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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Fourth Quarter Earnings And 2019 Outlook Conference Call. (Operator Instructions) I would now like to hand the conference over to your speaker today, Ryan Hymel. Sir, please go ahead.

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

Thank you very much, Michelle. Good morning everyone, and welcome to Playa Hotel and Resort's Fourth Quarter Earnings Conference Call. Before we begin, I'd like to remind participants that many of our comments today will be considered forward-looking statements and are subject to numerous risks and uncertainties that may cause the company's actual results to differ materially from what has been communicated. Forward-looking statements made today are effective only as of today and the company undertakes no obligation to update forward-looking statements. For discussion of some of the factors that could cause our actual results to differ, please review the Risk Factors section of our annual report on Form 10-K, which we filed yesterday with the Securities and Exchange Commission. We've updated our Investor Relations website at investors.playaresorts.com with today's presentation and recent releases. As we discuss certain non-GAAP measures, it may be helpful to review the reconciliations to U.S. GAAP located in yesterday's press release. On today's call, Bruce Wardinski, Playa's Chairman and Chief Executive Officer, will provide some comments on the fourth quarter and key operational highlights. I will then address our fourth quarter results and 2019 Outlook. Bruce will then wrap up the call with some concluding remarks before we turn it over to Q&A. With that, I'll turn the call over to Bruce.

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

Great. Thanks, Ryan. Good morning, everyone, and thanks for joining us. I realize that many of you are juggling multiple conference calls today, and we appreciate your interest in Playa. As Ryan mentioned, I'll begin the day by reviewing several of our accomplishments in 2018. I'll then turn the call over to Ryan to discuss our fourth quarter results and our 2019 Outlook, and then I will briefly touch on our strategy and capital allocation priorities before turning to the Q&A.

2018 was a pivotal year for Playa, one in which we celebrated many milestones and accomplished several meaningful strategic objectives. The journey to sustainable growth is built on the foundation of exceeding expectations each and every day and 2018 was no exception. Despite supply growth and negative headlines surrounding crime and seaweed in some of our markets, our teams delivered another year of outperformance and positive comparable growth.

Both comparable RevPAR and comparable owned resort EBITDA increased 0.6%, a testament to the power of our brands, the legendary service from the heart, and our technological improvements aimed at maximizing revenues and lowering customer acquisition cost.

Before we dig into the details of the fourth quarter results and our 2019 Outlook, let's take a few minutes to explore some of our key achievements in more detail.

First, we took several strategic actions to greatly increase our total addressable market and diversify the company from a sourcing, geographic and cash flow standpoint. In 2018, we acquired 5 new resorts and two development sites in Jamaica from Sagicor, facilitated further diversification into other strong, stable leisure destinations and creating less reliance on Mexico.

In 2017, Mexico accounted for 73.5% of our owned resort EBITDA. In 2018, that decreased to 65.2% and following the grand reopenings of the Hilton's and our flagship Hyatt Ziva, Zilara and Cap Cana, the ground-up development project we have in the Dominican, all of which are on time and on budget, we expect Mexico to account for a more modest mid-50s percent of our normalized EBITDA going forward.

We introduced the Jewel and Sanctuary brands and had our first year of operations at our 2 Panama Jack resorts, which, are dramatically outperforming the balance of the Yucatán. These introductions increased our total addressable market by offering a wider range of price points - from approachable to luxury - to Playa's loyal customer base providing guests with the option of trading up or down depending on their desires.

The 750-room Hyatt Ziva, Zalara Cap Cana began accepting reservations in January and the excitement is building for what we expect to be a showcase property when it opens in the fourth quarter of 2019. In fact, our group segment, which has the longest lead time, is pacing 300% above where the Ziva and Zilara Rose Hall and the Hyatt Ziva Cancun were on average at the same point prior to their openings.

We are in the process of extending targeted offers to our most loyal, repeat guests, encouraging them to join us within the first few weeks of Cap Cana's opening at a special rate, as we refine our service and processes in advance of the peak 2019 Christmas and New Year's season. As with all grand openings, we're currently expecting limited EBITDA contribution in the fourth quarter of '19 given the quarter contains just a few weeks peak season and our desire to be judicious on price with a focus on exceeding expectations during the first few weeks of operation.

The Hyatt Ziva and Zilara Cap Cana is a very strategic resort for Playa. All-inclusive resorts of its caliber with a meeting space to handle large incentive groups in a destination like Punta Cana, should do incredibly well, and it will serve to boost bookings at our other group properties, the Hyatt Ziva Los Cabos, the Hyatt Ziva and Hyatt Zilara Rose Hall, and to a certain extent, the Hyatt Ziva Cancun, as we will now be able to fulfill meeting planners 3-year rotation cycle, all in-house, without them having to go outside our portfolio to provide the variety of destinations their clients seek.

Group bookings at the Hyatt Ziva Los Cabos are another bright spot. As you may recall, early 2019 group bookings were negatively impacted by increased crime in the fall of 2017, which led to group cancellations. The local government in Cabo took swift corrective action and as of the fall of 2018, bookings had returned to a normalized pace. In fact, during the fourth quarter of 2018, we booked 76% more group business for all future periods than we did in fourth quarter of '17. The rebound of bookings puts us on pace for record group business in 2020.

On a portfolio-wide basis, our remodels and renovations have generated incremental returns of 34.2% at our Hyatts, excluding the Hyatt Ziva and Hyatt Zilara Rose Hall. In Rose Hall, the results are equally impressive. Keep in mind, that property lost money when it was branded and run as a European plan Ritz-Carlton, where food, beverage and entertainment were charged on an a la carte basis.

Following its conversion to the Hyatt Ziva and Hyatt Zilara all-inclusive concept, the property generated $22.5 million of EBITDA in 2018, up 41% year-over-year and there is room for additional growth going forward.

