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PRESENTATION

Operator

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

This call will be available for digital replay. The number is (800) 585-8367, and the conference ID number is 7189891. (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. 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 the exhibit to our -- 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. Before I begin, I want to express my own and our company's deep sorrow at the passing of our friend, Arne Sorenson. Arne was a magnificent CEO and a great man, and I was honored to get to know him beginning at the time of our reconversion. Through that transition and the years that followed, we got to know each other pretty well, and I had tremendous respect for Arne. My thoughts are with Arne's family at this time, and he will be sorely missed by myself, my team and the entire lodging industry.

When we spoke back on November 3, I must have qualified my remarks at least half a dozen times with something to the effect of when we have a vaccine. At that time, I was confident that we would see a vaccine announced either by the end of 2020 or perhaps early this year. It turned out to be less than a week later on November 9 when the vaccine data from Pfizer was published, and that was quickly followed by more positive news from another manufacturer. Today, we have 2 FDA-approved vaccines in distribution, and it looks like there'll be others in the pipeline. This is tremendous news for our world, our country and, of course, our industry.

Now as we turn our attention to the progress of distribution rather than discovery, I believe the anticipation amongst Ryman and the Marriott teams and amongst our customers and meeting planners is truly palpable. I've been in the hospitality business for over 40 years, and I've seen a lot of cycles, several national and global crises and many other ups and downs, but I've never seen a situation like this. If you go around and talk to people from all walks of life and all occupations, young and old, they've all been to one degree or another lockdown, cooped up or otherwise have had their normal way of life disrupted for almost a full year now. And I'm not just talking about here in the United States, but across the world.

This situation we're in at the moment is nothing like the financial crisis of '09 or any other previous recession or crises. Back in 2009, we didn't have millions of people at home looking out of the window wondering whether they were going to go on vacation again or when they could attend a conference and see their colleagues again and when would they be able to see their children compete in their favorite dance or sporting competition. And while a handful of industries related to travel or restaurant have certainly been hit quite hard over these past 12 months, so many other aspects of our economy have continued to thrive, which is also very unlike 2009. As such, conditions are ripe for very healthy recovery.

It is our belief that we'll begin to see these first cracks in the ice in the coming weeks and months. That is because every day in this country, we're now administering about 1.8 million vaccine doses. As of February '21, over 63 million doses have been administered here in the United States and almost 19 million individuals have received their full 2-dose regime. It has been projected that sometime in April, at least 1 vaccine will be available to everyone, regardless of age or health categories by that time. If this progress continues and if the COVID-19 case numbers continue to fall, as they have since the 7-day average peaked back on January 11, then I believe that pent-up demand will begin to surge. And let me assure you, our company will be ready.

But first, let me talk about some of what we've achieved in the fourth quarter and what we've learnt about our business from this period, which we will apply going forward. And then I'll review how we are positioned for the rest of the year and beyond and, finally, share some of the encouraging data we've seen more recently for the month of January.

We are very pleased with how our fourth quarter went for us. We came into the quarter thinking that with group travel still largely suspended and the National closed, we might burn somewhere between $22 million and $24 million of cash per month on a consolidated basis. Remember, this was at the time that COVID-19 was surging again and many communities were thinking about further lockdowns. Therefore, we focused our efforts intensely on what we have always done well in the fourth quarter, and that is, driving leisure transient with our seasonal programming at the core of this strategy.

If you're skeptical of what I've just said earlier about pent-up demand and specifically about families looking to get out and experience some normalcy again, just look at the 1 million-plus tickets we sold across our holiday programs in our 4 hotels in the fourth quarter. We achieved 24.5% occupancy in the fourth fourth quarter across our opened hotels, which excludes National. Now that sounds low for your average hotel, but when you are talking about hotels of 1,800 to 2,800 rooms at a Gaylord hotel designed primarily for groups, that is quite a few leisure customers. And while leisure was the lion's share of the fourth quarter room nights at 88% of rooms sold, we also sold over 17,000 group room nights in the quarter as well.

We paired this transient influx with extremely careful expense control as we rethink many of our processes and operating models and run leaner, more efficiently and with better utilization of technology. We also collected $16 million of cancellation fees in the quarter as part of our broader strategy around rebookings. The net result was our hotel segment came in profitable, posting a positive $1.8 million of adjusted EBITDA, and that's including the losses of the shutdown Gaylord National.

