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PRESENTATION

Operator

Good morning, my name is Shenica and I will be your conference operator today. At this time, I would like to welcome everyone to the Playa Hotels & Resorts first quarter earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions) Now, please press star then the number one on your telephone keypad. If you would like to withdraw your question press the pound key. Thank you. I will now turn the call over to Ryan Hymel. Sir, you may begin.

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

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

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

Great. Thanks, Ryan. Good morning, everyone and thanks for joining us. We appreciate your continued interest in Playa. I'll begin today by giving some high-level thoughts on our operating environment reviewing several of our first quarter strategic accomplishments and addressing a few key areas of investor focus. I'll then turn the call over to Ryan to discuss our first quarter results and our 2019 outlook. And then, I will briefly touch on our strategy and capital allocation priorities before turning to the Q&A.

It has been two months since we last spoke, we are now just six short months away from the grand opening of our flagship 750 room Hyatt Ziva and Hyatt Zilara Cap Cana and the unveilings of our three newly remodeled and rebranded Hilton all-inclusive resorts comprising in total, more than 1,200 rooms. All of our projects remain on time, on budget and the level of customer engagement from both the Hyatt and Hilton systems is unprecedented in our history. Despite the unfavorable shift in the timing of Easter, low to mid-single digit supply growth in Mexico and a more modest pace of airport arrivals across our portfolio, the first quarter exceeded our expectations owing partially to better than expected property level margins, as the power of our all-inclusive business model allowed us to flex our cost structure in anticipation of a more difficult comparison created by the shift in Easter versus last year. Very importantly without impacting the guest experience or TripAdvisor ratings. The balance of the upside was driven by \$1 million and lower than expected, electric costs in Mexico, a shift in the timing of certain sales and marketing expenses from first quarter to second quarter and a small bonus accrual adjustment reflecting our commitment to align our executive management teams' incentives with the broader goals of our shareholders.



Ryan will get into the details in a bit, but just to highlight, we do expect the first quarter to represent the low point in RevPAR growth for the year as a result of a few factors. The negative shift in the timing of Easter, the fact that we won't lap the introduction of the lower RevPAR but higher RevPAR growth Sagico portfolio until June and really until third quarter for the sake of comparable metric calculations and finally, the inflection in Group business in Cabo as we move past the impact of the group cancellations that took place in late 2017. Behind the scenes, we're making great strides on our 2019 strategic plan focused on the four pillars of; one, organic growth plus three high return investment projects; two, asset light development deals; three, management contracts and four, share repurchases all with an eye toward a record 2020, which free cash flow per share will inflect meaningfully positive, as EBITDA step functions higher and leverage declines rapidly.

You have heard us talk about our growth drivers, but I'd like to take a moment to recap those which may be less visible than a standalone redevelopment project -- just as powerful from an incremental return on investment perspective.

They are the launch of our targeted upsell technology, our new yield management system, our travel agent portal, our book direct initiatives and the growth in our Group business. Our efforts to lower our customer acquisition cost and increase our levels of direct engagement and satisfaction continue to gain momentum. Our customer database has grown by more than 25% in the last year alone and 8.5% of rooms booked during the first quarter of 2019, came through our www.playaresorts.com website.

Up nearly 7 percentage points from 1.6% in the first quarter of 2018 with every month of the quarter showing sequential improvement. As a reminder, these reservations can carry a net customer acquisition cost more than 15% below a wholesale booking and the revamped website and new search engine optimization technology, were just launched last summer. So we expect to continue to see meaningful gains in our websites' capture, as we move through 2019.

In aggregate, during the first quarter of 2019, 30.7% Playa managed booked revenues were direct. Up 10 percentage points year-over-year and 60 basis points sequentially. We are confident that, we are on target with our five-year plan to increase consumer direct business to a goal of at least 50% by 2023. Partnering with globally recognized U.S. brands is key to driving the highest value guests at the lowest possible cost to our resorts by reducing customer acquisition costs, increasing our total addressable market, mitigating the impact of supply growth, and minimizing the negative effects of competition.

