

RYMAN HOSPITALITY PROPERTIES, INC.
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MANAGEMENT DISCUSSION SECTION

DAVID KATZ: All right, I've been given the go ahead. Good morning everybody. My name's David Katz from Gaming Lodging Leisure and Real Estate Analysts with Jeffries here in New York, and I am honored to have the privilege of moderating the next discussion, which is going to be with Ryman Hospitality Properties.

Representing the company today, Mark Fioravanti, President and CEO, and EVP and CFO Jennifer Hutcheson. And just by format, we've prepared a bunch of topics. I do want to leave a few minutes, ten or so toward the end, if there happen to be any questions in the room. You know, If not, I can certainly keep going all the way through.

Just by way of background, I started covering Gaylord Hotels in about 2005, and, you know, Mark was with the company at the time, and I'm not sure if you were there.

JENNIFER HUTCHESON: I was, [sic].

DAVID KATZ: But I do have a long history with the kinds of assets that they have, the business model that they have. And while the structure has changed to a REIT, the fundamentals are the same and equally compelling. And, you know, it's been interesting over these years to watch the company grow.

I'm going to have Mark just give you a very quick introduction on the company for those in the room, just to level set the group, and then we'll get into some of those topics. Mark, take it away.

MARK FIORAVANTI: Thank you. Good morning, everybody.

Just a quick overview for maybe those of you who are not familiar with Ryman Hospitality Properties. We operate two businesses. Our primary business is a hospitality REIT. And we're unique in that we're the only lodging REIT that focuses on the large group business. We operate a portfolio of large, high quality convention resorts, and we really service a single customer segment, really two customer segments across all of those resorts. That's the large group meetings business and the leisure transient business. We don't really service the business transient customer that many hotel companies do.

What makes us so unique is that by servicing this single customer with a consistent delivery of service across the platform, we can have long-term multi-year relationships with these large groups and rotate them property by property, year by year. What that does for us is gives us tremendous visibility in terms of future business. Our average booking window is about three years in advance. And it also gives us stability. Those -- that business is booked in contract form. And so when a group can't travel or travels fewer room nights than they're under contract for, we collect a fee. And so that fee collection, in times where you have recessions and other disruptions in the economy, that fee helps minimize the profit downdraft in our business.

The other business that we have is an entertainment business, Opry Entertainment Group. We are uniquely positioned in the country music space. We own a number of the most iconic venues and brands in country music, including the Grand Old Opry and the Ryman Auditorium.

That's a business that we own and operate in a taxable REIT subsidiary. In longer term, it's our view and plan to separate that business from the REIT and create a separate public company. We think that is the path forward to create the most value for shareholders.

So that's a quick...

QUESTION AND ANSWER SECTION

DAVID KATZ: That was an excellent intro. I do want to talk about the group bookings, which is the core of the business. If you could level set the group on what you've said about recent trends, about forward bookings, and particularly I want to touch on in the year for the year, right?

Like it or not, we Street people are always focused on what's happening in the moment. I think that is a relevant part of what we do.

MARK FIORAVANTI: Yeah, so from an in-the-year for-the-year perspective, just -- so that everyone's on the same page, we enter a year with about 50 points of occupancy on the books. So the majority of our business is booked when we enter the year.

During the year, then, we layer in leisure and then in-the-year for-the-year group business to get to, kind of, that sustainable 75%, kind of, occupancy level.

What we saw earlier in the first quarter, really in March was, we did see, as there was more talk around tariffs and some of the other activity around DOGE, etc., we did see a reduction in-the-year for-the-year leads. We have seen that stabilized and recover somewhat. Leads are still down in the year for the year. If you look at our in-the-year

for-the-year bookings, we're essentially flat with prior year. So that business still has remained relatively stable.

We are -- that window is now closing. By the time you get to June, you basically have -- if someone is going to travel in the current year, they will have already booked their business. So we're really coming out of that phase now into the back half.

But it's -- while there's been less interest in the year for the year, it's -- bookings have remained stable.