This was a substantial sequential improvement from the adjusted EBITDA loss of $23.6 million the hotel segment suffered in the third quarter. Opryland, Texan and Palms all contributed positive adjusted EBITDAre reflective of their location in more open markets, while the Rockies was a slightly negative contributor. Colorado has been one of the states to reopen at a more judicious pace, but we're optimistic and working closely with government and health authorities there to demonstrate our safe operating capabilities. Gaylord National remains closed, but we have had some productive conversations over the past few months with our union at this hotel. And together, we've agreed upon a number of modifications to how that hotel operates particularly around our F&B outlets. These changes will position National for a long-term success post COVID-19, and we currently anticipate reopening it sometime near the middle of this year.

Altogether, this performance was quite a feat for our hospitality segment, and I'd like to commend our team here and all the STARS in our hotels for the job they did under such unusual circumstances, which was so unlike any previous Gaylord holiday season.

And our Entertainment business also picked up additional steam in the fourth quarter. Our physical venues continued to optimize for state and local capacity constraints, with the Ryman and the Opry hosting shows at 25% seating capacity and our Ole Red locations operating at about 50%. Despite this, revenues for the segment were up over 17% sequentially from the third quarter. We cut our segment adjusted EBITDA loss 33% to a loss of $4.3 million. Together, these improvements cut our consolidated adjusted EBITDAre loss in the fourth quarter by over $28 million or 80% sequentially from the third quarter to only $6.6 million. This reduced our monthly cash burn as a company after including cash interest expense to $12 million per month compared to that initial expectation of $22 million to $24 million as we entered the month. So we were pleased with how all of our assets performed. And while we would expect the seasonal benefits of the holidays to be less strong in the first quarter, we think this enthusiasm from our leisure hotel customers and from our country lifestyle fans in our Entertainment business are powerful indicators of that pent-up demand that I think we sense all around us.

Now let's bring forward to the future and what we see unfolding for our company given that we're on the cusp of this national vaccination effort. Back in November before the vaccine effectiveness became news, we hosted a gathering at the Gaylord Texan of a group called Meeting Planners International. Some of you may know them as MPI, one of the professional associations for folks in our industry. Now while they were on property in Dallas, we surveyed these attendees on a range of topics around COVID-19 and its impact on the meetings business. The key question that we asked was assuming a vaccine is widely distributed by the end of the first quarter of '21, how would your client organization feel comfortable about resuming in-person meetings? And over 75% of the answers were sometime before the fourth quarter of 2021. That data from meeting planners substantiates the mood I described earlier about eagerness of people, companies and associations to begin meeting again. If you want more data, look at our existing book of business.

At the last count, as of February '21, while we have seen about 2.5 million room nights canceled since March of 2020, the start of the pandemic, over 59% of those have been rebooked with us for later dates. This exceeds even our most ambitious rebooking goal of 50%, which we set at the beginning of the pandemic. And thus far, the majority of cancellations have been heavily concentrated, of course, into 2020 and then into the first half of '21. As of December 31, 2020, for example, we came into this year still having 28% group occupancy on the books weighted mostly to the third and fourth quarter coming up. Now that's obviously well below where we usually start a new year, which would typically be around 50%, but it is still a substantial volume of business certainly for the back half of this year. And when you break it down by quarter, we started this year with 43 points and 33 points of occupancy for the third and fourth quarters, respectively, compared to 52 and 43 at the same time last year. In short, we started this year off-pace by only 9 points of occupancy for the third quarter and 10 points of occupancy in the fourth quarter.

If our company -- if our country can reach its ambition -- ambitious vaccination goals by April, as I outlined, then this implies a potential for a decent second half but more importantly is the longer-term picture. Once you look past this year and peek into '22, for example, our future book looks nearly identical to prior years. At the end of 2020, we had virtually the same group occupancy on the books for '22 as we did a year ago for '21. Those numbers are 40.9 now compared to 41.3 last year. And the trend looks similar down the line until 2025, where we have slightly more occupancy on the books now than we did a year ago for '24, and that's, of course, partly due to some of these rebookings that we have been undertaking.

And that's just the occupancy points. When you look at the ADR for these on the books, group room nights for each of the next several years, we see consistent growth in every year.

To summarize the data, the cancellation horizon remains not too distant. And beyond that horizon, things continue to look pretty healthy. We don't see customers shifting their long-term preferences away from in-person meetings. Our lead volumes are, of course, down significantly from a year ago, but our expectation is that we will, once again, see lead volumes pick up for new bookings as the vaccine is more widely distributed.

In fact, Patrick gave you some data yesterday about what we've seen in February and maybe, Patrick, when we get to the Q&A, you can share that data.

I want to say a word here on our customer mix because we field a lot of questions from investors and analysts about this. The group industry is incredibly diverse. COVID-19 aside, on any given day, if you walk around our hotels, it's really full of corporate attendees in business attire. And we're not a business transient brand at all for that matter. We host everything from cheer and dance competitions to social, military and fraternal groups, to affinity and professional associations, for everything from turkey hunting to comic books. The diversity is really something to behold in our hotels. And most of these types of groups greatly want to convene once again for social reasons or for personal reasons, and not least of all, because so many associations, their meetings underpin their own organizations' budget and the budgets of their sponsors and exhibitors and so on.