We currently have five large U.S. brand affiliated development and redevelopment projects underway and we have never been more confident that, they will drive above market rate growth, broaden our total addressable market and reduce customers' acquisition costs. Before we began our partnership with Hilton, toward the end of the third quarter of 2018, the Royal Playa del Carmen and the Dreams La Romana booked direct percentages were in the high single digits. In the first quarter of 2019, six months later and without the benefit of newly remodeled assets or full marketing support, our Hiltons are booking over 35% direct and we fully expect that number to continue to increase closer toward Hilton's system-wide average of 60% following their grand reopenings in November.

Our flagship Hyatts continue to increase their book direct percentage as well. With the percentage of rooms booked direct increasing from 21.4% in the first quarter of 2018 to 24.7% in this year's first quarter. As many of you are aware, Hyatt recently announced a target by 2021 of doubling its system-wide percentage of direct bookings from 38% in 2018 and we expect to be a beneficiary of that growth.

With the new 750 room flagship Hyatt Ziva and Hyatt Zilara Cap Cana opening in November, group bookings will continue to increase as a percentage of the overall business at our Hyatt portfolio. The Hyatt Ziva and Zilara Cap Cana is a very strategic resort for Playa. All inclusive resorts of this caliber with the meeting space to handle large incentive groups in a destination like Punta Cana should do incredibly well and it will serve to boost bookings at our other Group properties, the Hyatt Ziva Los Cabos, the Hyatt Ziva and Hyatt Zilara Rose Hall and to a certain extent, the Hyatt Ziva Cancun, as we will now be able to fulfill meeting planners three year rotation cycle all in-house, without them having to go outside our portfolio to provide the variety of destinations their clients seek.

Group bookings at the Hyatt Ziva and Zilara Cap Cana remain the strongest in our company's history with 3x the volume of confirmed business six months prior to opening and we had at our previous grand openings and 30% more Group business currently in the pipeline for all future periods than at the Hyatt Ziva Zilara Rose Hall, our second largest group hotel.

First quarter 2019 marked the low point for group business at the Hyatt Ziva Los Cabos, as we saw the last vestiges of the group cancellations relating to the spike in crime in the fall of 2017. The local government in Cabo took swift corrective action and as of the fall of 2018, bookings had returned to a normalized pace.

However, as a result of recent supply growth in the four and five star segment, coupled with aggressive introductory or trial pricing by the new entrants, we no longer expect 2020 to be a record year for Group business in Cabo. Ryan will provide additional details and context in his prepared remarks.

Despite the challenges in Cabo, we have almost 10% more MICE business on the books for 2019 overall than we did in 2018 and 2020s MICE business on the books at the end of the first quarter was roughly flat with 2019s level at the same point last year. As you may recall from our fourth quarter call, in early March, we began the soft rollout of a new end to end up-sell and rebook technology at selected resorts, which uses sophisticated algorithms to identify in real-time new revenue opportunities via the sale of ancillary items and additional room packages to offer to a particular guest, whether it's a suite upgrade, a late checkout, airport transportation or the ability to seamlessly rebook the guest next trip. Our goal is to delight our guests, increase loyalty and optimize profits by making the right offer to the right guest at the right time.

We are now live at five of our Cancun-based properties with the rooms upgrade component of the system. We started by extending offers to guest who are approaching their check in date and will steadily move back through the booking window. All implementation and operational procedures have been worked out and the customer experience is seamless. Since our initial outreach is on reservations within a month of their check-in date and because we are in our peak season, we aren't able to fill a large number of upgrade request at this point. But as we move further back through the booking window, our fulfillment rate should begin to increase.

So as you think about the future drivers of EBITDA and guest satisfaction that will come from the technology, are as follows. One, we will be able to accept more of the room upgrade bids as we move further back through the booking window and enter a seasonally slower period of the year. Two, we will be rolling the system out across the balance of the owned and managed portfolio in the next 60 to 90 days. Three, by the end of the third quarter, we will expand the advanced sales offerings to include tours, candlelight dinners, spa appointments, airport transfers et cetera. Ultimately, we expect these non-packaged revenues to be at least as large as the rooms upsell piece. And finally, because we launched the service and technology after the peak sales season, the growth we expect to see won't reach its estimated steady state until winter 2020.

