[PLYA] Playa Management/Playa Hotels and Resorts
Q4 2021 Earnings Conference Call
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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
Smedes Rose, Citi
Tyler Batory, Janney
Patrick Scholes, Truist Securities

Presentation

Operator: Good day, and welcome to the Playa Hotels' & Resorts Fourth Quarter 2021 Earnings Conference Call. (Operator Instructions). Please note that 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, Chuck. Good morning, everyone, and welcome to Playa Hotels & Resorts fourth 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 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. I will then address our fourth quarter results and our outlook. Bruce will 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. I'm sure most of you have had a chance to review our fourth quarter results reported last night, so let's get into the discussion.

The fourth quarter fundamentals once again improved sequentially with occupancies and flight capacity continuing to ramp up particularly in the Dominican Republic. The strength in the business was consistent and broad based, with occupancy improving sequentially each month and similar year-over-year ADR advances as well; that is to say, the ADR gains were not only driven by pricing during the peak demand holiday period. In fact, they've been remarkably steady on a percentage basis for the last 6 months.

More importantly, our fourth quarter 2021 results represent the highest resort margin percentage and absolute EBITDA for any of our historical fourth quarters. While this may seem like an obvious mandate, I'm incredibly proud of how the entire organization is working together to execute our strategy. I truly believe that each functional area of Playa is improving each day, and it couldn't be happening at a more critical time.

On the booking front, following the slowdown in the summer, our sales picked up dramatically during the first 2 months of the fourth quarter, reaching new weekly sales peaks in October and November before slowing down in December likely due to the outbreak of the Omicron variant. Though Omicron had a modest impact on potential close in bookings for December-January, its impact was relatively short-lived, as our weekly revenue booking surged in January with several consecutive record-setting weeks.

I believe we are still in the early innings of the resurgence in travel; it will likely be a multiyear process to find equilibrium, given that travel was a universal love for so many of us in the pre-pandemic era. With that in mind, I'm pleased to share with you that our pacing figures for 2022 remain elevated compared to pre-pandemic levels and are successfully lapping 2021. I believe we offer an incredible relative value even with the recent ADR gains, and that is being recognized by more travelers as our awareness grows. I think it is also becoming more likely that we're going to get a permanent repricing for off-peak periods.

Secondly, I don't think the idea of going to Mexico in August sounds all that bad. Ryan will share the details on our booking trends with you momentarily.

Looking at our segments, Mexico continues to perform well for us, posting another quarter of exceptional underlying top line KPIs and margins. International passenger arrivals exceeded 2019 levels in September for the first time since the beginning of the pandemic and have not looked back.

Moving on to the Dominican Republic, we experienced our biggest sequential occupancy improvement in the quarter. We were hopeful for this segment as we entered the quarter, given our forward bookings and the forecasted increase in flight capacity. But the performance in the quarter exceeded our expectations. As you may recall, the DR had the biggest mix of European guests in the pre-pandemic period, which was a drag on its performance, particularly in our midscale properties.

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 margins exceeding 40% during the fourth quarter, with occupancy only in the low 60s. The resort's progress and ramp give us further confidence that we can achieve our goal of 12% to 15% stabilized cash-on-cash returns on our investment there.

The segment's profit performance was weighed down by our 2 externally-managed properties, which have lagged behind our globally-branded resorts in the segment with respect to rate gains, and also yield a significantly lower absolute ADR compared to our globally-branded and Playa-managed resorts.

Turning to Jamaica, the segment's recovery largely stalled out compared to our other geographic segments and its third quarter results, as the back-to-back variant waves had a disproportionate impact there, given the more stringent entry testing requirements. The impact has lingered into the first quarter of 2022, but bookings in Jamaica are picking up for the rest of the year, and the impact is diminishing as we look out to Q2 and beyond.

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 fourth quarter of 2021, 41.6% of room nights booked were booked direct, down 10.6 percentage points year-over-year, reflecting the continued relative strength of our direct channels, including a significant acceleration in group and third-party source business.