So do we think there'll be a slower return for some customer types than others? Of course, we would expect that. They may very well be some corporate meetings that are pushed off for a period. But you must not confuse a small sample size with the entire meetings industry. But as I've cautioned you on our last call not to equate but -- just as I cautioned you on our last call not to equate Zoom video conferencing with the ability to gather 500 to 1,000 people for comradery and team building.

Now finally, what have we learned from all of this? It's great that we see a path for demand to come back to normal in the not-too-distant future. But how about us on the supply side of the equation? And what will we be doing differently? First, as you can see in the fourth quarter with our manager, we truly reimagine the cost model of many aspects of our hotels. To reach profitability at these levels of occupancy was not something we initially projected that we would be able to achieve, but we rolled up our sleeves. We identified several changes that we estimate can drive an increase of 100 to 125 basis points of adjusted EBITDAre margin in a fully normalized post-COVID-19 world compared to our pre-COVID-19 margins.

And then in our leisure business, which we've always put a lot of research and effort into, we are pleased with the way that we're able to drive additional transient business and extend the seasonal windows.

You will see us applying many of these lessons in future years to sustain the success we've had this year in growing our target leisure demographic. We're working on a lot more than just these areas. We expect we will see supply changes in our space in the wake of this crisis, and we are working very closely with Marriott to talk about how we address market share going forward in the group business. We think this is an opportunity.

We are thinking about how we align our business with the post-COVID world to make what was already the top brand for non-gaming group business, Gaylord Hotels. With all of our competitive advantages, including meeting space amenities, service, asset quality, the desirable markets that we're in and so on, we've been looking at how we make this even better and our moat even wider in the future.

And then in our Entertainment business, we've made tremendous strides in our digital strategy over this pandemic period from introducing paid live streams to driving audiences to our Circle Media network. In some ways, this crisis really accelerated the key part of our strategy for this segment, which is -- which was weaving together our physical and digital assets in creating and driving more content out to our fans wherever they are. And by the way, just as in our hotel business, we have a really good book of business [on tap] for the second half of 2020.

In our Entertainment segment, let me give you a quick example here. For the 5 months from August this year to year-end, we currently have 129 days booked at Ryman. That's clearly -- let me say that, that's nearly the same number as 132 concerts or events that we actualized at the Ryman for the same period in '19. And we have more than a dozen Ryman events in the works that are likely to be confirmed and multiple halls on the remaining open days, with the only exceptions of Christmas and New Year. Now think about this for a moment. If it all goes well with the vaccine to the point that our venues can be back to full capacity before August, then we could potentially fill more concert seats at the Ryman for the last 5 months of this year, immediately post COVID than we did in the last 5 months of '19 immediately pre-COVID.

So to conclude, if you can't tell by now, we're very optimistic about our entire portfolio and 100% focused on making what we believe are the best businesses in their categories better. Now finally, let me just give you a little bit of a snippet of what went on in January, which continues to provide encouraging data. On the transient side, according to STAR, the Gaylord brand performed at 152% RevPAR index for the month, a 96% increase from January of 2020. That is essentially a doubling of our transient market share compared to last year in the month of January. And on the group side, our sales production in the month of January of 99,000 group room nights represented an increase of 20% compared to January of 2020. And these room nights came in with a 7% higher ADR than we booked last January. And as I said, Patrick will share some data on the lead volume.

So for now, things are trending in the right direction as we move into '21. And lastly, regardless of precisely how long it may take to restore to pre-COVID levels, I want to assure you that we have the liquidity and runway ahead of us to get there. Earlier this month, we closed on a new senior notes issue to refinance our $400 million 5% notes due in 2023.

I gave much of the same presentation that I have this morning to the bond investors on that deal. When the presentation was over, we had $2.6 billion of orders for $400 million issue, and we were able to upsize the deal to $600 million and still come in at 4.5%, the low end of our -- of our price expectations, all accomplished in about 6 hours. This is a great vote of confidence from the markets in our company and the continued value of our assets, which significantly boosted our already strong liquidity.

And with that, let me turn over to Mark to talk about our balance sheet and cash burn rates for the rest of the year.

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

Thanks, Colin. In the fourth quarter, the company generated total revenue of $126.5 million, a $56 million increase sequentially over the third quarter. Net loss to common shareholders was $79.7 million or a loss of $1.45 per fully diluted share, an improvement of $38 million over the third quarter or $0.60 a share.