During the first quarter, we launched the next evolution of the Playa Resorts website, which contains a travel agent portal on which travel agents can now make commissioned reservations directly on playaresorts.com without having to go through a tour and travel operator. This effectively removes an additional layer of cost that previously existed saving Playa roughly 7% to 9% in commission per booking while at the same time maintaining the economics for the travel agent on a basic booking and improving them in the case of upsells or pre-booked ancillary revenues. We are live with the ability to book hotel rooms on this portal and are in the process of negotiating a solution for bundling air and of course the ancillary services, we mentioned earlier.

To date, the bookings have been in line with our modest expectations as in our view, the real growth potential will be felt in late 2019 and 2020 during the high season. Once agents can book a commissionable end-to-end vacation inclusive of air, ground transportation, excursions, suites, exclusive dinners and luxury spa appointments.

Turning now to the rollout of our new yield management system. We have gone live with our first property and are starting to get recommendations on pricing and channel mix, we are still hopeful we can get roughly half of our portfolio on the system by year-end.

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



The final strategic step we took to create shareholder value during the quarter was the repurchase of just over 198,000 shares outstanding at an average price of \$7.68 per share or \$1.5 million. Between April 1 and May 2, we repurchased an additional almost 95,000 shares at an average price of \$7.83. Since December, we have purchased over 340,000 shares at an average price of \$7.58. The repurchase program affords us the opportunity to increase our ownership in our own portfolio of high quality assets through our shares, which in our view are trading well below intrinsic value, and is consistent with our strategic and capital deployment priorities to invest in undervalued assets in prime beachfront locations, where we can leverage our scale, expertise and brand partnerships to excite and delight our guests and improve shareholder returns.

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

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

Before I turn the call over to Ryan to discuss our first quarter results and our outlook in more detail, as well as an update on our balance sheet and capital allocation, I'd like to take a moment to address the topic that seems to get a disproportionate amount of investor attention these days.

How should we think about Playa's performance during a recession. To date, we haven't seen any signs of a U.S. or global recession in our current booking trends, and while I don't have a crystal ball, I wanted to share a few thoughts on the potential impact of a hypothetical recession that you might find helpful. Starting from the top down with supply and demand. On the demand side of the equation, we will have the company specific tailwind to meaningful EBITDA and free cash flow growth from the three Hilton conversions and the grand opening of our flagship Hyatt Ziva and Zilara Cap Cana. Looking at the supply in our markets. It's worth reminding everyone that less than 15% of the supply in our markets is U.S. brand affiliated and essentially none of that is all inclusive. Effectively, we represent the only option for Hyatt and Hilton's 100 million plus loyalty members to redeem their more than \$2 billion worth of accrued loyalty points for a totally free vacation as our point redemption opportunity is the only one that includes food, alcohol, kids club, childcare, entertainment taxes and resort fees which at some resorts can cost upwards of \$65 for what amounts to WiFi and towels.

Second, for those looking for price certainty in a low cost, high value vacation, an all-inclusive resort vacation represents a compelling opportunity for guests who aspire to spend less and vacation more. The all-inclusive model captures 100% of the value of an EP hotel or more, when ease and convenience are factored in, at a 25% to 35% discount over a comparable a la carte or EP vacation experience as we capture 100% of the F&B entertainment and kids club revenues for each and every guest, increasing capacity utilization, minimizing waste and creating a win-win for the guest, the owner, the brand and the manager.

Less than 10% of our room nights are business-related whereas the U.S. industry wide metrics you saw during the 2001, 2002 and the 2008-2009 recessions were primarily business travel-related. Travellers still want to take vacations with leisure travel and experiences being the last things to be cut during a downturn. Our resort experiences cannot be disintermediated away or substituted by video conferences, phone calls or day trips. Our high levels of capacity utilization and seasonality mean we have a better ability to manage costs, and extensive experience maximizing margins during slower periods, something we already do each and every year in our more seasonal markets. Even if we were to assume that 2020 were to look the same as 2019 from a cash flow standpoint, making the extreme and unrealistic assumption that none of the sidelined EBITDA from the Hilton conversions came back on line, Cap Cana generated 0 EBITDA and none of our organic growth initiatives bore fruit our free cash flow yield would still be in the high single-digit range next year, higher than the lodging C-Corp's average based on 2020 consensus estimates.

