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RHP - Q1 2019 Ryman Hospitality Properties Inc Earnings Call

EVENT DATE/TIME: MAY 07, 2019 / 2:00PM GMT

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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties First Quarter 2019 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 and General Counsel.

This call will be available for digital replay. The number is 800-585-8367 and the conference ID number is 6139879. At this time, all participants have been placed on listen-only mode. And it is now my pleasure to turn the floor over to Mr. Scott Lynn. Sir, you may begin.

Scott Lynn

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

The Company's actual results may differ materially from the results we discuss or project today, we will not update any forward-looking statements whether as a result of new information, future events or any other reason. We will also discuss non-GAAP financial measures today, we reconcile each non-GAAP measure to the most comparable GAAP measure in an exhibit to today's release.

I will now turn the call over to Colin.

Colin Reed

Thanks, Scott. Good morning everyone and thank you for joining us. Well, let's get straight to it, we expected the first quarter to be one of the strongest of the year for our Company and it sure was that

Our same-store hotels produced 5.4% RevPAR growth and 6.4% total RevPAR growth year-over-year, while adjusted EBITDAre for our same-store portfolio increased over 17%, pretty impressive. We've been talking about the health of the group segment for several years now and how our model differentiates us from those companies which were often compared to. And at the same time, we've been willing to invest a significant amount of capital in order to build a long-term competitive advantage. As you can see, our first quarter results are the fruits of these efforts and the condition of our business [ph]has us tremendously excited about '19 and beyond. The first quarter was a team effort from all of our assets, including our Entertainment business. So let's touch on them.

The mother ship here in Nashville, Gaylord Opryland delivered 3.3% RevPAR growth and 7.5% total RevPAR growth in the first quarter. Food and beverage performance was particularly noteworthy both in terms of revenue growth and profitability due to a substantial mix of corporate groups. On the transient side, SoundWaves was a major contributor, helping helping us to drive 8,000 more transient room nights compared to the first quarter of last year and 38,000 admissions into SoundWaves in that three months. As a reminder, this was our first full quarter of operation for the indoor portion of SoundWaves only. We'll be opening the outdoor portion in the next several weeks and we're looking forward to a very busy summer season. And by the way, Opryland posted these results while having over 15,000 room nights out of order in the quarter for our Magnolia wing renovation. Right up there with Opryland, Gaylord National had a very impressive first quarter with RevPAR growth of 12% and total RevPAR growth of 8%. Performance at National was driven by excellent rate growth both in group and transient. Food and beverage relative to the rest of the portfolio was not as strong due to a heavier mix shift towards associations thus explaining the difference between total RevPAR and RevPAR growth. However, bottom line flow-through of over 60% was exceptional for National and resulted in a nearly 23% growth in adjusted EBITDAre.

Next, I'm excited to talk about the Texan, which saw RevPAR growth of 3.5% and total RevPAR growth of 2.8%. Now the real highlight for the Texan was that occupancy was up 1.8%, despite the comparison to last year's first quarter, which was the final quarter before our 300 room expansion expansion opened

Essentially, the expansion has been fully absorbed just one year after opening. And not to put too fine point on it, but this project is proving to be a home run for us. Now moving to Orlando, where our other major expansion project is well underway Gaylord Palms delivered 1.8% RevPAR growth in 3.5% total RevPAR growth. On our call -- on our last call, I should say, we mentioned that the Orlando transient market as a whole was soft over the holidays. Now why it recovered a good portion in January, it remains slower than last year overall in the quarter. Now the important factor is that we continue to see the Palms outperform its peers in the Orlando market with only a modest 1,200 room night trends in decline, and this was more than offset by group room nights. All told, 66% flow through at the Palms and 6% adjusted EBITDAre growth was excellent, given the transient conditions and the relative wage pressures that Orlando faces relative to our other markets.

Now for the first time I'm pleased to discuss the operational results of the Gaylord Rockies upfront, along with the other hotels. As one of our majority owned Gaylord properties and no longer as a construction project or minority joint venture investment. The Rockies hosted its first group customers in January and held its formal grand opening in early March, which was attended by over 200 key meeting planners from across the country.

