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PRESENTATION

Operator

Hello and Welcome to the Ryman Hospitality Properties Fourth Quarter and Full Year 2021 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, Chief Operating Officer; and Mr. Scott Bailey, President, Opry Entertainment Group.

This call will be made available for digital replay. The number is (800) 934-2123 with no conference ID required. (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, Ashley. Good morning, and thank you, everyone, 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 exhibit to today's release.

And with that, I'll turn it over to Colin.

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

Thanks, Mark, and good morning, everyone. Well, quite a lot has happened since we last spoke on November 2, and the time when the word Omicron meant very little to anyone, and the Delta variant was still fresh in our collective memory.

Starting in December, we saw the rise of the Omicron variant, the tallest wave of COVID-19 cases since the pandemic began. However, we were fortunate as this latest wave appears to have passed with much less severity due to the widespread vaccination and what experts are telling us is the lesser virulence of this particular strain.

Today, just about 3 months after the first Omicron case was reported in the U.S., the daily average new cases has fallen over 87% from the peak on January 14. For our part, we did experience an increase in group cancellation activity during this wave from December through now, which will primarily impact the early part of this year, and we'll talk about that in a moment.

However, the fourth quarter, as you know, is our most leisure-focused period of the year, and this segment has shined for us in many ways with -- throughout this quarter.

In the fourth quarter, we hosted over to 272,000 leisure transient room nights, an increase of 2.4% over the fourth quarter of '19, our last pre-COVID fourth quarter.

Now what's more impressive is that these transient room nights were sold at an ADR over 25% higher than the fourth quarter of '19, helping push at total ADR growth 19.6% over the same period.

Now for the month of December, transient ADR alone was up 35% over December of '19. Our total rooms revenue of $53 million for the month of December was within about 1%, $0.5 million of setting an all-time monthly rooms revenue record. And the crazy thing is this was a 60% occupancy for that particular month.

Clearly, the Gaylord Hotels brand driven by the investments we've made into our leisure and holiday programming, food and beverage offerings and our unique resort amenities such as our SoundWaves is resonating strongly with our targeted leisure guests and families as they seek out fun, safe, upscale and luxury getaways.

Strong leisure performance allowed us to sustain our occupancy on a sequential basis as we held the fourth quarter occupancy of 53% compared to 54.5% in the third quarter despite both the expected seasonal falloff in group and the significant impact that the earlier Delta variant cancellations had on the group side of our business in the fourth quarter.

And plenty of groups still did travel in the quarter as we hosted almost 236,000 group room nights, about 54% of what we saw in the fourth quarter of '19.

We also collected $20 million of attrition and cancellation fees in the fourth quarter attributable to those Delta cancellations from before December, bringing our total full year collections to $48.5 million.

The bottom line is our company delivered positive monthly average cash flow after debt service of just over $18 million per month, which is above the estimate we provided in early November in the mid-teens. And this is, again, notwithstanding the rise of Omicron that we saw late in the quarter.

Now as we did with the Delta variant in November, let me give you some context of what is going on with Omicron within our business and some color around what we're seeing and hearing in terms of group reaction.

During the Delta Wave, we experienced about 183,000 group room night cancellations for all future periods attributable to that variant. Since the Omicron variant became dominant in early December, we've attributed approximately 177 room night cancellations through February 21 to this particular wave.

We do expect there will be more to come as new COVID-19 as new COVID-19 cases, while still falling, have not fully reached the lows of last summer, which is the first time our average daily cancellation reached their pre-COVID baseline.

Now let me give you a little bit more information on this. I was talking to Patrick earlier this morning. Now to be clear, when we assess data to compare this year's cancellation activity to a previous period, we normally look at 4 continuing weeks of activity. But it would seem from the last 2 weeks, cancellation activity, we are now at or below 2019 levels, and as a consequence of this, we are guardedly optimistic that Omicron is behind us.

