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EDITED TRANSCRIPT

RHP - Q4 2018 Ryman Hospitality Properties Inc Earnings Call

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PRESENTATION

Operator

Welcome to Ryman Hospitality Properties Fourth Quarter 2018 Earnings Conference Call. Hosting the call today from Ryman Hospitality Properties are Mr. Colin Reed, Chairman and Chief Executive Officer; Mr. Mark Fioravanti, President and Chief Financial Officer; Mr. Patrick Chaffin, Senior Vice President of Asset Management; and Mr. Scott Lynn, Senior Vice President and General Counsel.

This call will be available for digital replay. The number is (800) 585-8367, and the conference ID number is 4544935. (Operator Instructions) It is now my pleasure to turn the floor over to Mr. Scott Lynn. Sir, you may begin

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

Good morning. Thank you for joining us today. This call may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including statements about the company's expected financial performance. Any statements we make today that are not statements of historical fact may be deemed to be forward-looking statements.

Words such as believes or expects are intended to identify these statements, which may be affected by many factors, including those listed in the company's SEC filings and in today's release. The company's actual results may differ materially from the results we discuss or project today. We will not update any forward-looking statements, whether as a result of new information, future events or any other reason.

We will also discuss non-GAAP financial measures today. We reconcile each non-GAAP measure to the most comparable GAAP measure in an exhibit to today's release. I will now turn the call over to Colin

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

Thanks, Scott. Good morning, everyone, and thank you for joining us. Well, another record year is in the books for our company as we exited 2018 with a flourish, opening 2 of the most exciting investments in our history in December. The Gaylord Rockies and SoundWaves at Opryland.

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We started the year on a similar note by opening the Gaylord Texan expansion in May and beginning work on our Gaylord Palms expansion. And, of course, it was an equally exciting year for our Entertainment segment as we opened Ole Red Nashville and announced 2 more Ole Reds in Gatlinburg and Orlando.

And by the way, as all of this was going on, we set yet another record for full year revenue and adjusted EBITDA for our company, while also booking record fourth quarter rooms production for our hotels.

And the most exciting thing is there is a lot more to come, and 2019 and 2020 are shaping up really well. But first, let's talk about the fourth quarter for a moment.

Now we told you in November that we expected low single-digit RevPAR and total RevPAR growth in Q4 for our Hospitality segment, and we came up a bit shy of that with RevPAR up 0.03% and total RevPAR slightly down at 0.7%.

Now this shortfall was not group driven.

Group remains in great shape, and we'll talk about that in a short while when we get to our bookings performance. Instead, it was the less predictable portion in our business, which is the leisure transient segment over the holidays, primarily in December that came up a tad short of our expectations.

Now you will recall that the nation ran into a rather abrupt stock market decline in December. From the markets close on Monday, December 3 through Christmas Eve on the 24th, the S&P fell 15.7% as the looming government shutdown finally went into effect on the 22nd. No doubt this was on many consumers' minds going into the holiday. Now I am pleased to say that the markets have subsequently recovered in January and February.

Now what is interesting, and what makes us feel good about how our business performed is that the weakness we saw in holiday transient was most pronounced at the Palms in Orlando. And when we dug into the data there, we found that while the Orlando market as a whole had a very difficult December for transient, the Palms itself performed very well on a relative basis. The Palms actually grew its RevPAR index in the month of December by over 6% against its competitive set. In fact, all of there hotels grew their RevPAR market share in that month. And in Opryland in December, while some of our specific Christmas orientated programs performed a bit below expectations, we were very pleased with the leisure transient response to our opening of the indoor portion of SoundWaves. I think Patrick will talk a little bit about that in the Q&A section.

I can tell you that the room nights associated with the SoundWaves packages and package tickets sold in December exceeded our internal plan. So aside from a holiday-period blip in our leisure business, the rest of the fourth quarter for our most important segment, that is our group business, went very well and essentially in-line with our expectations. And, of course, for the full year '18, we delivered RevPAR growth of 2.9% and total RevPAR growth of 4%, which is comfortably within the ranges we have provided all year and certainly at the top-end of our industry.

And at the end of the day, what matters most is profitability. And our hotels responded very well, delivering full-year adjusted EBITDA for our same-store hotels of $375 million or 43% flow-through for the year and above the midpoint of our expectations.

So we're very pleased with the execution of our hotels in the fourth quarter and their ability to deliver on the visibility of our group book of business across the Gaylord brand. And that group business, the engine of our economic model remains in tremendous shape.

Now just recently, STAR published their latest 2018 year-end hotel industry performance presentation, and the most important data point in there for us was the 12-month moving average of group demand.

According to STAR, after meddling along sort of flat for most of '17, and the first couple of months of '18, there was a clear and pronounced upward trend in overall group demand across the country in the last 9 months of 2018.

Group demand went from about a 1% year-over-year decline at the start of 2018 to a solid 2% year-over-year growth rate exiting the year. And as STAR titled their slide, group demand growth is finally real and really strong.