I'm pleased to report that the Rockies first quarter surpassed our expectations on nearly all measures and as I will talk about in a moment, we are raising our full-year projections for this hotel alongside with the rest of the segment. Now, let me touch on bookings for the quarter. On a gross basis once again excluding the Rockies our same-store hotels booked 334,000 group room nights for all future periods in the first quarter.

Now, while this was down compared to the first quarter of last year. two things, must be noted first last year the first quarter of '18 was the second best first quarter in our history for production. And second, more importantly, the first quarter of this year came sequentially on the heels of an absolute blowout 1 million plus room nights that we booked in the fourth quarter of '18. quite simply when you book that many room nights in one quarter you drain a good bit of your tentatives and prospect funnel going into the next quarter. And what's critical to note is that over the course of the first quarter. The funnel has replenished itself as we expected and we ended up the quarter with lead volumes up 7% over this time last year.

And when you step back and look at our total on the books position for all future years, which is 6.5 million net group room nights, or 5% higher than this time last year, and you combine that with the active lead volume, which is 7% higher compared to this time last year, our group positioning remains the best it is ever been.

Now let's not forget the other important part of the equation here, and that is rate, which really tells you what is happening with demand and supply. Now we've emphasized often on these calls that we have focused not just on room night production, but also on rate given the limited supply outlook for large group hotels, despite growing group demand. So we were very happy to see nice rate growth on these first quarter same-store bookings including 6% at National, 4% at Opryland.

We saw the same at Gaylord Rockies where 36,000 net group room nights booked in the first quarter achieved at an average of 5% ADR growth. Taken together, this data illustrates a very strong picture for our hospitality business.

All of our actions over the last few years, our decision to invest $115 million to expand the Texan, to invest $90 million on SoundWaves experience at Opryland to invest and ultimately acquire the majority ownership in the $800 million Gaylord Rockies, to add a Riverfront ballroom at National and to invest $150 million to expand the Gaylord Palms all manifested in and bolstered by this first quarter results. It is due to this momentum that we are comfortable raising our financial guidance for the hospitality segment for the year. We are increasing our guidance for the full-year same-store RevPAR growth from a range of 1.5% to 3.5% to a range of 2% to 4% and for the same store total RevPAR growth from a range of 2% to 4% to a range of 3% to 4.5%. In terms of adjusted EBITDAre, we are increasing the full-year range for our same-store hospitality segment at the midpoint by %4 million from $390 million to $400 million to a range of $395 million to $404 million. And for the Rockies, we're also i ncreasing our adjusted EBITDAre guidance at the midpoint from a range of $77 million to $83 million to a range of $79 million to $83 million. Now one thing we sort of skip over is the fact that our original guidance for Ryman for '19 reflected segment-leading growth

And what we are now saying is that things look even better for our Company.

Now let me about another remarkable first quarter performance, this time by our entertainment business. Now, if any of you are football fans and turned on your television a weekand half ago, you saw a stunning sight of what is now estimated at more than 600,000 people flooding downtown Nashville over three days for the NFL Draft. The NFL estimates that over 47 million fans tuned in, at some point over that time period. It was the most watched, the most attended Draft in NFL history. Nashville's appeal is as hot as it's ever been and as you know, we own so many of the main attractions in this town. In the first quarter revenue for our entertainment business increased 43%, this was driven by 24% growth in our core same store Nashville assets Grand Ole Opry, Ryman the General Jackson Showboat, Wildhorse Saloon, Gaylord Springs Golf course and WSM Radio and programing business that organic growth was augmented by contributions from our new Ole Red venues particularly in Nashville and the newly opened Gatlinburg location, each of which exceeded expectations.

Based on their performance, we're really excited to be on schedule to open our fourth Ole Red in Orlando in the spring of next year in terms of profitability, those same store Nashville entertainment assets grew adjusted EBITDA by 65%, which combined with contributions from Ole Red and the lapping of the loss at Opry City stage last year resulted in strong adjusted EBITDAre growth of 148% for the segment as a result, we are raising our guidance for the full-year adjusted EBITDAre for entertainment segment at the midpoint by 2.5 million from a range of 45 million to 50 million to a range of 48 million to 52 million.

