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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Third 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; and Mr. Patrick Chaffin, Chief Operating Officer. This call will be available for the replay. The number is (800) 839-6798 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 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 financial measure to the most comparable GAAP measure and exhibits to today's release. I will now turn the call over to Colin.

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

Thanks, Jen, and good morning, everyone. The third quarter was another exceptional period for our company, setting and surpassing several records just as we did last quarter. At the highest level, this was the best third quarter performance ever for total revenue, total adjusted EBITDAre, total adjusted EBITDAre margin for our Hospitality segment. And notice I did not include occupancy on that list.

That is what is impressive as our hotels delivered $62 million more in revenue $28 million more in adjusted EBITDAre, despite 5.6 fewer points of occupancy compared to the last pre-pandemic third quarter of 2019. I've been asked over the past year by a few of our peers and several of our investors as to why our results are so good compared to the rest of the hospitality REITs.

And frankly, it comes down to a few key differentiators. First, we've insisted that our manager looks after our frontline staff through the pandemic because it's those individuals who looks after our customers. Second, we've worked with our manager to overhaul our management ranks and improve overall productivity and efficiency.

Third, we continue to deploy and invest capital even in the face of a 13-month pandemic so that the physical product creates real value for our customers. Fourth, we've enhanced and invested in our sales processes and at the same time, increase the size and effectiveness of our sales teams. And by the way, we at Ryman, Patrick, Mark, Jen and I bring these teams together regularly and honor and motivate them.

And that is one of the reasons why our room production is so strong. And it doesn't stop there, we at Ryman arrange and host events for our large customers so that they know that we truly care about them and their organizations. It's funny. When we converted to a REIT back in 2013, we shied away from talking about our operating DNA. But today, after years of superior results, it's clearly an understanding of operations and the customer that makes a great hotel and in turn create value.

That, of course, as a manager that is willing to work with us that has respect for our knowledge. So now back to the results. Both group and leisure customer segments contributed to this top and bottom line delivery. For example, another quarterly record was our leisure transient ADR of $288, up 42% over the third quarter of '19 and adding $5 sequentially to the previous all-time leisure ADR record set in the second quarter of this year. Groups also delivered healthy ADR growth of their own with the average rate for group hotel room nights in the quarter, up 11% compared to the third quarter of '19.

On top of these room revenue gains, we continue to see strong outside of the room spending behavior by our groups in the third quarter. That is evidenced by another record total banqueting revenue of $122 million was the highest all-time quarterly banquet spend by groups across the Gaylord brand, surpassing the previous record set just prior in the second quarter of this year. And that is despite a mix shift of 12,000 fewer group room nights in the third quarter compared to the second.

And one thing, all groups seem to have -- one thing all groups seem to have in common this year, has been a willingness to spend on property. After waiting up to 2 years during the pandemic, it should come as no surprise to see our groups designing bigger and better programming as they finally make their return to in-person events and we're happy to accommodate them.

Of course, we're ready and able to deliver bigger and better banqueting experiences, thanks to the investments and capital we have deployed across the portfolio during recent times, whether in new and expanded ballrooms, event launch or extensive F&B outlets, outlets and all the reconcepting that we have done over this period.

Group performance was broad-based across markets. And on an individual basis, each Gaylord hotel managed to set a record for best third quarter total revenue or total adjusted EBITDAre and in 4 cases, set records for both. The top prize must go to our newest hotel, the Gaylord Rockies, which also picked up the trophy for the highest quarterly occupancy in the history of Gaylord Hotels brand at 86.9%.

Now maybe 86.9% to most REITs that operate 300 room hotels doesn't sound that spectacular, but the Rockies has 1,500 rooms and to sell approximately 120,000 room nights in a quarter without a casino is pretty special. So this is quite a notable accomplishment and illustrative of what our hotels are capable of achieving as group demand continues to return.

We're also particularly pleased with the Gaylord National, as the broad repositioning of this hotel's F&B offerings layered on top of the strong banquet performance of groups in general that I just mentioned, delivered an $8 million increase in F&B profitability on an incremental $9 million of F&B revenue were a flow-through of 88% in this department when compared to the third quarter of '19.

This contributed to an 82% adjusted EBITDAre flow-through rate for the hotel overall against the same time period. The combination of full rooms renovation that we completed during its extended pandemic closure and the extensively redesigned F&B layout has us excited about this hotel and what it can do in the next few years. Speaking of the future ahead, let's discuss for a minute our sales production.

We added 614,000 gross group room nights to our forward book of business in the quarter. These room nights came with really good ADR growth across all individual out years with an average contracted rate at $252. And in case you're wondering, yes, that is another all-time record for quarterly gross booking ADR. This rate also represents an increase of 17% over last year's third quarter booking ADR and 25% over the third quarter of 2019.

In this inflationary environment, and with the strong outside-of-the-room spend behavior we're seeing from groups, we continue to place a high priority on sustaining ADR growth in our sales activity. Looking a bit closer at our production in the year for the year, strength that we have been commenting on all year in '22 has continued and transformed here towards the end of the year into excellent short-term momentum for T+1 bookings that is groups going into 2023.