On a non-GAAP basis, the company's fourth quarter consolidated adjusted EBITDAre was negative $6.6 million, representing an improvement of approximately $28.6 million from the third quarter.

AFFO available to common shareholders was negative $31 million or a loss of $0.56 per fully diluted share, which improved $29 million sequentially or $0.53 per share.

Our cash interest expense in the fourth quarter was $27.4 million, and we amortized $1.25 million of our term loan B principal. So our debt service was approximately $28.7 million in the quarter or about $9.6 million per month, which is about flat to the third quarter. This puts our monthly cash burn rate in terms of adjusted EBITDAre and debt service at $11.8 million in the quarter and $12.6 million after including maintenance capital spend.

This was a substantial improvement from both our third quarter cash burn rate and our initial forecasting going into the quarter. One driver of this reduction, as Colin alluded to, was a substantial improvement in our leisure transient business fueled by our successful holiday programming. During the quarter, we hosted over 161,000 transient nongroup room nights, down only 37% from the fourth quarter of 2019, despite government restrictions, social distancing, our inability to produce our annual ICE! programming and the continued closure of Gaylord National.

We were also successful in maintaining ADR, which was up 1.6% compared to the fourth quarter of 2019. So we're pleased that we drove this occupancy, not through discounting, but through the appeal of our programming, which has always been a hallmark of our transient strategy.

Another material contributor to our cash burn reduction was a collection of $16 million in cancellation fees in the quarter. The majority of these fees were for the travel days in 2021 rather than past cancellations for 2020. We continue to prioritize the long-term value of each customer relationship and cancellation fees are only a part of that equation. So future collections remain uncertain, and we don't model material increases in these fees when we think about our near-term cash burn rates.

Finally, our focus on expense controls and efficiency in our hotel segment contributed to the improvement -- improved margin performance as the incremental flow-through sequentially from the third to the fourth quarter was about 47% or an improvement in adjusted EBITDAre of over $25 million on an increase in revenue of $54 million in our hotel segment.

One last note is that while consolidated adjusted EBITDAre did benefit from about $8.4 million in employee retention tax credits, we also accrued a near equivalent amount for furlough and severance costs. So these essentially offset in the quarter was driven primarily by improving fundamentals.

Looking ahead to 2021, we're optimistic about the trends we are seeing in our markets and in our businesses. But how quickly our businesses recover will be determined by a variety of external factors we don't control, such as vaccine distribution, COVID caseloads and government restrictions.

In the first quarter, we do not anticipate the same level of transient demand due to normal seasonality, so we expect our first quarter cash burn rate to increase to a range of $23 million to $26 million before maintenance capital. We expect that between increased vaccine availability, the initial return of certain group types such as SMERF and associations and the seasonal pickup in leisure demand, our second quarter cash burn will improve to the mid- to high teens, again, before any maintenance capital.

And while it's harder to determine the inflection point, as we move into the second half of the year, we anticipate our monthly cash burn rate before maintenance capital will reach breakeven in the third quarter and become positive in the fourth quarter.

In terms of our balance sheet and liquidity, we ended the fourth quarter with $56.7 million of unrestricted cash and $593 million available under our revolving credit facility.

Subsequent to the end of the quarter, we took advantage of a very strong bond market and issued $600 million of new 4.5% senior notes at par for net proceeds of approximately $591 million. We used these proceeds to retire our $400 million 5% notes due in 2023, which become callable at par in April. We also paid down our revolver balance and added approximately $191 million of liquidity to our balance sheet and extended our weighted average maturity from 3.4 years to 4.7 years. This transaction left us on a year-end pro forma basis with total liquidity of $840.7 million or just over $819 million after setting aside approximately $21.4 million to complete the Gaylord Palms expansion.

Finally, in the fourth quarter, we closed on an extension of our covenant relief for our secured credit facility with our long-standing bank group. The second amendment extends our covenant waiver through the first quarter of 2022 and lowers covenant thresholds for the second quarter of 2022. We also improved our flexibility during the waiver period with increased caps on discretionary capital and certain investments.

In summary, our company is in a solid financial position. Our markets and businesses are improving. We have a significant book of group business in the back half of the year. Our cash burn rate is declining, and our balance sheet is in good shape. We're excited to close the book on 2020 and look forward with optimism to 2021 and beyond.

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

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

Yes. Thank you, Mark. Maria, let's open up the call for questions.

QUESTIONS AND ANSWERS

Operator

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

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

I'm just wondering if you could talk a little bit more about some of the mix of bookings that you're seeing near term and longer term. You mentioned a little bit about some of the associations coming back. And I guess I'm trying to sort of square that against the gross definite room nights that you shared over the quarter. So if you could just maybe give us a little more color on how all that's trending?

