[PLYA] Playa Hotels and Resorts
Q3 2022 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:
Aaron Lee, Macquarie Research
Smedes Rose, Citi
Patrick Scholes, Truist Securities
Unidentified Analyst, Oppenheimer

Presentation

Operator: Good morning, and welcome to Playa Hotels & Resorts Third Quarter 2022 Earnings Call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note this event is being recorded.

I'd now like to turn the call over to Ryan Hymel, Executive Vice President and CFO. Please go ahead.

Ryan Hymel: Good morning. Thanks, Gary. Good morning, everyone, and welcome to Playa Hotels & Resorts third quarter 2022 earnings conference call.

Before we begin, I'd like to remind participants that many of our comments today will be considered forward-looking statements that 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 Securities and Exchange Commission. We've updated our Investor Relations website at investors.playaresorts.com with the company's recent releases.

In addition, reconciliations to GAAP of the non-GAAP financial measures we discuss on today's call were included in yesterday's press release.

On today's call, Bruce Wardinski, Playa's Chairman and Chief Executive Officer, will provide comments on the third quarter and key operational highlights. I will then address our third quarter results and our outlook. Bruce will wrap up 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. Despite persistent fears of a potential slowdown in leisure travel, our business continued to perform very well during the third quarter. Booking demand has also remained strong as we head into our high season.

The quarter was not without challenges, however, as Hurricane Fiona caused disruption in our Dominican Republic operations, which I'll touch on momentarily.

Playa generated the highest third quarter adjusted EBITDA in the company's history, as our compelling value proposition continued to resonate with travelers, as evidenced by our ADR growth compared to 2019, accelerating to approximately 53% on a reported basis, or approximately 33% on a like-for-like basis, adjusted for portfolio mix and noncash adjustments.

As of October 23, our Playa owned and managed revenue on the books for the fourth quarter is pacing up nearly 16% year-over-year and 52% versus 2019, with ADR gains accounting for the majority of the increases. It is important to note that these figures include the material impact from the resorts we have temporarily closed in the Dominican Republic, weighing on both the comparison versus 2019 and a year-over-year comparison by approximately 20 percentage points.

As we look ahead to the first quarter of 2023, revenue is pacing up nearly 40% year-over-year with ADRs pacing up low-double-digits.

We are pleased with our revenue and ADR pacing, which have continued to build since our last earnings call, led by a 27% increase in the MICE segment revenue on the books.

Based on our business on the books, we expect our reported Q4 ADR to grow at a high-single-digit to low-double-digit rate year-over-year. We have not observed any meaningful changes to cancellation activity or booking demand outside of the hurricane-related activity pertaining to our resorts in the Dominican Republic. But we are prepared to adjust our costs and staffing appropriately if we were to see a pullback in the consumer demand environment.

I want to remind everyone that not long ago, we, like many others in our industry, were forced to go to 0% occupancy, and slowly, we build back to our baseline over the past 2 years. So the adjustments needed to adapt to a changing demand environment are quite fresh in our memory, and we will act accordingly if the conditions call for it.

With our booked lead times at the healthiest levels we have ever experienced, we are confident in our ability to effectively manage through any potential slowdown, although we are not seeing anything on the horizon at this time.

I still believe the recovery in leisure travel is not yet complete. The consumer trial and awareness of the all-inclusive experience still have a long runway. In today's inflationary environment, our relative value proposition has become incredibly compelling despite our ADR gains. This value continues to be reflected in our strong guest satisfaction scores and the pace of our bookings.

It is important to note that all of these positive trends are occurring without us recapturing a full consumer demand dynamic yet. There are still groups of customers that have not traveled since the beginning of the pandemic. And the lingering impact of the U.S.'s testing entry requirement and other travel restrictions, combined with the lengthy lead times, indicate that we have some time before all travelers are back in the air.

Finally, as I mentioned before, although our headline ADR growth compared to 2019 has been robust, the headline growth is benefiting approximately 5 percentage points from the noncash OTA billing methodology change highlighted in our earnings release, approximately 13 percentage points from asset dispositions of lower ADR resorts and the addition of our Hyatt Cap Cana resort. These are important considerations when contemplating our ADR growth sustainability and the compelling value we continue to offer our guests.

Strategically, we still believe that ceding some occupancy in favor of ADR, mainly at our Hyatt resorts, is the best path forward for Playa, as it establishes us as the rate leader from a competitive standpoint in our respective markets, and is more manageable from an operation standpoint.

