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RHP - Q2 2018 Ryman Hospitality Properties Inc Earnings Call

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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Second Quarter 2018 Earnings Conference Call. Hosting the call today from Ryman Hospitality Properties are Mr. Colin Reed, Chairman and Chief Executive Officer; Mr. Mark Fioravanti, President and Chief Financial Officer; Mr. Patrick Chaffin, Executive Vice President of Asset Management; and Mr. Scott Lynn, Executive Vice President, General Counsel and Corporate Secretary. This call will be available for digital replay. The number is (800) 585-8367, and the conference ID number is 355-4579. (Operator Instructions)

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

Scott J. Lynn - *Ryman Hospitality Properties, Inc. - Senior VP, General Counsel & Corporate Secretary*

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'll also discuss non-GAAP financial measures today. We reconcile each non-GAAP measure to the most comparable GAAP measure in an exhibit to today's release.

I will now turn the call over to Colin.

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

Thanks, Scotty. Good morning, everyone, and thank you for joining us on the call today.

Well, we told you back in February, and again in May, that the second quarter will be a good one. And as you've read in our release today, we certainly delivered on that promise. Across the board, our hotels performed as we expected them to and delivered high single-digit RevPAR and total RevPAR growth, plus really nice flow-through to the bottom line in terms of adjusted EBITDA. Based on our year-to-date performance and our visibility into the second half, we're increasing our guidance for both RevPAR and total RevPAR growth as well as our Hospitality segment adjusted EBITDA.

At a time when the rest of the industry is swapping assets here and there or pruning portfolios and generally just trying to see around the corner to the next month or quarter, we remain actively engaged in building a long-term growth story. We're investing both across our portfolio and into new markets to take advantage of steady group demand and scarce new supply, giving us the capacity to maximize our long-term book of group business at a very -- at very favorable rates and thus, underwrite our position for years to come.

We'll have a lot more to say about our strategy and how we view our growth trajectory at our upcoming Investor Day to be held on September 13 and 14 here at Nashville, and we look forward to seeing you all here.

Now, let me briefly highlight some of the keys to our hotel performance this quarter before I recap our long-term book of business and the progress we are making with the investments we have underway. And Gaylord Opryland was truly out in front of the pack in the second quarter, delivering tremendous growth of 20.2% in RevPAR and 18.3% in total RevPAR. Flow-through of 59% at Opryland was impressive, resulting in a nearly 30% increase in adjusted EBITDA, despite year-over-year increases in property taxes and our managers' incentive fee. All customer segments grew their presence at Opryland in the second quarter, led by a 22% increase in corporate room nights and a 7% increase in transient business. This was just a superb performance by our largest asset, and we cannot wait to make it even bigger and better with the opening of the SoundWaves water experience here in December.

The Gaylord Palms also had a very good second quarter, delivering 4.2% RevPAR growth and 4.3% total RevPAR growth. Like Opryland, the Palms surpassed 80% occupancy in Q2. And just as at Opryland, what we typically experience when our hotels reach these levels of occupancy is very nice flow-through. The Palms contributed 48% of the incremental revenue to the bottom line, resulting in 6.4% adjusted EBITDA growth in the quarter. It is this type of consistent performance of the Palms, combined with the long-term room night demand we see for this property, that it gave us the confidence to announce this last quarter our $150 million expansion of the Palms, which I'll talk a little bit about in a minute.

Moving on to the Texan. I'm especially pleased to report that the recently completed Vineyard Tower opened successfully in Q2 and helped total occupancy at the Texan increase from 72.7% to 73% year-over-year in the quarter. Now, an overall 30 basis point increase in occupancy doesn't sound like much to talk about, but it is highly unusual in this industry to have a hotel with occupancy increase in the very first quarter of an expansion opening. Given the expansion, the Texan's 2.5% RevPAR growth and 0.8% total RevPAR growth were in line with our expectations, and flow-through of nearly 64% was substantial, contributing to a 21% adjusted EBITDA growth.

Finally, the National had a very nice quarter due to an excellent book of world-rated corporate business, while occupancy was down a bit from last year's high comp of over 81%. We saw good ADR growth of 5.9%, which resulted in 2.3% RevPAR growth. And our group customer spending was especially lucrative in banquets driving a 12.3% increase in F&B revenue, resulting in an overall total RevPAR growth of 7.7%. Flow-through at the National -- National was over 56%, and adjusted EBITDA grew by over 15%.

Altogether, this was a superb quarter for our key hotel assets. So now let's talk about bookings for the quarter. The second quarter was yet another record for group sales. In fact, it stands as both the best Q2 and the best year-to-date bookings performance in our company's history. And, of course, that's for our same-store hotels. For the four Gaylord Hotels and at the Inn at Opryland, they produced over 644,000 gross group room nights in contract form in Q2, an 18% increase over Q2 of '17. Corporate room nights booked year-over-year were especially strong, and we saw very good ADR growth in our association booking as well. Overall blended ADR growth for room nights booked in Q2 was up 3.5% over the same time last year.

