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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Properties Third Quarter 2020 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; and Mr. Patrick Chaffin, Chief Operating Officer; and Mr. Scott Bailey, President, Opry Entertainment Group.

This call is available for digital replay. The number is (800) 585-8367, and the conference ID number is 5678843. (Operator Instructions)

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

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

Thank you, Maria. Good morning, everyone. Thanks for joining us today. We apologize for being a few minutes late. We had some technical challenges with our dial-in, but it is 2020, so I wouldn't expect anything less for this year.

So this call may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including statements about the company's expected financial performance. Any statements we make today that are not statements of historical fact may be deemed to be forward-looking statements. Words such as believes or expects are intended to identify these statements, which may be affected by many factors, including those listed in the company's SEC filings and in today's release.

The company's actual results may differ materially from the results we discuss or project today. We will not update any forward-looking statements, whether as a result of new information, future events or any other reason.

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

And I'll now turn the call over to Colin.

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

Thank you, Mark, and good morning, everyone. Well, I never imagined I would start off an earnings call sounding optimistic after a quarter in which we reported $35 million of negative adjusted EBITDAre, but that is just how strange this year has been.

The third quarter was our first full quarter of operations since reopening 4 of our 5 Gaylord Hotels, and we observed many green shoots and encouraging sequential trends in this business as we move through the last 3 months, and the same can be said for our entertainment business. I'd like to highlight many of these because I believe the data from our third quarter performance provides solid evidence of the strong position our company is in, as we get closer each day to a vaccine and therapeutic resolution to the COVID-19 pandemic.

None of us can say precisely when that day will occur, but if we assume, as most experts do, that a viable vaccine is possible around the end of this year or the beginning of '21, with some additional time to achieve widespread distribution, then we can paint a very good picture for you of how we expect our business to perform over the next 12 to 18 months.

What's more, regardless of the exact timing of that inflection, I can assure you that the longer term, in '22 and beyond, our business is poised to emerge from this period in an even better position than before COVID-19, and I'll discuss the unique attributes of our business and the broader trends in our industry and the economy that gives us the confidence to say just that.

So let's look at the progress we made in the third quarter. For starters, we considerably improved our adjusted EBITDAre sequentially compared to the second quarter of this year when we were essentially fully shut down by, in fact, $30 million.

Our adjusted EBITDAre loss in the quarter of $35.3 million, combined with our average monthly interest expense and debt service of $9.5 million and about $4.4 million in maintenance capital expenditures in the quarter, represents a cash burn of about $22.7 million per month during the quarter. This is below our forecast of $25 million per month, which we provided in early September, which was itself below the $28 million to $30 million range we estimated in our second quarter call in early August. The primary drivers of this steady improvement in cash burn are the positive trends we've seen in our hotels, both from a revenue and expense perspective since we reopened.

For our consolidated hotel segment, third quarter occupancy was 14.6%, with ADR down only 3.8% compared to the third quarter of last year. Now if we exclude the National, which remained closed in the third quarter and our 2 small overflow hotels, the combined occupancy rate from initial reopening through September 30 for just the 4 Gaylord Hotels has been 18.1% at an average daily rate of $184.

This combination of occupancy rate and solid outside of the room spend we have seen is comfortably above the levels necessary to justify the reopening decision and has been primarily driven by the amount of leisure transient demand we've been able to induce throughout the summer and early fall.

And we continue to see this in October, which has performed better than we'd expected, especially in light of the current increases in COVID-19 cases in the news globally. Naturally, this has us optimistic as we head into the holiday season, which is typically our strongest period for leisure transient and in which we believe we have a compelling programming slate this year.

We began with our Halloween program, and now we're moving into our Thanksgiving and Christmas displays, which will be headlined by our first ever I Love Christmas Movies event that will occur around Thanksgiving through year-end. This program replaces the ice exhibit we have typically hosted and instead gives our guests an opportunity to immerse themselves in 13 scenes from classic Warner Bros. Christmas films, such as Elf, Polar Express and Christmas Vacation. We've been selling tickets since October 1 and been pleased with the response, including both ticket and room night packages.

Drilling down a little bit, our occupancy levels have been led by the Gaylord Texan, which achieved over 27 points in the third quarter, that is an average of 486 rooms sold per day. And included in that, we were pleased to host almost 8,100 group room nights in the quarter at the Texan as well. In fact, the Texan turned in an operating profit in the third quarter, with a positive adjusted EBITDAre of $345,000, and that figure is after $2.4 million of expenses that were quite clearly devoted specifically to COVID-19 mitigation, which includes severance, furlough benefits and specific material supplies. The Texas -- the Texan was followed by the Gaylord Rockies, which achieved only 19 -- which achieved over 19 points of occupancy in the third quarter. The Rockies had a modest loss in terms of adjusted EBITDAre, but if you also exclude the approximate $1.5 million of similar direct COVID-19-related expenses, this property would have also been in the black by about $200,000.

