

**Playa Management USA, LLC/Playa Hotels and Resorts, N.V. [PLYA]  
Q3 2021 Earnings Conference Call  
Thursday, November 4, 2021, 12:00 PM ET**

Company Participants:

Ryan Hymel; Executive Vice President and Chief Financial Officer  
Bruce Wardinski; Chairman, President and Chief Executive Officer

Analysts:

Chris Woronka; Deutsche Bank  
Shaun Kelley; Bank of America  
Chad Beynon; Macquarie Research  
Tyler Batory; Janney  
Patrick Scholes; Truist Securities  
Smedes Rose; Citi

**Presentation:**

Operator: Good day and welcome to the Playa Hotels Third-Quarter 2021 Earnings Conference Call. [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 much, Matt. Good morning, everyone, and welcome again to Playa Hotels & Resorts third-quarter 2021 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-Q, which we filed last night with the SEC. We've updated our Investor Relations website at [investors.playaresorts.com](http://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 third quarter and key operational highlights. I will then address our third-quarter results, our liquidity position 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 will turn the call over to Bruce.

Bruce Wardinski: Great. Thanks, Ryan. Good morning, everyone, and thank you for joining us. As always, we appreciate your interest in Playa and hope that all of you are in good health and spirits as we near the holiday season. I'm sure most of you have had a chance to review our third-quarter results reported last night, so let's get going with the discussion.

The third-quarter fundamentals once again accelerated sequentially, with occupancies picking up as flight capacity into our markets increased versus the second quarter. But the real standout was our substantial net package ADR gains compared to 2019 levels. Again, this isn't typical for our portfolio during the summer and fall months, but not much has been typical over the past 18 months. The sequential improvement was broad-based across our geographic markets and resorts, as all of our Playa-managed resorts posted like-for-like ADR increases. As I mentioned on our last earnings call, we weren't quite sure what to expect on the pricing front as we moved into the back half of the year, but the substantial revenue book position combined with pent-up demand has allowed us to maintain pricing, as opposed to cutting rates to fill rooms. With the high season approaching and a healthy amount of revenue already on the books, I'm optimistic that this trend will continue.

While we did experience the typical slowdown in bookings toward the end of the summer, it is difficult to parse out how much was the result of increases in COVID cases related to the Delta variant versus what we would expect to see from normal booking seasonality. Just as a reminder, the Labor Day to Thanksgiving period is typically our slowest period of the year -- slowest time of the year. In any case, the slowdown was fairly short-lived and bookings accelerated toward the end of the quarter and into Q4 so far as well. In fact, weekly revenue gains the past few weeks have reached prior peaks we achieved this spring.

Looking at our segments, Mexico has led the way during the recovery and the results there in the third quarter were once again standout, with occupancies into the 60s for the quarter, the highest ADRs on an absolute basis and excellent flowthrough. Flight capacity into Cancun ramped up nicely during the third quarter, resulting in September international passenger arrivals for the Cancun airport exceeding 2019 levels for the first time since the beginning of the pandemic. The results in Mexico thus far are particularly encouraging, as they are an indication of the profit potential for other geographic locations as they normalize with increased airlift.

Moving on to the Dominican Republic, where we experienced a healthy sequential increase in international passenger arrivals that drove our approximate 10 percentage point improvement in occupancy versus Q2. Once again, our flagship Hyatt Ziva and Zilara Cap Cana led the way, as it has established itself as a rate leader in the market, with the resort's EBITDA margin nearing 40% for the third quarter with occupancy only in the high 50s. The resort's progress and ramp give us further confidence in achieving our goal of 12% to 15% stabilized cash-on-cash returns on our investment there. The segment's overall performance was weighed down by our 2 externally managed properties, which have lagged behind our globally branded resorts in the segment, and also yield a significantly lower absolute ADR compared to our globally branded and Playa-managed resorts.

Similar to the DR, Jamaica also posted increasing occupancy and ADR sequentially each month, but the pace of flight capacity additions didn't build throughout the quarter as much as our other regions and remains significantly depressed. Demand here continues to build, though, as we look out to the fourth quarter and beyond. Our lead time is improving with the increase of revenue on the books commensurate with the expected increase in flight capacity in the fourth quarter. We are very encouraged by the increase demand in Jamaica, which was our best performing segment prior to the pandemic, and we do not anticipate the market being structurally impaired or on weaker competitive footing, despite its slower start after reopening last year.