We also saw no deviation in behavior from group intermediaries in the quarter, following the recent move by Marriott to reduce group commissions from 10% to 7%. But of course, this is something we will continue to watch very closely. Currently, our 6.2 million net room nights on the books for all future years is, yet again, the highest level in our history and represents a 9% increase over this time last year. Now let me repeat this because this is a statistic that is so critical to the long-term success of our particular business model. In 1 year, the sales teams have grown our inventory of net group room nights for all future years, excluding the Rockies, by 9%, which is truly spectacular, I think. Narrowing our focus to just the next 2 years, we continue to be very pleased with our pace for both '19 and '20. For next year, 2019, as of the 30th of June, we have more occupancy points, a higher ADR and 4% more net rooms' revenue on the books than we did a year ago for '18, and you have to remember, I think, everyone knows that we are basically redoing the whole of the National in 2019.

And what's more, the pacing for '20, i.e. 2 years out, looks even better with 17% more net rooms' revenue on the books than '19 had 1 year ago today or 1 year ago as of the end of June. Meanwhile, separate from all of these totals, the newest member of the Gaylord family, the Gaylord Rockies, while still under construction, booked 134,000 gross group room nights in Q2, more than doubling its production from a year ago. When this stunning hotel opens in December, the Rockies will have well over 1 million room nights on the books for all future years. And I think, you'll be hard pressed to find another large group hotel that has opened over the last few years with as many group room nights on the books in contract form as the Gaylord Rockies has. Fundamentally, our Hospitality is in the best position it has ever been in. A decision over the last few years to invest at rooms and meeting space capacity to aid unique amenities for both group and leisure consumers and to team up with our development partner -- our development partners at RIDA on the Gaylord Rockies project, are all proving to be solid investment decisions as we move through another year of continued economic growth and strong demand by both group and leisure customers for our one-of-a-kind, all-under-one-room upscale-scale lodging assets now as of the end of this year in 5 of the top markets in this country.

Efficient differentiated capital deployment is critical in our sector. While others are selling hotels that they don't consider a fit for their portfolio and materially deleveraging in a hope that a few high-quality assets will become available at attractive multiples, we're deploying capital into our existing portfolio and generating high-teens returns. Here in Nashville, as SoundWaves water experience at Opryland is on track to open on budget and on time despite over 140 inclement weather days since construction began. December 1 of this year is when we are currently open for sale.

In the second quarter of this year, we conducted several hard-hat tours with investors and analysts, and all of them have expressed how much more grand and impressive this project is relative to expectations. Meeting planners and group customers say the same when the sales team take this through -- take them through this place. We look forward to showing you all that attend our Investor Day a nearly completed SoundWaves back in -- as we get into middle of September.

In Orlando, we've begun the first phase of our $150 million expansion. This phase will see us create a new 2-level parking deck to the south of the property to make way on the north side for 300 new rooms, the 30,000 square foot ballroom and 30,000 net additional square feet of meeting and prefunction space. We currently expect to complete the full project in the spring of 2021.

Finally, I mentioned earlier, the fantastic bookings in Q2 for the Gaylord Rockies, which doubled last year's Q2 production to 134,000 gross group room nights. The other highlight I want to add is just how pleased we are with how many of these group customers -- how many of the group customers that we are seeing are new, not only to the state of Colorado but entirely new to the Gaylord Brand. This is the real beauty of this project as it opens up the entire rotational system of our hotels to new customers from the western half of the United States, who have never experienced our offerings before.

In short, we believe our Hospitality business is primed for a very exciting future.

Now let's turn to the other growth business, our Entertainment segment. Our Entertainment segment, within it, revenues were up 19% in the quarter, and adjusted EBITDA was down $1.8 million also for the quarter. However, just in Q1 -- just as in the case of Q1, there's a lot happening in this business right now that needs to be dissected to understand precisely the reasons for why these numbers were what they were. For starters, same-store revenue growth for our core-owned and operated Nashville assets, mainly the Opry, Ryman and WSM grew revenue at 9% in the -- in Q2. So we're very pleased with the underlying strength of the National -- Nashville market and particularly with the momentum in these marquee businesses. On top of that, you then add the new revenue from Ole Red Tishomingo in the recently opened Ole Red Nashville, which got off to a very strong start this quarter, and now the consolidation of Opry City Stage, none of which we had in Q2 of last year. These additions, plus steady growth at our managed attractions, namely the Jackson -- General Jackson, the Wildhorse Saloon, gets you to the overall 19% growth rate.

In terms of profitability, the $1.8 million decline in adjusted EBITDA is attributed to a multiple things all hitting at once. Now, even though parts of our Entertainment business are 100-plus years old, in so many ways, our Entertainment business is like a start-up, and we're building so many new capabilities that will position this business for the growth ahead. Some of these capabilities would include the clearance of the -- all of the rights to use content we own on our platforms. The beating up of that social media, the marketing organizations, the building of an aggregated customer data system, key recruitments at the leadership level and investments we're making in our human capital, such as onboarding, training and skill enhancements. Also in this last quarter, we decided to revamp the organization at the top of the house. And this decision together with the retirement of the long-tenured executive necessitated over $1 million of unbudgeted one-off costs absorbed into our P&L.