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

Sure. Patrick, do you want to answer Smedes' question?

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

Smedes, it's Patrick. Yes, let's talk a little bit about what we're booking for the longer term and let's talk a little bit about who's interested in booking in the short term. From a longer-term perspective, we are very pleased that the mix of business really has not shifted away from what we've seen historically. So the corporate association and SMERF mix that we have seen historically in our business largely holds true as we look out into the long-term bookings and who's looking beyond the COVID crisis.

In the short term, though, as we look at groups that are looking to get back to meeting sooner, we've referenced some of this in previous discussions. It's a lot of more of the SMERFy-type business and some associations. And when I say SMERF, I'm talking about sports meetings or educational meetings or celebratory meetings, training meetings, multilevel marketing groups, a mix of folks who are very motivated to get moving and meeting as soon as possible.

So in the short term, a little bit more on the SMERFy side. Again, SMERF stands for social, military, educational, religious and fraternal. And as we move into the longer term, back into 2022 and beyond, the groups that are looking to travel are very consistent with our historical mix of corporate association and SMERF.

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

Okay. And then any thoughts on when you guys could see moving forward with the National reopening?

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

Yes. We've been a little coy over the last several months because we've been in some fairly deep discussions with organized labor in that market. Just to remind you, this is -- remind folks on the phone, this is our only union hotel. And we've had, I would say, I would describe it as very cordial discussions here and very productive. And I think now, Patrick, we are gearing up to open this hotel sometime mid- to late second quarter. The good news is that we'll be done on our complete room refurbishment that we've been aggressively pursuing here for the last 6, 9 months. And so that's the plan of action there. Anything to add?

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

No. The only thing I would add is that as we look to reopening there, obviously, we're watching very closely what happens on the group side of the business because that hotel, because of its labor structure that Colin just referenced, really needs for the group recovery to be in process. And the second thing I would tell you is, we're working really closely with the county and the state in that market to ensure that the restrictions that are in place allow the hotel to operate as it needs to, to be reopened. And we appreciate very much both the county and the state's partnership in working through that process right now.

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

Patrick, Smedes' first question talking about bookings, which you answered very well, just use this as an opportunity to just touch on the -- what we've seen on lead volumes here in the last few -- several weeks.

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

Yes. Like everyone in our industry, we are watching lead volumes very closely. And as we finished out 2020, our lead volumes had deteriorated to the point that they were down about 74% year-over-year. We've been watching very closely, and we're tracking it on a weekly basis, and we're encouraged by the fact that we've seen some improvement in that. What was down about 74% in terms of group lead volumes has now improved slightly to down about 58%.

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

And that's happened in the last several weeks.

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

Yes. Most notably, in the past 2 to 3 weeks, we've seen that start really coming up. So we're starting to see some things that are encouraging, and we're going to have to see those continue. But it is a bit of a sigh of relief that we're finally seeing some positive trends emerging.

Operator

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

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

Question is, we've heard from some other hotel companies, we don't have to name them, but they look to capture some virtual -- some revenues from virtual meetings until we reach a point where everybody is back in person, which will, hopefully, be sooner rather than later. Is that something you guys can consider? And does it maybe extend beyond the COVID period? I mean, is that really a longer-term opportunity? Or just some color on how you look at that.

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

Okay. Let me give you the cute answer to all of this. We -- where you spend your energy as a business really is determined by what you want the outcome to be. We want the outcome to be people come back to our businesses and meet in our businesses. And this is why we put so much effort on this rebooking process, Chris. Now we've booked almost -- rebooked almost 60%. And in a market like Colorado, that number is in excess of 70%.

And I suspect that you're hearing -- we are trying to help some customers with the virtual process and putting a line of -- hopefully, a line of business in there to actually generate revenue. I think a lot of that is due to the fact that some of those companies haven't had the success in rebooking that we have. And so we're not spending a whole lot of time on that. Obviously, Marriott is the largest hotel company in the world. It's something that they've looked at. But our focus right now is driving customers back into our facilities because that is where the real economics of this industry lay.

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

Okay. That's helpful, Colin. And then a follow-up for you. I would argue that probably 4 of your 5 markets are -- have been seeing population inflow before COVID and are likely to continue to see population inflow after COVID. And you've done a really nice job in Nashville of kind of becoming the company in that market for not just lodging but entertainment. So the question is, if you look at a couple of these other markets that have favorable population trends, does that make you want to go deeper in those markets? Or do you go back in a few years and say, I want to be in another market, whether it's on the lodging side or the entertainment side?