Now this subtotal of Omicron cancellations represents about 5.6% of all group room nights lost since the pandemic began. So just as with the Delta wave, it's important to remember that neither of these waves are anything like the painful experience that 2020 and early '21 were for our company and our industry.

Another difference to note this time is that the recent Omicron cancellations have tended to have the shortest cancellation window of the pandemic of 40 days out on average. Approximately 85% of these cancellations thus far have been for travel from December through March.

This compares to about a 50-day average cancellations for the Delta variant and a 90-day window early in the pandemic. Anecdotally, it also appears to us that a greater share of these recent cancellations are less motivated by preemptive caution as they are by practical reality, given how prevalent Omicron became.

Several cancellation groups simply had too many positive cases amongst their members, but it wasn't, in fact, practical to hold the meeting. So they were unable to travel. Even if the organizers may have actually wanted to go ahead.

Between the data and these anecdotal conversations we've had with meeting planners, it seems evident that groups are very eager to resume the progress we are making on getting back to normal as soon as practical as this latest wave subsides. And when that happens, we will be well positioned.

Turning to our fourth quarter sales production. We booked over just shy of 1 million room nights, 993,000 to be precise in the fourth quarter, up 74% from the fourth quarter of 2020 and down less than 1% against the 1 million room nights contracted in the fourth quarter of '19.

And 70% of this activity were new meetings with the balance being rebookings. Furthermore, over 20% or 200,000 of these room nights well for T+1 or for to say a different way 2022. In fact, on a net basis, we added over 54,000 room nights in the fourth quarter of '21 for travel in '22.

Now to put this in terms of occupancy, we increased our net occupancy on the books for '22 from 44% as of September 30 to 46% as of December 31. Now it's important to remind you that -- remind you that Omicron took most of its bite out of this position after December 31, about 137,000 of the 177,000 Omicron cancellations I mentioned just a second ago, came in after December 31 for travel primarily in the first quarter.

Therefore, it may be helpful here to drill down just a little bit into these figures to get a better picture of the potential that we are seeing for 2022 as Omicron recedes and in the year for the year sales activity picks up.

Now while we were down about 9 points of net group occupancy in the first half of '22 compared to '19 and to start the year and subsequently lost some more of those rooms due to Omicron in January and February. For the second half of this year, we're only down 1.5 net occupancy points compared to 2019 at the start of the year. Don't forget we have 300 more rooms in our inventory for 2022 than we did for 2019 in these denominators.

Then when you layer in the rate growth on the books for these rooms relative to the same time in '19, which was 7% higher overall for '22, you see the potential for us to perform moving through the year as the Omicron hangover wanes.

In fact, for the third and fourth quarters of '22, we have more group room revenue on the books at the start of this year than we did for the third and fourth quarters of '19 at the beginning of that year.

Now here is where I'm excited to highlight that after 2021 ended for the month of January in 2022, we have the best in the year for the year bookings performance for any January since 2013. And we believe that this, in-the-year for-the-year momentum will continue because in-the-year for-the-year leads were up 50% across our portfolio compared to lead volumes at the end of January 2019.

So the bottom line is that while we lost some net occupancy to Omicron in the early days of this year, our second half position, our short-term sales momentum and our lead volumes for this year have us very optimistic that we can work our way back towards our original pre-Omicron expectations for the year, subject really only to the availability on our calendar to accommodate the lead volumes we have.

And all of this sales activity, we're not being shy on rate either. Our ability to capture rate while continuing to post solid booking numbers is not simply a response to the inflationary data that we're all reading about over the recent months. Rather, when we look at the investments we have made and are making in our assets, it's clear to us how favorable our product compares to the competition, which has not seen much in the way of new supply, innovation or come to that investment throughout this long economic cycle since 2009, especially through the last couple of years as we've been wrestling with COVID.

We've invested literally hundreds of millions of dollars of capital into our hotel portfolio over the last few years, and that is on top of the $800 million introduction of the Gaylord Rockies. And we have many more interesting and exciting projects we are working on that will further enhance our competitive positioning.