During the fourth quarter of 2021, playaresorts.com accounted for 17.4% of our total room night bookings, down 8.2 percentage points year-over-year. Looking at 2022 as of January 17, playaresorts.com generated approximately 70 million of bookings for 2022 compared to only 40 million for the 2021 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 revenues in-house, which is now a major competitive advantage for our current portfolio and for potential third-party 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 we still believe it will remain higher than levels seen immediately prior to the pandemic, and significantly higher on an absolute dollar basis.

Taking a look at who was traveling, just over 40% of the Playa managed room night stays in the quarter came from our direct channels, as our group mix improved sequentially and the OTA mix remained significantly depressed.

Geographically, our U.S. sourcing increased approximately 13 percentage points compared to Q4 2019 to 64% of managed room nights, while our South American source business increased 400 basis points.

But the biggest change in our business was the return of our European guests, which makes it 3 percentage points higher in Q4 2021 and Q4 2019.

Given the current state of travel restrictions, our Canadian and Asian customer mix remained significantly depressed versus pre-pandemic levels. Our booking window improved versus Q3, but remained shorter than pre-pandemic levels.

Our length of stay during the fourth quarter was in line with Q4 2019 and up nearly 10% versus Q4 2020. And this trend is expected to continue as we rely less on close-in bookings.

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 sizable database of customer relationships to increase exposure and awareness of the value proposition of the all-inclusive model.

We completed the conversion of 2 resorts during the fourth quarter and officially welcomed our first guest on December 1 to the new Wyndham Alltra concept in both Cancun and Playa del Carmen. The transition went smoothly from an operational perspective, but just as critical for us, Wyndham has been a superb partner to work with behind the scenes. I look forward to sharing more with you about this new relationship in the coming quarters.

Once again, I would like to thank all of our associates that have continued to deliver world-class service in the face of myriad pandemic-related challenges. Their unwavering passion and dedication to service is what truly sets Playa apart.

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

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

We finished the quarter with a total unrestricted cash balance of approximately $270 million as at the end of the year. And as a reminder, we have $23.5 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 just under $1.15 million.

We anticipate our cash CapEx spend for full year 2022 to be approximately $30 million to $35 million for the year with approximately $5 million of that being carried over from CapEx we did not spend in the fourth quarter as anticipated. The vast majority of our projected 2022 CapEx is maintenance-related. We have roughly $60 million of mandatory debt repayment obligations left over from our asset sales in 2020 and 2021.

Turning now to our MICE Group business, while our business on the books in the segment was, and remained, strong to start the year, we've seen some movement in this segment as a result of the Omicron variant. Our 2022 net MICE Group business on the books is approximately $36 million, which hasn't changed much since the last time that we spoke, and is well ahead of our final full year 2019 MICE revenues of 32 million and ahead of the $33 million we had on the books in early 2020 for that year prior to the onset of the pandemic.

Nearly 83% 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 for the second half of the year, given limited space and some movement of existing reservations.

Our pacing for 2023 has remained strong 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 Hyatt resorts in Cabos, Rose Hall and Cap Cana.

Moving on to the fundamentals, as Bruce mentioned, the teams have done an excellent job navigating the current environment. We continue to expect a similar degree of inflation in the first half of 2022 that we experienced in the second half of 2021. Though it is still early, we currently do not anticipate expense inflation to be worse in the second half of 2022.

With respect to top line, I believe 2022 can be a phenomenal year for Playa, as I look at how our book of business has been building for future periods. We are particularly encouraged by year-over-year ADR gains, and revenue pacing in the second half of 2022, as we lap the second half of 2021's record performance.

Both the third and the fourth quarters are pacing significantly ahead of the comparable periods in 2019 and are up year-over-year versus 2021 in both revenues and ADR.

Putting it all together, based on what we know today and the fluidity of the virus, we feel it's best to think about 2022 in halves, with a little more granular detail for the first half, given our visibility, and then some directional color for the second half that we'll firm up later.

So for the first quarter of 2022, we expect the occupancy rate for the entire portfolio to improve versus the occupancy rate in the fourth quarter of 2021, at an average daily rate that is approximately low-to-mid-double-digit percentage points higher than Q4's reported $325 average package rate. While this would easily represent the highest ADR Playa has ever achieved in a quarter, the percentage increase versus Q1 2019 in ADR is not to the same magnitude that we experienced in the second half of 2021. This is owing obviously to higher absolute base in our historically highest season. Thus, you should expect a more tempered margin performance in the first quarter as compared to the second half of 2021.