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Now, of course, this didn't surprise us because we have seen continued evidence of this in our production numbers over the last several years. We demand growing in this segment coupled with very little new supply and a portfolio of world-class convention hotels all all under one umbrella. The outlook for us looks very rosy.

Now to illustrate this, in the fourth quarter, excluding the Gaylord Rockies as same-store hotels booked 1,053,000 gross group room nights in contract form, now this was 85,000 room nights increase over Q4 '17 and yet another clear fourth quarter record for our company by a comfortable margin.

And that is not just due to our Texas expansion that we opened mid-year because we have been selling those rooms now for the past 2 years.

Now that doesn't put a fine point on the health of that business. Let me state it in another way and give you a preview of how well '19 and '20 are pacing.

At the start of '19, once again, on a same-store basis excluding the Rockies, we had over one -- one more full point of net occupancy on the books for the coming year than we did at the start of '18.

Now that translated to about 3.4% more net room nights and 4.5% more net rooms revenue than '18 started with.

Now our hotel pace for '20 looks even better. As of December 31, 2018, again on a same-store basis excluding the Rockies. We had 4 more points of net occupancy and 10% more net rooms revenue on the books for T plus 2 or 2020 then we did 1 year ago in 2019.

Right now for all future years combined, and still excluding the Rockies, we have 6.7 million net group room nights on the books, a 7% increase over the same time last year, which is -- which, of course, is a consequence of the tremendous bookings that we accomplished in 2018.

Now in addition, the Gaylord Rockies alone generated 122,000 gross group room nights in Q4 and 389,000 for the year.

On December 31, the Rockies had over 1.2 million net group room nights on the books for all future years. Now that is certainly a record for any Gaylord Hotel at the time of opening and possibly the largest for any hotel of a comparable size.

Now in terms of pacing, the Rockies entered '19 with 51.6% net occupancy points on the books, and a stunning 56% net occupancy points on the books for 2020.

Now let me emphasize that statistic one more time. As of December 31, '18, the Rockies had meaningfully more net occupancy on the books for 2020, 2 years out, than our hotels typically have in December for the upcoming year.

The Gaylord Rockies in Colorado is a game changer for this region, and its booking patents for the next couple of years is a reflection of that. In short, our hospitality business is in great shape, and we've much more to come and investments underway to continue serving our loyal group customer -- customers, who make these hotels so successful.

Now before we finish talking about the fourth quarter and move on to our guidance and investment updates, let me also tell you how our Entertainment business performed in the quarter. 2018 was an equally momentous year for this business led by the opening of our flagship Ole Red with Blake Shelton, which has been a great hit downtown Nashville and spurred us to announce the next 2 locations in Gatlinburg and Orlando.

Total revenue in our Entertainment segment grew 18.8% in the fourth quarter and adjusted EBITDA grew 11.3%, excluding Ole Red and Opry City stage, our core Nashville Entertainment assets and attractions grew revenue in the fourth quarter by a solid 7% and adjusted EBITDA by 16%.

We made this decision in the fourth quarter that to reposition the suspended Opry City stage concept in New York City would be too costly and distracting giving the -- given the limits of the space.

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Therefore, given the early success of Ole Red, we have refocused our efforts and our new senior leadership in the Entertainment business towards ensuring the continued success of this concept and of the investments we're making at the Opry House in terms of expanded retail, tours and VIP experiences.

And we have some other exciting projects in the works for our Entertainment business around content and other areas, so stay tuned.

Now let us close the books on '18 and talk about another exciting year that is shaping up to be yet another record for our company and that, of course, is this year, 2019.

First, given our advanced book of business for our same-store hospitality segment, excluding the Rockies, we expect another good year of RevPAR and total RevPAR growth in the range of 1.5% to 3.5% of RevPAR and 2% to 4% of the total RevPAR.

We expect our same-store hotels excluding the Rockies to deliver $390 million to $400 million of adjusted EBITDAre. Now note that I've referenced an adjusted version of the new near-REIT metric EBITDAre when talking about guidance.

In '19, we'll begin to report both this new EBITDAre according to near-reach definition as well as making our usual adjustments to arrive at what we will call adjusted EBITDAre.

Adjusted EBITDAre is a substantially identical to the former adjusted EBITDA except that it includes 100% of any consolidated joint ventures such as the Rockies.

Of course, since the Rockies was not majority-owned or consolidated last year, there is really no difference between adjusted EBITDA and adjusted EBITDAre for our historical 2018 results.

Now back to guidance. Beyond our same-store hotels, we expect the Gaylord Rockies to contribute an additional $77 million to $83 million of adjusted EBITDAre to our hospitality segment in 2019. That figure includes the incentive rebates from local authorities, and as I mentioned, is the 100% consolidated figure, not a pro rata share.

Combined this implies $467 million to $483 million of total Hospitality segment adjusted EBITDAre, including 100% of the Gaylord Rockies.