You may be familiar with these projects we have completed in the last couple of years. But given the fact that we've got a whole bunch of new shareholders. Let me just quickly recap at the activity that we've undertaken. We expanded our Gaylord Palms and Gaylord Texas, each by 300 new guestrooms and approximately 90,000 square feet of new modern functional high-tech meeting and breakout space.

We renovated the entire 2,000 rooms at the Gaylord National and are nearly complete with a full concepting of the dining experiences there as well. We've invested $90 million to build the first of its kind water experience at SoundWaves in Opryland. And by the way, given what has happened with the performance of SoundWaves through COVID, we see a strong investment case to replicate this feature elsewhere.

We have planned approximately $45 million of enhancements to the Gaylord Rockies to realize our original vision for this hotel now that it's under our sole ownership. And we're revamping the Texan Riverwalk and planning to renovate the original 1,400 rooms at the Palms to match the recent expansion there.

The list continues to expand as we regularly invest to grow and evolve with our customers and their needs. And we believe our customers, both existing and increasingly newcomers alike appreciate the differentiated experience our investments create.

And we believe this will add further value. And we really do believe that these events will set us aside from the competitive set. This is a tremendous advantage for our portfolio, and we expect that the true earnings power of our hotel business, supported by the virtuous cycle of high return capital deployment that we sustained through the difficult years of '20 and '21 will become increasingly evident as this pandemic tide recedes in '22 and beyond.

Now turning to our entertainment business, it appears that tide is already quite further out. The live entertainment industry overall continues to thrive post-pandemic. A brief look at the performance of our own assets on a same-store basis, which would exclude Ole Red Orlando and the Circle joint venture, neither of which existed in '19 shows that this remained true in the fourth quarter of '21.

On that basis, same-store revenue grew 11% and adjusted EBITDA increased 7% over the fourth quarter of '19. You've all heard us say for years how valuable we believe the Opry Entertainment Group is. And in recent quarters, we've continued to emphasize how that value is becoming more apparent following COVID.

As people's desire to connect again personally and experience live entertainment came roaring back in 2021. We believe this continues to be the case, and this is why we've continued to invest in growing the scale of our venue network and the size of our customer reach, both organically and through our pending acquisition of Block 21 in Austin, and it's famed ACL Live at the Moody Theater.

We've also announced in the fourth quarter what will be our largest Ole Red venue coming to Las Vegas in 2023 at the southeast corner of Flamingo and Las Vegas Boulevard right on the strip in front of Bally's across the street from the renowned Bellagio Fountain. It will consist of 27,000 square feet over 4 stores and a performance capacity close to 700 people topped by a 4,500 square foot rooftop.

When both deals are complete, Block 21 and Ole Red Las Vegas, our venue network will span coast to coast from Las Vegas to Austin, to Nashville, to Orlando. We'll be able to reach our fans wherever they are and help bring the artists we have developed relationships with to new markets and new audiences.

We really believe our entertainment business is a valuable jewel. And we ultimate -- while ultimately may not belong in the REIT, we're committed to nurturing its growth, stewarding in its brand and maximizing its potential value for shareholders when the time is right. And we believe these 2 major investments are an important step to that path.

One last development that I'm happy to announce is the expansion of our board with the addition of 2 new members this week, both of whom should be familiar names to our long-term shareholders.

Michael Roth rejoined our Board offer 1 year absent, and we're delighted to have his incredible experience and history with our company. These things are so disruptive. Apologies for that. So we're very happy to have Michael back on our Board.

And some of you may have read this morning, Mark Fioravanti, our President and Chief Financial Officer, will be joining our Board as well.

Mark has been essential to the growth and returns that this company has delivered over the last couple of decades through both his strategic advice and his financial stewardship of our balance sheet, which was particularly vital these past 2 years as we navigated the COVID pandemic.

Mark has been a trusted adviser to me going back not only through our time at Ryman and its predecessor Gaylord Entertainment, but even further to our share time together at Harrah's before I came over to this company. I'm pleased to have Mark's counsel now directly in the board room with me.