Now, one last point, with regards to Ole Red venues and all of our venues, come to that not only are they profitable and generating good returns on investment. But also there are additional touch points that enable us to build relationship with our customers. To illustrate this in just the first three months of this year, we've added approximately 384,000 new country livestock consumers to -- addressable audience that is across email sign ups, as well as fans followers like and subscribers to our digital presence. We now have over 750,000 opting customers in our database and an addressable audience of over 6.6 million per month across fans, followers, subscribers and unique digital visitors. Those are on top of the 2 million physical visitors have passed-through our venues each year for concerts tours or dining. These relationships will prove critical as we roll out our new linear TV and OTT platform, that I will talk about now. It's against such a robust backdrop evidenced my those crowd you saw in Nashville and these entertainment segment results, we believe the time is right to bring our brands and content to a wider audience. That is why we announced our exciting venture with Gray Television a couple of weeks ago. The venture will include both the linear TV and OTT screaming component. It will allow Ryman to combine our assets including content and our relationship with the brightest stars in country music with Gray's reach into our target demographic households in order to ultimately connect dedicated country lifestyle fans with their favorite artists, and it allows us to extend the guest experience beyond the four walls of our historic venues to wherever those fans are located. We've been talking about this piece of our strategy and how this business will evolve for a couple of years now.

Our objective, is has always been to make what goes on in our venues ubiquitous and on a platform that lets us distribute directly in order to capture that full relationship with our customer and create a digital halo around our physical entertainment assets. We've be en carefully working on this project for a long time and in close talks with Gray on [ph](former Raycom) for well over a year now, and we're really pleased about what we have jointly put together. Now you may ask, why did this take so long, but the fact is, that we have spent so much time undertaking huge amounts of research and working on a structure to ensure we have a complete understanding of how these platforms may evolve. You can expect to hear more about this project and to see a lot more content over the months ahead. Now at this stage what I would say, that is really been the most exciting things since the announcement is that the volume of interest and the number of inbound calls from artists and other creators, who have some really great ideas of their own about how we can work together on this platform to connect our mutual audiences and to build something really special that no one else can replicate. So look for more on this in the months to come.

Well that about sums it up, the first quarter was by all measures a super performance for our Company. It does not come as a fluke to us, but rather as the fruit of years of diligent analysis and planning in the deployment of capital into businesses where we see

opportunity created by strong demand and limited supply. That includes both the group meetings business and the authentic country lifestyle experience, and that is what will continue to do on behalf of our shareholders as we see no change in the backdrop for either of these segments in the foreseeable future.

So now let me turn this over to Mark to expand a little bit more on the financials. Mark?

Mark Fioravanti

Thank you, Colin. Good morning, everyone. In the first quarter of 2019, the Company generated total revenue of $370.8 million, up 28.6% from the prior year. As you know, we are fully consolidating the Gaylord Rockies in our financial results, which just completed its first full quarter of operations. It's noteworthy that excluding the Rockies, our same-store hospitality and entertainment segments collectively grew total revenue by 12.9% over the prior year. We're very pleased with how our core businesses performed during the quarter and expect them to continue to perform well for the remainder of the year.

Net income available to common shareholders which excludes the minority interest in the Gaylord Rockies that we do not own in creased 7.6% in the first quarter to $29.4 million or $0.57 per fully diluted share.

Moving onto our non-GAAP metrics, the Company generated $114.9 million of adjusted EBITDAre on a consolidated basis, a 40.5% increase over last year, excluding our non-controlling interest in the Gaylord Rockies, the Company produced $109.3 million of adjusted EBITDAre a 33.7% increase.

In the Hospitality segment, first quarter same-store adjusted EBITDAre was $99.9 million, up 17.4%. As Colin pointed out both the Gaylord Texan and the Gaylord National particularly noteworthy this quarter, the Gaylord Texan grew adjusted EBITDAre by 40.7% to $29 million, as the hotel benefited from the rooms and meeting space expansion that opened in May of 2018. The Gaylord National is off to a great start, producing one of its best quarter since the property opened in 2008. The hotel produced $15.8 million of adjusted EBITDAre a 23% increase over the prior year. We're very pleased with how the National and the broader National Harbor development continues to mature, as a high quality meetings and leisure destination.