For our Entertainment business, we expect $45 million to $50 million of adjusted EBITDAre in '19, that is over 25% growth, which is a mix of several changes as we remove the headwinds of Opry City stage and pick up the full year of Ole Red Nashville and a partial year of Ole Red Gatlinburg on top of solid continued growth in our core Nashville businesses.

Finally, in our corporate segment, we expect adjusted EBITDAre loss of $26 million to $28 million. This results in a consolidated adjusted EBITDAre for our company in the range of $484 million to $507 million for 2019.

Now for those of you who prefer to think about the Rockies contribution purely on a pro rata basis, and I am in that camp, that figure translates to an adjusted EBITDAre excluding minority interest of $454 million -- $454.8 million to $475.5 million.

Now I suppose it doesn't really matter how you look at our projections for the next year. We see good growth throughout our company and '19 should be a great year, and in turn quite different from many of those companies the investment community tends to compare us with.

Now let me give you a quick brief update on the progress of our investment activity before I conclude. A major hotel projects still underway is the 300 room Gaylord Palms expansions that includes the 3,000 -- 300 -- sorry, 30,000 square-foot ballroom, 30,000 square feet of breakout meeting space and a new public parking garage.

This project remains on track to open around the middle of 2021, and we expect it to maintain the Palms competitive position in the Orlando group market for years to come.

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At the start of my remarks, I have -- I highlighted the successful opening of the indoor portion of SoundWaves at Opryland in December and a very positive leisure response we have seen. We may not -- we remain on track to open the outdoor portion in May of this year and our group marketing efforts are well underway.

In Denver, we'll be hosting the official grand opening ceremonies for Rockies this coming weekend and maybe we'll see some of you following the soft opening that we did this past December.

We concluded the announced acquisition of an incremental 26% of the Gaylord Rockies on December 31, which brought our current ownership up to 61.2% today.

We expect to complete the second closing of our transaction with our partners in July of '19, which will lead us to acquiring about an additional 0.9% in that time.

And finally, for our hotel business in Dallas, our Gaylord Texan expansion is approaching its 1 year anniversary in May, and we've been, to say the least, very pleased on how the Vineyard Tower has performed in its inaugural year, and how our sales production has taken up this new capacity.

Now moving to our Entertainment section, our Ole Red Gatlinburg is on budget and on pace to open in a couple of weeks, and Ole Red Orlando is likely -- likewise on budget and on pace to open a year behind in 2020.

Our VIP retail and tour enhancement at the Opry House and moving along quickly, and we expect to see them complete early this summer.

In conclusion, just like '18, our plate is full for '19, and we look forward to another great year of investing in and delivering the premium experiences that our group and leisure hotel guests and our Entertainment customers have come to expect.

Now finally, at this time of the year, I also like to translate our investing and operating success into tangible benefits it generates for our shareholders by calling your attention to the dividend increase that our board approved today.

Once again, given the operating performance of our business as well as our outlook, we were able to increase our quarterly payout by a $0.05 per share, a 5.9% increase. This is why we do what we do to deliver great experiences to our customers and rewards to our employees, our lot of shareholders and the communities we do business in. And with that, I'll turn the call over to Mark to give you more color on Q4 and the outlook for '19. Mark?

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

Thanks, Colin. Good morning, everyone. In the fourth quarter of 2018, the company generated total revenue of $360.6 million, up 4.5% from the prior year. For full year 2018, total revenues increased 7.6% to $1.28 billion. Net income available to common shareholders increased 120% in the fourth quarter to $159.2 million, and increased 50% for the full year to $264.7 million.

The large increase in net income is the result of a $131 million gain the company recognized in the fourth quarter of 2018 on our purchase of increased interest in the Gaylord Rockies.

This purchase effectively marked-to-market our previous equity investment in the joint venture at the nearly established valuation for the completed hotel.

This gain appears in the income from joint ventures line where it is partially offset by the small operating losses at Gaylord Rockies that occurred prior to our majority acquisition. This gain was also partially offset by impairment charges, which were primarily associated with the write off of our remaining investment in Opry City Stage.

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Now moving on to our non-GAAP metrics, the company generated $108.7 million of adjusted EBITDA on a consolidated basis in the fourth quarter, a 2.3% increase over last year. This translated to an adjusted EBITDA margin decline of 70 basis points in the fourth quarter.

In the Hospitality segment, fourth quarter adjusted EBITDA flow-through was impacted by a year-over-year decline of approximately $700,000 in Gaylord National bond interest, and a year-over-year decline of approximately $800,000 in attrition and cancellation revenue, which have been favorable last year due to the timing of receipts of 2 large cancellation fees.

The balance of the margin headwind from hospitality was higher sales commissions given the terrific production in the quarter. The year-over-year increase in incentive management fee and increased labor cost due to wage increases especially in Nashville and Orlando.