Our focus on direct channels continues to pay off and we are confident that Playa is well on target with our 5-year plan to increase consumer-direct business to at least 50% by 2023. In aggregate, during the third quarter of 2021, 41.4% of room nights booked were booked direct and 9.3 percentage points year over year, reflecting the relative strength of our direct channels, but also significant acceleration in groups and third-party-sourced business. During the third quarter playaresorts.com accounted for 18.7% of our total room night bookings, and 4.3 percentage points year over year. Looking at 2021 as a whole, as of October 15 playaresorts.com has generated approximately \$110 million of bookings for '21 compared to \$52 million for the 2019 comparable period. This is a critical aspect of our business that I believe many overlook. We at Playa drive a significant portion of our direct revenue in house, which is now a major competitive advantage for our current portfolio and for potential managed resorts in the future.

Finally, as a reminder, we anticipated that as the world slowly returned to normal our mix of direct business would likely fall below 50%, but still believe it will remain higher than levels seen immediately prior to the pandemic and significantly higher on an absolute-dollar basis.

Though modest in dollars, non-package revenue continues to be another pleasant surprise of the recovery, driven by pent-up demand and an improved execution on our offerings. Again, it is difficult to gauge if the current levels of non-package spend are short lived, particularly when customers start feeling more comfortable leaving the resorts. This has been an area of focus for our resort general managers, given the very attractive margin profile.

Finally, we recently announced a strategic partnership with Wyndham Hotels, which we believe will accelerate growth in the midscale and upper midscale segment of our portfolio by leveraging Wyndham's sizeable database of customer relationships to increase exposure and awareness of the value proposition of the all-inclusive model. As part of our strategic alliance agreement, we will be converting 2 of our resorts in Mexico to the newly created Wyndham Alltra brand during the fourth quarter, just in time for the high season. We look forward to sharing more with you on the potential here in the coming quarters.

Once again, I would like to thank all of our associates that have continued to deliver world-class service, setting us apart from the competition and allowing Playa to realize tremendous rate gain as customers recognize that we offer a truly superior product.

With that, I will turn the call back over to Ryan to discuss the balance sheet and our outlook.

Ryan Hymel: Thank you, Bruce. Good morning again, everyone. I will first give you an update on our liquidity and balance sheet and then review the fundamentals of the third quarter and then finish it off with a discussion of forward-bookings and market trends.

We began the quarter with \$238 million of unrestricted cash and, as I highlighted on our last earnings call, we had some unique cash outflows during the third quarter that totaled approximately \$11 million, mainly the \$4.5 million VAT payment related to the sale of the Capri Hotel and \$6.5 million down payment on our insurance policies. Given the improvement on our fundamentals, our core operating activities once again generated cash during the third quarter. We finished the quarter with a total unrestricted cash balance of \$232 million as of September 30. Also, as a reminder, we have just under \$25 million of additional restricted cash on the balance sheet from our June 2020 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 \$1.15 billion. We anticipate CapEx spend for full-year 2021 to be approximately \$21 million for the year, implying roughly \$9 million for the fourth quarter, as some of our intended third-quarter spend slipped into the fourth quarter. A little less than 1/2

of our full-year 2021 CapEx will be spent on maintenance, with the remainder spent on payments related to the project or the roughly \$5 million PIP at the Hilton Rose Hall.

Now turning our attention to MICE Group business, demand in this segment has remained incredibly strong, with the scarcity of meeting space forcing meeting planners to book further and further out. Our MICE business has rebounded nicely in the second half of 2021 and we currently anticipate about \$5 million of MICE business to stay at our resorts during the fourth quarter.

The demand for 2022 and beyond is where we continue to see our greatest gains. With the meeting planners' confidence, desire and ability to travel improving as we look ahead into next year, combined with 2 years of lost meetings, demand has far exceeded our expectations. Our 2022 MICE Group business on the books is approximately \$36 million and increasing and compares to just under \$30 million at the time of our last earnings call, which puts our current MICE revenue on the books well ahead of our final full-year 2019 MICE revenue of \$32 million and also ahead of the \$33 million we had on the books in early 2020 for that year prior to the onset of the pandemic. Nearly 90% of this MICE business is slated to stay in the first half of 2022, which is slightly more balanced than our MICE pacing at the time of our last call, as many of our incremental bookings have come in for the second half of the year, given limited space.

Our pacing for 2023 is also far ahead versus any comparable period in our history, with over \$[15] million already on the books. The return of this MICE business should provide a nice base to help manage yields and drive improved profitability year over year, particularly at our resorts in Las Cabos, Rose Hall and Cap Cana.

With respect to advance deposits, as of October 8 we had roughly \$37.5 million sitting with us versus just under \$37 million at the time of our last call, with roughly 34% of that related to stays in the fourth quarter of 2021 and 27% related to stays in Q1 of 2022. As a reminder, the majority of our leisure business is not paid in advance at the time of booking.