In terms of AFFO available to common shareholders, the Company generated $77.8 million in the first quarter, a 27.7% increase or $1.50 on a fully diluted per share basis. Attrition in the first quarter was flat to prior year, while cancellations in the year for the year were up 7,765 room nights. The increase in cancellations is attributed to the [ph]one -- 8,000 room night meeting scheduled for May 2019 at Gaylord Opryland. The Group is a large corporation that recently went through a CEO change. In April, we collected a cancellation fee of over $1 million associated with this group. Our Group business remained strong and we see no patterns or areas of concern in terms of attrition or cancellation data which we continuously monitor very carefully.

Turning to the balance sheet as of March 31, we had net debt outstanding of $2.39 billion as I mentioned in the fourth quarter earnings call the increase in our total debt, reflects our investment in the Gaylord Rockies at the close of the last year, given our new majority ownership we took the construction debt onto our balance sheet, which for the first quarter 2019 is $525.7 million, net of unamortized deferred financing costs.

This represents a 100% of the properties debt not our pro rata 61.2% share. We're currently in the process of refinancing the Rockies construction mezzanine loans and believe we will close this financing by early July. The Company's has available liquidity into first quarter combining capacity under the revolver and unrestricted cash on hand was approximately $258 million.

Turning to guidance, let me add a bit of color on how we expect quarterly RevPAR and total RevPAR to pace to play out. We expect each of the remaining three quarters to be positive in terms of RevPAR and total RevPAR growth with the strongest quarter for both measures being the third. We expect the second quarter to be the weakest of flat to low single digits for RevPAR this came to slightly different than what we shared with you on the last earnings call, largely due to Opryland cancellation I mentioned earlier.

Given the cancellation fee we recognized it should not impact profitability. We expect total RevPAR growth to match or exceed RevPAR growth in all quarters, except the second quarter were RevPAR is expected to modestly outpaced total RevPAR. Our updated outlook for 2019 reflects FFO available to common shareholders in the range of $314 million to $329.6 million or $7.1 million increase at the midpoint. AFFO available to common shareholders now reflects a range of $338.8 million to $355.6 million, also a $7.1 million increase at the midpoint.

Our recently announced joint venture with Gray Television will be accounted for under the equity method and we do not, believe our portion of the joint ventures operation in 2019 will have a material impact on our full-year adjusted EBITDAre nor our AFFO available to common shareholders. Our portion of the joint venture is contemplated in our updated guidance range as is the anticipated refinancing of the Rocki es.

Finally, I'll remind you that our fully diluted share count estimates for 2019 is 52.1 million shares and it is 600,000 shares higher than the average diluted shares in 2018. The majority of this increase reflects the potential dilution at one of our minority partners in the Gaylord Rockies exercised their put right to sell us their small residual interest in the joint venture for units in our REIT operating partnership which then conver tible one for one into common shares. This right, cannot be exercised till the third quarter, and if it were exercised the Company would acquire an additional economic interest in the Rockies. A detailed reconciliation of our current guidance can be found in the supplements schedule to our earnings release.

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

Colin Reed

Thanks, Mark. Stephanie, I think rather folks on the line, waffle we should open the lines up for questions.

QUESTIONS AND ANSWERS

Operator

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

Smedes Rose

Hi, good morning. I just wanted to ask a little more about the pattern for gross booking and net booking nights. I understand [ph]they're a difficult comparison sequentially and year-over-year, but could you just talk a little bit more, I guess, about the leads that you said were coming to fruition in the second quarter, and do you think you'll get back to more sort of normal, I guess, sort of, seasonal patterns here over the balance of the year?

Colin Reed

I think the responses. The answer is yes. And we've got really good lead volumes building in the business, but why don't I hand over to Patrick to give you a little bit more color on this.