Building on the branding success for the Hyatts, last September, we announced a new strategic Alliance and branding partnership with Hilton, one of the most recognized brand leaders in the world. We are pleased to report that even though it's in its early days, the Hilton alliance is working just as we had envisioned. Hilton's 85 million honors members are currently able to earn and redeem points at our resorts.

The percentage of direct bookings at the Hilton Playa del Carmen and the Hilton La Romana have already increased from the mid-to-high single digit range to well over 30% in less than 3 months, and that is during the renovations and without the benefit of the newly remodeled resorts.

On any given night, roughly 60% of Hilton's occupancy across its system is driven by Hilton honors numbers, and we are confident we can continue to narrow the gap between where we are currently booking and their system average. For years, our Hyatt resorts have consistently been some of the highest rated properties in the Hyatt system and the appeal of our rebranded Hiltons will be just as strong. If just 0.1% of Hilton honors members were to stay with us, every one of our Hiltons would run at 100% occupancy 365 days a year.

Hilton's large database of learning frequent travelers, combined with the attractiveness of our resorts make a clear and convincing case for why we're so confident in our Hilton partnership, and why we remain steadfast in our belief that the percentage of direct bookings at these resorts has only just begun to increase.

Companywide, our booked direct percentage continues to climb, reaching 22% for those guests that stayed in the fourth quarter 2018, up nearly 300 basis points sequentially from third quarter 2018.

For those bookings collected during the fourth quarter for all future periods, the metrics are even more encouraging, as approximately 30% of our fourth quarter bookings were direct, up from 20% a year ago. For the full year 2018, 21.6% of rooms were booked direct, up from 18.2% in 2017, up 340 basis points year-over-year.

In July of 2018, we launched our new playaresorts.com website, our lowest cost distribution channel, and we continue to gain momentum with bookings through the site. During the fourth quarter of 2018, 7.4% of the rooms booked came from playaresorts.com, nearly 7.5x the year-ago period and a sizable improvement over the third quarter of '18. These bookings represented 10.5% of revenues, demonstrating the growth in net revenues as book direct is our lowest cost of acquisition channel and further demonstrates the potential for higher net rates, especially versus the high-cost legacy distribution models.

As a reminder, the revamped website and new search engine optimization technology were only just launched last summer, so we expect to continue to see meaningful gains in our website's capture as we move through 2019, and we are confident that we are on target with our 5-year plan to increase consumer-direct business to our goal of at least 50%.

In the first quarter, we're launching the next evolution of the Playa Resorts website, which contains a travel agent portal on which travel agents can now make commissioned reservations directly on playaresorts.com without having to go through a tour and travel operator. This effectively removes an additional layer cost that previously existed, saving Playa roughly 7% to 9% in commission per booking, while at the same time maintaining the economics for the travel agent on a basic booking, and improving them in the case of upsells or prebooked ancillary revenues.

The continued growth in our Playa resorts business, our rebranding strategy, and travel agents' ability to now book seamlessly on our website, are all key drivers of enhanced customer engagement and reduced customer acquisition costs in 2019 and beyond.

As you may recall, last fall, we terminated our distribution agreement with Mark travel, following its acquisition by ALG. While we have many valuable distribution partners, it was a strategic decision to move away from Mark Travel, as it was our highest cost distribution channel and the company opts mainly to compete on discounts and pricing.

As a result of our branding, technological and system improvements, we have already backfilled over 50% of our high-cost Mark Travel business for full year 2019, and we are on pace to replace 100% of the business by year-end at an average customer acquisition cost per guest of 12% to 16%, which is 8 to 14 percentage points lower than what we were paying Mark Travel.

There is no stronger proof point that our strategy and positioning are resonating with guests, and we are on track to creating long-term sustainable value for our shareholders through our unique and efficient distribution model. The success of our playaresorts.com website and booking engine has increased the size of our customer database dramatically, and we are taking steps to better leverage that data.

We just began the soft rollout of a new end-to-end upsell and rebook technology at selected resorts, which uses sophisticated algorithms to identify, in real-time, new revenue opportunities via the sale of ancillary items and additional room packages to offer to a particular guest. Whether it's a suite upgrade, a late checkout, airport transportation or the ability to seamlessly rebook the guest's next trip, our goal is to delight our guest, increase loyalty and optimize profits by making the right offer to the right guest at the right time.

Like all optimization engines, the technology gets smarter with each transaction and learns from every guest interaction, which means that we don't expect it to be an immediate contributor to our financial results, but over time, do expect it to drive highly profitable upsell and ancillary revenues, all while improving guest satisfaction and loyalty.

And finally, on the technology front, just a quick update on our yield management system rollout. Later in the first quarter, we will begin testing the system at our first 2 resorts and expect to have nearly half of our resorts on the system by the end of the summer.

As we discussed last quarter, because of the seasonality of our business and the reliance on historical data and the judgment of our sales and marketing teams, we expect to operate the yield management system in parallel with our current forecasting processes for at least one year before making the full transition. This means that the benefits of the new system are not likely to show up in our financial results until 2020, but the potential from this initiative is significant.

In 2018, we began managing 2 new resorts and took back the management of another from a third-party management company. Four of our 21 resorts are still managed by a third-party, with contracts running through 2022.

During the fourth quarter, we promoted our long-standing Head of Acquisitions and Development, Fernando Mulet, and further strengthened his team by adding 2 experienced individuals focused on management contracts and partnership for development opportunities in new markets.

Armed with new brands, new price points, our book-direct strategy and strong momentum at our 2 newly managed resorts, Fernando and his team are building on recent wins. The development team recently attended the resort industry's premier conferences, one in Bermuda and one in Mexico, and our pipeline of opportunities has never been stronger.