Now moving on to the fundamentals, starting in the Yucatan, as Bruce mentioned, Q3 fundamentals improved sequentially versus Q2, despite normally being a seasonally slower period. The quarter continued the momentum seen in June, despite rising COVID cases in the country. ADR growth remained solid as the quarter progressed, aided by strong close-in demand. Once again, we believe it is extremely important to maintain price integrity and allocate inventory accordingly in a rising demand environment.

We expect our fourth-quarter occupancy to improve sequentially at a slightly higher absolute ADR to that reported in the third quarter, representing a gain of roughly 30% versus 2019. Revenue on the books in the Yucatan for Q1 2022 is up over 30% versus 2019 at the same time for that respective year. ADR is also pacing up over 20% for Q1 2022 relative to the same point in time in 2019.

In the Pacific the segment reported our highest ADRs in the third quarter, but our occupancy gains were more modest as compared to our other locations, as this segment, particularly the Hyatt in Los Cabos, is still experiencing significantly depressed MICE revenue. Looking ahead, we expect our Q4 occupancy to improve sequentially at a similar absolute ADR to that reported in the third quarter. Revenue on the books for Q1 2022 is up mid-teens, with ADRs also up mid-teens versus '19.

Turning to the Dominican, as Bruce mentioned, the Ziva and Zilara in Cap Cana led the way in the segment, while our 2 third-party managed resorts are weighing on segment results. The DR segment revenue on the books for Q4 of 2021 at the Playa-owned-and-managed resorts is significantly ahead of 2019 levels at the same time of the year, driven obviously by the addition of the Ziva and Zilara Cap Cana and the renovated Hilton La Romana. ADR on the books in the segment is also pacing nicely ahead of

2019 levels. The 2 externally managed resorts are behind 2019 in both revenue and ADR on the books for both quarters. We expect Q4 occupancy to improve sequentially at a similar absolute ADR in the DR as well.

Finally, fundamentals in Jamaica ramped nicely during the quarter, but international arrivals into the destination continued to significantly lag 2019 levels and our other geographic segments. We are very happy to see that this segment's [begin] to stabilize, but expect the recovery here to continue to be choppy given the visibility on flights and continuing COVID-related travel restrictions. Currently, revenue on the books for Jamaica is lagging versus 2019 for the fourth quarter of 2021, with rates up high single digits. The primary driver of the drop in pacing was cancellations for the month of October, but pacing in November and December have continued to improve, with December continuously adding net revenue almost every week since our last earnings call. Revenue on the books for the first quarter of 2022 is modestly ahead of where we were at the same time in 2019, with ADRs up mid-teens for the period. For the fourth quarter we expect occupancy to be similar to Q3 at a slightly higher ADR before hopefully ramping up more meaningfully in Q1 of 2022.

Now taking a look at who is traveling, nearly 42% of the Playa-managed room night stays in the quarter came from our direct channels as our group mix improved sequentially and OTA mix remained significantly depressed. Geographically, our US sourcing increased 17 points to 72% of managed room nights, while South American-sourced business increased 260 basis points. Given the current state of travel restrictions, our Canadian and Asian customer mix continues to essentially be zero as compared to nearly 10% of our mix in Q3 of '19. Our booking window improved versus Q2 and narrowed the gap versus 2019 levels despite returning to a shorter, penalty-free cancellation window during the quarter. Also, our length of stay improved during the quarter, nearly returning to 2019 levels, and this trend is expected to continue as we rely less on close-in bookings.

So, in aggregate, our revenue on the books for Playa owned and managed resorts for the fourth quarter 2021 is currently pacing up in the high 20s versus where we were in 2019 at the same time, with the ADRs driving the bulk of the revenue increase. The first-quarter 2022 is also pacing ahead of where we were in Q4 of 2019 for Q1 of 2020, up around 40% with ADRs driving roughly 1/2 the gain. As a reminder, these stats exclude the 2 externally managed assets in the Dominican Republic which, as I mentioned earlier, are both pacing behind 2019 for Q4 and for Q1. Also, these pacing figures obviously exclude resorts that we manage on behalf of third-party owners. Taken all together, we expect our Q4 occupancy to continue to improve sequentially at similar to slightly higher ADRs than we saw in the third quarter.

On the cost front, while our Q3 margins were extraordinary compared to historical third quarters, we want you to be aware of the fact that achieving normal or pre-pandemic historical margin levels will be much more difficult in the first quarter of 2022, given the absolute productivity of our resorts on both rate and occupancy during what is traditionally our seasonally highest margin quarter. Said differently, it will be tougher to lap those higher ADR margin quarters as compared to the slower seasonal periods like we just saw in the third quarter. Also, we still expect incremental cost pressure, as we mentioned on our last call, in the upcoming quarters as a result of inflationary pressures on labor, utilities and cost of goods, as well as the need for higher staffing levels to meet increasing demand and to deliver a premium experience with the premium rates we are currently yielding.