With the growing inflationary pressure impacting both consumers globally and the cost of operations for businesses, we are focused on pricing to continue offering a fantastic value to our guests while managing the economic reality of higher operating expenses.

Third quarter fundamentals once again exhibited an acceleration in growth versus the comparable period in 2019, with healthy occupancy and broad-based ADR strength leading to year-over-year margin improvement, despite a difficult expense inflation environment and lapping record third quarter margins from the prior year.

Our Dominican Republic segment had an outstanding start to the quarter, with July and August ADR up mid-single-digits year-over-year, occupancy over 80% and resort margins expanded. July set a new post-Covid high for international airport arrivals in Punta Cana followed by a strong August. However, we did experience a setback toward the end of the quarter as a result of Hurricane Fiona, particularly at our Hyatt and Hilton resorts in the Dominican Republic.

As we stated in our September press release, although there was no structural damage to either resort, the water buildup and repairs at our F&B outlets required additional attention. We felt it was prudent to temporarily shut down the resorts to perform the cleanup and repairs as quickly as possible to ensure we return to the level of service and quality our guests have come to expect from us. The repair work is progressing nicely, and will likely be completed ahead of schedule in time for the high season.

While the closing of these resorts has been highly disruptive and unfortunate, I'm extremely pleased with what we have seen on the booking front. As of now, we haven't seen any material impact on bookings for Q1 at either resort, and have had no MICE groups cancel at Cap Cana. In fact, most guests were highly encouraged by the earlier-than-expected reopening of the resorts.

We estimate that the closures were an approximate $3 million negative hit to Q3 EBITDA and about 90 points drag on resort margins. We are anticipating a $13 million to $15 million impact to Q4 EBITDA.

I would like to remind everyone that we carry property and business interruption insurance, and have been working closely with our insurance providers to remedy the situation in a timely manner.

Turning to Jamaica, the recovery continued to progress in Jamaica with Q3 international passenger arrivals into Montego Bay Airport exceeding 2019 levels following the increase in flight capacity during the second quarter. Bookings have also remained strong for our Jamaica segment following the removal of Jamaica's Covid testing entry requirements in April of this year.

Jamaica represents the biggest opportunity within our portfolio, as ADR growth in the segment has lagged the impressive underlying growth exhibited in our other segments, as there is a lag between demand growth and the lift to ADR as higher-rated bookings mix in.

Finally, our resorts in Mexico, which have led the way during the post-pandemic recovery for Playa, had another strong quarter with our highest segment occupancy, as well as double-digit underlying year-over-year ADR growth.

Shifting to bookings, our focus on direct channels continues to pay off. And we are confident that Playa is 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 2022, 43.5% of Playa-managed room nights booked were booked direct, up 2.2 percentage points year-over-year, marking the first year-over-year increase since our occupancy recovered to over 50%.

During the third quarter of 2022, playaresorts.com accounted for approximately 13% of our total Playa-managed room night bookings, continuing to be a critical factor in our customer sourcing and ADR gains.

Taking a look at who is traveling, a little less than 40% of the Playa-managed room night stays in the quarter came from our direct channels, as our group and tour operator mix improved year-over-year and our OTA mix remained depressed.

Geographically, our U.S. and South American customer sourcing remains steady, while our European and Canadian business improved year-over-year. Given the changing state of travel restrictions, we estimate our Canadian customer mix is still only 2/3 recovered, and our Asian customer mix is only 25% recovered versus pre-pandemic levels for our owned and managed properties.

Our booking window of approximately 4 months was significantly longer than Q3 2019, as a result of the robust pacing figures we have been sharing with you in recent earnings calls.

Once again, I would like to thank all of our associates that have continued to deliver world-class service in the face of 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. We finished the quarter with a total cash balance of approximately $372 million as of September 30. We currently have no outstanding borrowings on our revolving credit facility, and our total outstanding interest-bearing debt is $1.1 billion.

Our net leverage on a trailing basis stands at approximately 3.2x, and we anticipate our cash CapEx spend for full year 2022 to be approximately $35 million for the year, with roughly $5 million being carried over from CapEx we didn't spend in 2021 as anticipated. The vast majority of our projected 2022 CapEx at this point is maintenance-related.