Roughly 60% of the opportunities they're currently evaluating are more asset-light in nature, JVs or management contracts, and over 80% are outside the Yucatán Peninsula. Clearly, not all of these potential deals will come to fruition, but the percentage of asset-light deals being evaluated is a far cry from the low single-digit percentage of EBITDA currently coming from management contracts, a strong indicator that our percentage of EBITDA, coming from asset-light deals is poised to accelerate.

As you can see, there is a tremendous opportunity for us to expand our reach and enhance returns, as we move further down this path. The final strategic step we took, to create shareholder value in 2018, was our board's authorization during the fourth quarter of the repurchase of up to $100 million worth of our stock.

During the few remaining trading days in the quarter after the announcement, we repurchased over 47,000 shares of our common stock at an average price of $665 per share. From January 1 through February 22 of this year, we repurchased an additional 172,899 shares bringing the total amount repurchased to 220,000 shares at an average price of $745 per share for a total consideration of $1.4 million.

We continue to view our shares as a compelling value at these price levels. In our view, the dislocation in the market price of our shares is a result of material, but temporary construction and renovation projects currently underway at 3 of our properties, as well as the ongoing development of our flagship Hyatt Ziva, Zilara, Cap Cana, which remains on time, on budget and is slated to open in less than 9 months.

We are excited that while not fully reflected in our 2019 results, the run rate earnings from our portfolio should be meaningfully higher at year-end. Earlier this year, Playa and its Board undertook a detailed and thorough analysis of all previously contemplated, but not yet approved CapEx projects.

Ryan will run through our specific 2019 CapEx and balance sheet targets in a moment, but we concluded that for 2019, it would be in our best interest to focus our cash flow and balance sheet capacity on our 3 significant CapEx projects currently underway, maintenance CapEx, as well as potential share repurchases.

The repurchase program affords us the opportunity to increase our ownership in our own portfolio of high-quality assets through our shares, which, in our view, are trading well below intrinsic value, and is consistent with our strategic and capital deployment priorities to invest in undervalued assets in prime beachfront locations, where we can leverage our scale, expertise and brand partnerships to excite and delight our guests and improve shareholder returns.

I am confident that in less than one year from today, when these transformative development and repositioning projects are complete, and the earnings power of our portfolio is self-evident, our share price will be considerably higher and the repurchases will prove to be relatively low-risk, high-return investments.

With that, I will turn the call back over to Ryan to discuss fourth quarter results and our 2019 outlook.

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

Thank you, Bruce. Good morning, everyone. Before we dive into the numbers, I wanted to quickly highlight that we posted 2 new decks on our Investors Relations website. One, like always, is focused on the fourth quarter results and contains updated images of our current CapEx projects, and the second a brand-new investor overview deck focused on our overall branding strategy and our key initiatives.

Fourth quarter results exceeded our expectations with adjusted EBITDA coming in at $37.1 million, which is $3 million or 8.9% above the midpoint of our implied guidance range. Roughly 1/3 of the upside in the quarter was driven by near-end pricing strength as our strategy of holding out on rate coupled with bookings late in the quarter drove upside to the top line. The remainder of the beat came from better-than-expected flow-through and thoughtful cost controls.

Comparable net package RevPAR increased 1.3% on a 40 bp increase in occupancy and a 90 bp increase in rate. Comparable owned resort margins increased 290 basis points to 34%. These results are even more impressive when you consider the fact that; one, we made a strategic decision to move away from Mark Travel in the middle of the fourth quarter booking window, as Bruce mentioned; two, the 3 new Hiltons barely had time to benefit from the rebranding during the quarter; three, group cancellations from 2017 at Los Cabos remained a headwind during the quarter; and four, higher energy and insurance costs were a $2.2 million headwind to the EBITDA in the fourth quarter.

Comparable RevPAR growth was positive across every region with the exception of the Dominican Republic, where comparable RevPAR declined 6%, and where our 2 properties are currently managed by a third-party and are not U.S.-brand affiliated.

The divergence in the performance between our managed and branded portfolio and our third-party managed portfolio is further evidence that our strategy of leveraging our all-inclusive management expertise and our globally recognized brand partnerships to drive shareholder returns, is the right one for the long term.

Now let's take a look at the regions one-by-one starting with the Yucatán. Net package RevPAR increased 1.8% in the quarter, despite continued competitive discounting by other operators in the market. The increase is driven by a 100 basis point increase in occupancy, a 60 bp increase in rate.

Our flagship Ziva Cancun and our two new Panama Jacks contributed to the increases. As the 2 Panama Jacks buildout their guest databases -recall that the brand and the resorts were essentially starting from scratch - we're seeing early signs that momentum is really starting to build.

We expect that the grand reopening of the Hilton Playa del Carmen in the fourth quarter of 2019 will ultimately serve as a catalyst for additional gains at the Panama Jack Playa del Carmen directly across the street as relative pricing gap between the 2 resorts build will normalize post-transformation at the Hilton.

Our rebranding strategy to Panama Jacks and the growth in our playaresorts.com business are already leading to a substantial market outperformance, and we expect our partnership with globally recognized brand leaders such as Hilton, and the continued outperformance at our Hyatts in the region, will lead to additional market share gains.

Owned resort EBITDA in the region, which reflects both Cancun and Playa del Carmen, increased $3.4 million or 16%. That is inclusive of $1.3 million in incremental insurance and energy headwinds. Excluding electric and insurance increases, owned resort EBITDA in the Yucatán would have increased an even more impressive 22.7%.

On the Pacific Coast, results were quite strong. Net package RevPAR increased 4.3% over the comparable period, driven by an increase of ADR of 3.9% and an increase in occupancy of 30 bps. Owned resort EBITDA increased $700,000 or a 10% over the prior year, and excluding increases in energy and insurance, owned resort EBITDA would have increased $1.1 million or roughly 16%. This increase was attributable to both resorts in this segment.

