[PLYA] Playa Hotels & Resorts N.V.
Q4 2020 Earnings Call
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Executives
Ryan Hymel, Executive Vice President and Chief Financial Officer
Bruce Wardinski, Chairman and Chief Executive Officer

Analysts
Chris Woronka, Deutsche Bank
Patrick Scholes, Truist Securities
Chad Beynon, Macquarie
Smedes Rose, Citibank
Jonathan Jenkins, Janney

Presentation

Operator: Good morning, and welcome to the Playa Hotels Fourth Quarter 2020 Earnings Call. [Operator Instructions]. After today's presentation, there will be an opportunity to ask a question. [Operator Instructions]. Please note this event is being recorded.

I would now like to turn the conference over to Ryan Hymel. Please go ahead.

Ryan Hymel: Thank you very, very much. Good morning, everyone, and welcome again to Playa Hotels and Resorts Fourth Quarter 2020 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 a 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 last night with the Securities and Exchange Commission. We've updated our Investor Relations website at investors.playaresorts.com with the company's recent releases.

In addition, a reconciliation to GAAP of the non-GAAP financial measures we discuss on this call were included 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. And I will then address our fourth quarter results, our liquidity situation and our 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 Wardinski: Great. Thanks, Ryan. Good morning, everyone, and thanks for joining us. We appreciate your interest in Playa and hope that all of you are in good health and spirits, as the country and the world continues the recovery process from the pandemic.

I'll begin today by reviewing our fourth quarter results by geographic segment; then share some learnings on the operational front as we continue to adapt to changing travel restrictions, and then wrap up with insights into the current booking environment. I'll then turn the call over to Ryan to discuss our balance sheet, discuss our results and provide color on our outlook.

I'm very pleased to be able to say that our business continued to recover during the fourth quarter, as we reopened nearly every one of our properties. And the year finished on a high note with an incredibly strong holiday period. Once again, our operations team and hotel associates showcased their commitment to service at the highest levels and demonstrated superb flexibility in dealing with the ongoing changes as a result of new COVID restrictions and protocols. Their dedication and hard work, combined with safety measures taken to protect our guests, have helped maintain market leadership at many of our hotels since our reopening.

During the fourth quarter, our business in the Yucatan continued to build on early momentum from Q3, with our occupancies improving each month of the quarter while maintaining our ADR discipline. Passenger arrivals into the market also improved each month of the quarter on both an absolute and year-over-year decline basis.

As you recall, Mexico did not have any travel restrictions in place with respect to pre-flight COVID testing or mandatory quarantines for international tourists upon arrival, and importantly, has remained consistent with respect to these policies. This has led to less consumer confusion versus other destinations, and has helped business confidence during the reopening.

Similarly, the Dominican Republic removed their testing requirements for entry to the country in September. And passenger arrivals into the Punta Cana airport meaningfully improved as we entered our high season. Our flagship Hyatt Ziva and Zilara Cap Cana was our first asset in the segment to open, and has continued to ramp up sequentially each month. The Hilton La Romana reopened in November and has also shown a nice trajectory during the high season.

But the segment's performance was weighed down by our 2 externally-managed properties, which have lagged behind our branded hotels in the segment.

Moving on to Jamaica, unfortunately, we have seen no material improvement in Jamaica, as we believe the country's entry requirements weighed on visitation growth and led to a very modest increase in airlift during the fourth quarter as compared to the third quarter.

Finally, the Pacific Coast started the fourth quarter off with very healthy levels of occupancy and airlift trajectory that was indicating this market to be the most likely to be the first to achieve 2019 KPI levels. But airlift trends deteriorated as the quarter progressed, as travel and quarantine restrictions tightened in key sourcing markets, particularly California.

Importantly, our occupancy decline has fared better than the passenger arrivals decline in the Yucatan, Jamaica and the Dominican Republic. Our focus remains on providing a safe, enjoyable guest experience, minimizing cash burn, maintaining great leadership and positioning ourselves for maximum profit capture as we anticipate that pent-up demand will return later in 2021.

I believe the pandemic accelerated many trends affecting consumer behavior that were already in motion, with the most notable for us being the shift to direct booking channels. Our focus on direct booking channels enabled us to ramp occupancy faster than many third-party-reliant competitors and is leading to share gains. We realize our current mix shift of direct bookings will naturally move lower as other channels rebound and many of the pandemic restrictions are loosened. However, we are confident our company is on target with our 5-year plan to increase consumer direct business to at least 50% by 2023.

In aggregate, during the fourth quarter of 2020, 55.9% of revenues booked were direct, up 20.2 points year-over-year, reflecting the relative strength of our direct channels and our business model as a whole versus most of our competition.