Another way to look at this performance is this, after excluding COVID-19 costs, our hotels portfolio generated a pro forma operating loss of only $3 million per month on an occupancy of just 15% during the third quarter. Now this is really a remarkable achievement for the operating and asset management teams of our company, both in terms of scaling our expenses quickly in response to the sudden demand shock as well as on the revenue side quickly pivoting to optimize drive to leisure demand in the absence of meaningful group business. It really confirms that reopening these 4 hotels was absolutely the correct decision, and we plan to continue to build on this momentum.

I should add that we are accumulating valuable lessons from this experience that we will carry forward with us, well after this pandemic is over.

Another bright spot for our hotels was with regard to cancellation and attrition fees, where we were able to collect close to $7 million in the third quarter. This is an area of our business where we've been very conservative in setting our expectations, and I've often emphasized how we are prioritizing rebookings and preserving customer relationships over immediate collection of full contractual fees now that we're open. What we've been able to do in many of our customer conversations is to strike a great balance between collecting some partial cancellation fees upfront in exchange for a rebooking, and that has been a win-win for us and for the customer.

Now this brings me to yet another green shoot in our hotel business, and that is our sales activity and the on-the-books pace for the short and long term. In the third quarter, our gross new bookings totaled 669,000 room nights, which was a decline from the third quarter of last year of only a little over 22,000 room nights. Now, of course, a substantial amount, about 77% of these new room nights, were those rebookings of COVID-related cancellations, which I just mentioned. But nevertheless, these are real downstream bookings. In fact, as of October 30, we've rebooked now over 54% of COVID-related cancellations to date. Frankly, I do not know of another company in our space with this type of performance, and is above our aspirational goal of 50%, which we set at the outside -- at the outset of the pandemic back in mid-March.

Back to our third quarter sales. What is remarkable is that the flip side of that 77% means that 23%, almost 1/4, of our sales activity in the last 3 months were entirely new future bookings. Meeting planners right now are experiencing something they have never experienced in their careers. With essentially every city convention center closed and every large group canceled in the near future, these folks are so distracted, and I find it remarkable that we have their attention to the extent that we do.

So while certainly the pace of new bookings have slowed as meeting planners not surprisingly await more clarity on the next 12 months or so, there remains an encouraging level of activity in some of the outer years, that is '22 and beyond, where planners and customers feel they have more visibility and still comfortable making longer-term plans.

The net-net bottom line of our cancellation, rebookings and new bookings is that, as of September 30, we still have over 38 points of occupancy on our books for next year 2021. Of course, this is below where we would typically be standing, with 2 months left to go before the start of the new year, which is normally in the range of 45 to 50 points or so, but under the current circumstances, this is a substantial book of business, which is mostly concentrated in the second through the fourth quarters of next year.

We believe this bodes quite well should a vaccine arrive by the year-end -- by the end of this year, with potential for widespread distribution to be achieved by the midpoint of next year. In a best case scenario, with a timely vaccine approval and distribution that hastens people's sense have returned to normal, our current book would imply that the second half of next year could look pretty close to normal.

Again, I'll emphasize that this is under a timely vaccine scenario, which, of course, is out of our control, but appears to be one reasonable possibility according to the experts.

Furthermore, if you look past next year, we have 39.7 points of net occupancy on the books for 2022, which is, in fact, slightly ahead of last year's pace when we had 39.2% points of occupancy on the books for T plus 2 or '21 -- or 2021 at that time. This means that, today, when we look past the next 14 months, we are still looking at a healthy normal book of business in the long term as long as this environment does not drag on for another year or so.

Now this is the point where you're probably wondering what about the future. Won't your industry be permanently changed as a result of COVID-19? We've had many conversations with investors recently and meeting planners. And obviously, this is the question that needs very clear clarification.

They say it's great that you still have this book of business, but what about the nature of group travel itself after COVID-19? Won't it be replaced by Zoom or the like? Or won't corporations simply stop traveling?

So let's talk a little more about the big picture trends in the years ahead and why we believe we will emerge in an even better position just as we have after past shocks like September 11, the financial crisis or the great flood of Nashville. We've always talked about the special attributes of our group business that makes it so distinct from other forms of travel, both leisure and transient -- both leisure, transient and business transient. We have always emphasized the supply side of the equation as well. We don't see any of these key advantages dissipating as a result of COVID-19. In fact, we see them becoming more entrenched.

Now let's talk about disruption first, for example, Zoom and the idea of virtual meetings or the related work from home trend. Now while Zoom or the like is a wonderful tool for workforce collaboration and small team meetings or for a salesperson to check in with a client, it cannot replace a 500 or 1,000 person keynote networking conference or an incentive reward trip for 200 of the company's best salespeople or the manufacturing company that wants to showcase its new line of products to hundreds of dealers. And professional association members don't typically pay thousands of dollars for the privilege of attending a virtual conference nor will the vendors and exhibitors who want to sell their -- to sell to those professionals pay to pitch their products and services if they can't set up physical booths in an exhibit hall to capture foot traffic.