Patrick Chaffin

Sure. Good morning, Smedes, this is Patrick. Just to give you a little bit more detail into that. We've looked very carefully at what's been going on. We had a historic high in 2018 and finished off with a really strong Q4. The first question as you come into the first quarter is how long will it take you to rebuild the funnel, is there an overall slowing in demand, given the fact that our first quarter was down a little bit. We have concluded that there's definitely not a slowing in demand, and that there is not any loss of business to our competitors or to other brands out there. We really think this is just the impact of the fact that we have been building a book of business where there is much less availability, and that we're seeing for 2019 trends that will probably put us more in line with our 2016 or 2017 production levels, which again were very, very strong, but maybe not as strongest as

'18 simply because we just don't have as much availability, we have seen a little bit of elongation in the corporate booking window. We think that's probably due to the fact that a lot of corporate groups are seen the amount of demand that's filling up some of the patterns out there, and so they're taking action to try and make sure that they have spaces to hold their meetings before those spaces are filled up by other groups.

So overall we think everything remains very healthy and as we move through 2019 we don't expect it to be quite as strong as 2018, but still strong in comparison towards the past few years.

Colin Reed

The 2018 was a record-breaking.

Patrick Chaffin

That's right.

Colin Reed

We built -- just reminds me -- how many rooms actually we booked in '18.

Patrick Chaffin

Just over $2.3 million.

Colin Reed

And a really high quality year for us is around [ph]two , right?

Colin Reed

That's right. Yeah. The other thing that you may want to reference Patrick is the -- I wouldn't say pressure, but the focus that we've been putting on with [ph]Maryland as it relates to rate.

Patrick Chaffin

That's right. We talked a little bit if you moments ago, Colin, give you a little bit of color at some of the success we've seen in driving rate that has been our focus in 2019. given the book of business, we have already we think now is the time to really focus on that, we were very successful in doing so at Gaylord National and Gaylord Texan. I'm sorry -- at Gaylord Opryland, Texan had an opportunity to fill some need dates, some of the lower volume group travel dates and we always take those opportunities. They usually fill at a little bit lower rate. So if you take the need date volume out of the picture, we saw a healthy rate growth across the brand, but a couple of properties had an opportunity to fill those need dates and we always take action to make that happen.

So the focus on rate is starting to produce results, and we think that will continue through the year.

Colin Reed

So bottom line Smedes, we're pretty happy with our pace of bookings, the book of business that we have and just the outlook at [ph]2020 business that we have on the books for 2020 is materially up against what we would typically have this time of the year , for the coming year. So we're very happy with the way things set up or setting up.

Smedes Rose

Okay, great, thanks for that incremental color.

Colin Reed

Thank you.

Operator

Our next question -- Jeff Donnelly with Wells Fargo.

Jeff Donnelly

Hey, guys. Maybe a few questions if I could just one on the broader group outlook. I mean some of the, I guess I'll call the 3rd-party meeting providers out there reporting that demand in 2019 is maybe a little softer, but that's clearly contrary to what you guys are seeing, is that an outlook that's just like a simply not accurate or do you feel you're taking share in a fairly static market, I'm just curious what your perspective

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Patrick Chaffin

Hey, Jeff. I'm assuming you're probably referring to Cvent and some of the reporting that they put out there, I guess I would remind you that, what Cvent looks at primarily leads for smaller groups, and I would tell you, they probably are seeing a little bit of softness, because as we've been talking about over the past couple of years with the historic room night production that we've been doing for the past three or four years, we've been filling up the patterns that are out there. So there is less availability. And so, if you're a third parties that is tracking small groups that historically fill in the year for the year or closer to travel date, there's definitely going to be a lot less availability and therefore they're probably seen a drop in the level of demand there booking in. I don't think that's representative of what's going overall -- going on overall in the industry. I think that's what's happening in a small segment that is more in the year for the year focused. From our perspective, as we've talked about, we have more room nights on the books and we have ever historically seen. So we don't see any kind of slowing in pace. We don't see a slowing in demand. But if you're looking at one small segment of the industry, you may see that simply because there is less availability for that sector to sell into.

Colin Reed

And lead volumes look very healthy.

Patrick Chaffin

That's right.

Jeff Donnelly

It's helpful. (inaudible) maybe just if I could stick with you, Patrick is that I know it's very early, but have you seen folks who have hosted meetings at the Rockies in the first few months of operations rebook for future meetings at Rockies or even other Gaylord properties or is it just too soon to see that happen?