Said differently, to reach prior peak Q1 margin levels, we will need to be more reliant on occupancy to get us there, because the ADR increase is not enough to offset the lower occupancies versus 2019. Also stating obviously, keep in mind that Q1, particularly January, felt some lingering impact from the Omicron variant. As we mentioned, the segment hit hardest by the disruption in bookings was Jamaica, likely driven by the country's entry testing requirements.

Now looking at the second quarter, our pacing at the Playa-managed resorts remained strong with revenues up mid-40 percentage points versus the same time in 1019 and ADR driving a significant portion of the increase. On a percentage growth basis compared to 2019, we expect our ADR to accelerate substantially in Q2 versus what we expect to report in Q1.

As we move into the back half of the year, we think the typical interplay between occupancy ADR and OpEx for modeling purposes should become easier for you. In order to maintain property margins we experienced in the second half of 2021, we would need to grow ADR slightly faster than inflation to account for additional headcount to help with higher occupancy levels until we reach a stabilized occupancy. And we expect our occupancy to be in the low-to-mid-70s in the second half, in line roughly with 2018 and 2019. I hope that framework helps you as you fine-tune your models.

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

Bruce Wardinski: Great. Thanks, Ryan. So in summary, I am very optimistic for this new year and the growth ahead for Playa. Strategically, our new partnership with Wyndham pursued a third-party management contract should help enhance our growth profile over the intermediate term.

I also want to take this opportunity to share another endeavor that we expect will augment our growth profile. The company has entered into a licensing agreement with a third-party that will own and operate a membership program of Playa collection, which will provide members certain benefits and amenities at designated Playa-owned and or managed resorts. We do not expect the Playa collection to be a material driver of profits in the near-term, but it will hopefully grow into another sourcing channel with a favorable customer acquisition cost profile.

Also, as this is being operated by a third-party pursuant to a licensing agreement, we will simply be collecting licensing and other ancillary fees from the sourcing channel. We do not anticipate any material changes to how we present our financials. We will continue to look for ways to leverage our expertise, leadership and experience in the All Inclusive segment to drive strong customer and financial results and to create shareholder value for our investors.

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

Questions and Answers

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

Chris Woronka: Bruce, really interesting comment on the potentially structurally higher ADR in the off-peak periods. Does that kind of also directly relate to the direct bookings? I don't know if you can give full color on maybe whether a much lower percentage of your bookings during the off-peak periods have been through OTAs and other channels historically?

Bruce Wardinski: Sure, Chris, that's a great question. I'm really glad you asked that because I think what you see with the ADR increases through those shoulder periods is it's across all channels. So certainly, we have benefited, but we've been benefiting, right, from our mix change with more direct business, but literally all the channels are going up. We've been incredibly focused on rate integrity across all third parties, so that people couldn't do what they used to be able to do in discounts, not just like us, but every hotel company. So with technology, we've been able to be a little better focused there. And then our mix is increasing on the direct.

And then I think you're starting to see some of the group segment pick up. And it's not just the really big groups, it's a lot of smaller groups too and those can be really attractive. And not only are they good for the ADRs, but a lot of the smaller groups are really good for the non-package revenue. Believe it or not, kind of on a per-person basis, those smaller groups can spend a lot more on package revenue.

I'll just give you give you an example. I was in Mexico last week, and I was in the Dominican Republic the first 4 days of this week. And while I was in the DR, while we were there, we signed a very big group contract for September. That's the kind of thing that's happening now because people are realizing the demand; they're having to figure out when they can get their groups in there. And the same with people booking their private vacations and other leisure trips. So I think you're just seeing it across all channels and I think as we said, that this is not a short-term phenomenon, I really believe this is something here to stay.

Chris Woronka: Okay, great. And then you talked a little bit about the Playa collection is the new platform for fee growth. You're also right in the process of kind of growing your -- you're hopefully growing your management fee base. Is there a way to just think directionally about where -- is there any kind of [cycle] on fees as a percentage of total? Longer-term, can just become 10% or 15% of your EBITDA or something roundly like that?

