



Ryman Hospitality Properties | 2025 Citi Global Property CEO Conference | March 4, 2025

Nick Joseph:

2025 Global Property CEO Conference. I'm Nick Joseph here with Smedes Rose with City Research. Pleased to have with us Ryman Hospitality Properties and CEO Mark Fioravanti. This session is for city clients only and disclosures have been made available at the corporate access desk. To ask a question, you can raise your hand or go to liveqa.com and enter code GPC25 to submit any questions. Mark, we'll turn it over to you to introduce the company and team, provide any opening remarks, tell the audience the top reasons an investor should buy your stock today, and then we'll get into Q&A.

Mark Fioravanti:

Great. Thank you very much for having us this morning. Joining me today is-

Smedes Rose:

Mark, I'm going to interrupt you and get you to pull the mic right up to you and just get right into it because we can't hear you back here.

Mark Fioravanti:

How's this, Smedes?

Smedes Rose:

Better.

Mark Fioravanti:

Okay. Thank you.

Smedes Rose:

I'm old and deaf.

Mark Fioravanti:

With me today is Jennifer Hutchison, our chief financial officer and Sarah Martin who runs our investor relations team. Just a quick overview of Ryman Hospitality. We're very unique in the lodging space in that we operate two very distinct businesses that serve unique customer segments. Our largest business, our hotel business is a group-focused hotel portfolio that primarily conducts business primarily under the Gaylord Hotels brand. We also own and operate a live entertainment business, Opry Entertainment Group, which owns some of the most valuable assets and brands in country music, including the Grand Ole Opry and the Ryman Auditorium.

In terms of the company, we produced about 2.3 billion dollars of revenue last year and about \$758 million of adjusted EBITDAre. Our balance sheet is in terrific shape. We have about 1.2 billion of liquidity and our leverage is at 3.9 times. So we are in terrific shape financially.

In terms of top reasons I think to own our company today, first, we're the only REIT with a highly differentiated group-focused portfolio, and I think there's some important characteristics of that portfolio, particularly given today's environment. What having 70% of our business being generated from large groups does for us is it creates a significant amount of visibility and stability in the business, both through the advanced booking windows, our average booking window's about three years, and because these bookings are in contract form, should the group cancel or we have high levels of attrition, we collect fees, which helps stabilize our profitability. In addition to that, these assets are highly unique with very high barriers to entry. So we're in a market segment where group demand continues to grow, but there's no new supply entering the market for the foreseeable future. So it's a very good supply-demand balance.

I think the second reason in terms of top reasons to invest in the company is we have an articulated growth strategy that I think many of our peers don't, and that growth comes through high return capital investments in the existing portfolio. And we have the balance sheet to do that without raising equity. So we have a plan that we've shared with investors at our investor day last year that takes us out through 2027 and gives an outlook in terms of our performance in the capital projects that we have under construction currently and plan for the next several years.

In addition, another important reason I think that makes us unique is the entertainment business that we own and operate. That's a business that we have scaled dramatically, and the ultimate goal here is to separate that business from the REIT and create two separate companies. We think that's the way to maximize value so shareholders in RHP have that optionality and that value creation opportunity.

And then lastly, Smedes, and maybe the most important factor is that as a management team, I think we have a demonstrated track record of creating value. If you look at our performance, since conversion, we generated an annual total shareholder return of 12.9% since 2012. Our peers have generated an average return of 2.5%. And if you look at the FTSE [inaudible 00:05:10] index, it's a 7.3% return. So we've generated a tremendous amount of value. We declared a dollar 15 dividend in the first quarter. That's a 4.7% current yield. So we think that the stock is a terrific buy right now.

Smedes Rose:

Great. Okay. Thanks for those bullets, and let's maybe talk through a few of those. Just give us a reminder of the overview of the business as you're seeing it for '25, and you've given some commentary around the rate growth you're seeing for '26 and '27. You want to just level set for everyone who maybe doesn't follow it as closely, RevPAR what you're looking for this year and kind of talk about the group booking space?

Mark Fioravanti:

Sure. So as I mentioned in my opening remarks, large groups book years in advance, so our average booking window is about 2.9 to three years. And so what happens is we typically enter the year with about 50 points of occupancy on the books, which we have for 2025. And when you look at our on the books revenue as of January 1st, we had 3% revenue growth on the books on January one for 2025. And the ADR growth of that business of that 50 points is about 4% year over year. If you look at T plus 1, which would be 2026, where currently our revenue is currently 11% ahead of the same time in '24 for '25 with a 6% ADR growth. And if you look at 2027, our revenue on the books is at a 10% increase year over year versus where we were for '24 for '26 at a 7% ADR growth.