Patrick Chaffin

I mean they're certainly interest the word of mouth has been very strong on the property. But given the fact that it takes a number of months for a lead to work its way through the funnel, I would not be able to really point to material re-bookings. The post-cons the post convention feedback surveys getting for meeting planners have been very, very positive. They've been very impressed with the attentiveness of staff to filling their needs, the service levels are very high. There's always opportunities that we're focused on, but I would say that we feel very good that the re-booking rate is going to be very high for those who are staying at the Rockies.

Colin Reed

(inaudible) we've only been open [ph]four months Jeff and we probably only put through, I didn't know, Patrick, I would think -- in that four-month period 20, 25 large groups through there. So, but the customer feedback, which is something that, Patrick, and his team monitoring with Marriott is-- very good.

Jeff Donnelly

And maybe just one last question for you Colin. Hilton recently announced it was launching a group focused brand, I think called Signia with a few new builds are conversions, I think Orlando, Atlanta, and Indianapolis. You guys have looked at smaller format hotels in the past. Have you, did you have discussions with them. I'm just curious what your thoughts are and is that something you guys would look at?

Colin Reed

No, we haven't had, we haven't had discussions

with them, but look none of this, none of this surprises me. But you can't in the [ph]group sector you just come sort of make a decision overnight to be in it. You've got to have the quality of product, you've got to have the service standards in place. You've got to build the forward book of business, so it doesn't surprise me that, Hilton would want to do this. But look, as we have said so many times Jeff ph with our 26,000 of these large groups in this country every year that rotate from market to market, all we need is a 100 of those in each of our big hotels and we are very, very happy and generating lots of profitability. So, there aren't a lot of big hotels that can build 300,000 square feet of meeting space, they just can't do it, I know they can't do it, because we've looked at every big hotel in the country and how much land they have contiguous. So , our business, our model is very, very, I think, strong and we wish Hilton well.

Jeff Donnelly

Great, thank you.

Colin Reed

Thank you.

Operator

Our next question is from Bill Crow with Raymond James.

Bill Crow

Hey, good morning, guys. Maybe for Mark, now that we've got one quarter under our belts at the Rockies. Could you talk about maybe the cadence of contribution through the year. Just trying to figure out seasonality of EBITDA contribution.

Mark Fioravanti

Yeah so as a market it's actually going to be a strong summer market for us, it's a little bit different than our traditional hotel pattern. And EBITDA contribution, obviously we'll build as we move through the year into next year. Patrick, you're looking through some numbers there.

Patrick Chaffin

Yeah, I mean to Mark's point, the Rockies has been a great compliment to our overall brand because the third quarter, most of our hotels is a little bit softer, simply because of the heat that you find in Dallas and Orlando and even here in Nashville humidity whereas third quarter in the Denver market is a very temperate mild pleasurable experience with low humidity. And so we look for more and more opportunities, people are making fun of me, but that's the way we would describe it. We look for more and more opportunities to define what maybe a currently a brand opportunity where we can add another hotel and Rockies fits that perfectly. So third quarter will be a very strong quarter for that hotel from an occupancy perspective. And then the first quarter, a little bit lighter, but as again as Colin already pointed out, we exceeded our expectations for the first quarter of '19.

Bill Crow

Okay, Colin in the press release, you talked about The Gaylord National turning away from the casino demand as a driver. And I'm just curious, is that -- it's just not a good fit, or the casino is not doing as well or are there enough other hotels to take --

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Colin Reed

No, it wasn't, a comment to opine on the performance of that casino, it's the -- what - Bill you know, the casino -- pretty business pretty well and regional casino rate, hotel rates are not off the charts, good and we have -- we own a world-class hotel there and National Harbor continues to build out as an entertainment destination.

So we have a sort of moved away from putting discounted casino rooms out and moving to more leisure orientated rooms that are non-casino and that's played a real has had a real impact on rate and performance. And Pat, do you want to add to that?