Indeed, for association groups, their annual meetings and conferences are typically their #1 driver of revenue to support their mission and often their very existence. So we don't see technology disrupting this business in a meaningful way. And as a reminder, associations and other noncorporate groups comprise about 1/2 of our corporate -- of our group business in a given year.

For corporate customers who may institute more work-from-home arrangements for their day-to-day operations, we believe human nature dictates, the more employees are distributed at home, the greater their desire and incented to occasionally gather a network in a safe environment with their colleagues once they no longer interact daily.

I'm a big believer in the power of corporate culture, and when folks are working remotely, it's so hard to develop a distinct industry-leading culture. Therefore, I believe that if companies do become more work from home over time, the good companies will always bring their people together from time to time.

Now I'm going to break from my script here and share you a quick story. Last December, we held our annual Board meeting -- our December Board meeting at our Colorado hotel. Mark and I was walking the convention and exhibition space, and there was a large tech company meeting there, about 500 people. Well, guess what? This company was one of the virtual meeting businesses that have become a household name in this country since COVID. And that is what our hotels with their industry-leading meeting space per room are accustomed -- are custom-designed to permit companies like that to do, come together, build culture, talk strategy and celebrate.

Finally, even if one insist that there must be some disruption from technology to at least the smallest groups, I would note that the smallest slice of our group business, that is meetings of less than 100 room nights on peak, only account for 10% of our group business. In short, we believe the fundamental motivations for why groups meet will not materially change in the post-COVID world.

And on the supply side, the entrenchment of our advantages is even clearer. Supply growth in large 1,000-plus room convention hotels with vast meeting space has been limited for several years now due to a number of structural and economic factors that we have often talked about. These include deep -- fewer deep-pocketed financial sponsors with long enough time horizons, willing to take on development risk, then in past -- in decades past and the reduced availability in municipal incentives, which often are required -- are often required to make the economics of new construction work.

And there's simply nothing about COVID-19 that we see leading to improvements in supply. Indeed, we believe you're more likely to see marginally competitive supply come out of the industry, as some of the old vertical large group hotels that need a ton of capital in more dense urban downtowns, which lack the volume of meeting in outdoor space of our assets become less attractive to groups in the immediate post-COVID era.

In the post-COVID world, our industry-leading meeting space per room, our horizontal footprint, our open air atriums, our all under one roof experience that requires little use of public transportation or travel beyond the control -- confines of hotels becomes quite a compelling offering as long as COVID remains in the memories of customers, so we see a very bright future for our hotels.

Now let me quickly touch on our Entertainment business, as there's a lot happening there. The discussion has to start with the Ole Red brand, where our reopened restaurants have been conforming really well under the circumstances that includes the ongoing capacity constraints here in Nashville. Ole Red Gatlinburg has been the real standout here, approaching pre-COVID levels of performance lately, with revenues down 22% in the quarter, but only 13% in the most recent month of September.

Meanwhile, adjusted EBITDAre in the quarter was up 68% over last year's third quarter and was within 20% of our pre-COVID plan heading into this year. So we're really encouraged by this and believe that as the tourist markets recover in Nashville and Orlando, these locations will play catch-up with Gatlinburg as well.

Turning to our music venues. We're very excited just after -- we were very excited just after the quarter ended to begin phasing in live audiences once again at the Grand Ole Opry show, which we've been live streaming throughout this pandemic. As a consequence of our collaboration with Metro Nashville Health Department and the city's COVID-19 task force, we were able to welcome 600 -- 500 ticketed guests to witness the 95th anniversary show on October 3.

Since that time, because of the rigorous safety protocols we've put in place, we've been permitted to move the audience from 500 to 800, and now to 1,100, which represents about a 25% capacity.

While audiences will continue to be limited in the foreseeable future, we plan to continue in November and December with shows on Friday and Saturday, though we may add more shows at a later date and increase the audience size, as we work alongside Metro Health authorities to ensure proper safety precautions.

Now one very interesting thing that we've noticed about these ticket sales when we reintroduced live audiences at the Opry is that a large percentage of them were purchased outside of Tennessee on essentially a week's notice and from locations that would be considered flying distance such as Washington State.

We believe this is a very powerful indicator of the pent-up demand among our target consumers and confirmation of the new customers we're able to convert and bring into our brands through our extended digital reach and streaming products, which we'll talk about in a second.

Turning to Ryman. In the third quarter, we successfully piloted our Live at the Ryman pay-per-view concert series. This was a run of 6 weekly Friday night concerts through September 18. Beginning in week 4 of the series, we've also introduced a limited in-venue audience of 125 people, which grew each week -- each subsequent week, committing us to host up to 375 by week 6. And currently, we're permitted now to conduct these shows at a 25% capacity or approximately 590 guests.

This hybrid of live audience, plus pay-per-view model, proved successful during its initial run, delivering on our goals for profitability from streaming purchases, live ticket sales and sponsorships, while generating a high degree of favorable media exposure and artist feedback. We're excited to build on this model as a promising path through the pandemic period, and we have more shows lined up in the fourth quarter.