DAVID KATZ: It would be, I think, helpful also to just break down who those groups are and where they come from, because all groups are not created equal. And I do think we should touch on particularly government-driven groups. It's a topic that comes up, you know, across hospitality, what you're seeing and hearing from those groups.

MARK FIORAVANTI: Yes, so government-related business or government-specific business is about 2% of our portfolio, maybe a little bit less. We have a very diverse -- our portfolio almost looks like basically the national economy. It's a very diverse set of associations and companies that we service.

And what we have seen is we have seen some softness with DOGE and some of the other activities that we're hearing about with the group business. It varies by function within -- within the government. We just hosted a large government meeting with the U.S. Postal Service at Opryland. That meeting actually performed better than our expectation, both in terms of room nights and outside-the-room spending.

Other departments, we've seen a pullback in government activities that relates to meetings for the year. But it's not a significant portion of our business, and obviously the sales teams at our hotels will work to replace that business with other segments.

JENNIFER HUTCHESON: And I would just also add in that, as Mark pointed out earlier, with the long booking windows given the contractual nature of the business that we have the books and how we're selling into the future, you also have insight even beyond in-the-year for-the-year to what 2026, 2027 and beyond look like. And those trends are very strong. We were able to see about a 6% increase in ADR for all future years for the bookings that we have in contract form, and that's translating into, you know, 9% and 13% better rooms revenue on the books for those years compared to the same time last year.

DAVID KATZ: Now, there is a portion of the business that's leisure driven, right; it's not the primary thrust.

MARK FIORAVANTI: Yeah, it's about 30%.

DAVID KATZ: Can we just talk about what you're seeing leisure wise, given the difference in your assets versus what we see in the lodging business broadly?

MARK FIORAVANTI: Yeah, so leisure is about 30% of our business. We use leisure essentially to fill our hotels when groups aren't traveling. So holiday periods, Christmas time especially, summertime when kids are out of school, and we leverage these resorts with leisure amenities and we sell into the leisure segment.

What we've seen as it relates to leisure thus far this year is, you know, leisure has been stable for us, really across the portfolio. There's been -- we've seen a little bit of softness in Nashville, but that's really less around leisure volumes and more around absorption of new supply in that market.

Orlando is a market that was challenged last year. We're seeing some strength there this year. A lot of that strength is being attributed to the Epic park opening, Universal's new park opening, and it where people delayed trips last year to this year so they could experience the new park.

DAVID KATZ: I hear it's spectacular, by the way.

MARK FIORAVANTI: Yeah, all the feedback. You know, they're a partner in our entertainment business, NBCUniversal, and everything we've seen and heard from them, it's a terrific offer.

DAVID KATZ: So one of the topics that we discuss with all lodging REITs where they're seeing some pressure on the cost side and, you know, labor being probably at the top of that list, I would guess.

But you know, insurance on that list, too. What are you seeing on the cost side, and how are you best able to deal with that?

JENNIFER HUTCHESON: So we entered in the year with an expectation for operating expenses to be, you know, 4% higher than what we saw last year from the labor, which is the biggest component of our operating expenses. That's a big improvement in those kind of immediate years after COVID, where we were seeing much higher rate increases.

So we've largely seen that stabilize, and for us we only have one property on the hotel side that's exposed to union labor. That contract was negotiated late last year for -- over a four-year period, CAGR increase of about high 5% or in that first year of that.

So -- I would also point out that in our last update on our outlook for the full year of this year, we were able to maintain our profitability guidance for EBITDA, even against the current backdrop of a little bit of near-term uncertainty in terms of demand.

And so we've been really able to control costs, I think, pretty well with our asset management group being really proactive working with our manager, Marriott, to control what we can.

MARK FIORAVANTI: If you look longer term, David, kind of how the trend, if you go back to pre-COVID till now, you know, and you look at metrics like, you know, hours, hours per -- labor hours per occupied room, we've seen that we've been able to manage that down dramatically with some of the changes, structural changes, we made coming out of COVID to improve efficiency. And we've been able to maintain wage margins despite, you know, a number of years of increasing wages with the inflation that's been in the environment.