Finally, as we mentioned on our last call, the change in billing methodology at our largest OTA partner that is impacting our ADR and costs in Mexico will be approximately a 110 basis point drag on Yucatan margins, a 60 basis point drag on Pacific segment margins, and 40 basis point drag on total Company margins for the fourth quarter of 2021. Combining this with the previously mentioned cost pressures and

more difficult comparisons will make it harder to achieve historical margin levels than it was in the third quarter.

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

Bruce Wardinski: Thanks, Ryan.

So, in summary, we believe all the pieces necessary to have a successful high season are coming together, namely, a healthy booked position, normalizing flight capacity, increased vaccine penetration globally and the resurgence of MICE business. Our focus on execution and service has placed us uniquely at the top of our market to lead the way in pricing. Our new partnership with Wyndham is yet another exciting avenue for growth beyond the COVID recovery. We will continue to look for ways to leverage our expertise, leadership and experience in the all-inclusive segment to create shareholder value.

With that, I'll open up the line for any questions.

### **Questions & Answers:**

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

Chris Woronka: Good afternoon, and thanks for all the data points thus far. Very helpful. You've talked a lot about the pent-up wedding business as being a pretty big driver for you next year. I wonder if you can maybe add a little bit of color around that in terms of the economics of it and just thinking about things like rate compression for non-wedding business and also kind of the average spend, what that looks like if you get back to a higher mix of wedding than normal.

Ryan Hymel: Yes. We've actually typically -- we're talking more about meetings and incentive groups for next year. The wedding business that we saw drop off in 2020, we actually saw it come back more readily in 2021. If you think about the size of a destination wedding, they're typically not 400-people weddings. And, given the fact that all of our spots at our resorts for the ceremonies, or even the receptions, can be held outdoors, it made people feel a heck of a lot more comfortable and couples a heck of a lot more comfortable kind of continuing that wedding business this year. We drive -- it's usually pretty good rates from that business, but also a lot of non-package spend, because they're having a celebration on the beach or in one of the outdoor spaces, up on the roof, depending on the property. So it's a combination of both good ADRs and non-package spend that makes wedding business so appealing to us.

Chris Woronka: Okay. Thanks, Ryan. That's helpful. And then, on the direct bookings, so your -- 42% I think you mentioned was your number for the quarter and you were still able to get nicely higher rates, even though the direct bookings fell a little bit year over year because you got higher [OCH]. So going forward, when you get back to kind of that 50% and longer range target, do you think you can maintain or expand these kind of rates? Or is there something -- and I'm just really talking about like for like from the direct channels. Should those rates continue to go higher from where you are today from the Hyatt and Hilton and [apply] . . .

Ryan Hymel: Yes. I think generally more long term if the broader question is, given that kind of leisure spend has been relatively inelastic during this -- during the period, can that stay, you know, all the things we've done behind the scenes? And we believe so. One, like you said, just our continued push toward direct. And when we eventually get to kind of run rate 50% direct, we should -- that should allow us to

keep a big portion of those rate gains intact permanently, even if consumer sentiment or consumer demand changes. But also, when you think about like just the relative value of our properties and you think about compare it to what's happened in the US domestically. When we're talking -- I mean, in the third quarter, for instance, our rates were up over '19 almost 40%. That's on any given hotel anywhere from \$50 to \$75 to \$80. We're not talking about a \$400 rate increase. Right? So we think it's far easier to keep these relative gains, because I think we were probably a little too cheap to begin with.

Bruce Wardinski: Yes, and let me just say, Chris, it's a little confusing. And so it looks like we were 50% and we went down to 40%. That's a negative. It's actually not a negative. When you parse through all the data and it's always complicated because nothing's consistent in this period we're in. If you look on absolute dollars, and the absolute rate is actually doing great. So the direct is great and part of the reason for the drop was because our group business went up. Well, what do we like about our group business? Typically we get our highest rates out of our group business. So when you look at the potential of both our direct business, our group business, you know, as Ryan mentioned, all of the increases and the higher numbers we're seeing for the MICE business, and then rates, I think all of them are pointing upward.

So I don't see any negative. It's just like I said, it's just kind of the way numbers blend. And we anticipated that, right? We kept saying on the last couple, three calls, that it was going to go down once the other channels turned on. And all you're seeing now is the other channels turned on. And we're super happy to have the group channel turn on. As you remember, it was basically -- for the last 18 months it has basically been zero. Right? And so for us to get back to groups and Ryan mentioned it's the group hotels that will benefit the most, those hotels will do incredibly well as that group spigot gets turned on. So I just want to clarify that. That 41% is not a negative. You have to look at the absolute and not just the percentage.