In the meantime, our loyal fans across the country are increasingly finding us online and over the air, not only through those Live at the Opry and the Grand Ole Opry live streams, but also through the content we deliver direct to consumers through our new linear TV television network and video-on-demand channel Circle. Our broadcast of Opry Live, which are carried by Circle and over 80 network affiliates, achieved an average rating of 2.2 per show through the 25 weeks ended September 19. We have seen Circle social media following an engagement grow steadily alongside these viewership numbers, and we added new distribution partners for the network in the third quarter.

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Fans can now access Circle through our network affiliates, Satellite Cable, and as of September, the smart TV platforms of Roku, VIZIO, Samsung and Comcast XUMO. These additional video-on-demand platforms reach over 89 million monthly average consumers, and Circle is off to a hot start on them, with over 20 million minutes of viewing time to date since launch.

Live TV streams have exceeded 40 million in over 100 countries since the second week of March, and the Opry Live consistently ranks #1 on the Pollstar live streaming charts across all genres, not just country. And all of these streaming interactions will drive demand to our businesses once we get our lives back, and we're excited about the future. We encourage you to visit circleallaccess.com and check it out for yourselves.

So in conclusion, while there's no sugar coating that this is an extraordinary tough time for our businesses and for our customers, our employees and our communities in which we do business, COVID-19, in a weird way, is giving us the opportunity to rethink and reengineer our businesses. So when these crazy times are behind us, we will emerge stronger than we were when this pandemic hit 7 months ago.

So there's a lot of data. I wanted to give you a lot of information on what's going on in our businesses. And now let me turn the floor over to Mark.

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

Thanks, Colin. Let me first remind investors that we've posted a brief supplemental investor presentation on our website. I'd encourage you to review the data in that document, alongside our remarks on this call in our earnings release.

In the third quarter, the company generated total revenue of $70.2 million, which was a $55.6 million increase sequentially from the second quarter when the most -- when most of our assets were closed.

Net loss to common shareholders was $117.7 million or a loss of $2.14 per fully diluted share, which is a $55.8 million sequential improvement over the second quarter.

Our third quarter results include a $7.8 million noncash charge as we recorded a credit loss related to the Gaylord National bond due to the continued closure and reduced rooms revenue projections for that hotel.

On a non-GAAP basis, the company's consolidated adjusted EBITDAre was negative $35.3 million, representing a sequential improvement of approximately $30 million from the second quarter, and adjusted funds from operations available to common shareholders was a negative $60.3 million or a loss of $1.09 per fully diluted share, which improved $30.4 million sequentially.

Our cash interest expense for the third quarter was $27.1 million, and we amortized $1.25 million of our term loan B principal, so our debt service was $28.4 million in the quarter or about $9.5 million per month. This is consistent with the second quarter and in line with the estimates we provided in our investor updates.

We also spent approximately $4.4 million on essential maintenance capital that was not funded by our FF&E reserve.

Together, these 3 components, our adjusted EBITDAre loss, our debt service and our non FF&E maintenance capital expenditures, puts our approximate monthly cash burn for the third quarter at $22.7 million. This is over $2 million better than we anticipated in our investor update in early September and $9 million per month better than our burn rate in the second quarter.

In addition, we spent approximately $21 million towards the completion of the Gaylord Palms expansion, leaving $37 million remaining to spend on that project, including our construction contingency.

We continue to minimize all other capital expenditures, with the exception of the rooms renovation at the Gaylord National, which is ongoing while the hotel is closed. This renovation, like all of our past room renovations, is being funded separately by our FF&E reserve, which carries its own restricted balance of $40 million as of the quarter end, rather than from unrestricted liquidity.

As of September 30, our unrestricted cash on hand was $52.2 million, which, combined with our available capacity under revolving credit facility of $665 million, provides total available liquidity of $723 million. From this, we would deduct the $37 million we have earmarked to spend to complete the Gaylord Palms as well as $26.5 million that we spent on our semi-annual interest payments for our senior notes subsequent to the quarter end in October.

This payment covered the prior 6 months accrued interest that was already counted in our cash burn for those earlier months. This leaves pro forma available liquidity going forward from September 30 of $653.7 million. At our currently forecasted cash burn rate for the fourth quarter of $22 million to $24 million, this implies just over 28 months of available liquidity if we continue to run at our current levels of performance with no vaccine, no improvement in group travel or other change in status.

We have no near-term maturities, and our covenant waivers are in place for the first quarter of 2021, with modified annualized calculations thereafter. We have an excellent relationship with our longstanding bank group, and if we need additional covenant relief beyond this period, we're confident we can obtain it.

So we continue to be in a strong position to weather the current situation for an extended period if needed, though we believe an inflection for our industry will come sooner for the reasons Colin outlined, starting with the consensus scientific view of a viable vaccine rollout late this year or early next.

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

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

No closing remarks, Mark. Thank you very much. Maria will open the floor to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from line of Smedes Rose of Citi.