Bruce Wardinski: Well, we don't want to -- today, it's way too early to try to come with a projection. We will have discussions and try to do that in the near future, as we see kind of what the results are from the Playa collection, and it's a little different. As we said, it's a third-party. So we're not running it ourselves, so we just have to see how things progress, but we're optimistic about it. And if you look at many of our competitors in the All Inclusive segment, they drive pretty significant business through that channel. Some of them, that's kind of their main focus. It will not be our main focus, as we've stated, our main focus is direct sales.

But this will give us a really good additional channel and people who are loyal to kind of Playa resorts and to our brands and our resorts for them to book. So it's a really lower-cost way for us to get the customers and it's a good benefit for the customers as well. So I think it's going to be successful and the nice thing about people who are in that channel is they typically come 1 to 2 to 3 times per year. So that's a really good customer base for us.

Chris Woronka: Okay, great. And then the last one is you guys are kind of right about the structural ADRs being higher, and we can kind of hang on to some of this growth in RevPAR. You're going to be at a much higher base. I know you have a pretty small CapEx plan this year; you have the required debt paydown. But you'll still be generating a lot of free cash and leverages probably back down to lower than pre-Covid.

So where do you prioritize? Where do you possibly begin to be able to think about share purchase, or some kind of bigger renovation or ROI project?

Bruce Wardinski: Sure. So obviously, you always look at all options. So you mentioned share purchase or ROI projects. From my standpoint, if you look at the success of Hyatt Ziva and

Zilara Cap Cana, and where we can invest our money and drive superior returns, that would be our number one objective, okay? And so as we've talked about in the past, kind of pre-pandemic, we had a lot of opportunities of kind of organic growth, projects within our existing portfolio. So we're not talking about new-build projects, we're just talking about ROI enhancements. We have a couple of properties that could be rebranded. We have others that we can invest money very strategically in order to drive higher business.

And quite honestly, what you're saying with the higher ADRs is you're seeing customers are going to have higher standards, they're going to want things. And so I think that's the challenge, but that's really the opportunity and we are excited about it. After kind of 2 years, as I said I was down with -- I told you in the Dominican with our team there, and I described it to a big group of our team there as we were using a hockey metaphor. We were in the penalty box, we all were, right, from Covid. It was the Covid penalty box and it is so exciting to be back out on the ice again. So that's how I look at it, Chris.

Chris Woronka: Okay, very good. Thanks for all the color, Bruce.

Operator: Shaun Kelley with Bank of America.

Shaun Kelley: I want to dig in a little bit, Ryan, just in your booking and outlook comment. Thank you for all the clarity. So now I'm going to ask for more, as we typically do on the sell side. But can you just -- I just wanted to start with the second half because I think that's really when the business is going to be, I think, operating the way it should. And it's obviously super-encouraging that you might be able to lap the rate environment that we had in the second half of last year.

I just want to be clear on that though. Do you think in dollar terms, rates could be -- or is what you're seeing consistent with rates being up in the second half? And I'm talking about ADRs being up in the second half relative to second half of 2021. Is that an okay starting point?

Ryan Hymel: Yes, that is correct, Shaun.

Shaun Kelley: Okay. And then the second question would be sort of following up on 2Q because I think that's a pretty critical inflection. Can you help me just unpack again how the rate side of the equation? I think you said up, if I caught it right, maybe lower mid-40s in revenue dollars. But can you help me think about how the rate side of that is pacing? At least, I think Q1 is your highest point, so that's going to be down a bit from Q1. But are we still up year-on-year from 2Q 2021, or what are the puts and takes there?

Ryan Hymel: So I think the message you're trying to get is that, yes, Q1 would be our highest absolute ADR, right? But on a relative basis versus 2019, it would not be as good what we just saw in Q4 because it's a higher base. And so what I was trying to convey was that while Q2's ADR would be slightly lower than Q1, it's percentage gain over 2019 would be back into the kind of closer to record-breaking levels that we've come to expect in the second half of 2021, if that makes sense.

Shaun Kelley: Yep, absolutely.

Ryan Hymel: The absolute ADR would go up in Q1, down in Q2, but its relative position over previous years would be higher.