To be precise, compared to the third quarter of 2019, our new gross bookings for travel next year or T+1, increased 13% or 52% when compared to the third quarter of last year. At the very top of the sales funnel, our lead volumes generated in the third quarter for arrival in all future years increased 54% from a year ago and were up 5.3% compared to the third quarter of 2019.

Now this is an important number to highlight as it represents the first quarter post pandemic that our lead volumes for all future years eclipsed the same time in 2019.

Now I'm not giving you these highlights and records simply to pat ourselves on the back for our strategy and our capital allocation decisions. Certainly, we believe these results on top of the second quarter's equally impressive performance are a validation of our strategy going into and coming out of the pandemic.

However, we also read the news and the analyst reports that you guys produce -- and we know the investment community is rightfully focused on the macro economy right now and the triple threats of recession, inflation and interest rates. So sharing this data is to be transparent and show you what we're seeing internally, both right now in terms of group behavior on property and looking ahead in terms of meeting planner sentiment and willingness to book new meetings. And the short of it is we do not see the headlines of recession playing out in our business at this moment.

The desire for our customers to get back to their regular programming is proving to be more powerful, have a more powerful influence on behavior right now than the economic concerns we are all being subjected to.

And as we remind you often for many of our customers, particularly associations who rely on registration fees, exhibitor fees and sponsorship fees, their annual meeting is their primary economic concern. But if our year-to-date results are not enough, let me rewind the clock briefly and remind everyone what happened to our company in the last true mega recession following the global financial crisis in 2009. If you look back to that year, first, virtually all of our cancellations were confined to the corporate segment. And on those cancellations, we collected close to $28 million in fees.

Now when it was all over for 2009, we experienced about a 10% decline in revenue and a 9% decline in adjusted EBITDA, compared to an average revenue and profitability decline amongst our peers of 22% and 38%, respectively.

So when we sit down and we plan for the future, we're not thinking foremost about navigating the economy. We're thinking about how we're going to best serve the 46.6 points of net group occupancy on the books already for '23 and the 36.7 points on the books already for '24. We're thinking about how we can further upgrade, expand or enhance our meeting space, our food and beverage outlets and our resort amenities to further differentiate our assets against an extremely limited supply growth backdrop for group hotels. We're thinking about how we can design more compelling leisure programs around our peak group periods to induce even more high-rated affluent transient demand.

During every recession, or period of disruptions we've endured over the years, we've emerged a leaner and stronger hotel business, and it's certainly the case right now as we emerge from this pandemic. And in our entertainment business, which I'll turn to now, we're thinking about how we can extend our reach amongst the country lifestyle consumer or how we can create even more value from our iconic Nashville assets as this city continues to experience such incredible growth.

So those are the top most issues that we focus on a day-to-day basis here not the latest GDP numbers or the pronouncement of well informed journalists or politicians. Now some more color on our entertainment business. On a total basis, Opry Entertainment Group delivered $21.1 million of adjusted EBITDAre in the third quarter, which was within our updated guidance range.

As most of you know this was the first full quarter following both the acquisition of Block 21 in Austin and the sale of 30% of our OEG business to our new partners at Atairos and NBC Universal. And since June 2019, we've also opened 2 new Ole Red locations in Orlando and at Nashville International Airport as well as launched our investment into Circle our linear and streaming network.

When you exclude these subsequent acquisitions and investments and look at our business on a same-store basis, our core entertainment business saw revenue growth of 19% and EBITDA growth of 21%, compared to the third quarter of 2019. This is the same type of growth we saw pre-pandemic as the city of Nashville to surge back to its prior trajectory.

Now I'll remind you over 40% of the U.S. population lives within 600 miles of this city. And the most recently published data from the city through June of '22 shows visitor metrics setting records this year, just like so many of our businesses.

For example, June of this year was the highest ever monthly visitor traffic through Nashville Airport of 1.83 million passengers, over 9% above June of 2019, and in the same month, hotel demand across Nashville of 875,000 room nights was also a monthly record, up 11% over June of '19.

At this moment, there were 50 new hotel developments in Nashville, Davidson County and the city projects over 2,600 new rooms to open in the next 2 years with another 4,000 behind them still in planning. And to remind everyone, these are not large group hotels to compete with Opryland.

These are leisure and transient focused properties that will deliver and host 1,000 more downtown visitors. Many of these new visitors will end up seeing a show at the Ryman, touring the Opry House or spending an evening at Ole Red or the Wildhorse and we'll be ready for them. And when they leave Nashville and to return home or they go to Austin or Las Vegas for their next musical pilgrimage will be there continuing to engage with them, whether through our investments in expanding the Ole Red footprint or deepening our virtual reach across linear television, digital streaming or online.

We have a menu of exciting new strategic options to pursue alongside our partners at Atairos and NBC. And these conversations and plans that we're having with these folks are well underway. This is a part of our business that I'm looking forward to driving forward and spending more time in discussions over with Atairos and with the artist community, as we build a truly one-of-a-kind platform to connect the country lifestyle consumer with the content and the artists that they love.

Now to that end, with all our businesses operating at record or near record levels of performance. There's no better time for me to transition the day-to-day CEO role to my long-term colleague and partner here, Mark Fioravanti. Mark has been instrumental in getting our company to these levels, and I'm confident he will sustain and grow them in the future.