Patrick Chaffin

Yes, the thing that MGM Casino at National Harbor has had tremendous success with and I would say and maybe I'm speaking out of turn but I think even that casino has been more has been surprised and pleased with the locals turn out probably better than -- what they initially anticipated. And so that casino has been very locals focus within the DC, Maryland, Virginia market. And so, there has not been as much of an opportunity for us to bring in regional customers because there simply just not advertising in the region and so we initially tried to just bring in some of their more value-oriented customers but at the end of the day, we just decided that from a rate perspective to Colin's point, it just wasn't making sense to continue to bring those folks in and so we've gone back to a higher rated more premium customer within the region and had tremendous success with bringing that customer back to the hotel.

Bill Crow

Okay, that's helpful. One final one for me. As you think about some of the expansion projects that you have underway and potentially do in the Rockies, et cetera and you think about funding that is there any thought of [ph]pairing the couple of small assets, the ACat National Harbor, and the INN at Opryland from your portfolio?

Colin Reed

Bill. The answer is no, and the reason is if you take the Inn at Opryland that hotel make somewhere in the $4.5 million to $5 million range. Right? If we were to extract it from the mother ship and go sell it to somebody. We're not going to sell it at a 12 multiple because there won't be the overflow into that business, as there is today. So these assets are generating really good returns for us and our view is we don't need to go sell those assets and look 2019 when we funded, if you recall, we've funded as we moved into the beginning of this year and you look at our leverage levelsand our leverage levelswere relativelyhigh but we funded SoundWaves, we funded Denver and we've had no income from these businesses. These businesses have opened, these businesses are doing really well and our leverage levels dropped materially, so we don't need to, if we want to go expand Denver as an example, we don't need to go sell hotel to do that. We just don't need to do it because of the underlying cash flows of this business.

Bill Crow

That's great, thanks for the time.

Colin Reed

Thank you.

Operator

Our next question is from Shaun Kelley with Bank of America.

Shaun Kelley

Hi, good morning everyone. I just wanted to speak a little bit more about maybe the ramp that you're experiencing in the Rockies so we noticed across the portfolio, it looked like outside the room spend or your spread between total RevPAR and RevPAR was quite strong, but it really stuck out at the Rockies, so do you, is that something that is sustainable or is that a little bit of just mix as you have lower occupancy and as you ramp that'll probably normalize relative to some of the other properties?

Patrick Chaffin

Shaun, I think this is Patrick, I think that's going to normalize, it all comes down to the mix of who you got in-house and I think we ended up with some groups early on that were premium customers, little bit more heavy towards the corporate mix that hotel is going to see more and more association business with its maturity coming -- that's more in line with our other properties. If you think about it, some of the association customer we're booking much further in advance when that property was still under construction and so they were really having to buy into the promise of what would be there versus some of the corporate customers that we're buying into something they can actually see almost fini shed.

So as we ramp up over the next couple of years, we'll have more and more association customers coming in and we'll see that stabilize re lative to the other hotels.

Shaun Kelley

Got it, thanks for that. And maybe just more broadly when you sort of look at back at you said very clearly that it exceeded your expectations, and that it's off to a strong start. The margin itself to sort of be out of the box for a quarter and be above 30% is quite impre ssive, is there, can you just talk a little bit more about which areas of the property exceeded your expectation and is that type of margin outlook 30% plus sustainable from here or is that going to bounce around again as mix shift throughout the year.

Patrick Chaffin

Yeah, I would tell you that from a performance perspective, the food and beverage

Banqueting results were a great surprise a very pleasant surprise for us. And then, obviously, you're seeing the impact of the tax incentive package that we've negotiated or there was negotiated for the property benefit into the bottom line.

Mark, do you want to add anything to that.

Mark Fioravanti

Well. I would add is that when you think about the way that property is configured, it has more meeting space -- room and more breakout space. So you can generate a higher quality mix and more more banqueting spend.

Colin Reed

That's what I was going to say, the just this way, the way this hotel that's being built is just a lot more efficient than the -- what I would call the first and second generation Gaylords and then the other part of it is that when we talk about, we are very happy with this performance, we've been pleasantly surprised with the leisure room nights, that we have been putting into this hotel, one of the big things we've had tremendous visibility of the Group, we went into this opening this hotel with 1.2 million room nights on the books that we didn't have a lot of leisure business on the books, because the leisure business doesn't book months in advance.