We have, meanwhile, been conducting a comprehensive search for a President of this business over the last few months, and we will update you on this subject when we get together in September.

Apart from what I just referenced in the last quarter, there were 2 other events that occurred as it relates to our venue strategy. The first was a decision to undo our JV arrangement in New York City and take 100% control of Opry City Stage. The second was the opening of Ole Red Nashville. And frankly, these 2 events could not have been more different. And let me explain what I mean by that. Bottom line, in New York, we should not have undertaken a venture with a structure that we initially set up, which essentially handed over construction, marketing and operations from day 1 to a third party. However, we now control the business and have plans to reconfigure the ground floor and introduce a more targeted marketing program -- set of programs, a corporate event strategy consistent with the plans we have with our successful Nashville assets. These plans will take a few months to roll out and take hold in New York City, but the issue that we have there will be fixed. Now Ole Red Nashville, where we have always been 100% in control, came out of the gate just as we anticipated. Notwithstanding the unofficial soft opening in May and the extraordinary grand opening events in June, this venue was profitable from the get-go and is performing to our own lofty internal [pro formas.] We look forward to walking you through and showcasing Ole Red Nashville when we see you next month.

Our Ole Red brand team is now busy preparing the third location, which will open in spring of '19, a $9 million, 16,000 square foot, 2-story music and entertainment venue at the central crossroads of the tourist hub of Gatlinburg, Tennessee and the Great Smoky Mountains, that is, right now, this year, attracting 11 million visitors for the year. There are more plans for our Entertainment business in the works, so say tuned, please.

So in conclusion, here we are, the midpoint of our '18, staring, yet again, another record year in the making, save one small part of our business, our company is firing on all cylinders. We are also busy planning a very eventful Investor Day next month here in Nashville where we look forward to showcasing for you all of the things we're up to across our company. Mark your calendars, and we hope to see you in person next month.

Okay. I'm now going to turn to Mark to just recap the financials. And then we'll open up the call for questions. Thank you.

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

Thanks, Colin. Good morning, everyone. In the second quarter, the company generated total revenue of $333.9 million, up 11.8% from the second quarter of 2017, driven by a strong book of group business, particularly in the Corporate and Association segments as well as within our core Nashville assets in our Entertainment segment.

Net income available to common shareholders of $55.5 million or $1.08 per fully diluted share was up a little over $8 million or $0.16 per fully diluted share.

Adjusted EBITDA of $113.7 million represented an increase of 15.4% or $15.2 million compared to the second quarter of 2017.

In terms of AFFO, the company produced $92.8 million, a 16.3% increase over the second quarter of 2017 or $1.80 on a fully diluted per share basis.

Moving on specifically to the Hotel segment. Attrition in the second quarter of 2018 of 15.6% was higher than the second quarter of 2017 by 120 basis points, while in-the-year, for-the-year cancellations were lower by over 6,200 room nights, a 49.9% decrease in cancellations year-over-year. The elevated attrition rate in the quarter was due primarily to a single group at the Gaylord Palms. We've not seen any broad attrition trends developing that would cause us concern.

Hospitality adjusted EBITDA in the quarter grew 18% to $107.8 million as a result of strong 8.8% total RevPAR growth, which was led by Gaylord Opryland.

Hospitality segment adjusted EBITDA margin in the quarter increased to 230 basis points to 37%, again, led by Opryland that closed at 39.8% margin in the quarter.

As for Entertainment segment, revenues for the second quarter increased 19.1% to $42.2 million, and segment adjusted EBITDA in the second quarter decreased $1.8 million to $11.8 million.

As Colin described earlier, these numbers mask the underlying story in this segment that is our core-owned and operated Nashville Entertainment assets continue to grow at a healthy pace, and the new Ole Red Nashville venue is off to a strong start.

Lastly, Corporate and other adjusted EBITDA totaled a loss of $5.9 million in the second quarter of 2018 compared to a loss of $6.4 million in the second quarter of 2017, which is a 7.9% improvement over the second quarter of last year.

Moving on to the balance sheet. As of June 30, we had total debt of approximately $1.7 billion, net of unamortized deferred financing costs and unrestricted cash of $61.8 million, resulting in net debt outstanding of $1.64 billion, including $251.5 million of borrowings drawn under the company's revolving credit facility. Combined with available cash, this leaves the company with approximately $508 million of available liquidity.

As I mentioned in the past, we're very comfortable from a leverage perspective with our balance sheet, particularly as these large projects like the Gaylord Texan expansion come online. We have ample liquidity to continue investing in our business at high returns to shareholders, as we capitalize on the underlying strength of our markets in both segments.

In June, we completed an amendment to our existing term loan B facility, which allowed us to take advantage of favorable conditions in the capital markets to lower the applicable rate on this facility by 25 basis points. This modification will yield an annual cash interest expense savings to the company of approximately $1.2 million. There was no change to the maturity date of the loan or the total available borrowing capacity available to the company provided by the facility.