Chris Woronka: Right. Got you. Understood. Thanks, Bruce. And then, last question is just on the Wyndham announcement, with the Alltra brand. That's obviously a little bit different segment of the market than most of your -- well, that all of your Hyatt and Hilton branded hotels. Is there any way to think about the TAM for that for you guys in terms of a management contract? I mean, it seems like that's -- if we look at the worldwide, or just Caribbean all-inclusive markets, there's probably more hotels that fit into that bucket than your higher-end bucket. So just thoughts on potential for more management contracts there going forward.

Bruce Wardinski: Sure. No, it's a great question, Chris, and you analyzed it 100% correctly. So we're so excited to be partnered with Wyndham. We love the name, Wyndham Alltra. I think it's a really cool name and kind of all the connotations that that has with all-inclusive, ultra, all those kind of things. But, like you said, it's a huge segment. It is the biggest segment, right, in all-inclusive. And we really didn't have any good brand partnership relationship to penetrate that segment. And now we do. And our arrangement with them is very favorable to us, with some exclusivity rights for 3 years, and then the ability to extend that based on milestones that we hit. So that's our goal. Our goal is to successfully grow with Wyndham just like we have with our other brand partners and really to be able to kind thrive in a segment that is very different than what you correctly highlighted as occupied by the Hyatt Ziva-Zilara and the Hilton brands. So we just could not be more excited about this and I think you're going to see a lot of growth.

And just to highlight, what is our strategy? It's to be 100% branded. We have some opportunities there. Not all of our properties are, as you're well aware. So eventually those are all going to be branded with one of our brand partners and we may add 1 or 2 additional brand relationships in the future. We want to be the dominant player when it comes to brand partnerships in the all-inclusive space. And we're really excited that this Wyndham Alltra is going to really allow us to accomplish a lot.

Chris Woronka: Okay. Terrific. Very helpful. Thanks.

Operator: Our next question will come from Shaun Kelley of Bank of America.

Shaun Kelley: Good morning or good afternoon, everyone. Thanks for all the prepared remarks. Bruce or Ryan, just wanted to ask a little bit about sort of the ADR level that you're seeing, which are obviously pretty phenomenal. So if we go back to the commentary that we got in early September, I think right before our conference, you talked about ADRs at that time I think exceeding 2019 levels by around 30%. And then, Ryan, if I think it out, and I think I caught it correctly, some of the commentary for heading into the first quarter is that number could be up 40%, but [not even] a pacing number. So could you just kind of maybe break down as we're moving into 2022 the trajectory for, let's call it, occupancy versus rate for what's remaining here in '21 and then, more importantly, kind of point us to '22 and help us think about that mix?

Ryan Hymel: Yes, sure. So, from a Q4 perspective we think just kind of taken all together, compared to Q3 you'll see rates in our various segments be roughly the same as Q3 or step up slightly, as you move into Q4 with occupancy moving up sequentially. Just given where we are and at any given point in this time of year you've got roughly 95% to 98% of your Q4 booked, so we feel pretty good about where things sit for Q4 at this point.

Q1, you caught that correctly. That was a pacing number. And so you're right; the last time we spoke we gave the number that Q1 was significantly ahead of 2019-level booking for Q1 2020. As you'd imagine, and the phenomena we've seen that we've pulled so much of this demand forward, so as you approach the referenced period you expect that that revenue on the books to contract some. Now, anybody can do that at any given year if they put out a low rate. They could build revenue on the books and then say, "Hey, look where my book position is from a revenue perspective." That's not what we've been seeing. So while that revenue-on-the-books position has compressed, we've done so by not just maintaining rates, but by increasing it. So when I look out to 2022, short of giving any guidance at this point, I'd expect occupancy to continue to step up, not back to pre-COVID levels yet, but continue to step up at continued healthy rate gain.

Shaun Kelley: Helpful. And then, just sort of going that layer deeper, and I think I tried this one last quarter, but now we should be 90 days closer. How much typically would you have -- Q1 is obviously very important seasonally to you. So how much would you typically have on the books for the first quarter right now? Just can you give us a ballpark or a sense of that?

Ryan Hymel: Yes. It's right in the mid-50s right at this point, 50%.

Shaun Kelley: Thank you. And then last question would be -- I mean, obviously a bit slower of a comeback in Jamaica but the sequential trends are supported there as well. Can you just talk a little bit about what's it's going to take to get that market kind of to fully recover and maybe timing around that or what visibility you might have for a bigger improvement in Jamaica?