On the capital allocation front, as you may have seen, our Board of Directors reauthorized $100 million share repurchase program in September of 2022. Subsequently, as of October 31, we have repurchased approximately $21 million and roughly 3.64 million shares under this new authorization.

Turning our attention to MICE Group business, our 2022 net MICE group business on the books is approximately $48 million versus $49 million at the time of our last earnings call, and is well ahead of our final full year 2019 MICE revenue of roughly $32 million. About 20% of the $48 million is expected to stay with us in the fourth quarter.

Our pacing for 2023 has remained incredibly strong, with nearly $40 million already on the books, which is 27% higher than what we shared with you on our last earnings call. The return of this MICE business should provide a good base to help manage yields and drive improved profitability year-over-year, particularly to resorts in Cabo, Rose Hall and Cap Cana.

Moving on to the fundamentals. Excluding the impact from Hurricane Fiona, our third quarter results exceeded our expectations as a result of better-than-expected ADR and occupancy. With respect to the top line, occupancy came in slightly above our expectations, driven by close-in demand in Mexico. ADR also came in above our expectations, led by better-than-anticipated ADR gains in Jamaica and the Dominican Republic at both of our Playa-managed properties.

On the cost front, as Bruce mentioned, the teams have done an excellent job navigating the challenges of our current environment. Our resort margins were well ahead of Q3 2019 and 2018 levels, and again exceeded Q3 2021's record margins. This was a top line led margin gain, as cost pressures, mainly in food and beverage and utility costs, remained elevated. While these expense fluctuations have been challenging to manage, the year-over-year rate of change has stabilized, giving us a sense of hope to return to a more normal cost outlook.

I'd like to remind everyone of some factors that make comparing and analyzing our fundamentals versus 2018 and 2019 periods, difficult. First, as you recall, we closed on the Sagicor transaction in June of 2018. And as you know, while the Jamaican market has historically had higher ADRs on a like-for-like basis, the operating costs are higher and thus, had a lower-margin profile.

Second, the construction disruption we experienced in 2019 related to our Hilton conversions had their most pronounced impact during Q2 and Q3 of 2019. And the Dominican Republic experienced a slowdown related to perceived safety concerns beginning in June of 2019, which carried through to the rest of the year.

At the segment level, as Bruce mentioned, we experienced broad-based strength in the third quarter of 2022, excluding the impact of Hurricane Fiona. Jamaica began to close the price gap versus comparable resorts, and the recovery in Jamaica has the potential to be a meaningful contributor to EBITDA growth in 2023, as the relative ADR growth has lagged our other segments and historically comparable resorts.

Jamaica made nice headway during the third quarter, as evidenced by its [660]-basis point year-over-year resort margin improvement in the third quarter, as its relative ADR performance caught up despite ongoing operating expense inflation pressure.

Adjusting ADRs in Jamaica for the mix and impact of asset dispositions, like-for-like ADRs in Jamaica are still lagging comparable peers by roughly 10 percentage points to 20 percentage points.

With the tailwind of the strength in MICE segment and the removal of the Covid entry requirements, Jamaica will be particularly exciting for us to monitor in the coming months. As a reminder, Jamaica got off to a slower start in 2022 due to the Omicron variant having a disproportionate impact on the segment, given its Covid testing requirements at the time.

Looking at other segments, Yucatan Peninsula continued to deliver strong results with sequential occupancy improvement, and reported ADR gains of nearly 67% versus Q3 2019 or 44% adjusted for OTA commission changes and mix impact from asset dispositions. On a year-over-year basis, the Yucatan segment ADR increased just under 12% or roughly 9.5% adjusted for OTA commission changes.

These noncash commission changes also weighed on year-over-year Yucatan margins by approximately 60 basis points, as we're required to gross up both the revenue and the expense of the U.S. GAAP. But it should have a diminishing impact on reported results, as we continue to lap the implementation of the change and the recovery of the OTA channel mix in general.

Utilities and food and beverage remained headwinds on the cost front during the third quarter. But our Yucatan operations team has continued to execute at a high level with an underlying margin improvement year-over-year when adjusting for the timing of lumpy out-of-quarter of expenses, such as brand fees and the aforementioned noncash OTA commission impact.

The Pacific Coast had another fantastic quarter with underlying ADR gains of 75.5% versus 2019 or 16.5% year-over-year, leading to robust margin performance in spite of cost pressure. Similar to the Yucatan, the Pacific Coast Resort margins were impacted by roughly 70 basis points year-over-year as a result of the OTA commission adjustment.