We expect some additional modest upward pressure on wages in these markets in 2019, and this expectation is reflected in the guidance we've provided for the year.

For the full year, consolidated adjusted EBITDA increased 7.7% to $388.8 million with consolidated full year margin flat at 30.5%.

Note that in Hospitality segment, despite the fourth quarter headwinds just mentioned, full year 2018 adjusted EBITDA margin was up 50 basis points, which is favorable to the 20 basis points increase we laid out in our guidance a year ago. So we're very pleased with how our assets performed and delivered on this goal in 2018.

In terms of AFFO, the company generated $84.7 million in the fourth quarter on a consolidated basis, a 2.6% decrease over the fourth quarter of 2017 or $1.64 on a fully diluted per share basis.

This modest decrease in AFFO compared to the increase in adjusted EBITDA in the quarter is due primarily to the higher interest expense, driven by the additional capital that we've deployed in the growth projects that were not yet contributing to our operating income in the period.

For the full year, the company generated $301.8 million in AFFO, a 5.7% increase over full year 2017 and equivalent to $5.86 per fully diluted share.

Moving on, both attrition and cancellations in the fourth quarter were down. Attrition fell 10 basis points for the quarter when it was flat for the full year. Cancellations were down over 51% in the quarter and over 38% for the full year.

As Colin emphasized, our group business is strong, and we saw no patterns or areas of concerns in our attrition and cancellation data.

In terms of our balance sheet, as of December 31, we had total debt of approximately $2.4 billion. Net of unamortized deferred financing costs and unrestricted cash of $103.4 million resulting in net debt outstanding of $2.34 billion.

The increase in our total debt in the fourth quarter reflects our overall increase -- increased investment in the Gaylord Rockies. First we increased borrowings under our revolver by $255 million. Sequentially, in the fourth quarter, primarily to close the acquisition of a majority interest in the hotel. And second, at the close of the year, given our new majority ownership, we took the [event] outstanding construction debt onto our balance sheet, which totaled $497 million.

Again, that is 100% of the properties debt, not our pro rata 61.2% share.

The company's available liquidity at year-end, combining capacity under the revolver and unrestricted cash on hand was approximately $276 million.

Turning to guidance. Colin provided the highlights of what we expect to be another great year for our group business and another record for revenue and profitability for our company. I will just add some additional color on how we expect quarterly pace to play out. We expect all 4 quarters to be positive in terms of RevPAR and total RevPAR growth with the strongest quarters for both measures being the first and third based on our current book of group business.

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We expect the fourth quarter to be the weakest in terms of year-over-year growth at around flat to low-single digits for RevPAR. We expect total RevPAR growth to exceed RevPAR growth in all 4 quarters.

Colin provided you with the ranges for our adjusted EBITDAre guidance by segment and for the company as a whole, and he explained the new use of this metric for 2019. So I will jump straight to our FFO and AFFO guidance for the year.

While adjusted -- while EBITDAre and adjusted EBITDAre will both be fully consolidated measures, we will continue to report FFO and AFFO in terms of what funds are available on RHP common shareholders.

In other words, these measures will continue to reflect only our pro rata share of the ownership in the Gaylord Rockies.

On that basis, we expect FFO available to common shareholders for 2019 in the range of $305.8 million to $323.6 million, and AFFO available to common shareholders of $330.6 million to $349.6 million.

At the midpoint of our guidance, this represents a year-over-year growth rate of 12.6% in AFFO for 2019.

You will note that our fully diluted share count estimate for 2019 of 52.1 million shares is 600,000 shares higher than the average diluted shares in 2018.

The majority of this increase reflects the potential dilution if our minority partners in the Gaylord Rockies exercised their put right to sell to the company their small residual interest in the JVs for units in our REIT operating partnership, which were then convertible 1 for 1 into our common share.

This right cannot be exercised until the third quarter at the earliest, and if we were to exercise, the company, of course, would acquire an additional economic interest in the Rockies.

So just be aware for those of you who look at these measures on a per share basis that the potential impact of this put right is incorporated into the denominator, our share count guidance but not in a numerator, our FFO available to common -- and AFFO available to common shareholders guidance.

A detailed reconciliation of our current guidance from net income to all non-GAAP measures can be found at the supplement scheduled to the earnings release. And with that, I'll turn it back over to Colin for any closing remarks

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

Thanks, Mark. With a lot of detail there with all of the projects we've got going on, the changes to the reporting standards with EBITDAre and, of course, dealing with the full year and guidance. So let's open up the word -- Lori, if you could let's open up the call for any questions and move this along.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Chris Woronka of Deutsche Bank.

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

Congratulations on the successful opening of the Rockies and also the SoundWaves. I wanted to ask you as it pertaining to the Rockies, I know you've given us a lot of data about how many new to the brand groups that hotel is bringing in. Have you seen any uptick in those new to the brand groups booking at the other hotels in the portfolio?

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

Chris, this is Colin. Yes, we're pretty excited about what we're seeing here in Colorado. Pat, you want to get into the detail on this?