During the fourth quarter, playaresorts.com accounted for 29.6% of our total revenue bookings, up 13.6 points year-over-year. Looking ahead to 2021, as of February 15, playaresorts.com has generated $49.1 million of bookings for 2021 versus $36.7 million for 2020 at the same time last year. As we look ahead, our direct channels continue to recover at a much faster rate than indirect, particularly the extremely challenged tour operator segment.

On the marketing front, we have significantly increased our local in-country marketing efforts and believe this strategic move is paying off during this difficult time, particularly in markets where travel restrictions remain. We have implemented contactless QR code access throughout our resorts as both a safety measure and as a driver of non-package revenue and to facilitate the overall ease of the guest experience. Non-package revenue continues to be one of the pleasant surprises of the recovery, driven by pent-up demand and an improved offering.

We also received quite a bit of media attention around our Work & Learn from Paradise initiative, which takes advantage of the current remote work environment for many people throughout the U.S. We continue to believe that we offer a fantastic socially-distanced vacation experience given our large resort footprint. And the holiday period performance further reinforced the view that we will be a market leader as the recovery progresses.

Our fourth quarter momentum carried into the New Year as revenue pacing in the Dominican Republic and Mexico for Q1 improved versus the pace at the time of our last earnings call and also in absolute versus Q4. We were very pleased to not see the same cancellation uptick on a net basis that many others in the travel complex saw during the fourth quarter, really reinforcing the pent-up demand thesis, and perhaps suggesting it was an easier decision to skip holiday travels rather than canceling much-needed vacation.

However, as I’m sure it comes as no surprise, the announcement of the new CDC guidelines for international arrivals to the U.S. has had a negative impact on our bookings, and has disrupted the improvement we have been seeing during the high season in 2021 thus far. With the guidelines having been put into action on January 26, it is still relatively early and difficult to assess the full impact. We've moved quickly to secure testing capacity on property at our resorts where possible, at no cost to our guests, to make the vacation experience as seamless as possible.

Again, I am incredibly proud of our operations team and their ability to adapt to the rapidly-changing environment, minimizing guest disruption to the extent possible. Thus far, and again, it is still too early to assess the impact of the CDC guidelines.

The demand deterioration has not been as bad as we feared, using Jamaica as a proxy for testing a version, which is likely a function of, one, widespread nature of this guideline being more of the new norm that travelers have to accept. And two, our team is working hard to educate and answer questions regarding the changes and providing free antigen tests on site where possible.

Another positive early takeaway is that we have already tested over 15,000 guests and have had far less than 1% test positive for COVID so far. Ryan will share more details on this shortly.

With that, I will turn the call back over to Ryan to discuss the balance sheet and what we are seeing in the operating environment.

Ryan Hymel: Thank you, Bruce, and good morning, again, everyone. As Bruce mentioned, I'll first give you an update on our liquidity and balance sheet, and then review the fundamentals of the quarter and then finish off with a discussion of forward bookings and market trends.

Starting with the balance sheet and liquidity, much like last quarter, we've included a monthly cash bridge on Page 7 of our earnings release to help guide our discussion.

We began the quarter with $195 million of unrestricted cash. And our burn rate improved each month of the quarter, burning approximately $17 million, $14 million and $11 million during the months of the quarter, with December including our $2.5 million quarterly principal payment on our credit facilities, and a $1.5 million of contractually obligated bonus payment to our hotel employees. This points to a strong underlying December cash burn as a result of the holiday season, great performance and higher ADRs. These figures also include incremental launch and start-up operating expenses for the additional hotels reopened during the quarter.

We do, however, expect that Q1 2021 cash burn to be higher than the December burn rate, given there would be no benefit from a strong December holiday season as well as the recent CDC guideline change.

We exited the quarter with approximately $147 million in unrestricted cash. And much like previous quarters, given the extremely limited visibility into our future business, we will not be providing burn rate nor EBITDA guidance.

Another item to note is CapEx spend of approximately $6.5 million during the fourth quarter, $4.5 million of which was associated with payments discussed on our last earnings call for CapEx at Hyatt Cap Cana and the Hilton La Romana. We expect CapEx spend for 2021 in the ballpark of roughly $13 million to $18 million for the year. This spend is comprised of approximately 40% for maintenance CapEx, approximately $5 million in final payments for the Hilton conversions and Hyatt Cap Cana and a roughly $4 million PIP at the Hilton Rose Hall, which will be funded from our existing restricted cash balance. All of the aforementioned efforts bring us to a total unrestricted cash balance of $147 million as of the end of the year.

Also, as a reminder, we have just under $26 million of additional restricted cash on the balance sheet from our June financing.

On the other side of the ledger, we currently have no outstanding borrowings on our revolving credit facility and total outstanding interest-bearing debt of $1.18 billion. Our debt balance reflects actions we have taken thus far in 2021 to further enhance our liquidity position. Namely, we raised $138 million of net proceeds from an equity issuance in January, with the bulk of the money used to pay down our $85 million revolving credit facility as required by a recent amendment and extension to our credit agreement.