But what has really happened here is our leisure business has been really, really good and Bill Crow made a comment about potentially expanding this hotel and it's something that we've said publicly, we're looking at because if we build an expansion on this footprint we get the benefit of the tax incentives and and I -- we are looking at all of this as we speak, but this hotel is been a pleasant surprise to us.

Shaun Kelley

Thank you very much.

Operator

Our next question is from Chris Woronka with Deutsche Bank.

Chris Woronka

Hey, good morning guys. I wanted to ask you a little bit about SoundWaves. I think you're the indoor part's been opened probably about 5 months now, is that ramping kind of in line with your expectations, and I guess how much seasonal build do we expect when the outdoor piece opens.

Colin Reed

-- Again the highlights here that the reaction of the customer reaction -- the responses from the folks that have been there -- have been above what we had hoped for and the amount of throughput through this place as being really, really good particularly at weekends and we haven't really gone to the mat on the marketing of it. So we opened the outdoor portion of this in a couple of weeks, Patrick, right? Towards the middle end of May and it looks wonderful. So you have, do you have any comments you want to add on this?

Patrick Chaffin

Yeah, Chris. The only thing I would add to what Colin already said is June, July and August will be the high point of SoundWaves because the outdoor facility will be opened, school will be out and based on the tremendously strong response that we've gotten from the local and regional market thus far. We think that there will be a strong buy -- for the outdoor component, to Colin's point, we'll open the outdoor on May 17 and then we will shut it down in the September timeframe as school opens back up again and we'll move just to the indoor component and then that will ramp back up again with the indoor component really seen lots of strong performance in the holiday period. Similar to what we saw last year, but last year we were only opened for a fraction of the holiday period, as compared to what will be open in 2019.

Chris Woronka

Okay, very good, thanks guys.

Operator

Our next question is from Gregory Miller with SunTrust Robinson.

Gregory Miller

Good morning. I'm on for Patrick Scholes. A couple of questions from our end. Could you explain your EBITDA guidance revision with greater detail with the $7 million increase at the midpoint, equivalent to the amount of your 1Q beat versus your internal expectations.

Mark Fioravanti

-- What I would say is it's a combination of our performance in Q1 with the expectations that we have for the remainder of the year, but it's primarily driven by the [ph]beat that we, that we had in Q1.

Gregory Miller

Okay. And then the second question I had, digging into your release this morning on National you had a group mix shift towards premium Association groups and I'm curious if this is a revised strategy that you anticipate continuing well beyond 1Q '19.

Colin Reed

When it comes to association business where the average lead time of booking is like 4.5 years, you can't turn it on and off. We've always been focused on association business we love it. It's recession-proof and we, it's not like we have a strategy in National to go after premium association business we go up the premium association business everywhere as being part of that DNA for 15 years in our business and will continue to be part of [ph]DNA .

You want to add to that, Patrick?

Patrick Chaffin

Yeah. The other thing I'd completely agree with what Colin said the only thing I would add is that I think what you're also seeing is, we've really been working with our property brought in some new sales leadership with a couple of years ago and with a focus on doing a better job of stacking groups and so you have your base of association and we're always trying to get those premium association groups, but then making sure that we stack in and really fill that property up to the best of our ability and the sales deployment tweaks that have been made by the leadership team has come in in the past couple of years, I think it's really starting to pay dividends for us. I'll give a shout out to the effort by our sales team their on property, who is really not just getting premium groups in but making sure that we're maximizing and using the space as efficiently as possible to drive occupancy.

Gregory Miller

Okay, that's all from us. Thanks.

Colin Reed

Thanks. Greg.

Operator

(Operator Instructions)

Colin Reed

If there are questions. Stephanie, we can move on with our day.

Operator

There are no questions at this time.

Unidentified Company Representative

All right. Well, again, thank you everyone for joining the call and we are very happy with where our Company -- [ph]currently sits . If you have any further questions you know how to get to us. Thanks a lot.

Operator

Thank you. That does conclude today's conference call. You may now disconnect.