So we've seen very, very strong forward bookings at very good rates. And what's helping drive that rate is the capital investments that we have made in our business over the last several years. That includes

room renovations, expansions and enhancements, and also ones that we currently have underway within the portfolio.

Smedes Rose:

So the reason for the acceleration, you think, in '26 and '27 reflects the billion dollars you're investing across the portfolio and you're able to already price up into that?

Mark Fioravanti:

Yeah. The strategy of the enhancements that we're making is to elevate the portfolio to drive higher rates. And we begin selling the enhancements when we begin the projects. Again, because of the long booking window, it gives us the opportunity to sell that business and book that hotel at a higher rate prior to those enhancements being actually available for use.

Smedes Rose:

And how much of the billion that you're investing would you consider return on capital investing versus maintenance and defense spending?

Mark Fioravanti:

Do you know what percentages?

Speaker 4:

We don't really outline it that way, Smedes. We give a lot of color around what our capital employment is going to be so that investors can make their own assumptions about how they want to categorize that. We've talked very extensively about what we're doing at each of our properties, exciting, many of them growth projects at Opryland. Finished up some work at Gaylord Rockies, which is our property outside of Denver. Mark mentioned rooms renovations. We just completed an entire asset room renovation at the Gaylord Palms here a couple of weeks ago. We'll be kicking off the Gaylord Texan soon. Mark also mentioned expansions and that's also another opportunity that we've already identified at the Gaylord Rockies. Anything you want to add to that?

Mark Fioravanti:

Well, I would only add that the portion of that billion dollars that is rooms renovations, because you renovate rooms on a cycle, it's considered maintenance capital, but I would argue that without keeping your rooms up to date, you'll lose market share. So you can calculate a return by making assumptions as to how your business might perform without that investment. But I think that if you wanted to draw a distinction, Smedes, between return projects versus quote unquote maintenance, you would probably put the room's renovations that we have underway in that maintenance bucket.

Smedes Rose:

Well, maybe just because everyone wants to see growth, and you do have a good track record, I think, of seeing incremental returns on incremental investment and you've given a lot of evidence to show pretty finite returns on the projects you've done, whether it's the sound waves or different things like that. Could you talk a little bit about the bridge to, in 2027, I think you've said you should achieve 950 million of EBITDA. There's a range there, I think a billion dollars on the high end. Just remind us all where

you expect to be in '25 and then maybe just how we should progress and think about getting to that goal you outlined at your investor day last year.

Mark Fioravanti:

Yeah, so for those of you who may not be familiar with the company, in our investor day in January of last year, we provided a multi-year outlook to 2027 that outlined our capital investment strategy and then ultimately provided this outlook or review that we thought that we could, I think deliver between 900 and a billion dollars of adjusted EBITDA in 2027. And the bridge to get from where we are today in 2025 to 2027 is really driven by a couple of things.

First, we have, anytime you do these types of projects, ballroom renovations, rooms renovations, et cetera, you do create a level of construction disruption in your business because you're taking rooms or meeting space out of service. We estimate that to be about 35 million of EBITDA this year. So if you think about where we're at today for 2025 in terms of our guidance, to get to that midpoint of that 2027 number, as that construction disruption comes back in in terms of the benefits of that, we get back to construction disruption, the ROI on the capital that we've deployed plus about a 5% same store sales growth gets you to that 950 million.

So those are really the three components that get you there. And when you compare that same store growth relative to how we've performed historically, that 5% is well within our capability. If you look over the longer term, we've grown at kind of low teens in terms of same store growth. If you look at the last two years, '23 and '24, it's been about 5%. So if we can continue to grow the same store, get back to this disruption and generate the ROI on the capital investment, we can get to that midpoint.

Smedes Rose:

Would you look for similar levels of construction disruption next year in '26? I know you've isolated about 35 million this year, probably fair to assume a similar amount?

Mark Fioravanti:

No, we're anticipating currently that as some of these projects move through fruition or through the most disruptive portion of their construction cycle, that we should see less disruption in 2026. The majority of projects will be completed by 2026. We'll be finishing the Texas renovation in '26, we'll start a rooms renovation at the JW in San Antonio, and we'll be completing the meeting space expansion at Opryland. That portion of the Opryland expansion in 2026 is less disruptive than the portion occurring this year because all of the demolition is occurring in 2025, and that's the most disruptive part of a process like this.