I want to highlight a few points. First, we do not have any debt maturities until our revolver matures in January of 2024, aside from a $17 million tranche of our revolving credit facility that matures in April of 2022. And our term loan does not mature until April of 2024.

Secondly, we are able to draw on the revolving credit line were the need to arise. And three, should the need arise, the covenant relief period now has been extended until March 31 of 2022.

On a final note, we closed on the sale of the Dreams Puerto Aventuras in February for a total consideration of $32 million, which is net of legal fees and other costs.

I'd now like to turn your attention to our group business. At the time of our last earnings call, we had roughly $1.6 million of group business on the books for the fourth quarter, of which $1.1 million actually stayed. The bulk of the difference rebooked for future periods. We've been extremely successful in our efforts to retain group business that has been impacted by COVID, rebooking nearly 84% of our group business that has been impacted by COVID for 2021.

Our 2021 group business has been quite fluid, and currently, we are well behind where we were pacing at the same time last year. But we are encouraged by the recent pickup in group bookings we've been experiencing, which included the single-biggest MICE sales day in the Company's history coming during the final week of February. With our 2022 group business on the books at over $20 million and building and providing a nice base to help yield and manage, we are optimistic that 2022 should be a great year for Playa.

Again, given the uncertainty and timing of the rollout of the vaccine to the general population, we would not be surprised if there was further movement in our group business during 2021. But as of now, we have roughly $12 million of group business on the books with the majority of it spread evenly between Q2 and Q4 of 2021.

On the leisure side of group business, our wedding sales continued to improve during the fourth quarter, with revenues on the books for 2021 ahead of our internal forecast and currently sitting at approximately half of 2019 actual wedding revenue, which is very encouraging.

With respect to advance deposits, as of February 28, we had just under $27 million sitting with us versus $23 million at the time of our last earnings call, with over 70% of that related to stays in 2021. Of those 2021 deposits, just under $10 million is related to groups. And as a reminder, the majority of our leisure business does not pay in advance and there are no deposits to refund with most of our leisure cancellations.

Now, moving on to the fundamentals of our business, starting in the Yucatan, as Bruce mentioned, fundamentals improved each month of the quarter as occupancies ramped alongside airlift in the market. This improvement had carried into the first quarter until the change in the CDC guidelines. We believe that most of our competitors have reopened thus far in the Yucatan and pricing has remained rational thus far. Despite the available rooms and ramping occupancies, ADR growth remained solid as the fourth quarter progressed. Our occupancy decline, as Bruce mentioned, has fared far better than the decline in arrivals into Cancun, further reinforcing our belief that our direct channels are providing a competitive advantage.

Although it is quite a way away, similar to what others have said about the second half of 2021, demand for the second half of 2021 has begun to accelerate. And we believe it is the utmost importance to maintain price integrity and allocate inventory accordingly.

Revenue on the books for the Yucatan in the second half of 2021 is up both against 2020 and 2019 at the same time last year.

Now, turning to the Pacific, we decided to open Hyatt Ziva Los Cabos as part of our second phase of openings as the resort is usually more reliant on group business and doesn't have any of our other resorts nearby to help cluster demand. Given the recovery in airlift into the Los Cabos market, which had been leading all of our markets in which we operate in, Los Cabos came out of the gates very strongly. Unfortunately, as the quarter progressed, the airlift began to deteriorate as travel restrictions began weighing on demand. Hyatt Ziva Puerto Vallarta, which opened on October 1, also followed a similar pattern of demand at Los Cabos.

The Pacific segment experienced a larger deceleration in demand in January versus the Yucatan, reflecting a less geographically diverse customer mix. However, similar to the Yucatan, although the near term is still likely to remain uneven, revenues on the books for the second half of 2021 are up both versus 2020 and 2019 in the Pacific.

We began opening our resorts in the Dominican Republic in July, starting with the new Ziva & Zilara Cap Cana and our managed Sanctuary Cap Cana. In late July, the government imposed COVID testing requirements to enter the country, immediately impeding the momentum we were seeing in the region. The government, however, promptly removed the COVID testing requirements in mid-September and our DR bookings picked up right away, giving us a sense of optimism as we move into the high season. Airlift into this market remained extremely depressed throughout most of the third and fourth quarter, but picked up meaningfully in December as we moved into the high season.

Similar to what we're seeing in the Yucatan, we are materially outperforming the traffic into the destination as the Hyatt Ziva & Zilara Cap Cana has captured market leadership and has become the destination in the very highly exclusive market. The performance of this asset during this tumultuous period reinforces our belief that our targeted, stabilized EBITDA for this property still remains intact. We believe our direct sourcing strategy is enabling us to take share and maintain excellent pricing.