DAVID KATZ: I do want to get to the capital allocation side, particularly since, you know, you recently acquired the JW Marriott Desert Ridge. There's a lot to talk about there. Certainly philosophically as to why, but, you know, given that your assets are already in the Marriott system, this one is coming into the Marriott system, and your ability to add value to that asset as part of the rationale for acquiring it.

MARK FIORAVANTI: Yeah, so sure. So -- so prior to the last two acquisitions, Desert Ridge and prior to two years ago, the JW Hill Country, all of our hotels were operated under the Gaylord Hotels flag by Marriott. And having a single brand and a single manager for your entire portfolio is unique within lodging -- the lodging REIT space.

We think it's a critically important part of how we create value because having that consistent experience from a product perspective and having alignment with owner and manager is critically important when you're dealing with the same customers who are rotating year by year from market to market.

You know, we negotiate multi-year, multi-location contracts with these customers. And without having alignment of management and ownership, it's very difficult to negotiate those contracts. It's very difficult to be competitive.

So, as we've looked at, you know, what are our target markets and what are the target assets that we're interested in growing the portfolio, we were the -- we created the Gaylord Brand, and our hotels up to this point have been ground-up developments. Hill Country being really our first acquisition in the hotel space. We were looking for -- you know, our ideal target is we want, obviously, high quality meetings markets with good airlift.

We want markets that are benefiting economically from in migration, a population and corporation standpoint. We prefer, you know -- we want a large -- large hotels with adequate meeting space, Marriott managed, would prefer to have some flexibilities that relates to union labor.

What else am I missing? I guess --you know, that's basically kind of our hit list. And both the Hill Country and Desert Ridge check all those boxes.

And the opportunity for us now, by bringing these JWs into our system, is not only to leverage the -- basically the economies of scale that we have with the larger portfolio from a cost perspective, but also to leverage our sales and customer relationships to rotate customers into and out of those JW properties.

And that's a critically important opportunity for us, because when you look at the JW brand overall, versus the Gaylord Hotel brand, there's about \$100 rate differential. JWs typically transact at about \$100 higher rate. So what this allows us to do now is to create relationships with consumers and rotate them through into the rest of the portfolio at a higher average rate.

So we'll make a number of near- and long-term improvements to these properties both on the cost side from a synergies perspective. And then we'll also look at capital investments to continue to enhance and expand these properties to open these hotels up to more and more of the groups that we service on the Gaylord Hotel side.

DAVID KATZ: Understood. And the funding on this deal, both equity and debt, were both upsized?

MARK FIORAVANTI: Yeah, you want to talk about ...

JENNIFER HUTCHESON: Yeah, certainly. We take an approach to issuing equity very carefully. We don't tend to issue equity very often. So when you see us do it, it's for an accretive transaction that we can explain to folks what we're using the proceeds for.

And in this particular transaction we financed it both with unsecured notes and equity issuance. It was interesting timing to doing both of those transactions. And so we were really pleased with, I think, the execution of how we were able to ultimately come out with that, both of those deals.

DAVID KATZ: I do want to just follow up with one more. The JW customer base and the Gaylord, so the current customer base, is there some overlap in there today that you're building on?

MARK FIORAVANTI: There is. There is -- that overlap is somewhat constricted by one size. Given the size differential, not all of our Gaylord customers can fit into a JW.

And then with the rate differential that we talked about a moment ago, there are some Gaylord customers that, you know, won't travel at the rate that a JW commands. But if you take the portfolio of Gaylord Hotels and you kind – and you overlay the rate constraint as well as the size constraint, there's somewhere between 25 and 30% of those groups that can ultimately travel to both locations. So the potential to create that rotational behavior and garner incremental market share.

If you look at the JW Hill Country, when we purchased it two years ago, that overlap with that hotel was approximately 10% in the first, you know, 18 months to two years that we've owned that hotel. We've grown that from 10% to 14%. So, you know, through combined sales efforts, we've started to move the needle on capturing more of those meetings' share of wallet and growing market share, both in the JW but also in our Gaylord Hotels.