In the Dominican Republic, the segment had an excellent start to the quarter, once again led by Ziva and Zilara Cap Cana. The disruption of resort closure in the third quarter related to Hurricane Fiona negatively impacted the DR segment by roughly 360 basis points of occupancy, approximately $6 of ADR and approximately $3 million of resort EBITDA. As Bruce mentioned, we are well underway with remediation efforts, and have already made excellent progress on the insurance claim process and expect to begin receiving payments very soon.

As we look to the fourth quarter and the upcoming high season, I continue to be excited about our potential based on how our book of business has been building. We are particularly encouraged by year-over-year ADR gains and revenue pacing, as we lap second half 2021's record performance. Bookings have remained strong with no signs of consumer weakness nor increased cancellations outside of those related to Hurricane Fiona.

Typically, we are approximately 95% booked for the fourth quarter at this time, and roughly 65% to 70% for the first quarter. So we feel pretty good about our visibility, but understanding it can change rather quickly.

Now for the fourth quarter of 2022, we expect owned-resort EBITDA to be between $48 million and $52 million, inclusive of the aforementioned $13 million to $15 million impact in the Dominican Republic from hurricane-related closures. To be clear, I'm referring to $48 million to $52 million of resort EBITDA before corporate expense.

We expect occupancy levels to be in the mid-60s on a reported basis, again inclusive of a high-single-digit percentage point impact from hurricane-related closures.

With respect to Q4 ADR, we expect high-single-digit to low-double-digit year-over-year ADR growth on a reported basis, which again is an acceleration versus Q3 in trend when compared to 2019.

As a reminder, in Q4 of 2021, we recorded a favorable VAT adjustment in accordance with OECD guidelines for transfer pricing. This adjustment is detailed in our Q4 2021 earnings release and related filings. But I wanted to call it out here, as it was a roughly 1 percentage point benefit to total company ADR, but had an outsized impact on reported results in Mexico, boosting Yucatan Q4 2021 ADR by roughly $8.50 and Pacific Coast ADR by $2.75.

It also had a positive 120-basis point impact on Yucatan resort margin, as well as a 50-basis point impact to total portfolio margins in Q4 of 2021.

We do not anticipate inflation to be materially different in the fourth quarter of 2022 as compared to the rest of the year. As a reminder, our cost experienced a step-up in inflation during the middle of 2021.

While we do expect to report year-over-year resort margin declines in the fourth quarter due to the impact of Hurricane Fiona, excluding that disruption, we still expect to hold or grow underlying resort margins year-over-year. Said differently, excluding the impact of the hurricane in the DR, we expect our other segment margins in total to be flat or up slightly year-over-year.

Finally, we also intend to take over management of our two third-party managed resorts in the Dominican Republic during the fourth quarter and very early in Q1 of next year, respectively.

Our Q4 owned-resort EBITDA guidance reflects a conservative impact from the transition of management at these resorts.

Although we're not giving guidance for 2023 today, I want to share some thoughts to help you with modeling as you think about next year. As I mentioned, we're currently pacing year-over-year for ADR gains of 10% or more in the first half of the year.

We'll be lapping Omicron during the first quarter, which impacted our Q1 2022 occupancy levels and ADR. We expect full year occupancy to be fairly similar to 2022, adjusting for extraneous factors.

We began experiencing higher cost inflation in food and beverage and utilities during the first quarter of 2022. And while the pressure has persisted, as we mentioned earlier, it's begun to level off, particularly in food and beverage. It has not proceeded to become meaningfully worse during 2022.

Our [results] are fully staffed with the exception of lags in Jamaica, and we have good visibility on wages and related growth.

And finally, we hope to receive insurance claim proceeds related to the impact of Hurricane Fiona on our resorts in sometime in Q4 of 2022 and in 2023.

I hope that framework helps guide you as you fine-tune your models, and gives you further insight on what we're seeing and expecting.

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

Bruce Wardinski: Great, thanks, Ryan. With the increasing uncertainty in the macro backdrop, we are diligently focused on the areas within our control and are carefully monitoring the landscape. Given our leisure focus, the most important factor for our success will be employment, as a major uptick in job losses or confidence could potentially derail the shift back to travel and services away from durables.