Looking ahead, revenue on the books for the second half of 2021 at the Playa managed assets in the Dominican is well ahead of both 2020 and 2019 levels at the same time last year.

And lastly, as you may recall, Jamaica was shaping up to be our strongest market as we approached the third quarter. But momentum stalled out once COVID testing requirements were put into place in Jamaica in early July, severely disadvantaging this destination relative to our other locations.

Though locally sourced business has helped the occupancies outside of our Hyatts in this market, it has weighed heavily on our ADR and mix of rooms sold. We started to see some additional airlift into Montego Bay beginning in October, but the increases have been modest relative to the potential capacity of the market. As we said before, we would like to see COVID testing requirements relaxed or removed entirely to increase international demand for Jamaica. And so far, we've not seen any meaningful change in demand on the positive side, as the international return restrictions have not leveled the attractiveness of the destination.

Currently, revenue on the books for Jamaica are lagging both 2019 and 2020 for the third quarter of 2021, but are nicely ahead of 2019 for the fourth quarter 2021.

Now taking a look at who is traveling, nearly 50% of the Playa managed room night stays in the quarter came via our direct channels versus just over 25% in the fourth quarter of 2019, which again, we believe is a function of the continued weakness in the tour operator channel, revenue being down roughly 74% and OTAs being down roughly 58%, while our direct channels only saw an 18% drop.

Geographically, our U.S. customer sourcing increased 1,500 basis points to 66% of managed room nights, while Mexican and South American sourced business both increased 400 basis points. Given the state of the travel restrictions, obviously, our Canadian, European and Asian mix all fell dramatically versus Q4 2019.

Our 18-to-34-year-old demographic continues to trend ahead of last year, while the 35-to-54 demographic is behind. But the over-55 crowd has begun mixing higher.

Our point redemption room nights booked increased year-over-year for our Hyatt properties and decreased slightly at our Hiltons during the fourth quarter. In the quarter, Hilton Honors room night redemptions were actually up 220 basis points versus last year and accounted for roughly a low-double-digit room night mix for our Hilton Hotels. World of Hyatt redemptions increased 120 basis points year-over-year and were a mid-single-digit percentage of our room night mix at our Hyatt portfolio.

As we mentioned several times in the past, one of the biggest challenges we faced in our industry during the reopening process has been the contraction of the cancellation period to roughly 24 hours across our portfolio and across the lodging industry generally. Again, I won't go into too much detail due to competitive reasons, but we did see cancellation activity leading up to the reopening of our resorts across the board, which was in line with our internal projections. Then in October, we began to see bookings outpace cancellations, leading to net positive pickup, which persisted into January.

Following the change in the CDC guidelines for international entry into the United States, cancellations once again picked up for about 3 to 4 weeks, yet we still continued to see net positive pickup as demand persisted for the second half of 2021. And the cancellation activity has since started to normalize.

You may recall that our booking window lead time heading into the fourth quarter was more favorable than the third quarter, thanks to advance bookings for the holiday period and the high season. The increase in cancellation activity as a result of the change in the CDC guidelines has once again shortened our lead time, which makes forecasting difficult in the near term, given limited visibility.

In aggregate, our Playa managed revenue on the books for the first quarter of 2021 is pacing modestly behind where we were in the fourth quarter of 2020 at the time of our last earnings call, at about down 60% versus 2020 at the same time last year, which we think is linked to the recent change in CDC guidelines. We do expect ADR growth in the first half of the year to be choppy, given the limited visibility and specifically, the change in the CDC guidelines, hurting rates specifically in the first quarter.

We also want to remind everyone that we expect our first half cash burn rate to be worse than our performance in December, given the lack of the December Christmas holiday. The second half of 2021 pacing, however, is far more promising. For example, Playa managed revenue for the third quarter is pacing ahead of both 2019 and 2020 levels, up mid-teens versus 2019 and up mid-single-digits versus 2020 respectively. The fourth quarter is well ahead of both 2019 and 2020 pace, up roughly 60% and 20%, respectively.

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

Bruce Wardinski: Great. Thanks, Ryan. So just to recap, we're continuing to navigate the reopening process with an eye on guest safety and minimizing cash burn in the near term to bridge us to the second half as vaccination rates increase and demand improves.

We are operating under the assumption that airlift and demand will not get materially better in the near term, and we therefore need to be diligent on our expense control. Our efforts to shore up our liquidity should hopefully enable us to emerge from this period in a position to capture our share of pent-up demand, but also capitalized by growing our EBITDA via high-ROI management contracts as our direct booking capabilities have become more attractive for owners in this new normal.

While a tremendous amount of uncertainty remains, the positive signs we saw during the holiday season, combined with a significantly improving vaccination outlook, leads us to believe that Playa, as a 100% leisure company, will be a major beneficiary of pent-up consumer demand in the second half of 2021 and into the high season of 2022 and beyond.