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

Colin, I agree with you certainly on the longer-term outlook for your relative advantages in the group space as it eventually recovers, but I wanted to ask you just kind of in the near term. When you -- from your last deck to this one, we saw pretty significant cancellations in the first quarter. I think it's about 20% decline on room nights on the books for the first quarter, which I realize is out of your control because the pandemic is still around.

But this very favorable rebookings trend, I mean, is it just a matter of people getting to kind of rebook the longer this thing lasts and they just keep sort of moving down the curve? Or are they paying penalties in order to rebook? Or maybe you just can provide a little more color around that.

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

Yes. And I'm going to push this over as well to Patrick to weigh in on this because he's living and breathing this every single hour of the day. Look, the reality is that when we all went into this thing back at -- I remember your conference back in March, when we really started first week of March, we really started talking about all this, the general consensus was that at that time, we didn't know, but everyone thought maybe second, third quarter of this year, this thing would -- we would be over the hill of moving away, moving back to normalcy. But the reality is this, COVID-19 is just taking longer to deal with, and there's no question that meeting planners are looking -- have looked aggressively at the first quarter.

And the reason they do that, as you understand, Smedes, is that our contracts are set up in a way that if they cancel inside of 6 months -- our group contracts are very explicit, if they cancel inside of 6 months, the penalties that they have are materially higher than if they cancel outside of 6 months.

So we have seen leakage in the first quarter. We haven't seen a ton of leakage in the second, third and fourth quarter. And we are hoping that we get to this inflection point here with a vaccine sometime between now and the year-end that will keep our second and third quarters pretty much intact.

But our relationship with the meeting planning community has been very, very good over the last 7 months, and we've -- as you've seen in our numbers, we've been able to rebook 54% of the canceled room nights. And I don't expect any degradation to our ability to rebook these room nights. Our relationship is pretty good.

Now with government restrictions falling away, although we've seen in the last week or 2, in the last few days, some major changes taking place across Europe, Lord knows what happens post election in this country to restrictions, that will change how we prosecute cancellation and attrition fees over the course of the next 3 to 4 months. But I would say, generally speaking, we're optimistic that we're going to see the trends continue in our favor here over the next 2 to 3 months.

Patrick, do you want to weigh on this?

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

Sure. Smedes, it's a very good question on we're just allowing folks to kick the can down the road. What you saw in the third quarter is an increase in the collection of cancellation fees that we -- compared to the second quarter. What's going on there, the vast majority of that is for cancellations into 2021, and what we are doing is we're no longer just saying, "Hey, rebooking is fine, but we're collecting cash in the short term as well as rebooking." So we recognize it's still a stress environment, but as we move into 2021, as we promised we would, we've been putting greater penalties out there for just simply rebooking into the future.

So we're having great success, and you saw the $7 million reflected in the third quarter of this year. If you look at the combination of getting some cash and also getting the rebooking, we're having great success in making sure that's just not going out 10 years in the future. The majority of those rebookings are going into the next 3 years.

We also have a lot of rebookings and cash collection discussions that are still in process. It may be hard to believe, but on average, our sales team is having to spend a large amount of time with every single one of these rebookings. It's about 100 individual points of contact that they have to make with that meeting planner to go through the full process of, "Hey, we have to cancel, Let's get a rebooking out there, and let's talk through the cash that we're going to have to pay to you."

So meeting planners are feeling that it's getting more and more penalizing to cancel and rebook in 2021 because they are having to pay the cash. They don't want to. They're waiting until they absolutely have to make the call to do that. And as a result, we're getting a little bit of cash. We're getting the rebooking. There's tremendous value in having those rebookings into the next 3 or 4 years. And we are moving through this process as we get closer and closer to a force majeure no longer being in place.

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

I appreciate that. And then the other thing I just wanted to ask, as we think about cash burn, are you -- you mentioned some severance and furlough fees in the quarter. What do you see that, I guess, going forward? I mean, I guess, the severance piece is kind of more onetime in nature. So maybe can you sort of break out what you're seeing there?

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

Yes. The -- we're not going to be replicating the severance pieces we've done. We've eliminated quite a lot of jobs here in our hotel business.

Patrick, do you have the numbers at your fingertips?

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

Yes. So if you think about the third quarter, on average, when we extend out an additional quarter from a benefits perspective to continue providing benefits to the folks, it's about $2 million to $3 million of expense for the quarter.

On the severance side, we incurred $6.5 million to about $7 million in severance in the third quarter of this year. And to Colin's point, that will -- we hope that won't be replicated because we hope that this entire pandemic will be coming to an end in the short term. So that's kind of the run rate that we've been seeing.

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

But let me just emphasize and touch on it a little bit in the script. We've been forced to -- with this pandemic, we've been forced to make some decisions here that, in the ordinary course of business, we probably wouldn't have made, where we've consolidated -- and I've talked about this before, where we've consolidated leadership roles. And it's extraordinary that when you run 4 hotels at about 18% occupancy and if you eliminate the COVID costs, we're almost breakeven.