And finally, based on our current book of business, let me provide some color for the quarterly pace of RevPAR and total RevPAR growth for the remainder of the year. As we described in May, we anticipate the second quarter would be our strongest quarter. And as our results demonstrate that's certainly the case. Consistent with our previous view, the current -- the third quarter will be our weakest quarter-over-quarter change, with RevPAR down low single digits and total RevPAR up low single digits. We expect a rebound in the fourth quarter, with RevPAR and total RevPAR growth both in the low single digits, again, consistent with the color we provided on our prior 2 earnings calls.

For the full year 2018, we're raising the low end of our RevPAR and total RevPAR guidance ranges by 50 basis points. We're also increasing our Hospitality adjusted EBITDA guidance range to $371 million to $377 million or $4 million at the midpoint. We're also updating adjusted EBITDA guidance range for our Entertainment segment to $40 million to $44 million or a decrease of $5 million at the midpoint. This change reflects our 100% interest in Opry City Stage as well as the investment for making the business that Colin described earlier on the call.

We anticipate our Corporate segment will come in better than our initial expectations, and we're, therefore, raising our guidance range for this segment to a loss of $24 million to $25 million.

On a consolidated basis, we anticipate 2018 full year consolidated net income of $155.3 million to $156 million; full year consolidated adjusted EBITDA of $386 million to $397 million; funds from operations, or FFO, of $275.5 million to $278.8 million; and adjusted funds from operations, or AFFO, of $300.9 million to $306.7 million.

A detailed reconciliation of our current guidance from net income to adjusted EBITDA, FFO and AFFO, can be found as a supplement scheduled to our earnings release.

Let me close by saying we look forward to seeing you in Nashville in September. And for more information or to register for our Investor Day event, please visit our website or contact us directly.

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

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

I'm going to punt on the -- thank you, Mark. I'm going to punt on the closing remarks.

Maria, let's open up the call for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Jeff Donnelly of Wells Fargo.

Jeffrey John Donnelly - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Maybe the first question is actually for Patrick, just concerning the growth in group bookings. I was curious, is it a function of you guys bringing new groups into the Gaylord system not just because of the Rockies, but just given your existing assets? Or are you seeing existing groups you have a relationship with expand their spend, either because you're capturing more of their dollars, or they're lengthening their events or just spending more at the same event?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Jeff, this is Patrick. Good to hear from you. Yes, let's hit on each one of those. We are definitely seeing new groups come into the system as a result of Rockies. As we've talked about in the past, about 40% of the groups that we have on the books at Rockies are brand new to the Gaylord brand. And so we're tapping into the West Coast technology and some of the other West Coast entities that have never been exposed to the Gaylord brand. So that's helping. The second is, with the expansions that we have, the Texan is already open, we have announced the Palms, we are filling in those new available room nights with additional group meetings. And so that's going to increase our bookings overall. And then as we've talked about on multiple occasions, the sales strategy that we employ across the Gaylord brand of the multiyear rotational customers allows us to book folks in for 4, 5 years when historically maybe it was their preference to book 1 or 2 years out. And so we capture their meetings for a number of years out into the future and as a result, capture more bookings. And so yes, on that front, we are able to shorten the booking window, if you will, and get them to go ahead and secure multi years of bookings with us in the present time.

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

Jeff's question was a little bit different, Pat. And that was, are we seeing new customers, or are we seeing the higher retention of customers, and are we seeing new customers irrespective of Denver? And I think the answer to the question is yes. We're seeing group activity for all-under-one-roof experience picking up here. Our lead volumes look very, very good. And so we haven't dissected it explicitly how many group customers are historically our customers, and how many are new. But I think, anecdotally, I can tell you that we're seeing strong Corporate group business, both from new customers and from our existing customers.

Jeffrey John Donnelly - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Maybe just a follow-up there. Concerning the expansions of the Texan and the forthcoming one at the Palms, part of your expansion, just for the -- it increases the size of a hotel, does it expose you to larger groups that you couldn't accommodate before? Or is it more about, sort of, turning over or accommodating a greater number of small- to medium-size groups, if you will, that you can, kind of, handle more of them simultaneously?