As a reminder, the fourth quarter is traditionally slower period for group business, particularly, at Cabo, given the holiday. So the impact of group cancellations that Bruce mentioned earlier, that we experienced in 2017 while still very real in the fourth quarter, are less impactful than they will be in the first or early second quarter of 2019.

Now turning to the Dominican Republic, where the transition in management from a third-party management company to Playa, coupled with a concurrent rebranding to Hilton all-inclusive led to a challenging peak-season sales at La Romana. The results were disappointing, but not at all surprising for such a transition. It's not uncommon for the focus and intensity, with which a third-party management company promotes a destination to wane, once a notice of termination has been given. There's often a temporary dislocation at the time of transition.

Net package RevPAR in the Dominican Republic declined 6% in the fourth quarter. However, the operations team, in anticipation of the forcing challenges, did a tremendous job of flexing cost, limiting the impact to just 3% decline of property-level EBITDA.

The change over in management is now complete, Hilton is on board, our share of voice is increasing and the beautification process is well underway on site. There are some excellent updated renderings in our supplemental deck posted on our website and I encourage you all to take a look and book a trip. The remodeled resorts will be a showcase for what is possible and a testament to the power of the Playa-Hilton relationship.

And lastly, as always, we want to continue to highlight yet another strong quarter for our Hyatt properties, which as a portfolio, recorded a 4.5% RevPAR increase and served as a continued proof point that our branding and direct-to-consumer strategy works.

Turning to the balance sheet. As of December 31, 2018, we had $116 million in cash on hand and 0 outstanding borrowings on our revolver. Our current ground-up Hyatt Ziva and Zalar development in Cap Cana and our Hilton conversions remain on-time and on-budget, just as Bruce mentioned earlier.

As we discussed after a detailed and thorough review, Playa and its board have decided to delay all previously contemplated but not yet board-approved CapEx projects by at least one year. In 2019, we anticipate spending roughly $185 million in total CapEx, which breaks out as follows: Approximately $50 million to complete the 2 Hilton conversions and $115 million to finish out Ziva and Zilara and Cap Cana and roughly $20 million to maintenance CapEx.

Our forecasted use of cash does not include additional share repurchase, as they depend on market conditions and other factors. and may be commenced or suspended from time to time. We'll, of course, update you all on that front each quarter, as we progress.

Based on these assumptions, our net leverage will briefly peak in the high 5s before fourth quarter 2019 project openings, or and more importantly, 4.3x if you adjust for the construction in progress at Cap Cana. We expect to very quickly delever in 2020 as these assets come back online, and we think adjusting our leverage levels for these significant investments in our properties is quite appropriate.

As a reminder, in March, prior to the Fed's first rate hike, we locked LIBOR at 2.85% on $800 million of our debt or 80% through March 30th of 2023.

Now turning our attention to 2019. As you saw, we're establishing a 2019 outlook of $165 million to $175 million in adjusted EBITDA, reflecting a wide range of outcomes. There is greater uncertainty this year, owing to the renovations and rebrandings at the Hiltons, our ground-up development of our flagship Ziva and Zilara and Cap Cana, and the volatilities surrounding electric costs and negative headlines. Despite these temporary factors, as Bruce mentioned earlier, the earnings power of our portfolio will improve dramatically by year-end.

As a point of reference, in any given year, Playa typically books 35% or 45% of its business by January and this year is no exception. In fact, excluding the Hilton conversions and management contracts, our 2019 paces roughly in line with this time last year. Our 2019 outlook roughly corresponds to slightly negative to slightly positive comparable RevPAR growth.

There are several factors impacting the year-over-year growth and comparability between 2018 and 2019, some of which are likely to be recurring and others, which are one-time in nature, and I'd like to take a few moments to detail them for you.

I'll start with the nonrecurring items. As you're all well aware, we're in the process of renovating, rebranding and converting, 2 of our largest resorts into 3 new Hilton all-inclusive products. In 2018, these 2 properties accounted for over 1,200 rooms, 450,000 available room nights, just under $100 million of total net revenue and roughly $40 million of resort EBITDA, again that's in 2018.

The 2019 conversion work includes the closure and remodeling of all rooms, guest-facing public areas and the addition of new and improved amenities. From our perspective, and as Bruce mentioned, this is our first opportunity to introduce Playa's legendary all-inclusive facilities and service from the heart to the Hilton's loyal fan base. And we're approaching it with the same care and diligence that we would if we were seeding a new brand.

Similar to Hyatt, Hilton has done a tremendous job of promoting our new all-inclusive partnership and the uptick in direct bookings at the resorts, so early in the transition are a testament to the power of their distribution system. As the owner and manager of the resorts, it's our goal to ensure that we exceed the expectations of each and every guest that stays with us, even during the transition and offer them a compelling value so they'll return for years to come, once the renovations are complete.

In working with our sales and marketing, social media and leadership teams on site, we concluded that our long-term objectives would be better served by investing in this long-term guest relationship by taking a more cautious stance on rates during the property enhancements. As a result, we're increasing our estimate of the one-time headwind in 2019 EBITDA during the renovation and transition from at least $20 million to a revised estimate of up to $25 million to $30 million. And again, we think this is the correct long-term approach.

Turning now to the 2019 headwinds, which are recurring and will take time to price for. There are 3 key items worth noting. The first are electric prices in Mexico, which you heard us discuss in our third quarter. They've remained elevated, although the growth rates have, at least, temporarily moderated in November, December.

Energy costs totaled $8.1 million in the fourth quarter or roughly $1.3 million higher than the year prior, or almost $3 million from August through December of 2018. We now expect 2019's electric cost to be roughly $4 million higher than in 2018 with the bulk of the increase coming in the January through July period.

The second is an environmental tax implemented by the new Mexican President, which we estimate will increase property-level expenses by at least $1 million annually.