And the reason for this is we've made some very aggressive decisions on the consolidation of positions with Marriott in these businesses. And I would say that when we get over this hill, get through the tunnel, we won't be uniformly just putting the structures in place that existed in February of this year, and I suspect that we will see improvement in our margins coming out -- coming -- as we get -- as we emerge from this pandemic.

So we've just got a few more months to deal with this cash burn, but then I think our business will recover very quickly. And unlike the vast majority of the hotel industry, we do have these contracts in place where groups want to come. And we had groups in September and October that wanted to come to Opryland, willing to actually travel and do this, but we couldn't because we were on the Metro Health restrictions.

So I think our business will recover pretty quickly when the consumer has a sense of -- that it's safe now to travel.

Operator

Our next question comes from the line of Shaun Kelley of Bank of America.

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

Colin and Patrick, I wanted to stick with maybe the cancellation fee mechanic first. And just to dig a little deeper, so obviously, this quarter, you've kind of done a little bit more of a hybrid where you give some refund and some enforcement for the -- in exchange for the rebooking. I guess, as we move into -- throughout the fourth quarter and Q1, does that pattern stay about the same? Or do we actually see you move back to more of a traditional model where you'd have, I guess, even more enforcement of cancellation fees? And really, what I'm asking is, will you continue to collect more cash as time goes on here? Or are we going to just continue to strike this balance and you feel comfortable with what that balance is right now?

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

Yes. So Shaun, this is a very complicated question that you've asked. It sounds simple, but it isn't. And if I remind you that back in '09 when we lost about 135,000, 140,000 room nights when companies were just arbitrarily canceling because of the financial crisis, we collected that year $28 million in cancellation fees.

The reason we were able to do that is because there was no dispute in the quality of the contract. Here, it's a little bit more difficult because we've got government interfering in the relationship between us and the customer. Government is saying, "You can't travel." Here in Nashville, up until about a month ago, we couldn't hold more than 20 people -- group of 20 people under the ordinances that were in place.

So the complicated part of all of this is what is going to be the overhang from federal government and state government and metro and the different health departments. We've got restrictions that have been put back in place in the state of Colorado recently. Now we've got a waiver at our hotel, but this is changing our dialogue with the consumer, this -- the government interference.

Now I suspect what's going to happen here is there will be a vaccine that will arrive at some point. It will be disseminated -- it will be distributed, not disseminated, distributed, and you'll see easing of government restrictions that, that will give us a ton more teeth in the negotiation with our customers.

If a customer comes to us today and says, "Hey, I feel I need to cancel because I'm not sure I can get my people together. Let's pick a date, June of next year." Our argument to that customer is that, very likely, there's going to be no restrictions in travel of June of next year. Therefore, you owe us the cancellation fee.

So a lot of this dialogue depends on the customer itself, are they loyal frequent, are they willing to rebook. Some of it will depend on when it is. Some of it will depend on where it is, whether it's Tennessee or whether it's Texas, and that how -- that's why Patrick was saying there is -- as we've looked at it customer by customer, there's up to potentially 100 interactions per customer when a customer cancels a large group with us. It is so complicated, but we are navigating this on a case-by-case basis.

But I expect -- and I think, Patrick, I'm going to shut up here and let you weigh in on this, but I suspect that we should start seeing an increase in cash, cancellation and attrition fee collections because it's our assumption that the restrictions will ebb over the next 2 to 3 months. And the reason we're able to collect $7 million, and most of it was late in the quarter, was because restrictions in the third quarter, government restrictions were easing. And the debate we were having with customers were -- was a little bit more explicit than it had been earlier where we had these restrictions in place. So let me shut up.

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

Yes. The only thing I would add to that, and I agree 100% with what Colin said, as long as we're -- essentially, meeting planners and us are both waiting on a vaccine announcement and for state restrictions to start lifting, when that happens, then these conversations become much easier.

Right now, we're still uncertain and there's a lot of unknown. And so it's a difficult conversation to have, and that's why it takes 100 touch points or interactions with each customer to make this happen.

I would remind you, though, that a lot of the cash we're collecting right now is for 2021 cancellations. As I mentioned, when we were talking to Smedes a moment ago, the vast majority, roughly about 90% of what we collected in Q3 cancellation fees was for 2021. So once we have a vaccine announcement and state restrictions start to lift, the conversation becomes much easier and it becomes much more focused on cancellation fee collection.

But I would tell you that our hope is that once force majeure is no longer even part of the discussion, cancellations, we hope, will subside and then we'll have less discussions, even be -- even have to have a conversation around cancellation fees.

So our hope is that once these restrictions subside, once a vaccine has been announced, cancellations start to subside. And the conversation becomes less and less about even having a cancellation at all, so fee collection will subside with the cancellations.