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

Absolutely. Chris, as you've mentioned, in the past, we've talked about how many our new acquisitions to the brand via the Rockies property. It's about 40% over the course of the dates that we've been booking in. Of those about 60% of those are multiyear rotational groups. So a very large chunk of those are rotating in either from other Gaylord properties or coming into Rockies and then rotating into the other hotels, so this 60% is slightly higher. We're actually a little bit above 60% right now. It's a slightly higher than the other hotels. So we're getting a good influx of folks who were first coming to Rockies and then choosing to go to our other hotels as well.

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

And I know Patrick, this weekend, we have -- we've got invites out I think to the 500 meeting planners for this grand opening, and we expect several hundred to be there to see this hotel, which is -- it's pretty good.

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

Yes. No, I appreciate the color. Just another one for you. Colin, now that you've got SoundWaves opened in Nashville. Do you think that property is kind of strategically complete? Or do you give thought to maybe adding some other, I think, you've talked in the past about maybe a little bit of alternate hotel product on site?

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

The comment I would make here probably is going to come back to bite me. But I suspect with what is taking place in this Nashville market, airport expanding, more flights coming in, more people from all across the globe wanting to come here for music. My sense is that when people really start to see the SoundWaves and this hotel, I -- last night, I was -- this is just anecdotal, I was with the head of British Air for the U.S -- head of sales for the U.S., and he was saying to me how stunned he was when he walked into Opryland for the first time and saw this hotel. And I think we're going to see a lot more of that. So my view is that probably in the next 12 to 18 months, we'll be talking about more hotel product in and around this hotel to fulfill, I think, the demand curve that we're going to be seeing here.

Operator

Your next question comes from the line of Smedes Rose of Citi.

Smedes Rose

I was wondering just on the Rockies a little bit more, maybe if you could talk about kind of the -- your -- the initial opening in kind of how that went overall, sounds like it's pretty successful but what you're doing, kind of, on the transient side of the business as well?

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

Yes. So I would say to you, Smedes -- we'll probably be seeing you next week. I would say to you that as we sit here today looking back on what occurred in the 18th of December and subsequently, this is probably been our best opening over the last 10 years. And I think we genuinely are very happy with the way it's gone. We've got a good management team in place, [Marriott] has done a really good job here and everything is moving along as we expected. And I think this hotel -- it's quite an extraordinary, this hotel, I feel in the first quarter -- this first quarter of 2019 is going to make a bunch of money. And this is very unusual for a big group hotel like this. The management team seems to have its arms around the cost structure of this hotel. And the big unknown for us, a year ago was how would leisure perform. And I know there have been discussions about because of the tremendous amount of success we've had on group, should we put more hotel product here, should we increase the size of this hotel from 1,500 rooms. And what we have been saying to our partner, and I think publicly when we've been asked this question is we wanted to see how leisure performs. And so with that as a backdrop, Patrick, why don't you give Smedes a little bit more color on where we are in leisure?

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

Absolutely. Smedes, just to echo what Colin has already said, the team is in a phenomenal job, and we've been very encouraged by what we've seen on the transient side. Just to give you some numbers, in December alone, we did about 4,800 room nights in terms of transient versus an expectation of about 2,500. So a really strong result in the very first stub period, which again was from December 18 through December 31. And again, that's a soft opening period that we used to really work out any kinks that might use us in the hotels, so we can make sure that when our group guests arrive on January 7, which is when they started coming, the hotel was operating smoothly and efficiently. That continued again into January, January we did about 5,000 transient room nights versus an expectation of about 3,000. We have been yielding up on transient rate, and we are encouraged by what we've seen thus far. So a good soft opening, good transient response. Again, on the group side, as Colin has already talked about, we opened with 1.2 million room nights on the books. So on the group side, things are going very well. We've had a couple of full house groups in-house already and feedback has been very positive.

Smedes Rose

Great. And then I was just wondering, Mark, you mentioned that your guidance includes wage increases for the year. What exactly -- what sort of percentage are you just assuming across the portfolio?

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

It varies by property.

Smedes Rose

Right. But across the portfolio.

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

Yes. Across the portfolio, it's going to run probably about 4%.

Operator

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

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

Colin, I've got 3 or 4, and hopefully we can do them very quickly. But any preopening cost for the Rockies in this weekends event in your -- embedded in your G&A?

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

In G&A at corporate, no, only the cost of us -- you know, the cost of, I don't know, how many people from corporate, probably 10 people, Patrick, that's it going? But the hotel had planned this event 2 years ago. So the performer that we have on Saturday night, and the meeting planners in the rooms and the food and beverage that's all embedded in the preopening budgets that we had put in place.

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

Okay. Looks like Lincoln Property is set to kick off some development on your land in Nashville. Can you talk about your participation and maybe your investment in the development of that 900-plus acres?