Bruce Wardinski: Yes. I mean, Shaun, I can't -- I don't have a crystal ball to say, "This is when it's going to kind of pivot and pick up again." But, just coincidentally, I was with the Jamaican Minister of Tourism last week and they're doing a lot. So I will say they're very aware of the situation and I hammered home to him that, "Hey, we're doing way better in Mexico and the Dominican than we are in your country." They're working on a number of initiatives to get things going back in the right direction. I think you're going to see a positive trend there sooner rather than later, is my prediction. And the nice thing is, if you kind of look at where we sit today, we're kind of in the -- I'll never say the best of all worlds, because the last 18, 20 months have shown us that you can't predict anything with certainty, but a lot of the kind of



indicators are pointing the right direction. So what's good about it for us is we're going into our best time of the year. So for things to be kind of all gelling and coming together well here in November, going into our high season and into the first quarter of next year, I couldn't really be happier. And so let's just keep our fingers crossed nothing derails that, but I think that's going to be the case. And as you just build up the demand, and Ryan highlighted a lot of the numbers, when things fill up -- just like with the groups, as they fill up in Mexico and the Dominican, it becomes the water balloon. And that business is going to get pushed other places and Jamaica, with its slower pace, is going to fill up. So I'm optimistic about Jamaica. As we've said before, it was doing the best for us. It was the segment performing the best pre-pandemic and there's no fundamental reason for it not to continue to perform well in the future.

Shaun Kelley: Thank you very much.

Operator: Our next question will come from Chad Beynon with Macquarie.

Chad Beynon: Good afternoon. Thanks for taking my question. Wanted to focus on the non-package side of things. I believe sequentially it grew \$5 million or \$6 million and you kind of noted that as a positive in the quarter. Can you talk about how we should continue to see this ramping? Is there a certain type of customer? Ryan, you noted that customers are staying longer. I'd assume that's a positive for non-package. But just anything in terms of how we should think about this and, given the pacing for MICE next year, should that even further accelerate this?

Ryan Hymel: It's a great point on the MICE. So at the MICE properties, that is a big help for those properties because typically these meetings incentive groups, they're being brought by their companies, potentially with a partner or spouse and so it's all paid for. It's essentially a free vacation for them. So, one, the big group that's there is already doing large events on the beach or banquets or things like that. But then people have free time to then go spend money in the spa. So I think it's a net positive for those resorts that have large meeting space, namely Rose Hall, Cabos and Cap Cana.

At the other properties I would expect it to be -- that acceleration to slow a little bit just because, as Bruce mentioned, people, particularly in those resorts like in downtown Cancun, Riviera Maya, people feel more comfortable leaving the resort and kind of wandering around and they'll spend a little bit less at the properties. That said, we learned quite a bit during this pandemic. We've talked about it now and over the last couple calls, but just the way we sell cabanas and up-charging and things like that. There's a lot of that that we've learned and the way -- and people's preferences. I think a lot of that is here to stay. So I think we learned quite a bit and we'll be able to maintain some of those games. But I expect it to slow a little bit.

Chad Beynon: Great. Thanks. And then, Ryan, you talked about how we should think about the fourth quarter and even into the first quarter. But just in terms of price integrity across the portfolio, what are you seeing there? And then, more specifically in DR with Ziva-Zilara, are you able to charge the same ADR as some of the other leaders in that market? Are you already able to achieve what you kind of set out to when you opened the property?

Ryan Hymel: Yes. And to the rate integrity, it's been the same since the beginning of this. Bruce has made it very clear internally to make sure that we allocate inventory accordingly. And, like I said, it is. You prove it out in what we've been able to show every single quarter with the booked position and the fact that rates, that we're not giving up rates to do so, which is pretty exciting to see.

As far as the other properties, particularly the brand new Ziva's and Zilara's, our expectation is we should be outperforming the market. Obviously I don't have the data on the other resorts, but we care less about

what the competitors are doing these days and more about like what the consumer is willing to pay for these higher end properties, which I think is the right thing to do.

Bruce Wardinski: Yes, Chad, and I'll echo what Ryan said. I mean, what we've really learned over the pandemic, and a lot of it is due to the mix of customers we've had. And it changed, right? When Europe shut down a lot of people who would go to Europe for the summer or go to Europe for their winter vacations or their fall vacations or their spring vacations, right, go to Europe all the time. And I'm one of those customers. They had to look for alternatives. Well, what was available to American travelers? Guess what? It was Mexico and the Caribbean. And so we got some new people. And because of that and because of our newly open and constructed like Hyatt Ziva's, Zilara's and Cap Cana and the renovated Hilton, we had great offerings for people. And then you get the online reviews and the online reviews kept going up and up and up and that allowed us to really focus on the service. So we had the product. Focused on the service. Now we have this new customer, right? And so we're delivering on the new customer. So the non-package spend kind of is an end product of that customer. Right? Because that customer is used to spending more money. As well, this is a very discerning customer. So they're not focused as much on rate. They're focused on what they're getting for the rate. And so that's what we've decided to do.