Mark will assume this new combined role as President and CEO in January 1, and I will step into the position of Executive Chairman for both Ryman and Opry Entertainment Group. It has been an honor to lead this company for the past 2 decades, and I'm extremely proud of all that we have accomplished, and I know it will be in great hands with Mark at the helm. So with that, let me turn it over to Mark, who will discuss our latest outlook, and then Jen will wrap up, talking about our much improving balance sheet.

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

Thanks, Colin. I'm grateful to you and my fellow Board members for the opportunity. It is a privilege to lead such a talented long-tenured management team at such an exciting time. And it's my hope and expectation that the records you just outlined will not last very long as we seek to surpass them by investing and growing in our businesses.

Let me spend a moment on our fourth quarter expectations and how we're currently positioned for 2023. The fourth quarter is our most leisure-oriented portion of the calendar and we've always filled our hotels during this time with holiday theme programming headlined by our ICE! exhibits. These exhibits feature walk through larger than live hand carved ice sculptures produced by master carvers from Harbin, China.

For the last 2 years, we've been unable to bring the carvers to the states due to travel restrictions, but we're happy to confirm that they are on U.S. soil, at each of our properties and putting the finishing touches on each of our exhibits.

Our leisure transient business going into the holiday season and our advanced bookings and ticket sales for ICE! and our other associated activities are all tracking very well to our expectations. And based on our group business on the books for the fourth quarter and the current pace of transient holiday bookings, we expect to deliver a strong fourth quarter for our hospitality business above 2019 levels. Specifically, we now anticipate full year hospitality adjusted EBITDAre of $491 million to $500 million, an increase of $13 million at the midpoint compared to our prior range.

This implies a midpoint over $133 million of hospitality adjusted EBITDAre in the fourth quarter, which would exceed our fourth quarter of 2019 by approximately $8 million. Looking into 2023, as Colin noted, we ended the third quarter with 46.6 points of net group occupancy already on the books for next year at an average rate of over $221.

This translates to over $392 million of group rooms revenue on our books for 2023 with another 3 months to go before we begin the year. This is 10.4% higher than the $356 million of group rooms revenue we had in the books for 2022 at this point last year and nearly $50 million more than the $342 million we had in the books in the third quarter of 2018 for 2019.

In our Entertainment business, we're also expecting a strong finish to the year as we continue to see solid demand for our core Nashville assets with 20 more concerts and events on the books for the fourth quarter at the Opry House and the Ryman Auditorium than we had in the fourth quarter of 2019. In addition, we continue to see improvement in post-pandemic demand in the tour and travel segment in Nashville.

The third quarter was the first full quarter of operation under our ownership of Block 21 in Austin, Texas, whose performance was in line with our initial assumptions and does not yet reflect many of the enhancements and improved utilization we have planned for these assets, which we expect to begin in 2023 and ramp over the first few years of our ownership. Altogether, we continue to expect OEG to deliver at least $72 million of adjusted EBITDAre for the year, but we are tightening the range to $72 million to $76 million from their prior range of $72 million to $80 million.

Looking ahead, with the enhancements we have planned for Block 21, the continued strong growth in Nashville visitor traffic the anticipated return of top artists talent as they finish their post-pandemic touring schedules and, of course, the recent groundbreaking for our Ole Red Las Vegas location, we are tremendously excited about the next several years at OEG.

And lastly, in our Corporate segment, we expect full year adjusted EBITDAre to be a loss of $30 million to $32 million or $1.5 million better at the midpoint than our previous range of $32 million to $33 million. The combination of these adjustments yield an increase to our full year guidance range for consolidated adjusted EBITDAre to $531 million to $546 million, a $12.5 million increase from our previous range at the midpoint. As is our usual course, we'll give more specific 2023 guidance for both of our segments on our fourth quarter call in late February. And with that, I'll turn it over to Jennifer to update you on our balance sheet and liquidity.

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

Thank you, Mark. In the third quarter, the company generated total revenue of $467.8 million, and net income to common shareholders of $45.2 million or $0.79 per fully diluted share. You'll note that there's an increase in our fully diluted share count compared to prior reporting periods; which reflects the put rights held by Atairos as part of the Opry Entertainment Group investment agreement.

Total consolidated adjusted EBITDAre for the third quarter of $150.1 million was above the high end of our guidance range of $146 million, reflecting the outperformance of our Hospitality segment as described by Colin.

As Mark outlined, we are increasing the guidance range for our full year consolidated adjusted EBITDAre and I would just add that this guidance range is on a fully consolidated basis, with Opry Entertainment Group included at 100% ownership. We will continue to report for this fully consolidated figure as well as the pro rata adjusted EBITDAre that excludes noncontrolling interest, which excludes Atairos' 30% share of the Entertainment segment.

Turning to the balance sheet. We ended the quarter with $224.7 million of unrestricted cash on hand and our $700 million revolving credit facility remained undrawn. Together with the undrawn $65 million revolving credit facility in Opry Entertainment Group, this yields $979.3 million of available liquidity, net of $10.4 million of outstanding letters of credit. We retained an additional $96 million in restricted cash available to us for certain FF&E projects and other maintenance.