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

This is a central question and very much driving decisions that we are taking within our business. What we have seen, and I think what Smith Travel will tell you, is that over the course of the last 5, 6, 7 years, the part of the group sector that has grown materially are large groups right across the country, organizations taken out -- taking out retailing, but organizations just across this country. The groups have been growing in size. And when you look at the increase in our room nights that we're putting on for future years, we see disproportionately more groups in the large sector than we have historically seen. And that's what's been driving our -- the rationale to put more room nights into these big hotels. Now having said that, we have flexed the meeting space that we've built to accommodate smaller business to. We don't just build these big ginormous boxes that you can't dissect, we've built ballrooms that we can now divide into 8, 10, 12, smaller meetings facilities. So we're just seeing a healthy amount of customers in the 600,000 room-plus at peak sector. Did that -- do you want to add to that, Patrick?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Jeff, the only thing I would add to that is, the original business case around Texan and then at Palms as well was as we look across to try and identify how we could drive occupancy overall with the hotels, we first saw Texan and then at Palms as well periods of time in the year when occupancy of the space was nearly at 100%, but occupancy in the hotel itself and the rooms was low in the 20s or 30s. The reason for that is, you have move-in and move-out of large groups. So to Colin's point, we absolutely are building the space to capture larger groups and accommodate more group -- large groups into our hotels. But we also wanted to address the fact that our space was at full capacity when big groups were moving in and moving out, but the hotel was not at full capacity. And so by adding a small carpeted, highly functional, corporate, dedicated space, if you will, that was very flexible or a third ballroom that gives us the flexibility to bring another group in during the move-in and move-out of a large group in the main space, we then expose ourselves to being able to drive up the hotel room occupancy, while the space occupancy is high as well. So we're going after the larger groups. We're also going after the smaller groups. And we're also responding to the fact that we're seeing more and more preference in convention meetings for high-finish carpeted space for those corporate groups.

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

I think those are higher rated. Yes.

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

Higher rated. Exactly.

The other part of all of this, of course, is on the -- so we are seeing the demand side for that particular group that we are focused on grow that the supply side is essentially, there isn't any new supply in the sector that we are going after. They're just -- whether we like it or not, there isn't. And we know that these hotels, from sort of the gestation period of these hotels between conception and birth, are anywhere in a 4- to 5-year range. So the runway here looks pretty good for us.

Jeffrey John Donnelly - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

That's helpful. And just one last one, I guess, on City Stage. Are you able maybe be a little more specific about what needs to transpire to get that back on track to where you want it? I mean, is it the specific site that you're in, in Time Square? Is it you were getting good first traffic on the first floor that wasn't converting to the second? I guess, is it just -- is it sort of a revenue issue or expense issue?

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

No, it's purely -- the interesting thing. We don't go into long, painful explanations of what we're doing up there. We have lots of things that are underway up there. And the reason for it is, it is sort of inconsequential to this company. It is something that's creating an unnecessary focus internally and externally. But I would tell you that the issue is not people enjoying themselves, the product is not good. When they find their way through their second and third floor and fourth floor, they love it. All of the basics are -- the research that we've done on customers, they love it. The issue is that we've just done a lousy job with our partner, (inaudible), on the promoting of this business and getting people to understand what is actually there. And that is what we are so heavily focused on right now, just like we've done here at Nashville. And we're seeing very, very strong results from our recently opened Nashville operations. So there's no, sort of, long impediment here that we can't fix. It's about getting visibility to the millions of people that go to New York City and letting them know that this is a world-class music experience, food experience. And that's what we're doing.

Operator

Our next question comes from the line of Chris Woronka of Deutsche Bank.

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

I appreciate all the data points, once again, on the forward bookings. It sounds really encouraging. I want to ask on some of these latest data points you're seeing for '19 to '20. Do you get more optimistic about the rate of increase of out-of-room spend as you see the quality of the groups improve? I mean, is that something, where it's a function of you can raise pricing more or get greater take rates on some of the out-of-room spend?

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

The -- let me give a start to that, and Pat, you jump in to finish up. The thing that's exciting about where we sit today is that we're seeing the mood of corporate America is pretty decent. People -- organizations all across this country feel that their business is in pretty good shape and moving forward. And when you have that environment, just like we did in the 2005, '06 and '07, you see the appetite of groups just fundamentally being more aggressive. And so we're seeing more room nights. We're seeing more corporate groups. We're seeing, still a really strong growth in association business. And I think this is one of the reasons why when Mark talked about the third quarter being -- we're going to be down slightly low single digit in RevPAR simply because of the way the group -- the groups have just played out this year. But we're going to see -- we believe we're going to see a little bit of growth in total RevPAR. And that's because it's just the corporate groups are just behaving a little more -- a little differently to the way they did, 3, 4, 5 years back. You want to add anything to that, Patrick?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Sure. Chris, just to add to it. From a capturing more outside-the-room spend and from a pricing perspective on that spend, it really comes down to mix. And as Colin's already alluded to, we -- our sales team continues to focus on how to bring in not just more group room nights but more high-quality group room nights. And we were talking a few minutes ago with Jeff Donnelly's question around the expansions. We are addressing the opportunity to drive more small corporate group room nights with some of these expansions that will then lift our outside-of-the-room spend because high-quality groups spend high-quality banqueting spend while they're in-house. The additional thing that we're doing is trying to capture more outside-the-room spend, and SoundWaves is a great example of that. Instead of just having someone come and stay at Opryland and maybe go experience Nashville, we're giving them a reason to experience Nashville partially but also experience this great transient-focused amenity and keep them on property longer, thus increasing their willingness and opportunity to spend while they're on property. So for us, it's driving high-quality mix, the very best associations, the very best corporate groups, capturing more of them and more share of their wallet as well as offering more reasons for folks to stay on property longer, and thus capture a greater share of their wallet while they're there.