And as Ryan said, and it's really true, we're not looking -- always the sales people, "Well, our competitors are pricing at this and we have to price lower or we have to match them." And I'm, like, "Yeah, no." Okay? That's not our game plan any more. Our game plan is we are offering a superior product and we're going to charge a superior price. And that's the game. And so going forward in this world of scarcity of labor and other things that impacts everybody in the world, as well as inflation, everything's going up in price, why would we discount? We're not going to discount. So the objective is, let's keep premium pricing. Let's continue to deliver an exceptional product and service level. And let's get customers we didn't have before. And going into this -- and I was just recently in Europe. It's still not easy to travel to Europe. Right? You can go there, but it's not easy. It's a heck more easier to go to one of our markets and that's what we're going to show you for the first quarter. We're going to bring people there. They're going to have a great time. And, very importantly, they're going to pay a high rate.

Chad Beynon: Thanks, Bruce. Thanks, Ryan. Appreciate it.

Operator: Our next question will come from Smedes Rose with Citi.

[No response]

Operator: Our next question will come from Tyler Batory with Janney.

Tyler Batory: Good afternoon. So quick follow-up question on the commentary for the fourth quarter. Are there occupancy limits in place right now, either government mandates or self-imposed, that are perhaps putting a cap on how much or how full your resorts and your properties could be?

Ryan Hymel: No. That's a change from the last call. There are no more government-mandated limits. We do have self-imposed limits that -- look, we'll still sell sell-outs for group business and stuff like that. So we make sure that we're using those self-imposed limits appropriately. But we're still kind of ramping the business and making sure we do so smartly and, more importantly, safely, for the consumer and the guest's experience. Just because the CDC still has the custom requirements to come back to the United States, we get a nice preview into positivity rates of everyone that we test who leave our resorts. And so it's nice to see the continued extremely, extremely low percentages of our overall guests tested, positivity for COVID. And the last thing we want to do is for that to change. So, generally, depending on the hotel

and the time of the year, we self-impose around 85%. But, again, if we have a sellout or a big group, we're not going to short ourselves there.

Tyler Batory: Okay, appreciate that. And then just to [tie] the loop actually on the group side of things here, the numbers you provided for 2022 quite strong. I mean, at this point how much space do you even have available? I mean, I'm just trying to get a sense of how much higher those booking numbers could get.

And also, if you could, talk about how Cap Cana is contributing to just driving that number overall higher as well.

Ryan Hymel: Yes. Cap Cana just overall in the numbers generally is about 40% of that overall business, depending on the quarter or the time. It's a brand new property. It essentially sells itself. It's spectacular. I mean, you've been there. And it's done really, really well for us. I think obviously in the first half, and I think I alluded to it earlier, the first half of the year we're probably fairly booked as far as meetings incentive business. There's a little more room in the back half of the year I think from that perspective.

Tyler Batory: Okay. Great. And then my last question is actually a follow-up on Cap Cana, too. You talked about margin there. I think you said close to 40%, but occupancy only 50%. But that's really quite good. Any change to your expectations in terms of where margin could stabilize there, where EBITDA could stabilize there at that property? And any change now versus pre-COVID in terms of your expectations for returns on that property?

Ryan Hymel: Yes. No, I mean, we provided a range. I think the midpoint of our range was around 13% or 14% of our invested capital. As of today that just makes us more confident in the upper end of that range. Not ready to move it yet. It still hasn't had a full year open kind of post-COVID. But it just makes us all the more comfortable with what we've communicated.

Tyler Batory: Okay, great. That's all for me. Thank you.

Operator: Our next question will come from Patrick Scholes with Truist Securities.

Patrick Scholes: Good afternoon, everyone. I have a follow-up question on the Alltra Wyndham product. In the earlier question you had indicated possibly just managing or converting some existing properties that you have. But in the growth strategy would it be possible that you would also be buying and converting properties and/or building from the ground up? Would those be in your strategies as well?

Bruce Wardinski: Sure. Good question. So let's kind of go through them. The first one, management contract, absolutely, 100%. I think you're going to see some movement there. Our development guys are working really well with the Wyndham development guys. I think you're going to see progress there. So that's number one.