Shaun Kelley: Great. Two last components then would be for the second half, what percentage of those room nights do we typically have on the book now? You obviously have a longer booking curve than corporate transient style hotels. But obviously, we want to get a sense of like how much visibility you'd have as the sort of booking environment is, I think, increasingly normalizing? So just how would that book of business be trending? And how much do you need to fill between here and day of arrival?

Ryan Hymel: So said differently, so let's just run through the quarter. So Q1 is typically 80% booked; as of right now, it makes sense, we're 2/3 of the way through. Q2, we're about 60%-ish booked typically for now. And then just kind of for the third quarter, think about it this way: like our current revenue on the books for Q3 is a little under 40% of what we actually reported in Q3 of 2021.

Shaun Kelley: Great, understood. That's helpful. And then the very last thing for me would just be you mentioned sort of the leverage points around inflation. And obviously, your environment can be slightly different than maybe what we're seeing in, let's call it, U.S. hotels. And obviously, there's a lot of micro-nuances in just U.S. hotel market.

Can you help us unpack the labor inflation environment based on either market or much -- I'm actually more intrigued on what are you seeing on the labor side versus how much of this is product cost? Kind of trying to think about where you might be seeing some of those pinch points, especially what you're seeing on the labor side, how much of a bottleneck that is for Playa?

Ryan Hymel: As far as staffing availability, labor has not been an issue for us, with the exception of a little bit in Q4. There was a little bit of (inaudible) early, just because of the Omicron transmissibility, and we had to have people out in quarantine for extra periods of time, much like what the airlines had to deal with. The Mexican government as an example, lowered those quarantine periods down to 5 days from 10, and so there were some days that were shorter-staffed.

But as far as increases on the pricing and the unit costs, Mexico and the DR both increased the minimum wage for 2022 in the teens. DR does it every couple of years; Mexico has done it -- I think this is the third time since AMLO took office. On a dollar basis, it doesn't make a huge, huge dent in our overall costs purely because it's only a portion of our line staff salary and wages. And other than that, the biggest component for us kind of on like unit growth is in F&B. And so it's kind of -- those are the kind of the two pinch points for us, F&B and then the cost of labor.

But like I said, we are fully expecting that what we saw in the second half of the year to continue the first half of this year. But where we sit today, we don't see it increasing any more than normal in the back half of the year.

Shaun Kelley: Great, thank you very much.

Operator: Chad Beynon with Macquarie.

Chad Beynon: Nice results. For the first quarter, Ryan, just with your guidance, I think you noted occupancies would be slightly up sequentially. And it looks like the big driver of that increasing would be Jamaica. I think normally, seasonality calls for Q1 over Q4 occupancy increases. Jamaica is currently still slightly below [50]%. When can we start to move up closer to where the rest of the portfolio is?

Bruce Wardinski: Your guess is still as good as mine. I love seeing that so many other places in the world like UK, and Israel and other places are removing restrictions. Bahamas removed their entry requirements, what, last quarter. And so what we've seen is that like Jamaica, just as you said, was the only period that you look at Q1 pacing, would be the only one that did not increase since our last call. But if you look at like the second half and the second quarter beyond, Jamaica has our highest occupancy on the books against any other segment.

So we're really starting to see an inflection point in the second quarter. And we saw signs of that last year, right, when kind of as you moved into the Fall, kind of post-Delta, when Jamaica just on a relative pricing perspective looked pretty good, right? And so people said, okay, like I'm willing to take the chance that I'll test positive and I'll go there. Now when Omicron popped up, obviously, more people were worried about somebody in their family or their significant other testing positive and not being able to go. So as you can imagine, those bookings lagged and slowed down there.

But our expectation is that hopefully that continues to recover. As far as when they pulled off that requirement, I have no idea.

Chad Beynon: Great, thanks. And then just on the management contract side or the conversion side of things, like you announced with Wyndham, are there still more opportunities in the market? And can you just kind of help us gauge expectations in terms of what we should generally expect for these types of things on an annual basis? Can we start to see a couple more each year, or has that kind of hit somewhat of a ceiling?

Bruce Wardinski: Sure, sure. Great, Chad, I appreciate the question. So to answer the first part of your question, yes, there's more opportunities out there, okay? Part of the reason I've been traveling is because there's opportunities, trying to get out in front of things, meet with people, things we weren't able to do during the pandemic. The two big restrictions during the pandemic were number one, everybody had to conserve cash and prepare for the unknown. We're feeling pretty comfortable that we're kind of beyond that phase.