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

Not 900-plus acres. We've got a 100 -- somewhere between 100 and 120, 900-plus units. Yes, so what we've been really patient on this land here, Bill. Because we've been watching what has been taking place here in Nashville from a development growth perspective. And as you know, we were one of the 3 sites that got material Amazon development here. And so we've been patient because we believe this land to be valuable. So the way this works, the -- I think Phase 1 is about a 10-acre development. What we have done is we've rolled our -- actually we're selling our real estate Phase 1 to Lincoln, but we are also expending part of that money on infrastructure, roadway systems within this land. And we will determine on Phase 2 and Phase 3 and Phase 4, whether we roll our real estate into the investment, depending upon what the investment is. So we think if we were to sell the real estate for the price that we -- the first 10 acres has sort of gone for -- this is about $50 million -- $45 million, $50 million real estate harvest for us. But our sense is what we want to make sure happens here, Bill, the Phase 1 is going to be apartments, the Phase 2 will be the way this thing is, we've got it laid out with Lincoln, it's going to be office buildings and stuff like that. What we want to make sure is what goes on that land is it will contribute to the continued growth of Opryland.

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

Okay. One more question for me. And I apologize if I missed this earlier, but your fourth quarter was obviously softer and you forecast for the fourth quarter of '19 is flattish. Is this indicative of the challenges that Marriott is having in ginning up the leisure and transient guests, and is it showing maybe the age of ICE!? Or is there -- what's going on that the fourth quarter is just struggling to go in here?

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

Well, this fourth quarter was very unusual because if you recall. We did cover this in our remarks, Bill. But the fourth quarter from the beginning of December to the Christmas Eve, the market was off -- the stock market was off 15.5%, nearly 16%. And if you look at the data in the Orlando market, the Orlando market, all across that market was off materially. We actually -- it was the Orlando hotel that drove the minor discrepancy and let's not overblow this, the difference between what we thought was going to happen and what happened was a relatively minor.

But it was in that Orlando market and a little bit around one of the programs that ICE! -- not ICE!, one of the programs here in Nashville, which was this Cirque project -- Cirque program, which was Patrick, I think the second or third year. And that came in, I don't know, 15,000 less seats sold than before. And so were looking of what we do to change all of that. But at guidance, when we do guidance for this first quarter, we always tend to be flattish for the fourth quarter, simply because so much of that fourth quarter revolves around the leisure customer. And so I don't think I would read into anything about ICE! not being successful. We actually had some good ICE! numbers this year, right Patrick?

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

Right. In fact just to add to that. ICE! actually performed this year versus last year so there was a year-over-year improvement. Yes, we are we looking for things to enhance the value proposition for transient guests coming to the properties to experience ICE! and the other offerings, and we'll continue to that as we going to 2019. To Colin's point, this was our second year of theater show Cirque, that occurred here in Nashville. It will not repeat again in 2019. We'll have new show so we expect some lift from that as a result. And the other thing I would tell you is that remember that our October, November and December are operating at very historic highs. I mean 77%, 78% occupancy for the quarter. So pretty tough comps for them but then a little bit of softness that we saw here in this fourth quarter on the transient side.

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

Bill, just repeating, we grew our market share in all 4 markets. So this was not a specific brand issue.

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

Yes, it is not a Marriott issue or ICE! getting tardy. But again, Bill, hate to say this but fourth quarter is one of the most profitable quarters, and it is -- and it shifts from group to leisure. So we always to tend to be looking 12 months out, we always tend to look at the fourth quarter on a relatively flat basis.

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

Yes. That's helpful. I was more concerned about the '19 fourth quarter guidance, and that just occurred '18 fourth quarter -- but that's helpful.

Operator

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

Charles Patrick Scholes - *SunTrust Robinson Humphrey, Inc., Research Division - Research Analyst*

A couple various questions here for you. In January, have you seen any lingering impact from the government shutdown on your DC property?

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

No.

Charles Patrick Scholes - *SunTrust Robinson Humphrey, Inc., Research Division - Research Analyst*

No, okay. Second is concerning renovation disruptions at your 2 properties this year. Are you able to quantify that at all as far as either EBITDA impact or RevPAR impact?

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

Yes, Pat, you want to take that?

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

Yes. So we have the Magnolia corridor renovation at Gaylord Opryland that will have about 32,000 rooms out of service. We have a light renovation, sort of, an interim renovation going on at Gaylord National, we're just putting some new TVs and new mattresses in until we come back and do the full renovation, which will not start until 2020. So from Gaylord Opryland's impact, it's primarily going to be around the transient side of the business as our design and construction teams worked real closely to ensure that they do minimal displacement to groups. And I will tell you actually we're going to shut down the renovation at one point to make sure that we accommodate very strong group demand in certain periods of the year. So we think that the displacement is going to be minimal.

Charles Patrick Scholes - *SunTrust Robinson Humphrey, Inc., Research Division - Research Analyst*

Okay. And then one last question sort of a -- from a high level, keeping in mind we're -- we represent Wall Street, so we're never satisfied. My point being Colorado seems to be growing quite nicely. What's next? What's the next big project, anything going on with Chula Vista? Or where else are you thinking?