On a trailing 12-month basis, our net leverage ratio of total consolidated net debt to adjusted EBITDAre stood at 5.6x. Based on the midpoint of our guidance, we anticipate we will end the year at approximately 4.9x, which is very close to our pre-pandemic target range. We were also happy to reinstate our quarterly dividend paying $0.10 per share in cash on October 17, totaling approximately $5.5 million.

Going forward, our interim policy is to pay a minimum annual dividend of 100% of REIT taxable income. Finally, in terms of interest rate exposure, as of quarter end, approximately 90% of our outstanding debt was at fixed rate, either directly or with the benefit of swaps. Through the end of 2023, we have only 1 maturity on our $800 million Gaylord Rockies term loan, and this loan has three 1-year extension options available to us. Thus, we believe our balance sheet is well positioned to weather this volatile period for interest rates and capital markets. With that, I'll turn it back over to Colin.

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

Thanks, Jen. So Catherine, let us open up the call for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

We will go ahead and take our first question from Shaun Kelley with Bank of America.

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

Colin and Mark, congratulations on the new titles. Colin, you'll be very much missed on these calls when we don't get to host you anymore.

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

Well, you're making the assumption that I wouldn't be on those calls, we'll see what happens.

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

Okay, then we'd love to keep with you.

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

Someone's ought to keep you guys in check.

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

Very true. So on that, let's just kind of look at a couple of the numbers. So the things that we're looking at closely is, Mark, in your statement, you talked about the group room revenue on the books for T+1, I believe the number was $392 million.

If I'm looking at it correctly, that's a quite nice pickup. I think that's up about 4% from where you were in '19 and also pretty -- up 4% from the last update you gave. So what sort of drove that pickup in activity, is the question.

And then in the month of September, it looks like or September and October? And then just in general, what are some of the levers that can drive that number between now and the end of the year?

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

Yes. we're going to -- Mark and I going to defer to Patrick here because he has all of the detail. But suffice to say, the booking production -- let me back up a second. When we listen to all of this noise around inflation, all the noise around the whole issue of are we going into a recession or not.

I got to tell you, I was pleasantly surprised with the level of bookings that we were able to confect. And also the amount of inbound requests for RFPs with our lead volume. The lead volumes jump in this third quarter was pretty spectacular.

And then I would tell you that the 4 of us -- actually, 3 of us, Jen wasn't there. We -- 3 of us were with our -- all of the Gaylord salespeople, Patrick, want about 3 weeks ago, 2 weeks ago in Orlando. We brought them in to celebrate the work that they have done through the pandemic, thank them for the great job they're doing.

And I'll tell you, I was so surprised by the enthusiasm and the excitement that, that group were just amongst themselves how they were so pumped where things currently sit. So Patrick talk about the 4% increase and what we think is going to happen here.

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

Shaun, it's Patrick. I would attribute what you're seeing on the group side to 4 things. Number one, we've been talking about this for a couple of years. The decision to retain the sales team and have them focused on rebookings as opposed to just cancellation collections. That has set us up for a stronger book of business in '23, '24 and in '22 coming out of Omicron.

The second thing I would say is, as Colin talked to earlier in his comments, we've finally seen lead volumes recover beyond -- and can see growth beyond what we had in 2019.

So the group business continues to strengthen and recover and so combine that with us building a stronger book of business that's played out very well for us.

The third, and again, something else that Colin has talked about is our investments. What I would tell you is we have a different narrative than our competition right now. We have a narrative that says we've been adding value throughout the pandemic. So we're not just raising rates on you because of inflation, we have value to offer to you, and I think our group customers are seeing that and understanding that we have not lost our stride whatsoever and have only enhanced our hotels through the past 2 years.

And the last thing I would say is smart management of the group calendar. What I mean by that is making sure that we're not just filling gaps hastily and with -- in a reckless manner, but continuing the scientific discipline in filling up the group calendar so that as these last-minute opportunities are materializing as the recovery continues, we have space and rooms in which to put them in, in various hotels across our portfolio. Those 4 things have set up a nice finish for 2022 for us and have set up '23 and '24 to be really strong years for us as we look forward.

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

I'd add one factor, and that is that we have Patrick's team, along with Marriott, have done a terrific job of driving the leisure rate. And what that has done is that it has raised the bar in terms of group rate, certainly during group need periods. And so those 2 segments feed off of each other -- and Patrick's group has done a terrific job of instilling some discipline in that process and driving that minimum required rate for the salespeople.

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

This is a very important point, Shaun, that Mark's just made. The dynamic between escalating leisure rate and escalating group rate, these things are so intertwined for folks who really don't understand this business, they probably see these 2 groups of business. These 2 segments of businesses being very different and not related. They are very related. And I'm very excited about the prospects for the next 12 to 24 months in our bookings and in our rate growth.

Operator

We'll take our next question from Chris Woronka with Deutsche Bank.

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

Mark and Colin, congratulations on the new roles. Colin, we certainly appreciate all the anecdotes and perspectives over the years. So hopefully, we'll get to continue a little bit of that. And my question actually was for you, Colin, is now in this new role, what is it -- trying to get some ideas on what you're going to do with that entertainment group? What your vision for that is now that you have a little bit more time to spend on it exclusively?