In 2019, the smaller size of our portfolio and EBITDA base worked against us, as we took meaningful EBITDA offline to launch a new all-inclusive partnership with Hilton, while at the same time, continuing to commit significant capital to our new flagship ground up Hyatt Ziva and Hyatt Zilara Cap Cana resort. In 2020, that dynamic will work in our favor. For most companies, a few projects wouldn't



move the needle. But for us, they are transformative in that they bring significant free cash flow yield online creating optionality and flexibility, unlocking numerous paths to enhancing shareholder returns.

Many have asked what our priorities will be for our free cash flow in 2020. While there are a number of factors that will ultimately influence that decision, including our pipeline of potential Hyatt and Hilton deals, our share price, the macroeconomic backdrop and its influence on tourism and travel and our outlook for fundamental performance in each of our regions, the keys here are optionality and flexibility. Current consensus estimates equate to a mid-teens free cash flow yield in 2020, which can be deployed to drive shareholder returns via renovations and remodels, acquisitions or at the very least, share repurchases, and debt reduction.

We are extremely bullish on our internal and external growth prospects, but as I've said many times before should our shares continue to trade well below our view of intrinsic value beginning in 2020, share repurchases alone have the power to be transformative for investors given the relative size of our free cash flow to our average daily trading volume and float, and the \$97.4 million outstanding on our share repurchase authorization.

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

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

Thank you, Bruce. Good morning, everyone. Before we dive into the numbers. I want to quickly highlight that an update to our investor deck and our first quarter supplemental deck are both posted to our website and include recent pictures of the transformations underway at the Hilton's and the new flagship Hyatt in Cap Cana.

Turning to the results. First quarter exceeded our expectations with EBITDA coming in at just under \$75 million, which is well above the midpoint of our implied guidance range. Most of the outperformance as Bruce mentioned came from. One, thoughtful for cost controls without damaging the guest experience in anticipation of the negative holiday shift. Two, \$1 million lower than forecasted electric expenses in Mexico. Three, the timing of certain sales and marketing expenses from Q1 and Q2. And lastly, a few favorable corporate expense adjustments related to the closeout of 2018.

Comparable net package RevPAR decreased just over 5% during the quarter on a 360 basis point decline in occupancy and a 1.3% decline in rate. As very much expected, top line pressures led to a 200 basis point contraction comparable resort level margins, however proactive and diligent oversight by our regional operations teams resulted in margins beating our internal forecast by 70 basis points.

Although the negative calendar shift drove the sizable year-over-year declines. We continue to see underlying rate pressures consistent with last year in the Yucatan and are seeing a modest uptick in competitive pressure in Cabo following the opening of a few new resorts in the market in the last six months to nine months, which is leading to slightly softer than expected results. For context, please note that Cabos represents just over 10% of our EBITDA currently and far less that after normalizing for the Hilton's and Cap Cana in 2020.

Yucatan comparable net package RevPAR declined just under 10% in the quarter on lower rates and occupancy as the negative effects of Easter shift, decelerating passenger arrivals and single-digit supply growth over the last 12 months impacted results. To be clear, we expect the trends to improve dramatically beginning in the second quarter as the Easter shift becomes a benefit and broadly speaking, our expectations for trends in the region have not changed. We still expect comparable RevPAR declines in the Yucatan to be in the low to mid-single digit range on a full year basis, which is consistent with what we said in the fourth quarter.

The new Panama Jack Cancun was the only resort to post positive comparable RevPAR growth during the quarter, and we still expect that the grand reopening of the Hilton Playa del Carmen in the fourth quarter of this year will ultimately serve as a catalyst for additional gains at the Panama Jack Playa del Carmen directly across the street, as the relative pricing gap between the two resorts will normalize post transformation, at the Hilton. Comparable owned resort EBITDA in the region, which reflects both Cancun and Playa del Carmen decreased \$4.5 million or 15% and that's inclusive of just under \$1 million of incremental insurance, energy, environmental taxes and minimum wage headwinds excluding those increases, comparable owned resort EBITDA in the Yucatan would have declined a more modest 11%.