Thank you very much for your time. And we will now take your questions.

Questions and Answers

Operator: We will now begin the question-and-answer session. [Operator Instructions]. Chris Woronka with Deutsche Bank.

Chris Woronka: I appreciate all the detail, as always, very helpful. I know it's probably going to be a while before the cancellation policies return back to where they were pre-COVID. So Bruce, do you have any -- are there any opportunities for you guys to kind of protect yourselves a little bit from what might be some aspirational bookings for whether it's second quarter or third quarter? Is there an opportunity for you guys to kind of take some control of some of the ability for people to cancel last minute or have multiple reservations or something?

Bruce Wardinski: Sure. This is always an interesting point. Obviously, as not being a brand company, we don't, to your point, don't control many of the policies that are put out by the brands. And the hotel industry as a whole, I think, has been incredibly weak/inefficient in kind of their cancellation policies. Many other industries do a much better job than we do, and than we have in the past.

But I think if you look at the situation, obviously, the change in cancellation policies for the hotels, for the airlines, for pretty much all travel businesses, were as a direct reaction to COVID in the early part of COVID. I think as you're coming out of this and you have this tremendous progress on the vaccinations, you're going to have a lot of other positives, the stimulus bill and other positives, relating to things that are going to drive demand. I think you're going to see the market kind of dictate this whole issue about cancellations. What are we doing, what can we control?

What we can control mainly, Chris, is rate discipline, okay? So we're being super-focused as we look at the second half of this year on maintaining our right -- I'm sorry -- maintaining our rates. And you're starting to see that behavior is reflecting that. I think people are being concerned about the unavailability of cheap rates when it gets to high season next year. And so, we are seeing pretty good bookings related to that and at our premium resorts, we're getting premium rates. And so that's what we are doing to control the situation.

As we progress through the improvement, through the recovery, we will push back and do the things that we're allowed to do to the fullest extent possible to have the toughest cancellation policies. But I think a lot of it's going to be dictated by the markets, which right now I think are going to be in our favor.

Ryan Hymel: Chris, the only other thing we did on the margin was, at least during the holiday period, we did enforce 2-week cancellation policies, but only during the Christmas week, essentially. It's one thing we could do.

Chris Woronka: Okay fair enough. Thanks. And then, Bruce, I guess, since the last earnings call, we've seen Marriott announce the Sunwing or Blue Diamond deal. I just want to get your initial thoughts on that. In my mind, it could be helpful overall, right? And it's not new room inventory and this gets more eyeballs on all-inclusive and should maybe provide a boost to rate for those markets post-conversion. But wanted to get your thoughts on that.

Bruce Wardinski: Sure, I very much agree with the points you just made, Chris. So if you look at that transaction, first of all, I think it's a big positive for Playa to see more all-inclusives become affiliated with brands, okay? In this case, it's not exactly the same as what we're doing because you're a soft brand, right? You're the autograph brand. But it's still affiliated with the brands going to go into Marriott's system, and I think that's going to drive more eyeballs, like you said, and just greater kind of recognition of all-inclusive as a very hot consumer product, right?

The consumers want it; that's why Marriott did that. Marriott has been looking to aggressively grow. They did the Elegant Hotels deal, they did this or they're making a lot of announcements because all-inclusive is a hot growing segment, and it's being driven by consumers. So we're very fortunate, we were a first mover. I think we have a huge first-mover advantage over everybody else in our space. And we were also the first mover when it came to brand affiliation, okay? So the fact that others are doing it now, I think it's just a confirmation of the success of our business model.

And so you particularly look at the Blue Diamond deal, Blue Diamond is owned by 2 tour operators, by Sunwing and TUI. And the fact that 2 tour operators are feeling the need to affiliate with a brand, okay, is really a strong confirmation that their model is not the ideal model. So I don't know, the expression, "Come on in, the water is fine," okay? The way I look at it is, "Come on in, the water is more than fine," okay? And especially for all you people in the Midwest and Northeast, come on down to our resorts, the water is super-fine compared to where you are.

But this is all positive from my perspective. And I will put our resorts head-to-head on quality of product and operations and service over anybody else, okay, in our segment. And you see it when you've got the Hyatt Ziva & Zilara complex in Cap Cana. It's not only 1 and 2 in Punta Cana, it's number 1 in the entire country, okay? Our resorts perform incredibly well.

Our operations team is just doing a fantastic job, pre-COVID, during COVID, and we'll do a great job post-COVID. So all of this, I think, is really positive for the all-inclusive segment and particularly positive for Playa in our business model.

Chris Woronka: Okay, very helpful. Appreciate that. Thanks.

Operator: Patrick Scholes with Truist Securities.