And with that, let me hand over to him to recap our balance sheet and liquidity and a little bit of financial data as well. Mark?

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

Thanks, Colin. In the third quarter, the company generated total revenue of $377.4 million and a net loss to common shareholders of $6 million or $0.11 per fully diluted share.

On a non-GAAP basis, the company's third quarter consolidated adjusted EBITDAre, was positive $85.6 million and AFFO available to common shareholders was $52.1 million or $0.94 per diluted share. This marks the third consecutive quarter of positive consolidated adjusted EBITDAre since the first quarter of 2020 before the COVID pandemic.

Considering the reduced actualized group occupancy due to Delta cancellations, we are pleased with the hotel margin performance in the quarter at 53%, hotel occupancy was down 23 points, including 204,000 group room nights when compared to the fourth quarter of 2019.

Nonetheless, our hotels adjusted EBITDAre margin was 25.5% down just 6 percentage points. I'd caution here about comparing our fourth quarter margin to the immediately preceding third quarter for a read on the current recovery trajectory even though occupancy was similar sequentially, in the fourth quarter, our hotels typically generate lower margin holiday programming revenue.

In addition to the seasonal difference, this year, we serviced approximately 71,000 fewer group room nights compared to the third quarter due to the near-term Delta cancellations. This mix change negatively impacted high-margin banquet business volumes in the quarter.

In terms of what is happening on the labor side, we did see some modest wage margin pressure versus the fourth quarter of 2019 as we went into the quarter staff for higher levels of group occupancy that were on the books prior to Delta's arrival.

Retaining key staff and a tight labor market is a priority for us in order to be prepared for the volume of business we have on the books in '22 and beyond.

And while we've endured double-digit percentage wage growth versus the fourth quarter of 2019, we have muted its effects through advances in productivity by improving hours work per occupied room and at the management level, our leader count is down compared to the fourth quarter of 2019 as we have adopted structural changes in our staffing model coming out of the pandemic.

These operational adjustments, combined with strong ADR growth and cancellation fee collections helped to offset higher wage rates and a sudden mix shift and occupancy headwind from the Delta variant.

As our higher-margin revenue sources fully recover, that is group travel normalizes in the associated banqueting and outside the room spending that comes with it, and occupancy fully returns our hotels should generate superior margins compared to pre-pandemic levels.

Looking ahead, it is still a bit too soon for us to return to our traditional guidance format given the tail end of Omicron is just now passing through and new data is coming in quickly. However, as Colin alluded, we're very encouraged by our recent near-term production for 2022, including in the year for the year production in January and the relative resilience of group lead volumes despite the emergence of Omicron variant in December.

And while we expect the first quarter to be impacted by Omicron, with solid group occupancy and rates on the books, good in-the-year for-the-year momentum and continued leisure strength, barring any new adverse COVID developments, we expect to see more normalized levels of occupancy and business mix as we transition to the second half of the year.

Turning to the balance sheet. Due to our positive cash flow, we reduced our net debt by $76 million and ended the quarter with total available liquidity of over $650 million consisting of $140 million of unrestricted cash and $510 million of availability under our revolving credit facility.

With the continued recovery in our business, we anticipate exiting our credit covenants -- facility covenant waiver on schedule in the second quarter of this year.

In addition to the resumption of our regular FF&E reserve contribution in 2022 and we plan to deploy approximately $200 million of capital in new unit and enhancement opportunities in both our hotel and entertainment businesses. This includes $125 million to fund the balance of the $260 million purchase for the acquisition of Block 21 in excess of our assumed $135 million mortgage.

We continue to work through the CMBS approval process and expect the acquisition of Block 21 to close by the end of the first quarter. Given these high-return investment opportunities, we do not currently anticipate reinstating our dividend in 2022, unless we're required to do so under REIT rules.

In addition to investments that further our competitive advantage our priority for the cash we generate will be to de-lever the balance sheet, returning to pre-pandemic target leverage levels.