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

Well, our goal for it is no different to what we've been articulating to you guys for the last 2 to 3 years. It's funny, right. Let me just say this. I'll come to your question a minute Mark and I would chat earlier today. And we've fielded some sort of inbound questions about our results and the analyst community and the investment community are now really focused on this entertainment business, and we're really pleased with this.

Because it seems like for 5 years, we were wanting to talk about and talk about the underlying value, what it represented. And it took some time to get the analyst community and the investment community sold up to the fence. And -- but now we've got a lot to do.

I love this business. I love the relationship that this company of ours has built with the artist community. There is an extraordinary trust that this community has with our company. And what I want to do is make sure that the baton is passed very clearly to Mark over the next couple of years here in terms of making sure that he is the guy, the person that the artist community identifies as the leader of this company.

But I'm going to stay very closely involved in this part of the business. We have -- I can't begin to describe to you, Chris, the amount of opportunities that we are fielding on this business. I would say that Mark and I are spending probably 19% of our waking hours fielding inbounds, looking at different opportunities, working with our team here to grow this business.

And the amount of activity that we're seeing from our friends at Comcast, NBC Universal is really, really picking up. So the key for us is putting this through a sieve and making sure that we prioritize on those things that are really, really important.

But my goal and Mark's goal for this business is to do what we've said that we need to do with it, which is at some point, separate it, but we will separate it when growth is obvious to the investment community. The structure that we have, management structure is really, really, really strong. And that's what we're going to be working on. So lots of opportunity here.

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

Thanks, Colin. Super helpful. Just a quick follow-up, if I can. You guys have talked a lot in coming out of COVID about changes into National. You talked about some of them in the comments. Is what you achieved in third quarter or maybe year-to-date? Is that running in line with or maybe even ahead of your expectations, I guess, mostly in terms of margin performance? And how do you look at that going forward?

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

Yes. I know from my perspective, I am pleasantly surprised with what we're seeing there. And it's not just the performance in the third quarter. It's the excitement in that management team. And the physical work that we have done there, obviously, I don't know, we were now at about a month ago -- we had about a month ago. And the room product looks great. Corridor product is great. What we've done on food and beverage there looks superb. And it's all sort of playing out in our results. Pat, you want to add to that to Chris's...

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

Yes, Chris, I would say we're slightly ahead of our expectations, but we believe that the momentum will continue to build. We're looking at ways to further activate the atrium at that hotel and to create more revenue-generating spaces. We are getting ready to renovate Old Hickory and add some meal periods to that restaurant.

And so we're excited about what that's going to be able to do for us -- and then to Colin's point, building on the momentum that's already been built there, we're looking at how do we truly drive more leisure occupancy into that hotel long term and exploring different opportunities and ideas there because from a group perspective, that hotel does an outstanding job.

We've always had a little bit more of opportunity on the leisure side, and so we're kind of deconstructing that. So we think there's still lots of upside opportunity at Gaylord National and the momentum will only continue.

Operator

We'll take our next question from Bill Crow with Raymond James.

William Andrew Crow - *CIMB Research - Research Analyst*

One hospitality question and a couple of quick ones on the entertainment side. On the hospitality side, as you think about the cancellation fee income that you've received this year and hopefully, burning off next year, quite substantially. What does that do for '23 margins on hospitality versus '22?

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

Patrick, you or Jennifer?

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

Yes. Keep in mind, we've been expecting this attrition and cancellation to continue to burn off. This is a good problem to have. The customers are expected to come -- and in the third quarter, it was about $10 million of attrition and cancellation fees. And that's getting closer to our normal run rate in terms of what we expect each quarter. So I mean, I think, what, $5 million maybe in the fourth quarter, and that would be a continual run rate, Patrick?

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

Yes. Bill, I would say there's a couple of things that we're doing to make sure that with that cancellation fee revenue burns off, that we don't see negative impact of the margin. The first is we're making investments to continue tightening up on our labor management. We're using a technology platform that's been enhanced. So that's going to help us on one side. Colin has alluded to multiple times that we continue to look at how to hold our management headcount in check and at a lower level than where we were in 2019. So a lot going on in the labor side.

And then the second thing is -- you've seen some great progress on the group rate side and tremendous progress on the leisure rate side. But I would say on the group side, we're really just getting started. We believe there's additional upside for us to continue to grow group rate. And that additional rate growth in the future will help insulate us from any kind of decline in our margin or erosion as a result of those cancellation fees going away.

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

Yes.

Let me weigh in. Bill, let me just say one thing. So I think when you look at the fact that we collected almost $100 million in cancellation fees through the pandemic. And we collected almost $30 million, $28 million in 2009. This part of our strategy is clearly a really good insurance policy for bad times, societies like ours that are going to hit from time to time.

But I want to go back to 1 of the things that we said very clearly as we went into this recession. And we said that we expect that when we come out of it, our margins will grow 100 basis -- 100 to 150 basis points. And our thinking on that hasn't changed -- hasn't changed at all. In fact, we're potentially excited about can we do better than that? Because we have been able to reimagine, reengineer our business.