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

Well, the reality is, you guys -- you are accurate. You always comparing us to, if you've grown x, why aren't you going y, and we understand that. But what I would say to you is that I'm going to take this from the 60,000-foot perspective. Our strategy has been to build something that is differentiated and sustainable. And that's what we've done here with this company, and you look at our RevPAR growth for last year in '18, what we're projecting here for '19, the stuff on the books. We've got hotels that are one-of-a-kind, and what we've been doing with these hotels is building sort of an economic fortress around each one of them. We're going to be opening SoundWaves outdoor come May. We've got the full year this year of Texas. We've got the full year this year of Denver. Denver in 2020, because of the tremendous amount of business its got on the books, will crank up.

I will tell you that we are looking at how we expand that hotel in Denver. We've got an expansion underway with the Palms with more meeting space at the Palms. And then we've got all of this stuff going on in our Entertainment business, but you're not going to go -- you're not going to see us go buy 500 room hotel in a market just to bring a new hotel on.

We want to build and we want to own assets that are differentiated and sustainable. And I think the strategy that we've been on here, certainly since we created the Gaylord brand has created disproportionately more returns for our shareholders than our competitors and for theirs, and so we're going to be disciplined about this. Will we -- are we looking at Chula Vista with our partner in Denver? The answer is, of course, we are, but this is a long process.

Dealing in Southern California is no ride in the park and -- or walk in the park, whatever the expression is. So yes, we've got a lot of good things going on here, and we expect to see really good growth in our company here over the next 2 to 3 years.

And the other thing I would say to you is, we've increased our dividend here now 6 consecutive years and because of this discipline. So we've got a good 2 or 3 years ahead of us here.

Operator

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

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

Colin and everyone, I think you've covered a lot of the ground. But I had just one specific one. We've heard a little bit about just staffing and wage pressures specifically in Denver given how tight the labor market is up there, and how strong the local economy is? This sort of implied and I think

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what you already seeing in your ramp up and Colin, I think, some of the comments around profitability. But just anything statistically to call out there that has been concerning to you? Or are these all things that are normal growing gains but at the end of the day, you're comfortable with the way the assets are ramping.

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

Look, when you -- Shaun, it's a good question, really good question. When you've got, sort of, on a National level 3%, 3.5%, whatever the unemployment level is these days, it is difficult. And when you're in these markets that are really high quality growth markets like Nashville, Orlando and the Denver markets, there's good news, bad news. The good news is, you're in markets that are growing like hell. The bad news is that you are in markets where the amount of people that are moving into these markets to be employed is a little less than the amount of demand there is for jobs in that markets. And so what we're having to do is what we've been doing for a long period of time. We are -- We've created a culture in our business that is second to none. But on the other hand, and we treat our people, [Marriott] has done a really good job on this, and in our Entertainment business, we are doing a really good job on this. And we are retaining our people but we're also having to deal with the realities of low employment and hot markets. And so in Orlando when Disney goes to $15 -- announces it's going to $15 an hour of minimum wage, we can't stick our head in the sand. We have to deal with it, and that's what we're doing. But the good news is that our forward book of business, our rate growth is more than adequate to offset these realities of a low employment nation. And in Denver, you want to talk about Denver, Pat, just a little bit. It's a good question, Shaun, you've asked.

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

Yes. The challenges of the Denver market is, if you compare it to Dallas, where we operate, it's a much smaller MSA. So Dallas' worth is roughly 6.8 million people. Rockies is in the Aurora Denver MSA, which is only about 2.8 million. So it's just a smaller area from which to draw labor force. We've been very pleased as we've talked about in prior calls, we've been able to pull some of the best and brightest out of the hospitality industry in that market to staff our hotel with.

But the trick is, okay, we have a higher wage rate there. We have to make sure we drive better rate. And I will tell you that group rate on the books at Denver is the highest across our brand, so rest is having success doing that. To Colin's point on Orlando, Disney continues to move up but then Disney is also now taking action to increase rate across their properties, which enables other hotels to do the same and that's what we're moving on as we book future room nights for that hotel. Here in Nashville, very popular market. We do think that wages are going to stabilize in 2019 from the pretty dramatic increases we've seen over the past few years. But again, all of that demand is helping to drive our future rate. So we're taking action to make sure we offset it with the rates. Nashville is a little bit different because it's a union environment but the reality is we've been dealing with that since we've been open. So the wages there, we've been taking its ride each year since we opened.

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

And Shaun, I can't under-stress or over-stress the importance of the culture that is being created in these businesses. And where we have this [stars first] in our hotels business, and our people first in our Entertainment business. And that at the end of the day when people come to work and they feel happy and loved and cared for if everything else is equal, they're going to stay with you. And so we've spent so much time as a company trying to build this internal culture that creates this retention of our people.