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

Chris, knowing you the way I do, I think you know the answer to that question. We like to create businesses that are beyond comparable, that you don't see anything like them. And one of the beauties of being in a market like Nashville with 2,880 rooms and 650,000 square feet and fabulous entertainment options, pre-COVID, we were thinking we need more guestrooms simply because of what you just talked about. The market was -- pre-COVID, was vibrant. It's growing. More companies are moving in. Tremendous real estate development. Same thing for Texas. Same thing for Orlando. You go to the -- you go to Denver and you look at the large community around that city, and we see long-term unprecedented growth, and we like to continue to expand our businesses and create a competitive moat. And I know you've heard us say that before.

So we have -- I mean, effectively, we have plans for potentially growing each of our hotels, except our hotel in Orlando, where we've just -- we will have next month that completed, but we just don't have a lot more real estate there. But we like this. And by the way, you know as well as I, the IRRs on this -- on these types of projects where you have 300 rooms or whatever it may be, 80,000 square feet of meeting space, these are not 8% IRRs with a cost of capital of 7.5%, 7%. These are 16% IRRs. So we believe we create a hell of a lot more value. Now if we can find a market that has a profile of -- a similar profile to the markets we're already in and we find a community that wants to support us with some tax incentives that get the project well across our threshold, of course, we're going to look at that.

Operator

Our next question comes from the line of Dori Kesten of Wells Fargo.

Dori Lynn Kesten - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Is it your expectation if we look out a few years -- this is somewhat building on Chris's question -- that occupancy at your hotels may exceed prior peak levels just given the pickup in leisure interest in the Gaylord brands?

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

That's our hypothesis. We've -- look, when we went into this -- Dori, you know the way we try and run these businesses. When we went into this, we challenged Marriott. We had meetings with that organization here 3 weeks ago with David. David Marriott was here. And in every meeting we're having with these folks, it's how do we make the economics of these businesses better? How do we gain market share? There are so many group hotels in this country and large convention centers around this nation that have really ticked off their customers over the last 12 months. We haven't done that. We have opened our arms and helped our customers, and that's why we've rebooked as much businesses we have. I think there's an opportunity here over the next 1, 2, 3 years to build even stronger relationships with our customers and build market share.

And then on the cost structure of these businesses, we've learned a lot. We've learned that in a market like Texas, where we had 175 "managers" with all these different disciplines that when we reopen these businesses, we open them up with materially less number of chiefs. And so I -- that's why, in my prepared script this morning, I said, I think we, as a company, can improve our margins, 1%, 1.5% here going forward, and if you combine that with cost efficiencies, with real margin -- with real revenue growth.

And I tell you, I think we've learned a hell of a lot about the leisure programming here. We have proven -- we've always had really good creative leisure programming in our hotels, and that's why a hotel like, for instance, in Orlando has materially outperformed most of the other large convention-orientated hotels around it simply because we treat these hotels like theaters. We put a different backdrop in place and we put creative programming in place. And so I think we've learned a lot, and I think that's going to help us, Patrick, as we think about the seasons of leisure prospectively.

So I'm very excited about the prospects of our hotel business just as I am, Scott, very excited about what we've been able to accomplish on our entertainment side. And I'm really of the mind that 2, 3 years from now, this is going to be a better business than it was when we went into this.

And by the way, when we went into '20, it was going to be our very best year of -- all across our company. And I really do think we have the attributes in place for making it even better.

Dori Lynn Kesten - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

And Mark, when you were walking through the quarterly cash burn for the remainder of the year, did those assume cancellation and attrition fees?

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

We've assumed -- as we look out for 2021, we've assumed, what I would consider, a normalized environment for cancellation fees. We're not -- we haven't made assumptions around significant ramp-up or spikes in cancellation fees as we move forward.

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

Dori, let me add. Sorry, Mark, you've answered this question so well. And -- but I want to add to it. We sit around and we try and project what this nation is going to do here over the next few months. And it is so impossible to answer because we're not in control of this vaccine rollout, we're not in control of government actions in communities like Nashville that right now says that we can only put 25% of the seats -- fill 25% of the seats in our theaters here and 50% in the restaurants.

And so we try and be -- when we communicate with the likes of folks like you, we try and be very cautious and conservative. So we never have to come back and say, instead of saying there's a cash burn rate of X, in fact, it's X plus 10%. We've projected cash burn rates for second quarter, third quarter and fourth quarter of last year. And every time, we've managed around that and come in materially less. So I, at this stage, are not hung up on what our second quarter cash burn rate is going to be. What I'm focused on now is what -- how does this business really start to ramp up fourth quarter '22, '23? That's what I'm interested in.