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

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

Thanks, Mark. No, let's get straight to questions. Ashley, if you could open the phone lines up, please, that would be good.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And we'll take our first question from Shaun Kelley with Bank of America.

Shaun Clisby Kelley - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

Mark, congratulations on the Board seat, I think that's very well deserved.

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

Thank you.

Shaun Clisby Kelley - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

So thanks for all the color, everyone, just on the trend lines, Colin, I think the story is I think it's really quite clear. I wanted to dig in on, let's call it, the second half recovery cadence. I think you're pretty precise that occupancy on the book is only down 1.5 percentage points, rates up. If we think about that formula, what do we need to see on the margin side, what would you expect to see is a better question on the margin side. If you get that mix of business, in the second half, just so we can sort of manage and think about expectations for overall profitability.

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

Yes. I'll start, and then I'm going to hand it over to Patrick. But the other part of all of this that you've got to remember that we're sort of seen as a group hotel business. The analyst community, that's the way you guys sort of describe us.

But I think what we have proven here is we're a damn sight more than that. When you look at the performance of our business in the fourth quarter, generating $88 million of EBITDA, almost setting an all-time rooms revenue record in December of over $50 million of rooms revenue in that 1 month with 60 points of occupancy, it was because of the tremendous strength and the emergence of our business, as a very strong leisure accommodator.

And the reason for it is the fact that we've done so many things to enhance these hotels over the last decade or so -- and when you see leisure rate up, and I'm going to get to your question in a second, when you see leisure rate up in the month of December compared to 2019, up 35%, the customer really does appreciate what we are doing.

So one of the keys to the answer to your question in terms of margin, is the sustaining of this level of leisure business that we have been building through this pandemic over the last 2 years and sustaining the rate. And if we can deliver those room nights, these leisure room nights into the periods of time when the leisure consumer is really wanting to travel at the rates that we have been accomplishing our margins are going to be just very, very fine.

And so Patrick, I mean, you may want to talk a little bit about the stuff that we have done to eliminate cost out of our business to make sure that our margin performs very, very well.

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

Absolutely. Sean, it's Patrick. Just to build on Colin's point, the hotels and I and my team are in the hunt for second half of this year to get RevPAR and margin back to 2019 levels. That is our goal. Now that's barring another variant. The things that Colin just mentioned that we're counting on to make that happen and what we're executing against is continuing to drive transient ADR, starting to move group ADR up.

Obviously, that's going to lag a little bit because of the nature of the long-term nature of our contracts. But then to Colin's point, really honing in on labor management. We've been doing more with less for the past 2 years. We think that we can sustain that. We think we've got the right talent in place, and then we're deploying additional technologies to help us do that as well.

And then finally, getting group occupancies back to levels that allow us to deliver margin and RevPAR similar to what we saw in the second half of 2019.

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

Shaun, I know this is going to sound a little dramatic, but I really -- I've said this to my Board yesterday when we were having a conversation about '22 and '23, and Mark was sharing our long-range plan. My sense is Omicron has really helped us sort of re-rate ourselves in the eyes of the consumer. We've our relative leisure rate was up until about 2, 3 years ago, pretty anemic.

And it was something that we have been really focused on with Marriott as our manager. And Patrick and his team have been beating the living daylights out of the revenue managers.

So now enter stage left, here we got Omicron. Group sort of evaporates. And we said now is the time for us to demonstrate that we can get really good rate growth. And look, when we talk about rate growth, we're not talking about offering rooms at $1,000 a night that a lot of these resort locations are doing, and that will absolutely pull back at some point in time.

But what we have done is pushed our rate up relative to hotels that we're in the peer set of. And my view is that really -- and I've said this to the Marriott leadership, and Patrick has too, as Mark that we expect these rates to sustain themselves into '22 and '23. And we -- I think we have an opportunity here to fundamentally redefine the profitable opportunity, profitability opportunity for these hotels.

