating in over the next couple of months. So thank you, everyone.

Operator

This does conclude today's conference call. Thank you for your participation. You may now disconnect.