Number two, conversion of some of our existing properties, yes. You look at some of our existing properties that are right at that mid kind of price level, I think those would be super candidates to convert. We really didn't have the option to do it with Hyatt or Hilton brands, because those properties weren't at that level. But they're really well positioned. They're great properties, great beach. And so I think you're going to see some conversions there.

And then on the third, kind of you had 2, acquisitions [and] ground up. Let me hit the easy one. Ground up, unlikely. No real need to do ground up in today's world, especially at that price point. I think, as we said, this is the biggest segment in all-inclusive and that means that there's a whole lot of existing

properties out there. And so I think the conversion opportunity from an existing property that's really unbranded or under-branded through Wyndham Alltra is where we see the biggest growth opportunity for us and for Wyndham with the new brand.

So we're actively out there in discussions with people. When we made the announcement it was really well received in the industry. And I think, again, people who have properties at that price point didn't have ways to work with Playa and they do now and there's a lot of excitement. And so I'm hopeful in the near future we'll be able to make more announcements about that. I hope that answers your question.

Patrick Scholes: It certainly does. Thank you very much.

Operator: Our next question will come from Smedes Rose with Citi.

Smedes Rose: Thanks. Sorry about that earlier.

I wanted to circle back on your fourth-quarter remarks. Sorry to beat a dead horse here, but you gave some revenue improvement numbers but then you said at the end of your remarks, Ryan, that you had some margin challenges. So I guess my question is, would you expect to come in ahead of 4Q '19 resort EBITDA in the fourth quarter of '21? Or did some margin concerns offset your revenue improvement?

Ryan Hymel: Yes. No, I think it should be close. I mean, the point we were trying to make is that Q3 just in general on a very seasonal business such as ours is our kind of lowest productivity from a rate and margin perspective, so just said differently, it's just easier to beat 2019 levels. Q4 traditionally is better from an ADR and better from a margin perspective, so subsequently I would assume that and therefore imply that it's a little bit harder to beat those in the same manner that we did Q3. And kind of put all that together with the fact that I said I expect occupancy to improve sequentially and rates to be kind of similar to slightly up, it would imply that we could be around the same margins as 2019 there. The main point I was trying to get across was that 2021 becomes more difficult because Q1 is at the higher -- excuse me -- Q1 2022 is a much higher productivity quarter, that's all.

Smedes Rose: Okay. And you mentioned for first quarter of '22 that ADR is tracking at 20% I think versus first quarter of '19. And is that on a same-store number? Or would that include the Cap Cana Hyatt?

Ryan Hymel: That includes Cap Cana.

Smedes Rose: Okay. So on a same-store number, do you have what the ADR is tracking at versus . . .

Ryan Hymel: Yes, 2 percentage points lower. Still doing pretty well [indiscernible] Cap Cana.

Smedes Rose: Okay. So it's really being driven by that property, your overall absolute number.

Ryan Hymel: No, no. I'm saying it's -- so, I said it's around 20 with Cap Cana. You take out the renovation properties, it only drops down a couple percentage points. So it's helping but it's not the lion's share by any stretch.

Smedes Rose: Okay. Sorry. I misunderstood you. The last thing I just wanted to ask, you talked about labor inflationary costs. So you seeing in these markets -- this is kind of what we're seeing in the US in terms of shortages of labor and like kind of lower-skilled or hourly labor basically getting a higher bid here? Or kind of what are you seeing in your local markets?

Ryan Hymel: We're seeing inflationary cost pressures like you see in the rest of the world, but we're not seeing shortages of labor for the same reason. I think we touched on it a little bit last quarter, that we saw it a little bit harder in some of our destinations where the vaccine availability was lower, and particularly when COVID cases were rising 3 months ago. We saw it a little bit harder. But now, I mean, the big difference now from last time we spoke, both the DR and Mexico, all of our associates we're at, like, 99% penetration for vaccination rates. And the last time we spoke, in Jamaica we were in the, like, 30s and 40s and today we're in the 70s to almost 80 at our properties. And so we've seen some nice -- it makes it a lot easier to bring back some of the associates a little more worried. It's not -- it has nothing to do with anything that's in the US, with unemployment benefits being extended or something like that. But we're not immune to similar cost and salary and wage inflation pressure that you see elsewhere.

Smedes Rose: Okay. Thank you.

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

Bruce Wardinski: Great. Thanks. I'll be really quick. We appreciate everyone's participation in our call today. We're super excited about what went on with our third-quarter results and, as we've said today, going into fourth quarter, more importantly first quarter of next year, we're very optimistic.

So hope everyone stays safe and you better book at [playaresorts.com](http://playaresorts.com) now, because we're filling up. Thanks a lot. Bye, bye.

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