Smedes Rose:

Okay. Just in terms of customer mix, you've mentioned I think you're over 70% group. I don't think you'd really do any kind of business transient to speak of and the balance would be leisure. Leisure was definitely I think disappointing relative to expectations in the fourth quarter. Maybe just provide what you're hearing and seeing on that front as we move a little bit further into the year.

Mark Fioravanti:

Yeah, it's early to tell where leisure is going to be this year. January and February are not our strongest leisure months. I will say that we saw a nice pickup at President's Day weekend, and so that's an encouraging sign. We'll get really our first view of how leisure transient is performing this year with

Spring Break, and that's oftentimes a leading indicator for how the summer will progress. So we're cautiously optimistic with what we've seen so far.

Smedes Rose:

So spring break bookings are kind of in line or better than what you were expecting?

Mark Fioravanti:

I would classify them as in line, but it's early. Our booking window for leisure is quite short. It's where we have the least amount of visibility in our business.

Smedes Rose:

Okay. I wanted to switch just to kind of maybe thinking about labor costs. It's been a big topic of focus on the fourth quarter earnings and certainly has it impacted the 2025 outlook for a lot of the hotel REITs. Could you talk about what labor costs and labor and benefits were for you in '24, what you're incorporating into your guidance for '25, and maybe how you're thinking about the pace going forward over the next couple of years?

Speaker 4:

Sure. Well, just as a matter of context and what sets us another point apart from the other lodging REITs is that we don't have a high proportion of union labor within the hotels that we own. Really only the Gaylord National outside of Washington DC has union labor within our hotel portfolio. So that does allow us a little bit more relative certainty and ability to control or have Marriott as our operator control those operating costs for us on the labor front. And that CBA at that particular property was renegotiated at the end of 2024, and those wage increases have been set over the next four years at kind of just shy of 6% CAGR over four years. And the rest of our portfolio, we're expecting much more manageable labor costs in the kind of, call it four percent-ish increase. And so those are the primary building blocks for our outlook for 2025 from a labor cost standpoint.

Smedes Rose:

So what is that, probably like 5% blended increases across the portfolio if you're 6% at national?

Speaker 4:

That's fair. If you take the midpoint of our 2025 guidance with labor being our primary operating cost, you can get to kind of a flat-ish EBITDA margin for 2025 relative to 2024.

Smedes Rose:

And anything on the cost side otherwise that's worth calling out that you're seeing directionally, real estate insurance, other things that come into play?

Speaker 4:

So those are generally increasing, but again, a smaller proportion of our overall operating expenses. Insurance, for example, where you hear a lot of folks talking about with hotels, is only 2% of our total operating costs. We're expecting high single digits in terms of insurance cost increases in '25 relative to 2024, and really flat on our entertainment portfolio. Property taxes, we continue to manage those and

just see those kind of coming in line with kind of the ordinary course, not a meaningful call-out there in terms of increases.

Mark Fioravanti:

I would just add that our asset management team last year did a terrific job in terms of margin management. We had 2.1% revenue growth last year and we grew margins in our hotel business 30 basis points. So to be able to grow margins with a 2% revenue increase I think is a stellar job. I think that part of that is our team, we're very aggressive and got on cost management early. Another part of it is the nature of our model in that because we have this high percentage of group business, we have a better understanding of who's going to be in the hotel well in advance of their arrival. We understand whether they have banqueting or outlets or where they'll be spending their time when they're in the hotel based on what their event looks like. And so it allows us to better manage labor across the hotel.

Smedes Rose:

I wanted to switch for a moment to, so recently, I think it's open now, the Chula Vista Gaylord, which is south of San Diego. There's been questions that you've had over time about whether or not that property, which is not part of your system, but is part of the Gaylord system as operated by Marriott, are they cannibalizing or growing the overall group business? Maybe you could just provide any kind of commentary and updates there on what you're seeing.

Mark Fioravanti:

Yeah, in terms of what we can see from our vantage point, we haven't seen any indication that there's any significant cannibalization occurring. We obviously can't see into their bookings, but we don't see any movement in our forward bookings. In fact, we had record bookings last year and we have record room nights on the books for all future years. What we do know is that we've had about a little over 200,000 room nights rotate into our portfolio that originated from the Pacific. And as we expected and as we've seen historically as we've opened additional properties, adding another location actually increases overall portfolio volumes. And because San Diego is a higher rated market than our other markets, those groups that are rotating are rotating at a higher rate. If you look at those rotational groups relative to our average rotational group, they're rotating at a 9% rate premium.