And the third is the 16% increase in minimum wage in Mexico, which took effect in January, which we estimate will impact property-level expense by at least $500,000.

With the potential for the total to be slightly higher as there's likely to be modest-wage pressures from employees that were earning close to minimum wage and where a modest increase will ultimately be needed to maintain appropriate gap versus those entry-level employees earning minimum wage.

Two other factors to consider as you refine your models are: one, with the acquisition of Sagicor portfolio, which we won't lap until June of 2019. And most importantly, the later Easter holiday season this year versus last.

It's April 21 this year, so that's good for Playa in the long term, but what that means is that it should increase the second quarter's overall contribution relative to last year's seasonal pattern, and therefore, decrease Q1's contribution to overall EBITDA. We currently expect our first quarter EBITDA to account for roughly 39% to 41% of the full year total.

With that, I'll turn it back over to Bruce for some closing remarks.

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

Thanks, Ryan. In 2018, we significantly increased the long-term growth potential of the company and expanded our total addressable market by partnering with Hilton, one of the world's most globally recognized hotel brands. We increased the range of destination and price points, we offer to our customers. And we leveraged technology to enhance our level of direct customer engagement and reduced customer acquisition costs.

In just 9 short months, free cash flow will inflect positively and step function higher leading to rapid deleveraging in 2020 following the grand openings of the $250 million Hyatt Ziva and Zilara Cap Cana, as well as the Hilton Playa del Carmen and the 2 new Hiltons in La Romana, bringing new and sidelined EBITDA into the production.

As proud as I am of our accomplishments to date, and the efforts of our nearly 12,000 associates, I am even more excited about the future. The all-inclusive landscape is right with under-branded, under-managed assets in AAA locations. Our model is resonating with owners and the outperformance of our branded assets versus the broader peer set is a testament to the returns we can generate for owners, developers and our shareholders.

It is in market conditions like these where macroeconomic headlines are uncertain and weaker competitors are quick to cut rates, that Playa's business model is going to thrive. Playa's steady hands, deep understanding of the all-inclusive space, and globally recognized brand partnerships will serve as an attractive partner or exit strategy for owners and developers alike. I am more confident than ever that the changes we are making today will position us for accelerating growth for years to come.

And with that, operator, we'd be happy to take questions.

QUESTIONS AND ANSWERS

Operator

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

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

So yes. I thought -- you guys had a really good performance in Mexico in the fourth quarter given all the headlines. Can you maybe talk a little bit about, what you think is shaping your own performance? And whether, despite the fact that maybe visitation growth is a little bit slower, maybe your, kind of, resorts are resonating better with the destination guests?

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

Sure. I -- Chris, I think, number one, it's the branding strategy is working. I mean, absolutely, the capacity that the Hyatt system and the Hilton system bring into the Playa Resorts is just incredible and it's a huge competitive advantage over the competition.

So you look at the customers we're targeting and they're preferred customers from the standpoint of the acquisition costs i.e. more direct customers as well as the rate that they're paying. And so we're just incredibly confident and more so, every day that the reason that we're outperforming the competitive set in that market is because of the branding strategy that we've implemented.

I was in Jamaica, the first part of this week, and I was just blown away by how well we're doing, from Jewel Grande, which is not branded at this point in time, but really only opened a few weeks ago fully as well as then the Hyatt Ziva and Hyatt Zilara Rose Hall, which was absolutely doing incredible and the Hilton and Rose Hall. So I think it comes down to the success of our branding more than anything else.

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

And, Chris, the only thing I'd add is, just given Kevin and his team's of not being price takers too early in the booking process. The booking window has certainly continued to compress, as you've heard us talk multiple times over 2018, and right now stands at roughly 21 to 30 days and that's down from 30 to 60 days in years passed.

So if they can wait, particularly, heading into the high booking season and the high season around Christmas and New Year's, they'll be able to take advantage of the last minute rates and yield manage appropriately. I want to be clear that there's still rate pressure in Mexico but as Bruce said, the branding is working.

And then most importantly, I want to tip my hat to the operations team. It's a delicate balancing act when you're working on minding the bottom line when rates are down because you don't want to just cut services and cost to the bone. Because an all-inclusive product, is exactly that. It's all-inclusive, you don't want customers to feel like they're not getting something for their money.

I think they've done a phenomenal job, particularly, in November, December, and we saw it again in January, their ability to flex the revenue and bring a tremendous amount of it to the bottom line, even in an era where rates are compressed.

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

Okay. That's helpful. And then I was hoping to, maybe, follow up on the talk about asset-light opportunities. And maybe, I guess the question is, can you, maybe, give us a little bit of a flavor as to the volume you're looking at, but also, are these, typically, things that are already branded, that you would manage with a franchised brand? Or are they more direct, kind of, ownership and things that need more capital?

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

Sure. Well, first of all, I'll address, these are properties that are not branded, okay? So if you really look at our market, the all-inclusive market, there's a very, very low percentage of resorts that have a U.S. brand, and even the ones that do have a U.S. brand, are not run as all-inclusives.

So the opportunities that we have as Playa with our relationships with Hyatt and Hilton is that we can go in and take over these unbranded, whether they're all-inclusive or EP resorts, and do dramatically better. So it's what we highlighted with how we took over the Ritz-Carlton, which was an EP hotel in Montego Bay and converted it into the Hyatt Ziva and Hyatt Zilara. So those are the opportunities.

And as we said in the prepared remarks, this model, this performance is resonating incredibly well with owners. And you know how the business works. When times get tougher, that's when there is more opportunities with owners who become a little disappointed or frustrated with their performance and they say, "Okay, what is the best strategy for me to optimize the cash flow coming out of my property?" And we think anybody who looks at the resort -- results of the Playa Resorts will come to the conclusion that the absolute best strategy is to partner with Playa with our branding approach.

so the asset-lights are unbranded properties. We'd always like to say, under-branded, under-managed and under-invested. And I think that still remains the recipe for success of what we're looking at but in the case of asset-light, if there is underinvestment, okay? That will not be money that's coming from the Playa balance sheet. It's going to be coming from the owners and it's either going to be a management contract or sliver equity.