Patrick Scholes: Ryan, a question for you on the run rate of cash burn for 1Q21. You mentioned that it would be higher than 4Q. A little bit more specific -- should we think the monthly run rate for 1Q is similar to, say -- I'm sorry -- is it fair to think it's similar to October or November? Obviously, not December. Is that a fair monthly assumption?

Ryan Hymel: Yes, it's a fair assumption. Again, as we said every single time, it's incredibly difficult given the visibility into the markets and the cancellations to give you an accurate picture. But that's not that unreasonable, just given what we've seen thus far. But like I said, without the December holiday, which really helped December, and then the fact that you've got the CDC guidelines kind of throwing a little bit of a wrench in the near term, we certainly do not expect it to be as low as you saw in December.

Patrick Scholes: Okay. And then in your most important markets, Cancun and Dominican Republic, as far as the competitive landscape, as far as opened or closed hotels, what does that look like right now for hotels you would say compete against in those areas?

Ryan Hymel: Yes, I think overall in the Yucatan, the vast majority of the properties are opened. Just given everything we've seen and as we've said before, the fact that the government has not imposed any additional restrictions or administrative burdens around entry into the market, the hotels, on the whole, have enjoyed a far more rapid recovery. They're certainly not back to par, not back to pre-COVID levels by any stretch.

The DR, far fewer hotels opened earlier in the summer. Like we said, we only opened our Ziva & Zilara Cap Cana and our managed Sanctuary. And even I think at the time of our November earnings call, I think we estimated maybe like 30% or 40% of the rooms were even open at the time, just given how European-centric that market is, particularly in the summertime.

So the rest of our portfolio, including the Hilton and our 2 Dreams properties, we elected to wait until November and December to open. So as of now, we think our best guess is probably somewhere between a half to 75% of the rooms are now finally opening up in Punta Cana. But that's again purely having to do with the competitive landscape and the sourcing of the customers in that market normally.

Patrick Scholes: Okay. Thank you for the color. Thanks.

Operator: Chad Beynon with Macquarie.

Chad Beynon: In the slide deck on Slide 31, you highlighted the CapEx projects that were completed in 2019. And you reiterated your cash-on-cash returns in the mid-teens. I think before, we had talked about somewhere of, I believe, an 18-to-24-month ramp, particularly at Cap Cana, just because it being a new property. But more of a hypothetical -- when we get back to total airlift and visitation into DR back to historical periods, and your occupancies are at a reasonable rate, how should we think about how long it will take get back to kind of the stabilized year?

Is there still a ramping period just getting everything going, or do you think when everything is back to normal visitation, it could actually be quicker in terms of achieving that return?

Bruce Wardinski: Hey, Chad, that's a great question. So there's still going to be a ramping period, okay? So that's kind of the short answer, but I think it's going to be different, okay? And the reason it's going to be different is because of the success we've had, particularly at Hyatt Ziva, Hyatt Zilara Cap Cana, kind of establishing that resort as the premier resort in the country.

And so again, as I mentioned to you, we're rated number 1 in the whole country in Punta Cana. And what's occurred there is we've also built up a real following, both internationally and domestically in the country. So you may not be aware, but in the Dominican Republic, there's a curfew. And so that affects everyone in the country, but it particularly affects people in Santo Domingo in the city because if you're if you're curfewed in any city anywhere in the world, it's a challenge. And if you've got family or not, if you just want to get out, you have to have options.

And so the option we presented marketing heavily within the country is our resorts. So we have become the kind of first-pick destination for everybody in Santo Domingo, and you'll see that on any given weekend where people are going. Similarly, internationally, the experience that we've had with our guests, which are primarily American, because of the decline in Canadian and European guests into the country during COVID, it's been incredibly successful.

So all of that has built up, I think, a lot of recognition of the high quality of the resort and the experience. And we're seeing it in the bookings, the forward bookings, that are coming in the second half of this year. So I think, while we're going to have a ramp, we're going to have a little bit of a jumpstart on what it would have been. So it's not kind of a typical trajectory.

So the situation in La Romana is a little different because La Romana does have a higher European mix, and that's going to depend upon when the European travel really comes back. And I think that's going to be lagging a little bit compared to the U.S. So La Romana may be a little behind that, okay? So you'll still have probably a little more of a typical ramp in La Romana, where I think in Cap Cana, you may have the ability to kind of accelerate the ramp a little bit.

And then when you look at the Hilton in Playa del Carmen, I think it's going to be a little bit more like Cap Cana because again, the Yucatan, as we've said repeatedly, is running better numbers and better results and I think you'll have it there. So yes, there's going to be ramps, but I think we should benefit a lot more once the spigot gets turned on more fully.

Chad Beynon: Okay, great. Thanks. And then with respect to all the comments that you made for the second half bookings, which have been very helpful, and obviously, dynamic given the CDC guidelines, President Biden's messaging recently has been pretty positive in terms of when we can reach herd immunity. I'm wondering if you started to see bookings pick up just in the past couple of weeks?