Smedes Rose:

So Marriott shares with you where the groups are coming from, and I guess you would obviously see the rates, but they don't share with you what's happening at a property that's under your same brand? I'm just not clear of how the relationship works.

Mark Fioravanti:

Well, we're not the owner of the property, and so that's data that's proprietary to that owner, just like I can't get data on specific properties across the country.

Smedes Rose:

But so far it seems like it's a benefit to you.

Mark Fioravanti:

Keep in mind, we built the portfolio, we created the Gaylord brand, but when we converted in 2012, not only did we sell the management, we sold the brand to Marriott, so they control that brand today.

Smedes Rose:

Okay. And one of the points you mentioned of reasons to buy the stock was high barriers to entry and not a lot of supply. So clearly that's new supply, it's just coming online, but I think it's been in the works for a very long time. Maybe you could just talk a little bit about other larger properties that you know of that are either under construction or under planning and the difficulties of bringing one to market. I think there's like tax incentive financing is hard to get now, but just interested in your thoughts around that.

Mark Fioravanti:

Yeah, the only new large hotels with over 150,000 square feet of meeting space is you have the Loews that opened down in Dallas recently and there's a Kalahari Waterpark hotel that's opening in Virginia that has over 150,000 square feet of meeting space. It meets our screening criteria, but I would tell you that we don't typically compete with water parks for meetings business. It's a different customer segment.

In terms of building these properties, you have to keep in mind that there's a couple of issues that make them very difficult. First, given their scale and complexity, these are a billion plus to build. Pacific, I think the budget for that's around \$1.3 billion. So it's a very large equity check and many people regard the concentration risk as an issue.

Equally important is that to make returns work on an asset like this, you either need to have a casino that helps drive profitability and return or you need to have some assistance in terms of rebates from local municipalities. If you look at our properties, we've developed them in bedroom communities around major meetings markets because those bedroom communities are looking for economic development and therefore they're willing to provide incentives, tax rebates and other incentives to help with the cost of the construction. So it limits the amount of supply that will come into this segment going forward. And we think that that's a huge competitive advantage for us. No one's going to pop in and build a one and a half billion dollar property across the street from us a year from now.

Smedes Rose:

Do you feel like local governments are less likely to be willing to give tax incentives at this point? Is that more difficult to get than it was when you guys did it multiple years ago?

Mark Fioravanti:

I would tell you, I think it obviously depends on individual circumstances, but looking more broadly, I think our experience has been is that in times when the economy is quite strong and unemployment is low and there's a lot of economic development happening, municipalities are less likely to provide incentives and rebates in downturns when they're looking to stimulate their local economies, then the probability of being able to work out an agreement is much higher.

Smedes Rose:

So if you invest incremental capital at the JW Marriott, which is your newest property that's sort of rotating in the system, you've given guidance of where you think the returns would be, would you look

for local incentive tax financing in order to move forward with those investments? Or would that be the one property where you would not be able to get those advantages that you have at the rest of the portfolio?

Mark Fioravanti:

Yeah, we would likely not look for incentives on an expansion like that. It's more difficult to secure expansion incentives versus creating a new economic entity in a community.

Smedes Rose:

Okay. I want to move to the entertainment sector in a moment, but I do want to just ask you, obviously we're seeing pretty steep tariffs go into place against Canada and Mexico, I think as of today, does this change your construction budget at all or how you were thinking about investing? Or does it have no impact at all for you?

Mark Fioravanti:

We haven't seen any impacts thus far. The projects that we have underway, we have maximum price contracts, GMP contracts in place, so I think that we've mitigated that risk. Longer term, we'll see how this all shakes out and whether tariffs are in place on a more permanent basis or whether this is more of a negotiating tactic. I think at this point it seems to be anyone's guess as to exactly what the outcome will be and what the strategy is.

Speaker 4:

And I would just add to that that we put out a guidance range for capital spend in 2025 of 400 to 500 million for our overall portfolio mostly within hospitality. And I wouldn't say that any of this recent news changes that outlook. We obviously considered a range of reasonable outcomes and think we can come and deliver well within that range. But we'll obviously continue to refine that as things progress since, as you mentioned, that news is today. I think there was still some speculation up until midnight on whether or not that would happen.