On the Pacific Coast, net package RevPAR declined just under 9% over the comparable period, driven by a 2.3% decrease in ADR and 530 basis point decrease in occupancy. Owned resort EBITDA declined \$1.5 million or 11% over the prior year, owing, one, to the expected material decline in Group business, as noted on last quarter's call. Second, the recent opening of several resorts in the four and five star categories in the market. And three, roughly \$400,000 of increased insurance, energy, minimum wage, and environmental taxes.

Despite the steep decline in top line, proactive management by our regional team in Mexico, which you recall was realigned last fall - led to roughly 50 basis points of margin expansion on the Pacific Coast on an as reported basis. Excluding the increases in the non-controllables, EBITDA would have declined a more modest \$1.2 million, or roughly 8% and margin expansion of 200 basis points, a true testament to the strength of our operations team and [the power of] (added by the company after the call) our all-inclusive business model. Now turning to the Dominican Republic, where we believe market pressures in Mexico are leading to stronger demand on a comparable basis.

Comparable net package RevPAR increased 90 basis points on a 70 basis point decrease in occupancy and a 1.8% increase in ADR. Comparable owned resort EBITDA declined \$1 million, but that's before considering the fact, that we earned \$1.5 million in non-recurring business interruption that was booked in the first quarter of 2018. So excluding this business interruption of last year, EBITDA increased 4.3% which is an impressive accomplishment against net package RevPAR increase of less than 1%. Elsewhere in the Dominican, the Hilton conversion and beautification process is well underway and the demand from the Hilton customers continues to improve, even without the full benefits of the finished product, for example bookings made through Hilton's proprietary channels during the first quarter 2019 increased by 10.2 percentage points from the fourth quarter of 2018 and we fully expect that these percentages will continue to increase following the resorts' grand reopening in November of this year. There are some excellent updated renderings in our supplemental deck posted on our website and I encourage you all to take a look and book a trip. The remodeled resorts will be a showcase for what is possible and a testament to the power of the Playa and Hilton relationship.

Our performance in Jamaica was the highlight of the quarter, even though the blending of the lower RevPAR Sagicor portfolio makes it a bit more challenging to see, our flagship Hyatt Ziva and Zilara Rose Hall continues to post incredibly strong gains and impressive returns following the completion of its remodel in 2017. Comparable net package RevPAR at the Ziva and Zilara Rose Hall increased 5% and property level EBITDA increased an impressive 9.6% against last year's very difficult 42% growth comparison. The results at our Sagicor portfolio continue to exceed our expectations with property level EBITDA of over \$23 million since our acquisition in last June, and we are on pace to earn above our \$28 million of underwriting hurdle in our first full year of ownership.

As a reminder, because we didn't own the Sagicor portfolio in the first quarter last year. You cannot yet see the tremendous results and progress of our operations team. Based on the operating metrics we received from the seller prior to our acquisition, the first quarter of 2019 EBITDA is up 7.7% year-over-year across the Sagicor portfolio and is up just under 22% if you include the internalization of management fees, which were previously paid to a third party. First quarter RevPAR in the Sagicor portfolio increased 3.2%, non-packaged revenues increased 22% and margins have increased over 500 basis points. These improvements are a testament to the dedication, hard work of our operations team and the power of Playa's management platform.

For your models, it's worth noting that the Sagicor assets will not be included in the second quarter's comparable results but will be included beginning in the third quarter of this year, which should lead to accelerating comparable and as reported RevPAR growth in the region.

Now turning to the balance sheet. As of the end of the quarter, we had \$111 million of cash on hand and zero outstanding borrowings on our revolver. Our current ground up Hyatt Ziva and Zilara development Cap Cana and our Hilton conversions remain on time and on budget just as Bruce mentioned earlier. To date, we have spent \$170.4 million inclusive of land on our ground up Ziva, Zilara and Cap Cana and over the balance of 2019, we anticipate spending \$135 million in additional CapEx, which breaks out as follows. Approximately \$35 million to complete the two Hilton conversions, \$85 million to finish out the Ziva, Zilara and Cap Cana and \$10 million to \$15 million for maintenance CapEx.