But as we mentioned, Fernando Mulet and his new team members, now are focused very -- at a very high percentage level on these asset-light transactions and it's resonating. I think you're going to see good success from our efforts there.

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

Great. That's great color, Bruce. And I guess just finally for me, happy to see the share repurchase. And I know that there are certain limitations at how much you can do on any given day, given the volume and such. But are there any either off-market ways you see to buy more shares? Or would you consider something like a tender if the price is sticking down at these levels?

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

I think right now, as we said, we look at capital allocation as where can we invest our money with the lowest risk and highest potential return. And so I think we're just going to execute on the strategy as we've laid out.

So I mean, we're always going to be open to opportunities to create value for our shareholders and that's what we're going to do. And I think that that's what the board did in the fourth quarter, both with the share repurchases and deferment of some of the nonapproved CapEx projects, and we'll just, kind of, continue along that strategy. But our whole focus is, "Hey, where we can allocate capital to get the highest return at the lowest risk?" if that's what we're going to do.

Operator

Your next question comes from the line of Gregory Miller from SunTrust Robinson.

Gregory Jay Miller ***SunTrust Robinson Humphrey, Inc., Research Division - Associate***

Thanks very much. Good morning. First question I had, it relates to airlift, and we've heard reports of Cancun International receiving a number of new routes over the last year. I'm curious how that's translated to your hotels or the market as a whole?

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

Yes. From our perspective the Cancun market, if you look throughout 2018 and even in the fourth quarter, international arrivals were up 3.4%. January was the first time, we saw a decrease. I know there's been different reports of some airlines cutting lifts or bringing -- they're still running the same planes but they're smaller planes, there're different versions of 737 sevens but that's something we continue to monitor.

But looking throughout all of our destinations, these are still prime, all-inclusive locations that people want to go and stay. We're still seeing the rate pressure in Mexico, as we've stated many, many times, but the other locations are alive and well.

Gregory Jay Miller ***SunTrust Robinson Humphrey, Inc., Research Division - Associate***

Great. So the second question I have, I wanted to inquire about the closing of the Mexican Tourism Board, how do you believe this will impact your hotels? And what steps are you undertaking to remedy any potential loss promotion to the country?

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

Sure. I mean, for our perspective, we think that's a mistake, okay? It's not what we think is good for Mexican tourism nor good for our sector, as well, kind of, decentralizing the spending around the country and then -- and very particularly, redirecting funding toward, what they call the Mayan Train, which is going to be a train to the Yucatán Peninsula. We think all of those decisions are not the most well-advised decisions.

Having said that, and to, kind of, go into our strategy, I think what will drive more business for us, meaning the Playa Resorts than anything, will be execution of our branding strategy and working with our brand partners and that's what we're saying.

And so the amount of money the Tourism Board spends or the efforts that they do, quite honestly, is a small, small drop in the bucket, maybe, kind of, you can say drop in the ocean compared to the reach that we can accomplish working through the Hyatt and Hilton distribution channel.

So we just feel that, while ill-advised and that's what we would recommend, it's not going to have a significant impact on us and that we need to continue executing our branding strategy, and we think that's how we'll drive success.

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

Just as another addition, I'm not sure of the date yet, but apparently, his next announcement is what their plans are for promoting tourism and security and stuff like that.

As we've mentioned before, we've got a lot of intelligence sitting on our broad with the 2 previous members, one a previous ambassador and 1 the previous Prime Minister of Tourism. So apparently, that's their next discussion point but more to come on that point, Greg.

Gregory Jay Miller ***SunTrust Robinson Humphrey, Inc., Research Division - Associate***

Great. Just one more question from our end. Can you update as to where you stand today in terms of competitive new supply growth within the various regions? And what areas are you seeing more or less significant competitive new hotel growth?

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

Yes. Where we've seen the most historically and, particularly, in the last year was the, kind of, Playa del Carmen, Riviera Maya subset of the Yucatán. To be clear, there are no official records or reports that you can pull. We gather all this intel from our own boots on the grounds, style of intelligence gathering.

But to give you an idea, originally, our forecast, it'd call, for roughly 6% room supply growth in 2019, but now that figure is already lowering down to around 4%. And for context, it appears that through 2018, will come into just under 3%. So -- and that's just really for the Yucatán and more specifically Playa del Carmen, Riviera Maya.

The other destinations, there is really not a whole lot planned. There are some hotels here and there, but the DR had a quite a bit of supply coming over the years previously after it opened its highway. That was like a 10-year project. So there's a quite a bit that came over in the years' path, it was not a whole lot more coming and the same thing at Jamaica, there is just far less places or more opportunity for growth there. So we feel comfortable there. It's -- one of it's to keep an eye on is continued in the Riviera Maya, Playa del Carmen market.

Operator

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

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

Just on that -- the supply numbers that you just mentioned. Would you see that as -- I mean, it is that pretty much all-inclusive, kind of, resorts that would be directly competitive with your own? And then also, in your CapEx outlook, initially, after you had acquired Sagicor, you talked about potentially doing stuff at the Jewel assets and then closing some rooms down and building towers. Is that all on hold as well?

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

Thanks, Smedes. So I'll answer the first one. Your question is perfect and I should've mentioned it when Greg answer that not all supply is created equal, and some supply is for adults-only, families some have different price points, but the key here is, none of this supply is affiliated with our U.S. partners, never allied with our loyalty program. So that's a very great point that you made. From the Sagicor perspective, Bruce can you take that one?