And that's what we have done here. We've recalibrated this hotel business, whether it's the relationship with the meeting plan is building more business coming to us, whether it's the upgrading of the sales process, whether it's improving the leisure offerings that we've done throughout the pandemic and improving the efficiency that Patrick just talked about, we expect our margins to improve and our business to be just stronger post pandemic than it was pre-pandemic. And it was -- I hate to pound our chest here, but it was industry-leading pre-pandemic.

William Andrew Crow - *CIMB Research - Research Analyst*

Yes. I appreciate the color on that, Colin. I mentioned two quick questions on the entertainment side. The first one is any signs of improvement in Orlando. The second question is, if you could just shed some more light on the put option. That Atairos has and what would trigger that? I guess I had missed that there was a put option on their on their side.

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

Yes. In terms of Orlando, Mark, things are improving. The convention business is coming back.

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

If convention traffic comes back, we're seeing improvements in the business.

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

Yes, we had a double whammy there, right? I mean we built this building and it's beautiful and the customers love it. And then we had, obviously, the pandemic and things with the convention industry in Orlando fell apart.

And this facility is near the convention center as that business comes back, our business is improving. The other whammy was that the death -- unfortunate death in Icon Park on a ride that was in Icon Park. That basically the ride got shut down, bad press in Icon Park, and that was a problem. But that is -- we're moving on, on that.

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

Yes. They're in the process of taking that ride down, right? And it will get replaced with another attraction. So that will help -- they're literally next door to us. So that will help put traffic as well.

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

But our rest of our Ole Reds. I mean, Ole Red here is materially outperforming what we imagined Ole Red here was going to do. And Gatlinburg is continuing to just do very, very well. So our Ole Red business is going to be fine. And by the way, the Las Vegas, I'm really excited about that. You want to talk about the put option, Mark?

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

Yes. So the put option is within the context of -- if you think about the deal as it's structured, it's first a minority interest.

And secondly, because of our REIT structure, it does create some potential for liquidity challenges for an investor because of our income tests. And so what we structured in the transaction was a number of, I guess, what I would call kind of on and off ramps for our partner. Specifically, in terms of on-ramps, they have the ability over the next 3 years to buy up to 49% of the business, an incremental 19% to get to 49%.

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

At a preterm...

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

At a preterm multiple 17x trailing. And if they execute that buy right, then all of the put rights go away. And the purchase option that they have also terminates if we would do an IPO, if we would sell the business or spin the business.

So that's kind of their on ramp. In terms of the put right, the way that the put right is structured is that if we've not completed an IPO prior to the fourth anniversary of the deal, which is -- would be 2026, they can request an IPO. If we decline to do that IPO, then they have the right to put the business back up.

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

For their investors...

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

And we can either take them out in cash or use shares. And they have a second put right in year 7, that if we've not completed an IPO, a sale or a spin prior to the 7th anniversary, which is 2029, then again, they can put their interest back to us at fair market value.

And again, we have the ability to sell in cash or shares at our option. So what we've tried to construct with Atairos is a system of on and off ramps where they don't -- they're not subjected to a liquidity discount in the future and that we've retained control of the process and maintain our optionality as it relates to whether we would use cash or stock. And unfortunately, despite the outcome being in our control from an accounting perspective, accounting rules require us to assume full dilution occurs. And that's why you see that dilution.

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

Yes. And the reason we negotiated the right to do it in cash or stock was because here we are back in when we were negotiating this back around Christmas of last year. With Omicron, we're thinking to ourselves, we've had the kitchen sink thrown at us as an industry as a society. what could be in place 4 years from now. So it was really an option of our choosing.

But stepping back from the mechanics of all of this, we and our partners have really focused on how the hell that we grow this business. How do we then separate this business and do with it what we all have wanted, which is to allow this business to flourish as a standalone separate entity. And that's what we're focused on here. And these are -- the things that Mark has just described, the structure that Mark has just described is really -- it is there, but it's not -- that's not what we're working towards.

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

And Bill, if you want to jump on a separate call to go through the details, happy to do that.

William Andrew Crow - *CIMB Research - Research Analyst*

Okay. No, I appreciate the insights on that. I'll yield the floor. And congrats to both you guys on promotions?

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

Thanks, buddy. I appreciate it. Next call, please, Catherine.

Operator

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

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

Congratulations to both. So you touched on a few different times, but if you do look over time, how tight of relationship is there between the change in leisure rates and the change in either near or medium-term groups? Or is the point more that they move somewhat together, but with much higher leisure rates, you should be able to drive higher group rates?

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

Yes, you want to take that, Pat?

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

Yes. So Dori, it's Patrick. So to Mark's point a few minutes ago, the growing leisure rate gives us 2 benefits. Number one, it allows us to have the conversation with the group that the leisure realities, what we're seeing on rate applies to group and so that starts that conversation, and it helps everyone get their minds wrapped around the fact that group rates just cannot stay stagnant that they are growing.

The second thing it allows us to do to what Mark was kind of pointing out is historically, before we really started investing a lot in our leisure amenities and our leisure business, our need periods were much more. There was -- during the summer and during the holidays, we just didn't have much group in-house.