DAVID KATZ: I do want to talk about the billion dollars of portfolio investments you laid out in your analyst meeting a while back. Just sort of a philosophical approach to that, how you think about the ROIs on those, where you're at with it.

JENNIFER HUTCHESON: Yeah, one of the other benefits of operating our portfolio assets as a platform is that you have better information with which to make capital allocation decisions, particularly as you're deploying them within our assets that we own.

So you have the benefit of future customer data in terms of demand patterns and meeting planner and customer desires on where -- what's important to them in terms of what improvements we're making in our properties in order to induce them to increasingly book with us.

The turndown data for groups that either can't or don't currently want to travel to our property and how we deploy that; but then also the benefit of replicating capital that we deploy at one property, seeing how that works, learning from it and deploying it at another property in a similar way. You're leveraging the existing infrastructure in your existing platform as you're investing in these properties.

That's why when we think about capital allocation we do place that highly in terms of prioritization, because of the fact that you can get better returns on a risk-adjusted basis by doing that.

And so what David is referring to is about a billion dollars of capital investment opportunity we identified last year that we could deploy over about a four-year period, and they include things like renovating meeting spaces, adding meeting spaces, creating new food and beverage concepts and reconcepting items.

We have the data to understand where we have opportunities with food and beverage capacity relative to our existing meeting space and rooms, to, you know, an expansion of the Gaylor Rockies and potentially adding a few hundred homes there at that property, as well as adding leisure amenities.

So they kind of span a broad spectrum of items that, again, we can kind of continue fueling the growth of our overall platform.

DAVID KATZ: I do want to make sure that we leave some time to talk about OEG, the entertainment group. I think we could use maybe just an intro to it, a bit more of an intro to it; what's in there, what kind of funding it's consuming, where you're trying to take it and how we think about the catalysts for spinning it, as I think you talked about in the intro.

MARK FIORAVANTI: Sure. So the Opry Entertainment Group is a live entertainment business that's focused really primarily on the country music space. We're based in Nashville, and really the beginnings of that company were the Ryman and the Grand Ole Opry, both which are irreplaceable venues and brands in the country music space.

In addition to those two venues, we also own and we've created a number of other concepts, one with Blake Shelton called Ole Red, which is a food and beverage entertainment venue, which we have six locations including in the Las Vegas Strip.

We recently created a new concept with Luke Combs, who is a current country music star, called Category 10. And that's a business that we think ultimately has incremental distribution available to it.

We own another asset in Austin, Texas called Block 21. It's comprised of Austin City Limits Live, the Moody Theater, so that the Austin City Limits venue as well as a W Hotel and about 50,000 square feet of mixed use development.

And then recently we purchased a controlling interest in a small festivals business called Southern Entertainment. They own several of the most successful country music festivals in the US. We think that's an important add-on to this business to give us a new vertical in which to engage customers and also a new vertical with which we can expand our relationship with artists.

And then most recently we were awarded -- we won an RFP to manage a 6,800-seat amphitheater, the Ascend Theater in Nashville. It's owned by the city. We'll take that over from Live Nation on January 1st, and it gives us, obviously, another live performance venue in Nashville at that 6,800-seat capacity.

DAVID KATZ: Before we just check the room for questions, I do want to spend another second on OEG and the ownership structure of it and the optionality that's embedded within that ownership structure.

MARK FIORAVANTI: Sure.

DAVID KATZ: If that's a two-minute discussion rather than a --

MARK FIORAVANTI: I'll talk fast. So in 2022 -- '22, wasn't it?

JENNIFER HUTCHESON: Correct.

MARK FIORAVANTI: We sold a 30% interest in the Opry Entertainment Group to Atairos, which is a private equity firm, as well as NBCUniversal. Atairos manages a significant amount of equity for Comcast NBCUniversal. So they're our 30% partner.