We continue to believe the price certainty and amazing value provided by Playa's all-inclusive resorts resonates extremely well with travelers, even in the face of an uncertain economic backdrop. We have a lot of momentum behind us as we enter the new year and high season. And I am hopeful that 2023 will build on the significant progress we made in 2022.

Finally, on the capital allocation front, while I respect the uncertainty in the world right now, I believe our stock is attractively valued, given our booked lead times, ability to adjust costs where appropriate and value of the underlying real estate. We will remain prudent and nimble to maintain flexibility based on the changing macroeconomic backdrop, but feel that at current valuations, share repurchases should be a continued consideration in the capital allocation discussion.

As Ryan mentioned, we have notified the manager of our third-party managed resorts of our intention to take over management of the resorts during the fourth quarter of 2022 and very early

Q1, respectively. But we have not decided on capital investment into the properties, as we carefully weigh uses of capital.

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). Chad Beynon with Macquarie.

Aaron Lee: This is Aaron on for Chad. Thanks for taking my question. Can you refresh us on how the competitive environment looks in your markets? I believe supply growth should be fairly muted in the coming years. But balancing that against some inroads the larger U.S. hotel companies are making in Mexico and the Caribbean, how do you see that playing out?

Ryan Hymel: Sure. Yes, I think you're right. Overall, as always happens in the lodging industry -- and our segment isn't unique in that -- when you get interest rates going up, the number of development slows down because most people are borrowing to do those kind of projects. So it's kind of a trade-off though because our segment is very, very strong, and I think the future is very bright.

And you alluded to the significant brand interest in the brands -- are entering. We think net-net, it's all a positive for us. So when it comes to branded all-inclusive, we've been doing it longer than anyone else. We're very well established and have a great reputation. And so we think there's opportunities for us to continue to grow in the branded all-inclusive segment. We're not going to see significant levels of new supply come in, and any supply that does come in, tends to be further and further away from the airports because just by definition, the land closer to the airports has been pretty much developed. So most of our properties are in incredible locations and so I think we benefit from that as well. So that's not overly a big concern.

I think the more focus of the brands and the awareness of kind of the loyalty, the customers and the loyalty programs to those brands of the all-inclusive segment will just benefit us more and more. So we don't view that as a negative; just the opposite, we view it as a very strong positive.

I don't know if that addresses your question, Aaron.

Aaron Lee: Yes, that's great, thank you. As a follow-up, I wanted to touch on the Dominican Republic, and I appreciate all the color you gave. Based on your experience, what could the overall medium-term impact be after the hurricane just in terms of systems, airports and any lingering customer concerns or perceptions?

Ryan Hymel: So overall, the fortunate thing here is this was a category one hurricane. The unfortunate thing for Playa is that the eye hit Cap Cana, okay, where we're located. So we got kind of a more significant impact than you would expect for that type of hurricane, and it lingered for about 4 hours right on top of our resort. So we felt the best thing to do was to shut down, as we said, because that resort, especially that and the Hilton Resort over in La Romana, are incredibly attractive resorts with very high customer satisfaction. And we're like the best thing to do is to shut them down, to fix them, and not try to drag out the repairs over an extended period of time and maintain the resorts open. So I think it was the right decision.

The good news is, as we said, we're reopening sooner. So we reopened the Hilton adult section already on the 1st of November. We'll reopen the adult section of Cap Cana on the 15th of November. So everything is moving full speed ahead. The airport never shut down, not for any time at all, and the overall market is incredibly strong. So there's no really lingering effects in our booking. As we highlighted for Q1 is not impacted at all. So I think things are going to be incredibly positive there. And honestly, the opportunity to fix things while there are no guests at the resorts really made it a -- these are going to be better resort from the standpoint of it was better to do it than if we had dragged it out while guests were there.

Aaron Lee: Got it. Thank you, that's perfect. Congrats on the quarter.

Operator: Smedes Rose with Citi.

Smedes Rose: I was just wondering -- you have a lot of good news that you shared. And I was just wondering maybe if you could talk a little bit about what you're seeing in bookings from customers from Europe. And kind as a reminder, which of your resorts maybe have a little bit more of the European-demand segment?

And I guess I'm just wondering because it does feel like -- at least consensus economics suggest that Europe is definitely either in, or will be in, a recession. And it just -- it sounds like you're not seeing anything, but maybe you could just talk about it a little bit more.