And then as it relates to Canada and Europe, I'm not really sure where those countries are in terms of the messaging from the government to their citizens in terms of when they'll have herd immunity. But yes, have you seen any improvement from those markets in terms of future bookings?

Bruce Wardinski: So the answer is absolutely, okay? And absolutely coming from U.S. bookings, okay? So your question is really good in breaking U.S. out of other markets. So from the U.S. standpoint, we have absolutely seen it. And as Ryan mentioned, we've just hit some really good numbers in net bookings where the cancellations are also coming down and stabilizing to a little bit more normal levels. So I think a lot of that reflects the optimism of the vaccine rollout. So I think that's great news, right?

And to say that everyone in the U.S. will have access to a vaccine by the end of May, which indicates to me because they're trying to over-deliver all the time, maybe it will be even a little faster than that. The approval of Johnson & Johnson, the deal with Merck, you're getting close, I think, in April, it's likely to get Novavax approved. So all of those are really positive momentum for us in driving our U.S. business.

And again, you look at the current politics going on with the stimulus bill, and it’s arguable whether you need as big a bill or not. Let’s face it, from our standpoint, if you’re going to overheat the economy and people want to go spend money, that’s not bad for us, okay? So a lot of other people -- I'm not an economist -- whether you need that much or not, but I think it’s good for our business. So both the vaccination progress and the stimulus are good for us.

The other big thing about the vaccinations is not just the benefit that the U.S. is going to have. For global business and international travel to be successful, we need the vaccines to be out everywhere, okay? And so your second part of the question is kind of what’s going on with Europe and Canada. It’s amazing to me, the missteps both markets have. I thought the U.S. was going to kind of be a little bit of laggard, and we have caught up tremendously. Canada did really well securing doses, but they’ve had some challenges getting the vaccines out. I think that is improving.

For us, the Canadian business is most important during the winter. So when that comes back, it’s really going to be the late part of 2021 into the high season of 2022. And I think by then, vaccines in Canada should be fine. We don’t get a lot of Canadian business in the summer typically anyway, so that’s all right.

Europe is a little different situation because especially in the Dominican -- and really, it’s in the Dominican -- we do get European business. And I anticipate that that number is going to be much lower for us in the summer season of 2021 due to the slow rollout of vaccines there. But hopefully, by the later part of the year, you’re going to see that pick up.

And having lived in Europe for a number of years, I can tell you, Europeans value their vacations more than any other part of the world. And so even if they’re not able to travel in their typical timeframe, which would be July and August, you’re going to see some pent-up European demand. And so I think, the fall and winter next year is probably going to be positive there too. But I think all in all, these are positive trends for Playa.

Ryan Hymel: And Chad, the only thing I’d mention, since you asked about last week, look, I can’t tell you whether it’s correlated to anything Biden has said recently. But our net pickup last week was $12.7 million and that compares to $11 million in 2020 and $10 million in 2019, for what it’s worth.

Chad Beynon: Great. Thanks, guys. Appreciate it. Best of luck.

Operator: Smedes Rose with Citi.

Smedes Rose: So I wanted to ask, I know you have sort of limited visibility. But from what you’ve said about accelerating cash burn in the first quarter, but then some promising bookings in the second half, do you feel fairly confident at this point that you won’t have to raise additional capital either through asset sales or any additional equity issuance in order to sort of make it through to the other side there?

Ryan Hymel: No, where we sit today, we feel comfortable with what we're seeing currently. But again, just given the limited visibility and given that we don't know how long the CDC requirements remain in place, or how quickly the vaccine rollout comes, I can never say never, Smedes. But no, we feel comfortable. We tried to be as targeted as possible in our raise in January to raise enough to make sure that, one, we could pay off the revolver and have a little extra to make sure we could see this through to the other side.

But given that pro forma for January's month-end cash, if you adjust for the revolver paydown and for the equity raise, we're sitting around $215 million, $220 million of cash, right, with a fully undrawn revolver. So we do feel comfortable where we sit today, but recognizing that the future is still very uncertain.

Smedes Rose: Okay. And then as part of your equity raise, one of your largest holders, Sagicor, decided to sell down fairly significantly. And I was wondering do you have any sort of color on their decision? And will there be any changes to the Board? I believe they had either 1 or 2 seats on the Board as a result of their ownership position.

Ryan Hymel: So all we can say at this point, so it's important to note that they did sell, of their position, of the 20 million shares, they actually sold 9 -- excuse me -- 8.5 million shares upstairs to their parent company. So Sagicor as an entity still holds 10 million shares and is still a 6% holder and still entitled to a Board seat.

Smedes Rose: Okay, thanks. And then I guess just a final thing I wanted to ask. You called out a material weakness in your 10-K with some internal controls around tax reporting. Can you speak to when you think that can be kind of remedied and what caused that material weakness to be called out by your accountants?