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

Very -- look, again, it's very complicated, but thank you for the detailed answer for both of you. And then just as a follow-up, I think, Colin, in the prepared remarks, you mentioned that if we look out at the booking pattern, you could have it because of the way, I guess, some of the rebookings are occurring. Your second half of '21 could -- if vaccine and all these other things played out, could actually look a lot like 2019 levels.

I was just wondering if you could help us with that bridge a little bit more. I think you gave in the slide deck a little clarity around the room night declines in '20 -- in kind of the second half of '21, Q3 and Q4. As we look at those, they look like they're down something like low double digit, but I guess you also have some rate gains that are there. So could you just help us with that bridge a little bit more and how exactly that would work right now?

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

Do you want to tackle that one, Mark?

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

Yes, Shaun. If you look at -- in that slide deck on Page 7, we provide by quarter our -- on the books, net room nights, revenue and occupancy by quarter for next year and compare it to the last 2 years. And if you compare the second half of '21 in terms of where we sit now versus where we were in '19 or '20, we're down about $4 million in the third quarter and about $9 million in the fourth quarter in terms of revenue. But it's -- we've got about $150 million of rooms revenue on the books right now for that back half.

So it's a strong back half right now when you compare it to historical averages. It's not very far behind where we were for '19. We're actually ahead in the third quarter for -- versus where we were in '18 for '19 and flat compared to where we were for '19 in the fourth quarter.

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

And if you take, on top of that, improvements that we expect to make in the actual cost structure of these businesses and just the general sentiment of the leisure customer, I mean, in the middle of a raging pandemic, these 4 hotels of ours have essentially done about 18 points of leisure business.

And so if you feel like the back end of next year people have had the shackles taken off of them and are now prepared to move around, I know I'm often accused as the eternal optimist, but the back end of next year could look pretty decent if all things are equal with this pandemic. But certainly, there's no dispute about what '21 looks -- '22 looks like.

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

No, the numbers in the detail are super helpful. And then last really a clarification point would just be, just what's the kind of right time line for, let's call it, a rolling cancellation here? So is it -- let's say, is it basically on a 6-month out basis is when you start to really see those negotiations, that discussion point with the meeting planners really picking up? Usually, there's probably some kind of language in the contract that might get them to a place where it forces that conversation. Is that -- is kind of T minus 6 months about the right period that people are working off of? Is it shorter or longer than that? Or just how are you kind of seeing that timing play out?

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

Yes. I'm going to push this over to Patrick because he spends a lot of time on this subject, and we talk about it a lot internally, talk about that time line.

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

Yes. So I guess, I would start by saying it really depends on the group, right, because the area of the country they're coming from and the sector or segment of group that they function in, so it depends on the group. But on average, to your point, at about 180 days or 6 months prior to their arrival, they ratchet up to the more penalizing level of cancellation fee.

So a lot of groups will start reaching out, and there's uncertainty. And so they're feeling the water to try and understand where are our heads from an RHP and Gaylord perspective and trying to figure out whether or not they should go ahead and cancel.

If that discussion goes forward, then we will focus more on cancellation fees, obviously, because it is 180 days out, and there's -- we don't believe force majeure will be in effect 180 days from now. We've seen, on average, though, most of the cancellations occur between 90 and 110 days from arrival, so that's when most folks pull the trigger. So if you think about that, that's why we're seeing a lot of cancellations for 2021 first quarter because we are now in that primary cancellation window for groups who are saying, "We have to make a decision. So let's go ahead and start the process of talking through cancellation fees and a rebooking."

Operator

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

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

Patrick, any change in the economics on regrouped -- rebooked business? And is there any sort of kind of trade-off between payment of some sort of cancellation fee, plus a rebooking kind of nets that client to 0 or even?

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

Honestly, we've done a lot of work around this to try and understand the value of rebooking. And obviously, given the cash burn that we're going through right now and the fact that cash is king, it is obviously very important for us to collect some cash. And as you saw in the third quarter, we're doing that. We've been talking about that a lot for the past few minutes.

But I would tell you, as we look at the rebooking, there's a lot of value for us in the rebooking. We are not just rebooking at the same rate that is canceled at, we're rebooking at an elevated rates. So ADR is actually growing and the rebooking that we're booking for the future as well as the fact that we are capturing more than one year on most occasions. So if you're canceling for 2021, we're going to rebook you for '23 and '24, maybe even '25.

So as we look at the value that rebooking, if our sales team does their job, which they've definitely been doing, is of great value to us in the future. So cash for now to help us weather the storm, but then the rebooking is hugely valuable to us for the future.

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

All right. Mark, what is your estimate, maybe it's in the note -- the release, but estimate for cancellation and attrition fees in the fourth quarter?

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

Basically -- essentially, we've assumed kind of a consistent rate of cancellation collections. No material increases.

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

Okay. And Colin, I just wanted to pin 2 things off you. Number one, any update on the National and what you're thinking there? And then number two, any concerns that we may see greater unitization around the country over the next 4 years?

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

Well, I think -- so your first question and the second question are obviously heavily linked. The -- we are, when I say we, the powers at Marriott are engaged with organized labor, having discussions around work rules and flexibilities that we want to put in place in Washington. And I believe, as I get updated on those discussions, I think they are moving in the right direction.