But then the second one is really getting out and meeting and trying to sell the Playa story. And I think what's going on right now is the Playa story is selling incredibly well. So we've always said that it's difficult in our segment, right, given the profile of the people who own the properties to do these kinds of transactions and get people to change.

Having said that, I think our results are resonating incredibly well across the segment, the All Inclusive segment, particularly with the percentage of direct business that we’re driving. And that's just so far superior to others, I think that's the competitive advantage that we have. So what we're trying to do is get out there and sell the story that, hey, let Playa come in, let us work with a global brand, let us put in our management and very particularly, our sales; and we'll drive more direct business and we'll generate more profit to the bottom line.

What are the numbers of properties we could do? That's very, very hard to say. But if you said a couple of year, I think that's a very conservative number, that we could do at least a couple a year.

Ryan Hymel: And Chad, the management contracts we have today, even in a Covid-impacted year, we did roughly $3 million of management fee revenue or a little over $2 million. We expect those existing contracts today to stabilize anywhere kind of mid-$5 million to 7 million of management fee revenue. And as you're well aware, the floats on that are pretty high, particular if you're taking on contracts in areas where you've already got existing infrastructure.

Chad Beynon: That's great, thanks, guys. Appreciate it.

Operator: Smedes Rose with Citi.

Smedes Rose: I just wanted to ask you on the management contract side, and then I just had another question. But have you seen any increase, I guess, in competition because with Hyatt being so heavily invested in business now, or is there enough to go around for everybody, or is it just more one-off opportunities for you and they're not such a big presence?

Bruce Wardinski: Sure. Smedes, if you look at -- first of all, they have always been there. They have been there and they have been a very successful company. I'm speaking specifically about AM Resorts and the number of contracts that they have been able to do. So they're a quality company and a strong competitor. I will say their focus now is broader, so they're looking over Europe. And a lot of their new contracts are over in Europe.

So I think while we will see them and we will compete with them, where we are competing, and I think the flexibility we have with multiple brands gives us a very strong competitive position, right? I'm not saying we are better than them, or they're better than us; I just think we have a strong competitive position.

The bigger thing you should kind of focus on -- well, not just you -- we should focus on is that there are just not as many management contract players in the all inclusive space, as there would be pretty much in any other segment of the global lodging industry, right, whether it's geographic or product line. And so I think that still bodes incredibly well for us.

So the real challenge is convincing often family-owner-operators to kind of partner with Playa, and let us kind of do our magic. That, I think, is the biggest challenge.

Smedes Rose: Okay. And then I just wanted to ask you, I guess specifically for Cancun, maybe any other markets as well, are your competitors, do you think also -- are they also seeing like the boost in rates versus 2019, or is that more unique to you because it's a more branded product, or maybe just what you are seeing there? And do you see any new supply coming online that's significant over the next year or so?

Bruce Wardinski: So there is always the fact that the tide rises all boats. So sure, there is going to be some impact of that. I think what you're seeing with us is that we are exceeding the market level, and we are exceeding the market levels due to two big kind of differentiating factors that we have. Number one is the percentage we sell direct, which is far superior than across the industry segment. Number two is our focus, affiliation, with global brands, which also affects the direct. But I think those two factors are really big factors in why we are going faster than the market, faster than our competitors, when it comes to increasing ADRs. And so I think that again is somewhat of a permanent kind of feature.

With regards to the new projects, new development, first of all, during the pandemic, just like everywhere in the world, most lodging projects stopped. So any that were on the drawing board just didn't even occur. There were a couple that opened more recently and they were people that said, hey, we're just going to plow through the pandemic. And obviously, they were financially very strong in order to do that. So they're open, they are there today.

As far as a lot of new stuff coming, no. And then when you look particularly at Cancun proper, virtually nothing, okay, because there is just no land available to do anything or conversion opportunities. So we feel very good about kind of our positioning within Cancun and within kind of the whole Riviera Maya market as well as in the Dominican and in Jamaica as well.

Smedes Rose: Great, thank you. Appreciate that.

Operator: Tyler Batory with Janney.