Ryan Hymel: No, it's obviously focused around the handling of deferred tax liabilities that are immediately impacted by PP&E in the Netherlands and in Mexico. This is an area we've been focused on for a while, and we've invested heavily not only in our larger financial systems like SAP over the last couple of years, but have also rolled out some new tax software and added upgrades to the team.

The immaterial errors had no effect on any of our KPIs, cash, nor adjusted EBITDA. And we think that we should have that remediated -- that material weakness remediated within 2021, if not earlier in the year.

Smedes Rose: Okay. Thank you, guys.

Operator: [Operator Instructions]. Jonathan Jenkins with Janney.

Jonathan Jenkins: First one from me, just wanted to follow up on the rate discussion. Curious if you could provide some information on what you're seeing competitors do with rates? And Ryan, I believe you said pricing remains rational in the Yucatan. But are you seeing any markets trending toward discounting, or has it been holding flat? And then what's your view on holding rate or versus discounting to drive the incremental demand?

Ryan Hymel: Yes, so at least particularly in the first half of 2020, (sic), we are seeing competitive discounting in the markets. Jamaica, for all the reasons we've discussed, has been under immense rate pressure throughout the second half of 2020 and it's moving into 2021. Mexico and the DR, while it remained fairly rational in the fourth quarter, as occupancies are building and kind of like those marginal occupancies build, you have seen more competitive discounting in our markets.

And we try to maintain that rate integrity as much as possible, but it certainly will affect us this first half of the year, just given the CDC requirements and the fact that particularly as other sources of business, such as the tour operators and OTAs, which are a lower ADR source as compared to our direct, start to waken back up and kind of fill back up our hotels, it should bring down some of the rates a little bit.

Now, on the second half of the year, as Bruce mentioned earlier, just given that we already see great booking revenue pace, and we think that bodes well for 2022, all the decisions we're doing from a mixing, from an inventory and from a pricing, is with an eye towards making sure not just the fourth quarter of this year, but more importantly, our high season 2022, is as best as it can be.

Jonathan Jenkins: Okay, great. That's very helpful. And then in terms of the testing requirement for U.S. citizens, you guys had mentioned the impact that had on your bookings. Do you think that rule is still a governor, puts a limit on demand right now and even as people have had a chance to digest it? And would you expect that if the stipulation is lifted, how much of a positive catalyst might that be for your demand in the near term?

Ryan Hymel: Yes, I think, it would -- I can't quantify it, but I do believe, certainly if they lift it, you're going to see -- you should see a pickup in bookings. When anything like that is announced, there's naturally just a vacuum of information. So customers' first reaction is just to cancel, particularly now, when they can cancel both airlines and hotels without any real penalties, they can do so and wait for some additional information. So as someone here said, it's table stakes for all of the hotels. Everyone in our destinations are dealing with the same thing. So it took a week or two for the hotels' associations and the owners and operators to digest it, come up with plans. You can see universally that everyone's offering to pay for the antigen test.

We tried to take a little bit more of an offensive maneuver and offer people kind of an extended stay one-time fee to make them feel better about the events that -- in the events that they tested positive, that any costs for their stay would be covered by Playa. So I think as Bruce mentioned earlier, it comes down to the education and making sure that people feel comfortable. But you're right, there is a portion of the population that will wait to travel until that's lifted.

Bruce Wardinski: Yes, and I'll just add to that. Ryan is 100%. There's a population -- I mean, a percentage of the population -- is going to wait. There are others that I think whether it's because they become vaccinated, or they've had exposure to it, or they feel more confident that they're testing -- foregoing testing, or that when they're there, they're going to test negative. So you're just seeing it.

And a lot of it is that people just have to adjust to what are the requirements. And so the best thing is to get that lifted, and the best way to get that lifted is when the U.S. has a very high level of kind of herd immunity through a combination of exposure and vaccinations.

Jonathan Jenkins: Okay. Thank you for all the color. That's all for me.

Operator: This concludes our question-and-answer session. And I would like to turn the call back over to Bruce Wardinski for any closing remarks.

Bruce Wardinski: Great. Well, thank you again, everyone, for joining us today on our call. The pandemic has been incredibly difficult for our company and for all our team members. But I just want to say that I am as optimistic as I have been from the beginning. So it’s been just about a year now. And I would say this is the most optimistic I’ve been about there’s a light at the end of the tunnel. So it’s not going to be tomorrow, but the light is at the end of the tunnel; we can see the light.

And I just want to thank, again, everybody at Playa for everything they’ve done throughout this horrific time, and their professionalism and their dedication to providing our guests with the best experience and safe and enjoyable.

And so I hope everybody has a great day, and you all stay safe. Take care. Bye-bye.

Operator: The conference has now concluded. Thank you for attending today’s presentation. You may now disconnect.