Operator

(Operator Instructions) Your next question comes from the line of Chip Oat of Traditional Capital.

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Charles Oat

I have 3.5 questions, I guess, you already answered half of one. First is easy, hope we'll see you at REIT week in New York in early June. I think you went there last year and you always draw a good crowd.

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

Yes. It's a shame we're doing it where we're doing it. But it's a shame we -- we're not doing it at a world-class hotel. But anyway, keep going.

Charles Oat

Well, then you guys need to build one there but that is probably 2025 or at least. The stock is done quite well since literally the day of the recent Amazon announcement about New York City. There's a lot of good things going on in Nashville. So you answered this part of my question about Nashville. Can you see the National Harbor resort picking up some business just because Amazon is putting a lot of people in the northern Virginia right across the water from you?

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

I mean we see over time with Amazon doing what they're doing in that northern Virginia market, that is going to be overall good for the underlying economics of that market. It's going to -- my sense is , when a company like Amazon makes a decision to go into a city and this is not -- please don't think I'm getting political here about New York City. One of the great things that we loved about Amazon coming to Nashville is it sends a signal to the planet that Nashville is a relevant city when it comes to one of the great world-class companies on this globe. And I think in northern Virginia, that will catch a lot of people, the decision by Amazon will catch a lot of people's attention and I think overall, it will be good for the economic well-being of that region. So as a consequent over time, that should be good for the National Harbor resort, and we're quite pleased with how Nashville -- National Harbor is performing. This will be a good year -- Patrick, 2019 will be a good year for this hotel. And we're booking a lot of forward group business into this market. If only our politicians in Washington would get back to work and create a more stabilized environments for the DC area, things would be a lot better.

Charles Oat

Well, I lived there. So I wouldn't count on that. Where I'm going with the question is, if we assume good things on the revenue side, are there expansion CapEx things you can do at National Harbor to maximize the profitability on that? Or have you done pretty much what you can do there?

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

No. The -- so the hotel's occupancy is running somewhere between 70 and 75 points of occupancy. So de facto on any given night, we've got 500 rooms available because we have 2,000 rooms, right? A 75 points of occupancy that's 1,500 rooms sold every night. So we have -- as the economic environment improves and that Northern Virginia DC market, we have the ability to grow profitability without doing -- without touching that hotel but on the other hand we have a piece of land across the street, where if we wanted to, we could build another, I don't know 200, 300 rooms on that piece of land. But that's not in our plans right now, simply because we have -- we want to get that Washington Hotel pushing 80 points of occupancy. But we have the potential to grow the profitability of that hotel fairly materially without doing any structural thing.

Charles Oat

Okay. Good. And last question regarding competition, it has 2 parts, part of the thesis is that they're not building properties like yours at least not outside Las Vegas. It's is that still the case? Are you really not seeing any new construction? And the second part of the question and it's my last question is Park has stated that they are migrating or want to migrate their business model to the extent that they can towards the large conference

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business that you do so well. They appear to have 3, before properties in the continental U.S. that could accommodate that business model that push -- so clearly they're going to put marketing and advertising muscle behind it. You welcome the competition but what do you think about that?

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

Yes. Well, on the competition -- on the competitive supply, you're 100% right, there's very, very little large hotels being built in the United States, and there's all sorts of reasons for that, structural reasons, the big C-corps are out of the business of sponsoring this stuff. And as most of the big developers like us have converted from a C to a REIT, so we don't see a lot of big hotels being built. In terms of Park, look, I know the CEO of this company Tom Baltimore, he is a very smart, shrewd fine operator and I like him a lot. And I think that Tom has sort of looked at what we've done, created this rotational strategy. And Patrick talked about it when we got a question earlier about rotational business that we picked up by moving into Denver, and I suspect Tom is looking at that and thinking about the opportunity.

But here's the thing, in this country, in America, there's 26,000 of these large groups that rotate from market to market. In our 5 hotels, we want to do somewhere between 70 and 100 of these groups are year, right? So this is a huge market and even if they got their 4 hotels, pristine and beautiful and focused and marketed, it is not overly competitive to us. And so we -- I say to Tom, bring it on.

All right. Operator, Larry, I think it's top of the hour. So I think we close the questions down. And if anyone -- if any folks on the phone have questions, they know how to get hold of our Mark or our IR folks. And I know next week I'm going to be with Patrick at the conference with Citibank conference in Fort Lauderdale, Mark is going to go do the Raymond James conference and we're going to be out in or around our investment community here quite a bit over the next 2 or 3 weeks. So we welcome meeting investors face to face and talking about continuation of our strategy. So thank you for being with us this morning and look forward to seeing those of you that are going to Denver this weekend, and those of you that are going to be at these investor conferences next week and the week after. Thanks a lot.

Operator

Thank you for participating in the Ryman Hospitality Properties Fourth Quarter 2018 Earnings Conference Call. You may now disconnect.

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