Operator

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

Shaun Clisby Kelley - *BofA Securities, Research Division - MD*

Patrick, I wanted to follow up kind of your initial remarks about talking about the SMERF business. You might get an award for first-time SMERFy has ever been used on a public conference call. But I'm wondering, when you say longer term, is that mix that you talked about? Do you think that's possible in 2022 to get back to what we consider, let's call it, normal mix for Ryman? Or does it have to be longer than that just given what you already might know about how '22 is shaping up?

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

Yes. I would tell you that I think the second half of '22 is absolutely back to more of a normalized mix. And the first half of '22, we're just kind of watching to see how that holds...

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

We've got a normalized mix on the books.

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

On the books. Yes. Absolutely.

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

And the delta is the short-term business that gets booked between now and the year-end for '22. And the question is, what is going to be the behavior of the broad group market? And right now I anticipate corporations being a little bit slower. Companies -- I think you'll agree to this 100%.

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

Yes.

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

But we are seeing some very interesting stuff as shown -- as Patrick said, in the SMERFy area. So the key for next year is going to be what happens between now and the year-end.

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

And I would say -- and this is kind of as a follow-up to Dori's question as well, one of the things that we're watching closely is, on the corporate side, even here in Nashville and the other markets in which we operate, we're already seeing corporations reduce their office space footprint as they take into account the opportunities to work from home and reduce their costs. We've been saying for a long time that we felt that, that was going to occur and help us on the meetings side because there would be a greater need to bring folks together to meet face-to-face on a regular basis.

And so as we see that really starting to take place as large corporations are reducing their footprints, I think that's one of the things we're watching to see if that gives us an immediate boost on the corporate side, even though they are cautious right now, a year from now, will they be as cautious and will they be booking more meetings. So there's a lot of things at play and in flux right now.

Shaun Clisby Kelley - *BofA Securities, Research Division - MD*

Yes. And this is probably going to go into the unanswerable part of a question, but obviously, there's a lot that's been discussed around pent-up leisure travel demand you've seen and talked about some of the signs for your business. But we're also starting to get the question on sort of pent-up group or corporate travel demand. So I just -- it sounds like it's too early to actually -- I feel like if you had seen it, you might have said it by now. But I do just kind of want to ask maybe even theoretically, is there a chance that we could actually see people trying to crowd the calendar a little bit to make up for events that have been canceled for 2 years in 2022? Is that like a realistic possibility? And how could Ryman take advantage of that? Or are the lead times too long to really be able to capitalize on something like that?

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

Look, it depends, I suppose, if you look at the glass half full or half empty. My personal view is, I think you're going to see a lot of it. I know now how -- we had a Board meeting yesterday and our Board is -- we're sitting on a virtual Board call. This is a company that spent its life focused on meetings. But we're on a Board call using Zoom technology. And every one of our Board members are saying, we got to meet face-to-face. We want to go do it in May. Another Board I'm on, the same dialogue, same dialogue happening. And it's happening across our society.

So I'm the sort of half full individual in this company. And I truly believe there's a lot of demand -- pent-up demand. And I think when Patrick described a 15-point-ish change in lead volume in the last several weeks, I think that's an illustration. And I think the more our society gets comfortable with the notion that COVID is pretty much behind us is as the rates come down and vaccination goes up, I think you start to see the light switch turning. And I do believe there's going to be an inflection point in this nation that -- where people start to say, we're out of here, we're going to get out of our basements, we're going to have fun. And we're seeing that on the entertainment side. We're seeing it on the concert side. We -- every week, we are filling 1,100 people in an Opry House on a Saturday night.

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

From outside of Nashville.

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

From outside of Nashville these people are coming. So I tend to agree with you or I'm not sure I'm agreeing with you, Shaun, but I think that the hypothesis you laid out is potential here. And I think it could really drive our industry. And I think we, as a company, are really primed to do well here because of the quality of our assets, particularly on the leisure side.

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

If transient is a lead indicator for what's going to happen with group, then there's definitely the possibility for pent-up demand to exist because we're definitely seeing the transient excitement building as the vaccination strategy continues to roll out and gain momentum.

Operator

(Operator Instructions) Our next question comes from the line of Bill Crow of Raymond James.

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

Maybe I could start with Patrick. On the new bookings, Patrick, when you have groups you've dealt with in the past, but not in the past 1 year or 1.5 years, any change in the attendee expectations, the numbers?

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

If you've got somebody who's on the books that's looking to travel in the back half of '21, obviously, we're going to be working with them on the attendee level. If they're looking at '22, '23, '24 and beyond, there's not a lot of discussion of, hey, we don't think we can get back to our historical levels. It's really just how soon is it before -- how long is it before we can get back to those historical levels. So we've not seen a material shift downward in the contracted blocks that those groups we've historically dealt with are booking for the future.