And as we were building our leisure capabilities, we were really taking a lot of lower-rated groups to just sort of fill the occupancy -- now that we've gotten a much more science and capabilities behind what we can do on the leisure side, we are able to tell groups that might come over that period because they're a low-rated group look, here is the reality of what we're able to capture on the leisure side in-house during that same period. So if you want to travel, it's no longer we have to discount and allow you to come because we don't have any other occupancy. It's now a conversation of we have high-rated leisure in-house.

Therefore, the group customers are going to have to pay more to be in-house. So it sets up for -- it takes a little bit longer for us to get the group rate to grow, not in terms of as we're booking it, but for it to materialize in the P&L, it takes a little bit longer because, again, we're booking corporate 18 to 24 months in advance, and we're booking association 3 to 4 years in advance.

So our weighted average of what gets booked prior to an inflationary environment like we're in right now, it takes a while for those group room nights that were booked at maybe a little bit lower rate part inflation to burn off. Hopefully, that answers your question, but let me know if you have any follow-up.

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

That's good. And if we look out the next 2 years, what larger ROI projects would you all expect to be underway? And does the record occupancy and bookings that Rockies accelerate your plans there?

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

We have so many. I'm not even sure we have time to talk through all of them right now.

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

No, no. It's funny. We -- the 4 of us have this conversation 2 days ago about actually yesterday about the cadence of the projects that we're looking at. We could take you through each hotel. I mean, we're looking at the Rockies, we're looking at potentially -- we are going to redo the whole lobby of the Rockies.

We're going to -- we're building an outdoor pavilion -- we're going to build an outdoor pavilion. We're looking at a potential improvement to our whole water feature SoundWaves potential. We're looking at more rooms. When we move to other markets, like, for instance, here in Nashville, we're looking at a materially changing the whole sports bar, food and beverage offerings of this hotel.

In Texas, we're looking at a SoundWaves building sound waves there because of the potential to really add leisure business through the winter months of that hotel. We've just got -- we've got so much going on everywhere.

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

And do you want to just touch on quickly the brand research that we completed with Marriott and how that informs how we're thinking about investment?

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

Yes. As -- as you've heard Colin talked about many, many times in the past, it's -- we don't just go off what we think, we go off what we know. And so we do a lot of research. We've had a continuous research effort going on with our group customers and our leisure customers over the past couple of years. It started prior to the pandemic, and we continued it through.

And so it was very fortuitous because we're able to see what was happening as the pandemic was setting in and then the recovery starting as far as how group customers and leisure customers responded. It has informed our strategy for the future. We've been able to identify where the opportunities to just improve what we're doing today, just clean up our execution as well as where the group customers want to see us grow. And we're using that to inform our strategy for the next 5 to 7 years.

We're getting ready to do another research effort as we go into 2023 to better understand the industry, to better understand how meeting planner preferences have changed, et cetera. So we have a boatload of research that we're using to, again, going back to what I was saying earlier to Shaun Kelley, to change the narrative that while others have just kind of been keeping their heads down and trying to endure the pandemic, we've been looking at how we create more value for the customer, how we modify our operations, how we evolve as a brand to better meet folks needs so that we have a very different narrative to be able to pitch.

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

I believe we have 2 or 3 more of the analysts in the queue, Catherine, let's continue for a bit.

Operator

Absolutely. We'll go next to Smedes Rose with Citi.

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

And along with everyone else, congrats to you, Colin and Mark on your new roles. I wanted to just ask a little bit about the mix of group business that you've got on the books for next year and the following years. And I guess, specifically, I was just wondering if you're seeing any change in attendance for folks on the association side of the business. I think they often participate in those association meetings on their own dime.

And I was just wondering if the higher rates and higher airfares are impacting demand there? And maybe kind of if you're just sort of seeing any kind of mix change and kind of the kinds of groups that are coming to you?

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

It's a good question, by the way.

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

Yes. Smedes, it's Patrick. As we look to our mix for '23, '24 and '25, we have not seen a significant shift away. I would tell you that we've seen a resurgence in corporate demand coming back, association demand kind of came back a little bit faster post the pandemic.

So our mix is a little bit more heavily weighted towards association just slightly as we look at '23 and '24, but that's really not because of a change in behavior. It's simply how the 2 segments of the business of the industry have been coming back. we feel really good that we have lots and lots of spots where we can put in short-term corporate business as it continues to surge and come back as we're booking into '23 and '24.

To your question on attendance, we've not seen attendance numbers changed as the inflationary environment has accelerated. We've been watching real closely with what's going on in potential recession. We've been talking to our sales folks a lot over the past 8 or 9 weeks and just saying, are you seeing any change in behavior. There's been a few corporate groups here and there, just not a material amount, but a few corporate groups that have pulled back a little bit in their attendance.

But the funny thing is that when the group actually shows up, while their attendance may be a little bit lighter because of fears of recession, their outside-the-room spend is as healthy as any other group on property.