So right now, we've said end of the year, but we're going to continue to look at when it makes the most economic sense to reopen that hotel. So that's where we are, but we're making headway.

I think the question -- the second part of your question, a lot of it is going to be dependent upon what happens today in the country. There was a very interesting article in the Wall Street Journal a couple of days ago about Right to Work states and about if there is a blue wave in the country, does all that change? Do you see legislation changing all of that? And I think a lot of it is going to be dependent upon the political environment within the country. Has organized labor more involvement or not?

And -- but look, we -- what we have done, and I know you know this, Bill, because we've had you in our hotels, you understand the culture of the way we run these hotels, when I say we, Marriott. When we handed our businesses over to Marriott, we had businesses over with a very distinctive culture, and we're very people centric. And I think businesses like that are going to be harder to unionize than businesses that really don't care so much about their people.

So I don't know the answer to your question. I think a lot of it is going to be dependent upon which direction this country goes from a political perspective. But I do know this, that the things that we do to build culture will help anesthetize any attempt to put organized labor in any of our businesses.

We'll do one more question, Maria, if there are -- if there is someone else. And if there isn't, then we'll move on with the day.

Operator

Our final question comes from the line of Patrick Scholes of Truist.

Charles Patrick Scholes - *Truist Securities, Inc., Research Division - MD of Lodging, Gaming and Leisure Equity Research and Analyst*

It sounds like once group meetings begin to come back sometime, whenever that is, next year that they may be hybrid events with people in physical attendance and people doing it -- attending those meetings virtually. I'm just curious on how you think about like revenues and logistics from that. Is it possible you can collect any fees from the virtual attendees? And if so, how would that happen?

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

Well, it's going to be based -- remember, the groups that we've just spent time talking about the amount of business that we have on the books for next year, they're all in contract form. So if the company or the association comes to us and says, "It's going to be a little harder in the short term for us to get these people to move," they're going to have to renegotiate these contracts with us. So we'll be ready to renegotiate with them.

But Patrick, it's interesting. There was -- we hosted a new piece of business at Texas -- at our Texas hotel about 1.5 months ago, and it wasn't a piece of business that was on the books pre-pandemic. It was a piece of business that was in a city convention center. And it was a large manufacturing -- industrial manufacturing company that produces farm equipment. And they were going to hold this convention at this convention center, but the convention center arbitrarily shut down and said, "We can't hold your convention." They came to us. And they said, "What we would like to do is hold a hybrid at your Texas hotel because in Texas, there was no restriction on the size of meetings." They wanted to bring in 300, 400 people of their corporate. It's a massive company. If I told you the name, which I'm not going to, you would know it. But they also have thousands of dealers around the country. And the reason that they were having their convention at a convention center was because they wanted to bring all their dealers in that could touch and feel their equipment.

And -- but what was interesting is that the technology that they use failed them on the first day, and this company came back to us and said, "We're never going to do anything quite like this again."

So there's 2 points to this. The first point is I do believe that there's an opportunity for a company like us with beautiful atriums and meeting space that we have to maybe cannibalize those businesses that are, today, 4,000, 5,000, 6,000, 8,000 people in a city convention center, staying in hotels around that convention center. There may be a new piece of business that we could -- where we could build the hybrid with that group inside of our -- in one of our businesses.

But I think, whether there will be new revenue streams for the hybrid, downstream from customers that we -- that are our customers today, I think that's going to be individually negotiated as they twist and turn over the next 12 months.

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

Patrick, this is Patrick. I would just add to Colin's point that if we're streaming video for folks to be able to participate from home, we should be able to monetize the extension of that technology to them and -- whether that's being a registration fee or something. But I think it's very fair to say that we could potentially have a hybrid model for 3 to 6 months or something like that.

The thing I would point out, though, is that we should have advanced notice from the groups that they're not going to be able to travel with their original contracted group block. So from a attrition perspective, we'll know that they're not going to be able to show up with that number and sell into that.

What I would also add to that then is where we're seeing a little bit of a recovery start to occur is in small groups, the 10 to 300 on peak. Those are ideal for filling in the gaps left by larger groups not being able to travel as many folks into their meeting.

So while we may have a hybrid approach for a period of time, as small group continues to recover, we'll be able to sell those groups into some of these gaps that are created. And I think there's definitely going to be some pent-up demand, so the opportunity to potentially fill some of those gaps left by the larger groups.

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

So that was a genuine attempt to answer -- your question is a complicated question. And -- but I can tell you, if there are opportunities to capture revenue, we're going to do that.

All right. Maria, thank you. And everyone, thank you for joining us this morning. And if you have any follow-up questions of any of us, you know where we are, and I appreciate your time. And I know we've shared a lot of info with you, but we like to be transparent here and give you all the details of what we're up to. So thank you for joining us.

Operator

Ladies and gentlemen, this does conclude today's conference call. You may now disconnect.