Ryan Hymel: Yes, as far as the guest segmentation, with the exception of Europe, Asia and Canada, at least through last quarter, all of our destinations essentially had been back to kind of pre-pandemic levels, obviously, with the U.S. being the strongest, and as a percentage of the overall pie, a bigger percentage than we've ever had. Europe has had its pockets, depending on the various things that have been happening over there, whether it's Eastern Europe or Western Europe throughout the last 12 months.

But as of this quarter, Europe, at least in total, as a percentage of our overall, was essentially in line with where it was pre-pandemic. Asia is still roughly 1/4 of where it was pre-pandemic and Canada is probably 2/3 of the way recovered. Just as a reference, Asia was 4% or less of our overall business pre-pandemic, and Canada was anywhere from 8% to 10%. So not all of our pockets are firing at all cylinders, but it's nice to see the return of Europe.

Specifically, Europe, as you can imagine, tends to travel a little more in the summer. And specifically, historically has been a bigger portion of our guest segmentation in the Dominican. For instance, our Hilton La Romana, when it was the [previous] brand, it was like 60%, 70% Europe from the summertime, and they come stay for 2, 3 weeks. The rest of our markets are a little more U.S.-centric or Latin American-centric. But Dominican has been a big hub for European travelers.

And then as far as -- yes, go ahead.

Smedes Rose: Well, I just wanted to ask you, the direct bookings continued to really improve. And I think just as a reminder, that's either through brand.com or through your Playa site, right? That's how you --

Ryan Hymel: Yes.

Smedes Rose: -- measure direct bookings. For every point that you're able to increase direct bookings, is there a way to kind of quantify that in a dollar amount (inaudible) from the other side, right?

Ryan Hymel: Yes, it really depends on what -- from where to where they're moving, right, and how they're booking and if you're potentially giving back some of that savings to kind of steal that customer. What we try to do in our earnings release -- excuse me -- in our presentation that we have on our Investor Relations website, we showed just like the general cost of acquiring a customer through each one of those channels.

So you can kind of make assumptions and say, okay, if I were to remove X much, X gross revenue from this channel to this channel, it would equate to X dollars of revenue and then you obviously make a kind of flow-through assumption on that. That should be pretty high, given the fact that there's really not a whole lot of associated costs associated with selling a room for more dollars and taking a bigger piece of that pie. But generally, it's kind of a broad assumption depending on how you're moving the customer.

Smedes Rose: Okay. Thank you. I appreciate it.

Ryan Hymel: And you did ask about just a little bit more. I don't want to ignore your question just on rates and recession. Like we said at this time, we're fully, fully aware of what's happening in the macro backdrop. And we monitor it daily, weekly and monthly, and have discussions at the property level in sales and marketing and how we would adjust or react if the consumers' propensity to spend would change.

But just given the book position and the data we've shared with you today, we're not seeing anything in the numbers, but we don't have our head in the sand. We're not completely ignoring the fact that there's a cadence out there in the world, but we will act accordingly if it shows. But that's why we've constantly tried to walk this fine line of delivering a guest experience, while continuing to push rate and margins, and make sure that we are set up to have the best possible chance to be sustainable in the event that the world starts to change.

Smedes Rose: Thank you.

Operator: Patrick Scholes with Truist Securities.

Patrick Scholes: I'm wondering if you could give us an update on the labor situations in your various markets, and what type of wage and benefit growth rates you have been seeing?

Ryan Hymel: Yes, so it depends on the type of staff and where they sit. The governments in Mexico and the Dominican have raised minimum wage either every year or every couple of years. When AMLO took office in Mexico, I think he's raised it three times since he's been in office. And those raises have been anywhere from 18% to 22%, but that only affects a portion of our overall line staff, and then a portion of that line staff's actual pay, right? For instance, our line staff has tips that are part of their salary from the rates that people pay, right, and that's not affected. The remainder of the line staff, and so essentially, 20%-ish to 25% of our line staff is subject to those minimum wage increases.