So we don't think that it has materialized into a trend at this point. It's just a few groups here and there. So really nothing is happening on the attendance side of note right now and especially not on the association side. So many associations are really, quite honestly, just trying to make up for what they lost over the past few years and trying to make sure that the programs they're providing for their attendees are compelling enough to get them to travel despite some of the increases in airfare travel, et cetera.

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

Maybe one of the benefits of that tilt towards association next year is that, as you know, during the recessionary periods, associations travel versus cancel. They will have attrition, but they do travel. And we saw that in 2009.

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

Yes, it's a good question. And I think it's something that we've got under the microscope will be watching these association group's performance and talking to these associations ahead of time about their anticipated arrival numbers. But again, the good thing is with our contracts with attrition rates that we have negotiated because associations that are turning up next year, by and large, booked well before the pandemic.

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

Yes. And the last thing I would tell you is one of the things that I'm encouraged by watching over the hotel business is that our mix of large group or 1,000-plus. We're a little more heavily weighted towards large group as far as what's on the books as you compare back to 2019 as we move into 2023.

What that means to me, to both Mark and Colin's point is those large groups are usually a little bit more sticky. And they perform better in a recessionary environment, and it gives us sort of the big building blocks already in place as we head into the year, and we can use some of that smaller corporate business that usually shows up at the last minute to fill in around some of those largest groups.

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

Okay. Appreciate that. And Patrick, maybe just if I could just ask you, too, maybe could you just touch on what you're seeing on the labor cost side of the business at the hotel level?

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

Yes. We've tried to stay ahead of it. As we've been talking for the past 1.5 years about the fact that we'd be holding our management headcount to levels below 2019. We have seen 24% wage increases in the third quarter versus 2019 across the brand. A little bit more pronounced at Gaylord Texan, which was up about 38%.

And simply because that was the lowest rate -- the lowest wage margin -- or I'm sorry, lowest wage market in our brand. It's still the cheapest labor market that we operate in, but it's seen a higher level of growth simply because it was starting off a lower base. But we've been very successful in driving leisure and group rate to more than offset those inflationary increases in wages. But around mid-20s is what we've seen versus '19 in the third quarter. SP-3 Appreciate it. SP1 Thank you.

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

We have one more, Catherine, I think, in the queue, and then we'll shut it down.

Operator

We'll go to Jay Kornreich with SMBC.

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

I guess, first, just going back to the guidance. Was the guidance raised more related to the upside of the leisure trends in ADR or the group bookings that surprised you? And which leg of demand do you think is more at risk if a recession does materialize next year?

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

I had a hard time hearing that.

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

I think the question was which leg of demand group versus leisure is more at risk in a recessionary environment?

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

Yes. If you can hear me better now. I just repeat it that I was asking first in terms of the guidance, was the surprise this quarter more or for the full year guidance, was it more related to the upside of leisure transit ADR or the group bookings that surprised you? And which leg of demand between those 2 would be more at risk next year if a recession were to materialize?

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

Right. so I would tell you that our outlook for the remainder of the year and our increase in the guidance for the Hospitality segment is related to 2 things -- or 3 things really. The first is outside the room, performance of groups on site has been better than we anticipated, most pronounced in our banquet activity.

And you saw that materialized in the third quarter with our highest banquet performance for a quarter ever. So that's number one.

The second is as we look at the fourth quarter, we had a lot of concerns around whether or not our ICE! programming would be able to actually travel -- and what I mean by that is getting the carvers to come over from China, given the continued impact of COVID in China. We were able to get that to travel. That gave us more confidence. And as we've seen the bookings and tickets start to sell whether it be room nights or tickets for the fourth quarter, we're getting more confident that it will be a good performance. And so those 3 factors came together to raise our guidance for the Hospitality segment in the fourth quarter.

To your question as far as what's more at risk? Well, I would tell you that group probably would be more at risk. But to Colin's point earlier, that's where we have contracts in place that provide a measure of protection for us if there is a cancellation that occurs or if groups show up in smaller numbers. So a little bit more risk there, obviously, but more protection than a leisure traveler who if they cancel, we don't really have much protection.

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

And again, to be clear, when we say group, it is really corporate. When you go back and look at 2009, we canceled about 100 -- and I'm doing this from memory, 135,000 room nights canceled in '09 and literally 95% of those room nights were corporate.

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

Yes, we had $29 million in cancellation.

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

Yes. It was basically all corporate. The other interesting thing that occurs in a recessionary environment. You see families abandoning their long term, let's go to Europe, let's spend a week wherever it may be and do more short stop breaks with the family. And our leisure business back in '09 was pretty decent.

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

Yes, we're primarily regional driving. And so it's a staycation for consumers, particularly now with the enhanced pool products we have.

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

Yes. Anyway, these are really good questions. And these are things that we really have under the microscope as we as our economy twists and turns, we're watching this stuff like a hawk. And -- but right now, our business looks in really good shape, both not just the third quarter, but the fourth quarter is going to be pretty good for us.

Thank you very much, indeed. Catherine, just thank investors for being on this morning. Appreciate your time -- we're very proud of the results that we published last night. And if there are any questions, you can get a hold of Jennifer, our Chief Financial Officer; or Todd Siefert, Treasurer, Head of IR, or Mark, or me we here, you know us. So thank you for your time this morning.

Operator

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