Shaun Clisby Kelley - *BofA Securities, Research Division - MD in Americas Equity Research & Research Analyst*

It's great. And then my second question, sort of along the same lines, would just be -- can you help us think through a little bit of the -- let's call it, the is a bad word or the vintages or cohorts of prior year bookings, right? Because we are seeing this really dramatic pricing environment.

And in a way, if corporate comes back as quickly as maybe your occupancy suggests I'm thinking you probably would actually have more pricing power than maybe your contracts would allow you to have. So can you just help us think about how quickly you can push up maybe the corporate and associates of those longer-term contracts in pricing?

And again, obviously, there's a value proposition there. So I'm not to say you're aggressively taking price and not giving something back. But truthfully, there's going to be a lot of demand out there for your product? And how quickly can you adjust to that on the corporate and association side?

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

Yes. So remember, this is what would -- this is the way we would typically look. If you were -- if we went back to 2019, and we're sitting there looking at 20, we would be sitting there with 50 points of business contracted or we've already made the decision.

And by the way, we're not moaning and growling about that. That's really good stuff. I mean to have -- no other company has 50 points of occupancy typically on the books in contract form, but we do. So therefore, if you believe your goal for the year should be 80%. 20% is going to be leisure, 10% is going to be in-the-year for-the-year.

We have 30 points of occupancy that we're in total control on vis-a-vis rate. And so that's the way we think about our business. And we've been very aggressive with our salespeople. We keep calling them our salespeople, Marriott salespeople, they're our salespeople. We've been very aggressive with these folks in terms of pushing and pushing and pushing rates. So we do have the ability to affect quite a large part of our business.

And then, of course, all of the outside of the room spend, that is something that we negotiate in real form a month before the group turns up. So there's opportunities there, too.

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

Sean, this is Patrick. Maybe a couple of points just to further highlight what Collins saying long-term group pricing, we have a very different narrative than everyone else, and it's been highlighted in the previous comments. On the transient side, we can drive rate up not simply because of inflation, but because of the amenities that we offer and the programs that we offer, which are truly unique to our properties.

On the group side, we've been investing heavily into our assets over the past few years, even in the midst of COVID. So F&B is being reconcepted and revitalized, room renovations, new renovated space, new rooms have been added and additional amenities added all across the board.

So from a long-term perspective, our sales folks can share a very different value proposition that rates aren't just going up because of inflation reality, they're going up because we have more value to offer.

In the short term, I mean you see -- give you a data point that we're very excited about. January in-the-year for-the-year lead volume was the highest lead volume we've ever seen in a January for the brand. And I know a lot of folks have said, "Well, is corporate coming back? Well, corporate was the main driver of that volume for in-the-year for-the-year in January that we've seen.

78% of the leads in January are coming from corporate. So corporate is clearly showing signs of strengthening very quickly. And with that being in-the-year for-the-year and our ability to impact the pricing just in-the-year for-the-year we're very encouraged that, that volume of business coming through, we can truly drive prices up, both on the group side and the transient side in the short term.

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

Corporate high value outside the room, too. That's right. It's the other big advantage.

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

Yes, you're right.

Operator

(Operator Instructions)

And we will take our next question from Bill Crow with Raymond James.

William Andrew Crow - *CIMB Research - Research Analyst*

Appreciate all the color thus far, Mark, congratulations on the new side hustle. A question for you a question for you, which is on the balance sheet and your intent to de-lever but you have, what, $200 million plus of wants for the balance of the year.

And I'm just wondering how you're thinking about financing it. Obviously, you raised equity at 1 point earmarked for Austin, and that was used to kind of get you through the last 24 months. Do you revisit that financing method again here?

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

I think -- I mean, certainly, that is an option for us. As you know, Bill, we have an ATM in place that we haven't utilized to this point. So we do have some flexibility. Our stock, we've been very pleased with how it's recovered relative to where we were 18 months ago or even a year ago. So equity is an option.

As the business recovers, though -- these businesses when we get -- when we start to get back to pre-pandemic occupancy levels and at the rates that we're seeing in terms of incremental leisure business in-the-year for-the-year group business and some of the spending patterns.