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

Yes. So let me, kind of, very clearly state, what we're saying with regards to, kind of, being prudent with our capital for 2019. So we still strongly believe there are built-in organic opportunities across our portfolio, okay? So when we look at saying, "All right, what are we doing for 2019?" The focus is completing the construction of Hyatt Ziva and Hyatt Zilara, Cap Cana, doing the Hilton rebrandings, the two at Hilton La Romana and Hilton Playa del Carmen and then deferring the other ones.

And then we announced the stock buyback. And so all of it is just to listen -- we're listening to our investors, and we're looking at our balance sheet and talking with our board and saying, this is just a time to be prudent with how we're managing our resources.

Now, it does not change in one bit what we think about the potential future growth of our assets and the opportunities there. So as I mentioned, I was in Jamaica for a few days earlier over the weekend and this -- early this week. And I can tell you, Jamaica will be an area where, when it makes sense, we will continue to invest.

We have the Palmyra site that is in between the Hyatt Ziva and Zilara and Jewel Grande. It will finish out that resort, I think it will be an incredibly successful asset. The improvements at the Jewel, other Jewel -- 3 Jewel properties and the ability to add rooms and as you know when you can add rooms, there is no higher return for a hotel project than to add more rooms because there is just a great ROI on that investment.

So they all exist, and we'll continue to do that as well at Hyatt Zilara and Cancun and Hyatt Ziva Cancun. So as the year goes on, and we have a clear vision into 2020 and the projects that are going to be coming back online and the future cash flow that they're going to be developing, we will prioritize all those projects.

So yes, does this mean that we are delaying things a little bit? Absolutely, we're delaying things a little bit. Does this mean that we're not going to do them? No, it definitely does not. The projects are there, and so we have built an organic intrinsic growth in our portfolio that, I think, is going to give years of above-average growth opportunities.

So that's our plan to do, but we are just being safe. I'll call it safer in 2019 to get through this very transitional year. It's only going to be a few months. We're talking 8 to 9 months from now. Playa is in a very different position, and I think, people will see the clarity of the EBITDA for 2020, 2021 and beyond. And I think you'll see a dramatically higher stock price at that point in time.

Operator

Your next question comes from the line of Tyler Batory from Jenny Capital Markets.

Tyler Anton Batory ***Janney Montgomery Scott LLC, Research Division - VP of Travel, Lodging and Leisure***

Hi. Good morning guys. Just wanted to ask a little bit more on the Panama Jack properties. What are you seeing at those resorts? And has your time line for the ramp of those properties gotten pushed out a little bit just because of the market conditions you're seeing?

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

The answer Tyler is, yes. So basically, the ramp up is slowed because of the market conditions in the Yucatán. Having said that, as Ryan mentioned when he went through the, kind of, overall results, Panama Jack Cancun is definitely outperforming the market. So we're very bullish on what we're seeing there, not compared to what, maybe, our original expectations are, but compared in this competitive environment, how we're doing in? So we're really excited about that.

In Playa del Carmen, it's a little bit softer, and we believe a lot of it is because our renovation repositioning of the Hilton Playa del Carmen across the street. So what we've had to do, and this is very typical, is during major renovation like that, when you've got construction going on, we want to make sure that the guest experience is as positive as it can be. And one of the things you do is you discount rates a little bit to account for the impact of the work going on.

So just imagine being at LaGuardia airport right now and seeing all that construction. It's just a little different. And while ours isn't as bad LaGuardia airport, there is some of that impact. And so we want to make sure that our guests are still very happy and satisfied, and most importantly, they're going to come back, they're going to come back to that resort and our other resorts. So we had to lower the prices a little bit, and I think that riples over to the Panama Jack, Playa del Carmen.

So fast forward, again, 2019's a transitional year for us. Fast forward to the end of this year and going into the Hyatt season for 2020, the Hilton Playa del Carmen will be fully renovated, it is going to look fantastic. The Hyatts are going to be a lot higher and that's going to allow more pricing power at Panama Jack.

And so I'm still really confident about what Panama Jack represents from a customer-guest experience and from an opportunity for Playa. And so we're just going to experience this little slower ramp up. And I think we'll really be happy at the end of the day.

Tyler Anton Batory ***Janney Montgomery Scott LLC, Research Division - VP of Travel, Lodging and Leisure***

Okay. Great. That's helpful. And Bruce, I appreciate the commentary you guys gave on the group booking side of things. But in a typical year, what percentage of your business is group? And how might that change in 2020 once Cap Cana opens?

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

Yes. So as an overall portfolio, keep in mind only today, 2 of our hotels are large group properties and that's Jamaica and Cabos, and they do roughly 18%, 20% group business. So our overall portfolio is only 10%. But you heard Bruce talk about Cabos and how quickly it's ramping and we look at 2020 should be an excellent, potentially banner year for us there. What we didn't mention more specifically is Ziva and Zilara Rose Hall. So to give you some extra clarity, there.

We already have more than 90% of 2018's actual group revenues on the books, and we expect the in-the-year, for-the-year bookings to push as well over 2018, which is helpful. And then as Bruce mentioned, Cap Cana is already 300% over where its peers were at the same time before their opening and that's without the benefit of real rooms or anything like that. We've got a couple of sample rooms and you see all the updated pictures online but it's not like there's a full resort that meetings incentive planners can take people to.

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

No. And I think the Hyatt Ziva, Hyatt Zilara Cap Cana will be the #1 group resort in the Caribbean. So beyond adding to our rotation capability with Jamaica and Los Cabos and to a smaller extent Ziva Cancun, you're going to have the premier resort. And the other thing is, what happens with groups is that all want to experience the new thing. And so I think you're going to see the benefits go into 2020, '21, '22, '23, '24. So I really am bullish about that resort, but it is designed to just be a spectacular experience for groups. And I think we're going to benefit from the higher rates and the higher non-package revenue spend, et cetera, which translates to the much higher profit margins at that resort. So I think our shareholders are going to be really pleased with that product and more importantly, what that product will generate from a profitability standpoint.