We did that for a couple of reasons. Number one, you know, it was a -- we felt like it was a business that was underappreciated. We wanted to kind of mark that business to market, as well as we were looking for -- not only for capital, but also for a partner who had some strategic -- there were some strategic opportunities to help us grow the business, and we felt that NBCUniversal and Atairos were the right partners to do that.

They bought in -- they bought in the 30% of the 17 times trailing multiple, which valued that business at the time at about \$1.4 billion.

You know, we've had a terrific relationship with Atairos thus far. You know, they've brought a number of things to the table, including -- we've created People's Choice Country Awards with them, an Opry Christmas show. We just had an NBC special for the 100th birthday of the Opry in March of this year. So we're doing a number of things with them from a content perspective.

They own Sky -- the Sky platform in Europe. We just started to distribute the Grand Ole Opry in Europe on Sky Arts. And so we're now beginning to engage international customers, as country music continues to grow with that community.

So there have been a lot of -- what I would call kind of non-financial benefits of having them as a partner in this business.

DAVID KATZ: Understood. So, I do want to give the room a chance, if there are any, sort of, questions in the room before I keep going. Yes, sir.

UNVERIFIED PARTICIPANT: So in this spin-off, are you expecting that the OEG is going to trade at a higher multiple than the rest of Ryman? Is that the rationale behind the spin-off?

DAVID KATZ: I am. But go ahead.

MARK FIORAVANTI: Well, you're the salesman.

DAVID KATZ: We do actually have a sum of the parts in our valuation where we do give it a higher multiple than the core hotel business. I believe it's by about two turns or so on EBIT to EBITDA.

MARK FIORAVANTI: If you look at where live entertainment and media properties trade, they do trade at a higher multiple than hotel REITs.

I think there's also -- because you have this entertainment business embedded in a hotel REIT, we're not attracting as many live entertainment investors as we might as a standalone business. And in some cases, we're not attracting REIT dedicated investors, because they don't have the understanding, nor I guess the desire to take the time to underwrite and understand how to value the entertainment business.

So we think there's value for both businesses to be separate businesses, and there's the opportunity ultimately for both of these businesses to trade at a higher multiple when they're separated, as opposed to how they trade collectively.

UNVERIFIED PARTICIPANT: Just as a follow-up, would there be a consideration to actually selling it as opposed to spinning it off?

MARK FIORAVANTI: We would look at -- and we have looked at a variety of different ways to separate them. Ultimately, our view today is that IPOing the business is the most value creating, and it also helps with some of the liquidity restrictions that we have as a REIT.

When we sell a portion of that of our interest in that, that's income that goes up to the REIT, and it doesn't qualify as good REIT income. And obviously we have limitations in terms of bad REIT income. And so what an IPO would allow us to do would be to exit that -- our interest in that business over time, much like a private equity firm would exit an investment.

UNVERIFIED PARTICIPANT: [off mic]...do they retain or what's the economic ... [off mic].

MARK FIORAVANTI: We pay both of them, basically, a royalty fee to use their name, imaging, likeness, and for co-marketing and appearances and that type of thing. They don't have an equity ownership in the actual businesses.

UNVERIFIED PARTICIPANT: How about Block 21... [off mic].

JENNIFER HUTCHESON: Block 21's owned in our tax bill REIT subsidiary within OEG, so unlikely to be owned by ... [indiscernible].

DAVID KATZ: I have one more, which is, I do like to ask about Chula Vista, right? There's a property that another developer built. There's the Gaylord name. You happen to own all the other Gaylords that I'm aware of in the world. What kinds of things should we be looking for in terms of whether you might consider wanting to own that at some point in time?

MARK FIORAVANTI: Well, for us, you know, we didn't participate in the development of that asset. Obviously Ares and Ira, who were developing it, were our partners at the Rockies. You know, it's a good market, I think they've built a good product. For us, ultimately, we want to see how that property opens and how it matures. And you know, if there's an opportunity for us to eventually own it accretively, it's something that we would certainly look at.

DAVID KATZ: Before we wrap up, I'll give the room one more shot. Going, going, gone. Appreciate everyone's time this morning.

MARK FIORAVANTI: Thank you.