These hotels will produce a lot of free cash flow. So as we move through the year, we -- I think we have a lot of different options in terms of how we think about financing growth. And from a leverage perspective, if you start to reramp our EBITDA, our leverage comes back in the line pretty quickly with our pre-pandemic levels.

So just from a leverage ratio perspective. So we feel like we have a number of different options here going forward. We obviously have a maturity in '23 with the Rockies. So that's something that we'll be looking at and be probably looking more broadly at our overall bank facility and how we refi that property in conjunction maybe with an extension of that facility.

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

The capital expenditure that we will spend or may spend basically, most of this capital is capital that generates pretty good returns. We don't have major refurbishments that we have to do. We haven't been milking these assets.

We've got -- we've deployed capital into things like, as Patrick talked about, additional rooms, additional banqueting space, food and beverage operations. And so if we believe the world is going to return to normalcy, and we believe what we see going on with the meeting planner right now, we believe that the transient side of our business that we have I think, done a really good job over the last couple of years.

We believe that what is going on in our Entertainment business, the growth that we're going to see there, if we believe all of this stuff, as Mark said, our balance sheet transforms pretty rapidly. And we're very excited about this, very excited.

William Andrew Crow - *CIMB Research - Research Analyst*

All right. And then just out of curiosity, you've got one hotel that is union labor. When does that contract come back up?

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

Well, we've renegotiated it through COVID. Patrick?

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

Yes. So the CBA, the Union came and basically asked that they could punt a year and so we were supposed to be negotiating that, but we're going to push that back another year. So I would say 2023 will be actively in discussions with the union about what form that CBA will take.

Operator

We'll take our next question from Chris Woronka with Deutsche Bank.

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

And Mark, congratulations on the Board appointment. Great to have you there. Super addition.

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

Appreciate it.

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

Yes. So the question was, you guys covered a lot of ground on rates on both kind of the group and the transient side and it all sounds pretty good. My question is on the non-room stuff, are you able to also kind of take pricing there?

I know it's probably not to the same extent you're getting unlike leisure rates. But is there an opportunity to kind of just take everybody higher there given that how much higher the room rates are going?

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

Yes. Chris, it's Patrick. Yes, you're absolutely right. And to Colin's point a few minutes ago, you can price you're outside the room offerings, whether it be food and beverage or anything else in real time. And there's sort of 3 levers. You can either just increase price, which you have to be very careful of to make sure that you're not driving value down for your consumer.

So you can also work on portion control and you can rebalance the offerings based on cost realities, right? So if chicken is a bit high and beef is a greater opportunity rather than just jacking up the price on chicken, you can shift over to beef for a short period of time. So we are pulling all 3 levers: pricing, rebalancing the offering and then portion control.

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

Yes. And Chris, from a CapEx perspective, if you look at how we have reconcepted a significant part of our food and beverage, for example, at what we're going to get the National, what we're going to do with the Palms, we're moving them more grab and go, reconcepting some restaurants to improve not only from a customer-facing perspective, but also from an efficiency perspective, it's going to help us quite a bit on the margin food and beverage margin perspective.

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

Yes. We're trying to build more flexible operations so that if you're 20% occupancy versus 80% occupancy, you can have the food and beverage outlets open. They just operate very differently and flex up and down.

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

Okay. Very helpful. And then as a follow-up, this is a little bit of a strategic question for you, Colin. You've got a lot of good options on your plate in terms of things you can still do with the existing portfolio, Rockies expansion and SoundWaves elsewhere and you bringing in Block 21.

But I know pre-COVID, you had also talked about potentially doing something more in Nashville at Opryland with maybe a different kind of hotel. Just any thoughts on -- it seems like you still have a lot -- you can still do a lot with Nashville and given how much growth that city is seeing. How do you prioritize some of these kind of in the portfolio opportunities?

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

Well, we look at it through 2 very distinct screens. We look at each market and we look at the hotels relative positioning in that market and how we, by the deployment of capital can create essentially an economic moat around that asset to make that asset the big dog by far.