Tyler Batory: A few follow-up questions here. In terms of the cost margin side of things, can you quantify or put some numbers around just how much costs were up on a percentage basis in Q4 versus pre-Covid? And what are you expecting in terms of cost increases this year compared with 2019 or 2018?

Ryan Hymel: So just kind of as a reminder, in typical year, our cost can play anywhere from 300 to 500 basis points. But if you think about kind of cumulative inflation since either 2018 or 2019, depending on how you want to look at it, cumulatively, our costs have been up roughly 20% since 2018 and roughly 17% since 2019.

And if you think about this as kind of a CAGR instead of a cumulative multiyear comparison, the gains really aren't that out of line with what you saw on a typical early cycle recovery. So the hope is that that doesn't continue the rest of the year, and where we expect that that shouldn’t. But thus far, we have not been immune to what the rest of the world [is seeing].

Tyler Batory: Okay. And in terms of Cap Cana, I think your 40% margin on 60% occupancy, which is obviously very strong there. What sort of margin were you thinking originally in terms of the stabilization at that property? And then how are you thinking about the potential timeline to reach stabilization and really achieve that 12% to 15% cash-on-cash return you had talked about?

Ryan Hymel: Yes, our underwriting was probably around where we are today on a margin perspective. And so I think we've only -- I think we've tried to communicate the last couple quarters that in typical hotels, anywhere kind of 2 to 3 years, this hotel has been doing so well that we think that timelines are reaching those stabilized returns is accelerated. So that could potentially imply by the end of this year.

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

Operator: Patrick Scholes with Truist.

Patrick Scholes: A couple of questions -- how should we think about if there's any deferred CapEx that you folks have coming up this year as far as a modeling question? And then if you could just give us your latest high-level thoughts on working with Wyndham and going forward and your growth story with them?

Ryan Hymel: We expect about $30 million to $35 million of mostly maintenance CapEx this year. The nice part, just think about the immense amount we spent starting back in 2013, and then heavily in kind of 2017, 2018, 2019, kind of converting and introducing these Hyatt Hilton and Wyndham brands to the public. And then you think about what we sold in the last couple years. We sold out this with lower growth trajectories, or had more significant deferred CapEx.

Our portfolio where it sits, we were very fortunate that during a time when we needed to save capital, we didn't have to kick a bunch of deferred CapEx down the road, or anything like that. So if there was anything critical, certainly, we didn't ignore it during pre-pandemic time. But we expect our maintenance CapEx to return kind of to the percentage of revenues that we've discussed in the past, so roughly $30 million, $35 million.

And I'll let Bruce talk about the Wyndham.

Bruce Wardinski: Yes, sure. So thanks, Patrick. With regards to Wyndham, so like we said, we converted the properties on the 1st of December. So obviously, you had kind of a little bit of Omicron impact in December and then into early January. So even with that, I think if you look at it, we're very, very pleased with what we're doing so far. So if you kind of look at what we've done with our other brand conversions, and how quickly they started generating business through the brand channel, I think we're just as pleased, if not more pleased, with where we are with Wyndham.

And it's very exciting for us because at this kind of the upper-midscale price point, there's a lot of all inclusive inventory at that price. And I think there's a great opportunity to really have the Playa relationship with Wyndham Alltra to stand out from that crowd. It's a big crowd and so we're excited, and we also are excited about more management contract opportunities there too, for the same reason, right? It's just harder; the higher up you go in the price and quality, it's harder to have multiple properties in a single market, where at this price point, there's just a lot more opportunity.

But we're super-excited to be working with Wyndham. We think they're great, as we mentioned in our prepared remarks. Kind of behind the scenes, they are just -- really, they've been great to work with. So we're excited to expanding the relationship.

Patrick Scholes: Okay, very good to hear. Thank you.

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

Bruce Wardinski: Great. Now, thanks, everybody. I think we got, with the questions, with our prepared remarks and questions, we were able to cover all the things that we wanted to cover. I think we’re just excited to be kind of on the other side of the worst of the pandemic. And we're really seeing the benefit of the pent-up demand, and we think it's just more likely to accelerate than not as we go forward.

So we're excited about the prospects for Playa, and we appreciate all of the interest from everybody in our company. So thank you very much. Take care.

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