Tyler Anton Batory ***Janney Montgomery Scott LLC, Research Division - VP of Travel, Lodging and Leisure***

Okay. And then last question from me, can you talk a little bit about how Sagicor has been pacing versus your underwriting? And then can you provide a little bit more color on the trends generally, in Jamaica?

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

Yes, just from an underwriting perspective, it's as we expected. The only real headwind is what we mentioned in the third and just most recently, was that our strategic decision to move away from Mark Travel had a larger upside impact on the Jewels hotels there. They've got a lot of business from them. But other than that, it's on target and on track for us.

From an operations perspective, we've seen some nice synergies and I think, I mentioned in the last call but throughout the budget process, what was, I think, pretty enlightening for a lot of the general managers with a lot of lessons learned from other GM's and just -- and getting to, kind of, stimulate into Alex Stadlin's world where there's some real upside in non-packaged.

In fact, it was actually, kind of, funny we were doing the budget process. They were -- I was doing the math on some of these steak up sales and stuff they were going to do and I was like, "you guys are assuming way too much here" because they were pretty excited about what they were able to do because they just learned a lot from already spending time with our company. So we're pretty excited about that there.

At Jamaica from a pacing perspective, looks great for the year, particularly, our Ziva and Zilara Rose Hall. As you guys can see that's the only hotel that you get the individual results for just purely, because it's only comparable hotel in the Jamaica segment right now. But that being continues to outperform our expectations.

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

Yes. I think Jamaica is going to be a real bright spot for Playa in 2019.

Operator

Your next question comes from the line of Paul Penney from Northland Capital.

Paul Richard Penney ***Northland Capital Markets, Research Division - MD& Senior Research Analyst***

Going back to the topic of redevelopment and some of the positive momentum, you talk about, at Panama Jack. Could you give more granular details in terms of, kind of, the run rate uplift you're getting? And, kind of, the range of ROIs you're getting as an end result? And then looking forward, do you expect a similar type run rate improvements and yield on your 2 Hilton redevelopment projects?

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

Yes. I think the -- just from a higher level, I think that Hiltons will outperform what you eventually see on a stabilized basis from the Panama Jacks. Just purely by benefit of their being affiliated with a brand like Hilton. You've seen us talk every single quarter about the RevPARs and the rates at our Hyatts. I mentioned though the RevPAR 4.5% in the quarter for the Hyatts, the rate was over 6% at our Hyatt as an entire portfolio, which is incredibly strong, so the Hiltons I expect higher.

Just to give you an idea, the RevPAR in the fourth quarter for the Panama Jacks, these numbers seem big because they are of admittedly an easier base because if you recall in Q4 of 2017, we were finishing the heaviest of our renovations there, but RevPAR was up just under 27% and for the Panama Jack and about 13% for the 1 in Playa del Carmen. I don't expect that to continue throughout the year, but I do expect some nice returns there. But again, this is still, kind of, the first full year that we'll be open and we still expect it to be 3-year ramp. Paul, are you on mute?

Paul Richard Penney ***Northland Capital Markets, Research Division - MD& Senior Research Analyst***

Just last question in terms of past year, Hilton and Hyatt relationships. Are they still active talked with other large hotel branding partners?

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

There's always that. I think we've made it very clear that we think the best model is a branded relationship with Playa. And the reason I say with Playa is because we're an incredibly unique player in the all-inclusive space. Most of the hotel companies in the all-inclusive space or owner operators who use their own brand and they go through the, kind of, legacy tour and travel operator booking model, and we're the only one who's doing it differently.

So we have very special strategic relationships with Hyatt and Hilton at this point in time, and we're looking to grow with both of those partners. And we think there's tremendous opportunities. But there -- it's a big world out there. And so we're always looking at things to do but we're so pleased with what we're doing with Hyatt and Hilton. We could not be happier, and we hope that we grow dramatically with those 2 partners.

Paul Richard Penney ***Northland Capital Markets, Research Division - MD& Senior Research Analyst***

Great. And last question. Housekeeping item for Ryan, why was the SG&A down sequentially? And how should we be thinking about this trending throughout the year?

Ryan Hymel ***Playa Hotels & Resorts N.V. - Executive VP & CFO***

I mean, for the year, we were still up. In the fourth quarter, some of the -- remember to look at our earnings release, where we break out true corporate expense. Because keep in mind, when you look at overall SG&A on the P&L, that includes things like sales and marketing and other things. If you look at true corporate expense in the earnings release, it was up. There were some things like bonus was down and stuff like that because we underperformed our internal expectations. But on the whole, it was up, purely, just as we've continued to build out some of our teams, particularly building out our Mexico office, and we've added some small offices and the DR in Jamaica, all in anticipation of taking over La Romana, the conversions and the opening of Cap Cana.

Operator

This does conclude our Q&A. Presenters, please continue.

Bruce D. Wardinski ***Playa Hotels & Resorts N.V. - Chairman & CEO***

Okay. Well, thanks to everybody for joining us on today's call. We were incredibly pleased with the fourth quarter. We've clearly stated that 2019 is going to be kind of a transitional transformative year but like I said, we're 100% confident in our branding strategy, the direct booking percentages are climbing, and we think they're going to climb even more in at -- late in this year, when we reopen the Hilton conversions as well as open our flagship Hyatt Ziva, Hyatt Zilara and Cap Cana. We think you're going to see a dramatically different Playa. And I'm going to be really excited to be talking about other future opportunities.

We're very positive about where we are today and even more positive about where we're going. And so we appreciate the support from all of our shareholders. Thank you very much for participating on our call today.

Operator

That does conclude our conference for today. Thank you for participating. You may all disconnect.