And that is what we've been able to do in most of our hotels. And so Patrick, yesterday, when we had our Board meeting, and we asked him to talk to our board about some of the aspirational ideas that we're thinking about. You could see an additional over and above what we have announced anywhere from $500 million to $0.75 billion of additional projects that we could deploy into our existing assets.

And so how we prioritize is we look at each hotel in each market how do we create the economic moat around it. And then it comes down to return on invested capital.

We don't -- and Chris, I don't mean to throw rocks at any of our competitors. But we don't go out and buy hotels at 9% rates of return. We deploy capital into things that generate 15% rates of return. And I think that's frankly 1 of the reasons why our stock is basically trading almost at an all-time high when many of our competitors are trading at 20%, 30%, 40%, in some cases, 50% off of their all-time highs because we have deployed capital, I think in a very, very efficient way.

And the shareholders have appreciated that. So that's how we think about it. And the really exciting thing is that we've got lots of opportunity to further the dominance of our hotels in the markets that they're in. And that's very exciting. And we have the same opportunity to deploy capital into our entertainment business.

And so I'm really excited. This is not just doing the old stage stuff because we're in front of some analysts, but I'm very, very excited about the next 2, 3 years for our company, and I think what we can accomplish here.

Operator

(Operator Instructions)

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

Well, if there are no other questions, then we will thank everyone for their time this morning. and we can get on growing our company.

Operator

And we did actually get a question from Smedes Rose with Citi Bank.

Smedes Rose - *Citigroup Inc. Exchange Research - Research Analyst*

Great. I got logged in, but I guess I wasn't. So you went through a lot of information, but I wanted to just quickly ask you on the Ole Red that you're putting in, in Las Vegas. Is that a fully on-balance sheet development for you?

Or will you be partnering -- and I'm just wondering, I'm sure it will be very successful. But if for whatever reason, it isn't, what sort of -- I guess, how could you extricate yourself from it, if should that be necessary.

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

Okay. So we have a long-term ground lease. The way we've negotiated it is that we can get out of that ground lease and we will build the infrastructure that goes on top of that ground lease, and that will be at or around about $30 million. And that will be our investment.

And that type of benchmark is the same game plan that we've applied here in Nashville, we've applied in Gatlinburg, we applied in Orlando. frankly, the performance of Ole Red are very, very good and generating really good rates of return. And I cannot think of a better location for an Ole Red anywhere in America than where we're putting this one.

This is Main and Main in one of the nation's -- well, probably the most important adult entertainment destination in America, arguably in the world. And so we can extricate ourselves if we need to I think that would be the least of our concerns in this particular market.

I think we're going to be ringing our hands thinking how can we double the size of this baby, but that's for a different discussion at a different time.

Do you want to...

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

No. I mean the only thing I would add is that if you spend any time on a casino floor, you'll quickly realize those are our people from a consumer perspective.

Smedes Rose - *Citigroup Inc. Exchange Research - Research Analyst*

In this space in and around where the Ole Red is going on, there's additional upgrades like Bally's converting over, which was recently announced the Horseshoe. So there's an investment in that particular space.

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

Yes. Here's the bottom line, 45 million people a year go to Las Vegas. And this particular site, the 125,000 to 150,000 people a day will walk by and then you look at -- think about the competitive supply of a country lifestyle music-centric business in Las Vegas, there isn't one. So this is going to be a hell of a deal for us.

Scott Bailey - *Ryman Hospitality Prperties, Inc. - President -- Opry Entertainment Group*

Wish we can make it bigger.

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

Thank you. Was that the question, Bill? I'm sorry. Was that the question, Smedes?

Smedes Rose - *Citigroup Inc. Exchange Research - Research Analyst*

Yes, you covered it.

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

Okay. We'll see you in about a week and a bit's time. Thank you.

All right. Ashley, I think we're done. I appreciate everyone. Thank you very much for being on the call this morning.