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

Okay. That's helpful. Appreciate all the detail. And then, just -- as we think about, you have the next couple of years, look really good on the -- in terms of the book position. Obviously, Colin, you're optimistic about the business overall. What would it take for you to look at another new development? You seem to have built a better mousetrap to understand the business is really well, so what would kind of get you a little bit closer to doing something externally?

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

Well, why don't you -- here's what I would ask you to do. And I don't want to sound flippant here. But why don't you hold that question till you come visit with us in middle of September, and we'll talk about it then?

Operator

Our next question comes from the line of Smedes Rose with Citi.

Bennett Smedes Rose - *Citigroup Inc, Research Division - Director and Analyst*

I wanted to ask you for the rooms that you're booking -- that you booked in the second quarter. Obviously, a really big number there. Can you just maybe talk about the overall rate increases that you're getting that will play out, I guess, through, well, probably in 2019 and '20. What kind of -- what can you give us to, kind of, help quantify how this will impact revenues?

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

Yes, you want to take it?

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Yes, sure. So in the second quarter specifically, we were able to drive rate increase for the room nights booked in that period by about 4%. If you look at year-to-date, we've been able to drive room rate growth of about 3% in 2018 for all future years. As we've talked about before, it's a very complex animal and you have to dissect it. We are always working to drive rate up in future periods on some of those premium patterns that we know that corporate groups and association groups are going to have high demand, and we'll be looking to book into. We're also always trying to make sure that we're covering, what we call our need dates. And so if you look at specifically how we're doing and growing room rate for the high-demand periods, you see room rate growth of 5% to 7%. If you look at need date coverage, obviously, we're going to drive a little bit lower rate growth there, but for us, it's essential to have those dates cover so that we can have compression in the hotel and drive rate for the small, transient numbers that are coming in to, sort of, fill our occupancies up to the 80% or greater. So we are very encouraged when we see 4%, 5% growth because we know it's a mix of both those high-demand periods as well as making sure that we're covering our need dates. And I will tell you on the need dates side, we're very pleased. Our hotels have done a great job of making sure that some of those less likely to have group travel periods are well covered for the future.

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

It's awfully hard to look at 660,000 room nights for this quarter and compare the rate to the 100,000 less the same quarter last year. You've got -- as Patrick said, you've got to really understand the periods of times that these room nights fall into. Notwithstanding all of that, I think Patrick and his team do a tremendous job with the managing of our Marriott sales teams and making sure that we are pricing appropriately period by period, year by year and we feel pretty good right now about the general -- just the general book of business that we have, the general volumes that we are seeing and our ability to get reasonably good rate growth.

Bennett Smedes Rose - *Citigroup Inc, Research Division - Director and Analyst*

Okay. Appreciate that. And then I know you said that it was a -- it's a small part of the business, and I know it's not a lot of invested dollars, but just to return to your Times Square venture, I mean, do you think part of it is just -- I mean, is the competition for tourism in Times Square maybe greater than you expected relative to the interest in country music in Times Square? Or do you think it's just a matter of realigning the way that you're running that facility that you can think you can get the kind of returns that you would hope to get out of it?

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

I think it's more of the latter. If you walk past it, you don't know that it's a country music establishment. The ground floor is currently just about to change. Looks more like a retail store than it does a -- that you can get 1,000 different places in Times Square. So the design in the second, third and fourth floor that we were involved in is tremendous. And the customer reaction is tremendous. So what we've got to do is, we've got to redefine the ground floor, which we're going to do, that makes it impossible for consumers to just walk past it and not notice it and not understand what goes on. We're in the process of completely rechanging the way we go about corporate events in that town. Our corporate events business here in Nashville is very big and a very large part of all of the facilities that we have opened here. In New York City, our -- we haven't penetrated that market yet. So that's a market that we are all over. And then just a whole preplanning of consumers, the 45 million a year that go into Times Square, how you communicate with those? What the story is you're telling them? The fantasy about the place. We're in the process of completely transforming and changing all of that. So this is not -- I don't think it's a facility that is going to be perpetually floored in that market. It's an issue of just putting some changes in place and getting customers to know that this is one of the great places in the whole market that you can listen to great music in. And that's what we're so heavily focused on right now.

Operator

Our next question comes from the line of Bill Crow of Raymond James.

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

Colin, any material risk at this point to the timing of the opening in -- at the Rockies? I mean, we're getting pretty close, right?

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

Yes. The answer to the question is, I know Patrick was there last week, and I was there a couple of weeks ago, and we got a board meeting tomorrow afternoon and Thursday, and we've got a deck of pretty beautiful pictures that we're going to show our board. And I think we will be ready to open this hotel in and around that 1st of December. And I think the actual -- Patrick just corrected me. I think it's December 18, we have scheduled the ribbon cutting on that building. But we are very excited about this, Bill. We think this hotel is going to do tremendously well for us over the years to come.