The remainder of the line staff is union, and again, you've heard me say this many times, it's not [Work World] Union; it's very different than the United States. They have unions purely to negotiate annual wage increases with the owners and operators of these properties. So that remainder of that staff has been anywhere mid-to-upper-single-digit increases roughly on a year-over-year basis. So this isn't out of the ordinary for us. It's something we deal with every single year, and we have fantastic relationships with all of our unions. So as you can see -- and we tried to highlight when we talked about the cost pressures that we've seen over the last couple of quarters, in the last 12 months -- it's been more on food and beverage and utilities, and not so much labor because labor has been fairly normal course for us, which is good so --

And I think as far as staffing levels and FTEs for guests, we're essentially staffed, and have been staffed back to pre-pandemic levels, for a while now. Jamaica, we've highlighted a few different times as being a bit of a laggard just given the fact that, one, that market lagged occupancy and things like that, but two, just the dynamic of the workforce there. There were some people leaving the destination altogether. And so we are in the process -- you're starting to see it in Q3 and Q4 -- in the process of kind of staffing up a little bit to make sure that we're not degradating any of our NPS scores in that destination. But as a whole, compared to what others have to deal with in other parts of the world than the United States, the labor story here for us is quite a good one.

Patrick Scholes: Okay, great, for the update. Thank you.

Operator: Tyler Batory with Oppenheimer.

Unidentified Analyst: This is Jonathan on for Tyler. First one for me -- the booking window continues to be tremendous. Any color or thoughts on the drivers of that expanded booking window and the sustainability there? And can you talk about the potential impact longer term to the business from this new elongated booking window?

Ryan Hymel: Yes, so as we kind of mentioned earlier, that long-gated booking window just allows us to be more nimble and thoughtful, as we look out in further quarters and see what's on the books and how the consumer is reacting. So in a kind of a downside scenario, it allows us to see things faster than other peers may be able to do so, and allows us to make decisions on what product offerings, staffing levels, things like that. I think the biggest driver is just the pacing here. As people are looking further and further out, I don't want to use the word "bargain shopping" because that's not what they're doing. But because the rates and the demand for our destinations has continued to grow, and more importantly, remain steady throughout this recovery, people are looking further out.

I think it was Bruce, either last quarter or the quarter before in his prepared remarks, said now going to the Yucatan or going to Mexico in August, it doesn't seem such a bad idea anymore, right? And I think we've essentially permanently reset the floor of our, quote, "low season," and in that distance between the high season and the low season, I think is contracting a little bit. So I think people are just looking further out. And particularly given in a world where there's more flexibility and work-life balance, or the ability to work from various locations, they can take trips at times where they may otherwise have not wanted to. So I think it's just a number of factors that have just added to the fact that people are booking further and further out.

Bruce Wardinski: Yes, and I'll just add to that. I think with the airlines, if you look at the airlines, everyone advises you the prices are going up; if you want to get a good deal, you better book early. So I think people are booking early. It's really changing kind of the psychology of the consumer. For us, for example, if you go back to the last two high seasons, a number of people, I can tell you anecdotally, couldn't get in during the times they wanted to get in because our demand was so high. So people are kind of learning from that, and they're behaving differently.

So they're booking further out, either as Ryan said, or like the airlines, to get kind of the best rate they can get, or to make sure that they get the time and the location that they want. So I think it's a positive trend for us in that people kind of changed their behavior. The last thing we want is that people think, oh, I can book at the last minute, and the nice thing is they don't feel that way.

Unidentified Analyst: That's great. Thank you for all the color there. And then switching gears, can you provide some color on the Wyndham Alltra brand, how it's progressing versus your expectations and other brands in the portfolio? And do you foresee that becoming a more meaningful brand in your portfolio in the future?

Ryan Hymel: I think what that -- and Bruce, feel free to chime in here, I'd say. I think that brand has given us a number of different things, not just on the two assets that we converted in our portfolio. I think when we announced that first entry for our two properties in that conversion, I think one of the biggest things we discussed is that there are a large number in our markets of kind of that 3-star, 3.5-star product in our markets. And so it offers kind of some nice white space for us to take over additional third-party contracts. There's a lot of owners that are thinking of switching to the franchise model and management through Playa.

So not only has it driven volume and some more incremental direct bookings at the assets we own; as you've seen from the recent announcements, we've announced a few new Wyndham Alltra products from our third-party management portfolio as well. So I think it's done a few things for us, and that relationship has been good.

Bruce Wardinski: Yes, I just echo everything Ryan said.

Unidentified Analyst: Very helpful. Thank you for all the color, guys. That's all for me.

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. Thank you, everybody. We appreciate the time. We're very happy with the third quarter results, and things are looking great for Q1 of 2023. And we're hoping to have another favorable report when we talk about the fourth quarter. Thanks so much for joining us today.

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