Smedes Rose:

Yeah. Why people don't take this man at his word is a mystery to me, but he's doing everything he said he would do. I wanted to ask you, on the entertainment side, you have a minority partner who owns I think 30% of the business, Atairos. Can you talk about their options to continue to buy up into the business? I think they have some windows where they can put the business back to you or they have the option to up their purchase. Maybe just kind of set that up.

Mark Fioravanti:

So we have a 30% partner in our entertainment business that's comprised of a Atairos, a private equity firm that's closely affiliated with Comcast and also a direct investment from NBCUniversal. They bought into our business in 2022. They have an option window in 2025 at the end of the year to purchase incremental equity up to, from a re-compliance perspective, our ability to sell down part of our 70% interest. We obviously have an income test that we have to comply with. The way that that process works is that we provide them with a valuation based on a methodology that has been negotiated as part of that agreement, 17 times trailing multiple.

And then they have a period of time to make a determination as to whether they want to buy that incremental equity or not. If they buy up that incremental equity, then they would lose the put rights that you referenced. Those put rights are associated with their ability at certain points in time to call for an IPO of the business. And should we determine not to do that IPO, then they have the ability to put that business back to us at a pre-negotiated return.

Smedes Rose:

So you would have to buy it back from them?

Mark Fioravanti:

Correct.

Smedes Rose:

What multiple would you have to pay?

Mark Fioravanti:

It's basically a 15% IRR on their initial equity investment.

Smedes Rose:

Okay. And how's it going with them? Do you think they're happy with the investment? What's sort of your thoughts around that?

Mark Fioravanti:

Yeah, I think that they're happy with the investment. I think that they believe in the brands and in the segment. We've done a number of things together, including this recent purchase of a small festivals platform that we think we can grow. We've done a number of things with NBCUniversal in terms of the People's Choice Country Music Awards, we've created that award show as part of the Opry 100 celebration later this month. We have a three-hour NBC special in prime time that celebrates the 100-year anniversary of the Opry. We've done some work with Sky in terms of distributing the Opry in Great Britain. So there are a number of ways that we've benefited from the relationship strategically in addition to marking that asset to market when we did the transaction.

Smedes Rose:

So for the ongoing kind of growth, besides the kind of one-off celebrating the 100th year of the Grand Ole Opry, is it more the food and beverage concepts? I know you have Old Red, which has been very successful in Las Vegas. I think you recently opened Category 10, which is with Luke Combs. Are there a lot of platforms or markets you think that you can roll those concepts into? Or what's the kind of primary growth strategy, I guess going forward? Is it more music venues?

Mark Fioravanti:

We're certainly interested in venues like ACL Live, which is a high quality, unique venue in the Austin market. So a great music market, a terrific venue. Those acquisition opportunities certainly exist. As I mentioned, we made a majority purchase controlling purchase of Southern Entertainment, which is a fairs and festivals business. We think that that platform can scale dramatically. And so we have an

interest in that platform because it services the same customers that we service across our other products.

Smedes Rose:

And is that platform, so you haven't disclosed how much you invested, but you said it was non-material, but is that also purely country music or are you expanding the parameters of what kind of music you're including?

Mark Fioravanti:

Their current festivals are primarily country. They do have a festival series called Lovin' Life, which goes across genres. I think that in that business, we'll look at both country as well as other genres. It depends on the market and it depends on the opportunity where we think that we can create successful live events with that platform. And then to your point, we have two artist partnerships in terms of brands with Blake Shelton and Luke Combs. We recently re-concepted and opened our first Category 10, which is a concept of Luke Combs in Nashville, Tennessee. And we're looking for additional markets for both of those concepts. And you mentioned Vegas, we opened Vegas last year. It's an Ole Red, it's performed extremely well for us. Terrific location in obviously a great tourism market, so it's performed very well.

Smedes Rose:

All right, as we come down to the last 30 seconds or so, just two quick questions. The first is, if you think about 2% RevPAR growth across the US in 2026, what do you think same store EBITDA or contraction would be?

Mark Fioravanti:

I would say for the sector it's flat to down modestly. We grew at 30 BPS with 2% last year, but I think more broadly, flat to down.

Smedes Rose:

Right, just thinking about the industry overall. And do you think in a year from now there'll be more, the same, or fewer public hotel REITs?

Mark Fioravanti:

Same. Should be fewer.

Smedes Rose:

Okay. We'll go with same. All right. Thank you very much for your time. Appreciate it.

Mark Fioravanti:

Thank you.