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Bill, this is Patrick. Just to add to that. Every single project has a number of items that you watch real closely. I would tell you that the RIDA development team and then their partners at Mortenson and Welbro on the construction site, have done a great job of whether it's roofing or anything like that, that gets a little bit behind of putting additional crews on board to make sure that we make up the difference. And conversations that we've had with Ira Mitzner our partner there, we are cautiously optimistic. We're feeling pretty good that the hotel is in good shape and will open on time, and Marriott is making all the appropriate arrangements to start, the training, making sure that the FF&E and the rooms are prepared for -- to receive guests. We'll have group guests coming in after the 1st of the year. But we'll do a soft opening with some transient and maybe some small groups, very small groups, around December 18 up until the 1st of the year.

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

And I'm also pleased to say, Bill, too, that we're going to be reporting to our board here in 2 days -- in the next 2 days, that this project is coming in on budget. And we're very, very happy with that. So...

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

I look forward to seeing it, and I also look forward to attending you Investor Day coming up. And I'm just wondering we're looking back at the last Investor Day and just to prove we haven't forgotten about that one.

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

I know what you're going to say. I know what you're going to say. Go ahead.

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

Well, go ahead, I was just going to do a sanity check with your 2020 EBITDA guidance. So...

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

Yes, that's right. You're going to want us to take that last page that we shocked all of you with when we said, "Here, if these things progress the way we expect, this is what 2020 will look like." And what we intend to do is do that sanity check, take you back 3 years, I suppose now, 2 years ago, and say, "This is what we said. This is where we are." And we're also probably going to say, "Here's where we are today, and here's what we think the future looks like, potentially could look like, 2, 3, 4 years from now." So we're going to do the sanity check. We wouldn't hope that you have conveniently forgotten about that.

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

Okay. Very good. One more question. And I get the fact that Times Square is not particularly important from a financial or operating perspective in a bigger picture. But I think as we led up to that opening, there was a great deal of excitement about how this concept might be used to go into London or Asia or Las Vegas or Orlando or wherever it might be and really expand this Entertainment business. And I'm just wondering this experience in New York and I get that a lot of it's specific to the location, to the operation, et cetera. But has that dampened your enthusiasm for maybe this concept playing out globally?

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

No. Look, it's like everything. When you've got as many balls in the air that we have, you do a lot of things, and then you perfect them. You modify them and change them. And I would say to you that part of our distribution strategy [in venues,] the reason we're doing this is because we want to build these long-lasting relationships with these country lifestyle consumers for us ultimately to build -- the reason we're doing this is ultimately when we build this content distribution system, maybe through an OTT platform, we know where these consumers reside, we know who they are. This is the reason we're building this customer data system as well at this moment in time. So there's a long -- there's a big -- bigger strategy here than I would say to you our venue distribution strategy is well and truly on track with Ole Red. The Ole Red opening here has been very successful, and we'll -- we will share a little bit more data with you on that. And what it's doing is, it's amplifying our focus domestically on the Ole Red strategy. And I think the Opry City Stage strategy is something that once we have cleaned up this, what I would call the mess that we have in New York City, once we've cleaned this up, which we will, it shouldn't change, whatsoever, our longer-term venue distribution strategy.

Operator

Our next question comes from the line of Patrick Scholes of SunTrust.

Patrick C. Scholes

Two questions. And correct me if I'm wrong. It doesn't sound like the JV that you just bought out is profitable at this point. When would you expect -- assuming I'm correct, when would you expect that to begin to turn to profit?

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

Well, our goal is to have -- all of that business cleaned up between now and the end of the year. And we're putting a lot of effort and attention into this. And we would hope in 2019 that this business moves into the black and continues to grow. And that's how we think about it, Patrick.

Patrick C. Scholes

Okay. And then second question on the SoundWaves. How's that -- do you think -- in anticipation of that park, has that shown up in your forward bookings yet? Or is that too near-end transient?

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

No, it's -- we should have that open. We're shooting for December 1. And we're, sort of, starting to open the reservations tickets as we sit right now. But I would tell you, I know we shouldn't count our chickens before they hatch, it's just wrong to do that, particularly when we're sitting on the phone with a whole bunch of smart analysts. But I walked that place from top to bottom last week. And I would tell you, it is glorious. It's going to be so different to what you see around the country. And I think this is going to do pretty well for our company. So you'll see this when we -- when hopefully, you'll be here at our Analyst Day in September, but it's going to be -- this is going to be quite something.

Patrick Chaffin - *Ryman Hospitality Properties, Inc. - SVP of Asset Management*

Patrick, this is Patrick. The only thing I would add onto that is just, we are contacting all the groups that are currently on the books at Gaylord Opryland, and we're now offering SoundWaves as an add-on feature for them. So right now, we're in the process of essentially opening it up to those who are already on the books, so they maybe could add a day or use this as an attractive amenity to try and garner more attendance at their meetings. So that really won't show up in our forward bookings. But as we start selling this more and more, and the market increases and the awareness increases, then hopefully we will start to see that show up in our group bookings because there's a lot of interest from the group's side.

To your point then on the transient side, yes, it will all be -- predominantly in the first few months it'll all be the short-term transient, which you think is very promising, but that will be booking within 30 to 60 days on the transient side.