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

What made the -- what provided the ability to collect the fees, the cancellation and attrition fees at this juncture? I mean, are these groups that had booked and rebooked and finally canceled altogether? Or what was different? Because I know you couldn't really collect much in the way of fees given the circumstances during the past year.

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

Well, we -- this is a real complicated question. Your question sounds so easy, but it's complicated because it depends on when you book, it depends on our position, and it depends on also whether you're loyal with us, it depends on whether you're a [multi-year'er] with us. We deal with these customers, not homogeneously, but very individually.

So last year, we took the decision for most of the year that we understand that there were government restrictions in place, and it was impossible for groups to travel. And that's why we spent so much time and effort rebooking these customers. Now if a customer in the fourth quarter of last year said, hey -- after vaccine announcements in mid or late November, said, "Hey, we don't want to come in June, July of next year," our whole position with that customer has changed -- changed dramatically. And we said, in all probability, there's going to be vaccines available. There's going to be no government restrictions in place. And therefore, this is not a force majeure situation.

But I don't want to get too much into the weeds here, Bill. But we then would say to that group, if it's a group that we've seen so many times, but we understand what you are saying. We -- so here's what we will do. We will renegotiate with you your cancellation fee, but we would like you to rebook for whenever it may be, the next available date for you. And some of those groups have already got business on the books with us for '22, '23, '24.

So that's how we've gone about it. And Patrick and his team have had enormous day-by-day contact with the sales organization of Marriott. We are deeply involved in this process. And that's why in that fourth quarter, we collected a ton of cancellation fees. But the vast majority of that was all for the beginning of 2021. So do you want to add to that, Patrick?

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

Yes. I would tell you, if there are 3 ingredients, the first is we kept our sales team on board. And as a result, we had a very highly engaged approach to communicating with our customers, our group customers. We've told you before, it's about 100 points of contact to go through one of these negotiations.

The second ingredient, I would say, is a long-term relationship. And so there's more of a view of a partnership, and they understand that we are trying to make sure that we are around for the long term to serve their needs on the group side.

And the third that's really allowed us to collect cancellation fees, especially in the fourth quarter, is an uncertainty, and this was what Colin speaking to, an uncertainty as to when force majeure is no longer in effect.

And so if we're having conversations about the second quarter, third quarter or fourth quarter of '21 about a cancellation and there's uncertainty on that group's side as to whether or not they'll be under force majeure and be able to exit that contract with no penalty, then we have the ability to collect a little bit more cash in the short term and potentially rebook them for the future as well. So I would say those are the 3 ingredients, and I credit the sales team on a phenomenal job in making all that happen.

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

And majoring in the obvious, as every day goes by and communities are changing the restrictions positively, the vaccination rates are going up. The leverage we have in those discussions are improving dramatically. Our stack of chips are going up daily in the discussions here. So interesting period of time ahead of us, I think, over the next 2 to 3 months.

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

Colin, I have 2 very quick easy-to-answer questions, I think. Number one, is there any potential that Block 21 resurfaces? And number two is, any commentary on the timing of the Rockies expansion?

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

So the first is, our desire, Scott, for the market of Austin, Texas is no different today than it was a year ago. And as circumstances change, it's something that we certainly would look at. And frankly, we keep in touch with those people. We didn't abandon them 12 months ago. Mark has some, almost every other week, 2 weeks, 4 weeks conversations with these folks. And Scott does the same with the people that deal with Austin City limits.

So that -- we'll see how all that progresses as our company reestablishes. And look, the thing about Colorado, we've been shocked at how those groups have rebooked in Colorado. I mean we've rebooked over 70% of those lost room nights. And I've been very surprised how well that hotel has done, given the restrictions that are in place in Colorado because Colorado has had some fairly significant COVID case counts. And -- but it's being managed very well now, and it's coming down.

But the answer is we love that hotel and we see that hotel -- you've heard me say this before, Bill, if Opryland can be 2,880 rooms with 650,000 square feet, a magnificent pool complex and stuff like that in a town like Nashville, I don't see any reason long term why that hotel in Colorado can't evolve and grow to the same status as Opryland over time. So we love that hotel and potentially as soon as we can grow it, we will.

One more question, I think, Mark, what do you think?

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

We're almost -- we're over the top of the hour.

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

Are there any other folks wanting to ask questions, Maria?

Operator

I'm showing no further questions at this time, sir.

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

Excellent. They're probably all getting off on the next company. Well, for those of you still on the phone, thank you for your time this morning. As you can tell from our dialogue here, we are very optimistic about the rebuilding of this organization of ours and, we're going to be a better company coming out of all of this stuff. So thank you for your time. If you have any further questions, you know how to get hold of us.

Operator

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