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

I was going to say, remember, when we went to Smedes' Citibank Conference and -- Smedes Rose Citibank Conference down at the Diplomat, I was surprised how many of the investors had come in and brought their families before that conference and how many were staying after the conference. And I think that's a big opportunity we have here at SoundWaves.

Maria, any more questions?

Operator

(Operator Instructions) Our next question comes from the line of Shaun Kelley of Bank of America.

Shaun Clisby Kelley - *BofA Merrill Lynch, Research Division - MD*

Colin, you guys covered a lot of ground here. But there's always been, sort of, the discussion on the entertainment business and sort of, kind of, it's a longer-term plan and opportunity for that. And so I think we've talked about the issues that are very specific for this year, but it's probably a better discussion for the Analyst Day to be fair. But just kind of -- could you just update us on your latest, kind of, strategic thinking about this business line? And is -- did this push back any longer-term plan you might have for that business? Or -- and/or accelerate it because of the, kind of, noise and disruption that can happen with the lumpiness around some of these openings?

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

Shaun, I don't think it changes how we think about this business, whatsoever. We've got, I don't know, 8, 10 components of this business, which, one is not working well, and we've got to figure out -- we're figuring out. We have always said over the course of the last 12, 18 months, I've had multiple questions on this quarterly call about what's the scale of this business got to be before you separate it and dissect it, and we've sort of said, historically, we think it needs to be in the $75-ish million in order for this business to have one component of it -- of its strategy appealing to be a standalone business. And that hasn't changed at all. And so we've got a lot of things we're working on in this business, a lot of things. Things that we haven't talked to you about publicly as yet. But it -- once this business gets to the scale that we want it to be at and the deals that we're working on being confected, then at some point in time, it will be separated. And our change -- and our view on that hasn't really changed at all here over the course of the last few months or the last several years. It hasn't changed whatsoever.

Shaun Clisby Kelley - *BofA Merrill Lynch, Research Division - MD*

Got it. That's helpful. And my other -- my only other question would be, sort of, one on the strategic landscape, which came up a little earlier. Kind of curious for your viewpoint on your old stomping ground in Las Vegas. There's been a lot of turmoil in that market very recently. One thing the market is -- that's doing well seems to be the convention in group business when it's -- at least it's there and it's not 110 degrees outside. So kind of curious for just your high-level thoughts on your old stomping grounds in Vegas these days, there is some connection center expansion going on for different guys there? I mean, is that a market you'd ever consider possible? Or would you consider it impossible for you to participate in, given, kind of, the way that people compete there and having other revenue drivers outside of the core boxes that you guys operate?

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

Yes. Well, the -- so if we could wave a magic wand and have a business that doesn't necessarily doesn't have a casino in it, that's in a good location, that we could rotate -- has sufficient meeting space that we could rotate our customers into, yes, we'd love it. Reason is, in our large groups, these 26,000 large groups, that rotate from mark-to-market, year-by-year. Approximately 50% sometime in their rotation want to go to Las Vegas. 50% never want to go to Las Vegas. They don't like the market, they don't want to be there, because it's too disruptive to their particular conventions. But the reality is, that all of the big hotels with big convention space have casinos in them. And for a REIT that is structured like ours, that's a problem. And the only way we could be in Las Vegas with a casino in the middle of it is to essentially put a triple net lease arrangement in place that would dilute our whole rotational strategy because we couldn't be there actively pushing customers of our business into that business. So there are structural impediments here, but if tomorrow morning, there was a hotel without a casino that came available that had 300,000, 400,000 square feet of meeting space, yes, we'd like it. But our strategy doesn't -- we don't need to be in Las Vegas. We don't -- the 50% of the big groups, that go out of system once every 3, 4 years, if they go out of system and go out of Vegas, that's not a problem for us. All we need to do as a company -- with the amount of 5 big hotels right now, all we need to do is, I don't know, Patrick, 700, 800 of these large groups a year total. About 100 in each hotel or less in each hotel. So our business strategy doesn't require us to be in this market. But if we could get in it in the right way, the right structure sure we could rotate customers into it, we would.

Operator

Our next question is a follow-up from Jeff Donnelly of Wells Fargo.

Jeffrey John Donnelly - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

You just answered my first question on what your interest would be in a net lease casino REIT. But I guess, my other question, Colin, was -- I know, it's a small part of the company. But have you had any bites on the land that you've put with, I think Lincoln Properties down in Nashville. There's been a lot of corporate relocation activity down in Nashville. And I wasn't sure if you guys have been seeing any bites there?

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

The answer is yes. And I would ask you to be till the 15th to our Investor Day.

Jeffrey John Donnelly - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Okay.

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

This is very valuable real estate and we love it. And we will talk more about that when we see you face to face. Maria, if there is -- we will take one more question and then we will wrap this up because we have been going about exactly an hour now. But if there's no other questions, then we will wish everyone thank you for joining us and see you in 1 month or so.

Operator

And thank you, ladies and gentlemen. This does conclude today's call. You may now disconnect.

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

Thank you very much.