Our forecasted use of cash does not include additional share repurchases as they depend on market conditions, and other factors and may be commenced or suspended from time to time, but we will of course update you all on that front each quarter. Based on these

assumptions, as you've heard us say before, our net leverage will peak briefly in the high 5s before the fourth quarter 2019 project openings and more importantly in the low 4s, if you adjust for the construction in progress at Cap Cana. We expect to very quickly delever in 2020 as these assets come back online and we think adjusting our leverage levels for the significant investments in our properties is quite appropriate. As a reminder, in March of 2018 prior to the Fed's first rate hike, we locked LIBOR at 2.85% on \$800 million of our debt, or roughly 80% through March of 2023.

Now turning our attention to our 2019 outlook, as you saw in our release, despite the solid beat in Q1 attributable to better cost controls, lower than forecasted electric expenses, some positive adjustments to corporate expense, and the timing of certain sales and marketing expense accruals, our full year 2019 guidance remains unchanged at \$165 million to \$175 million. Our forecasts are predicated on low single-digit airport arrivals on average across our portfolio; low single digit supply growth in Yucatan, limited supply growth in Jamaica, and the Dominican and a spike in high-end supply in Cabos, and similar weather conditions to last year.

A few things you may want to keep in mind as you work through your models, as you've heard us say a few times, comparable first quarter results were meaningfully impacted by the negative holiday shift in Easter. And on a combined basis, we expect that comparable RevPAR growth for the first half of the year to be flat to down in the low single digits, and we expect the back half of the year to be flat to up in the low single digits consistent with our prior full-year outlook. As we stated in our fourth quarter call, which calls for comparable RevPAR growth to be slightly positive to slightly negative.

The inflection from a slight decline to a slight increase is attributable to our mix of a comparable asset shifting away from Mexico and the Yucatan beginning in the third quarter as the Sagacor portfolio, which is performing well, rolls into the comparable base, as well as the roll off of the legacy 2017 group cancellations in Cabo which continue to impact the first half of this year. Additionally, as we exit peak season, enter the slower summer season, construction disruption or Hilton's will become much more impactful and the risk of weather-related headwinds like seaweed, hurricanes will arise and the percentage of our price conscious travelers will increase. Thus shortening the booking window and exacerbating the seasonally lower visibility period for a short time.

Despite the inevitable and well broadcast construction disruption that comes along with transformational renovations and rebranding of this magnitude, we fully believe that the over 25 percentage point increase in growth in Hilton sourced demand and direct bookings which are pacing well above our initial expectations bode extremely well for robust growth in 2020. With that, I'll turn it back over to Bruce for some closing remarks.

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

Great. Thanks, Ryan. So despite the unfavorable holiday shift, supply growth in a few key markets, and the last vestiges of group cancellations in Cabo, we exceeded the high end of our implied first quarter EBITDA outlook, primarily on higher property level margins as proactive changes by our new regional management teams and the power of our all-inclusive resort model enable us to better flex our property level cost during our peak season, more than offsetting the negative effects of the unfavourable shift in the timing of the Easter holiday, all while maintaining high levels of guest satisfaction at our resorts. In addition to the upside in results, behind the scenes, we've gone live with several new technology initiatives aimed at increasing the value, engagement and level of satisfaction we offer our guests and travel industry partners alike, while at the same time enhancing returns to our shareholders.

We capitalized on the dislocation in the market price of our shares relative to our view of their long-term intrinsic value to reinvest in our market-leading portfolio of easily accessible resorts and prime beachfront locations through our shares, while being prudent with our balance sheet. With the holiday shift now behind us, we expect demand patterns and results to return to more normalized trends in May and beyond and are reiterating our full-year outlook. We are just six short months away from the unveiling of our four U.S. brand affiliated flagship resorts which will attract new and repeat lower cost of acquisition guests while diversifying our cash flow streams and once again drive returns in excess of our cost of capital.

I couldn't be more excited to introduce our loyal and future guests to these new Hyatt and Hilton all-inclusive experiences. I believe the growth in our EBITDA combined with the diversification in our cash flow streams, the inflection in our free cash flow and subsequent

rapid deleveraging will be transformative for both our company and the price of our shares.

With that, we can now open up the line for questions.

QUESTIONS AND ANSWERS

Operator

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

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

Good morning, guys.

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

Hi Chris.

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

Hi Chris.

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

Hi, morning. Thanks for taking the questions. Can you guys maybe give us a little flavor for what some of the cost controls are that you were able to achieve, I guess mostly in Mexico during the first quarter and are those things sustainable in a lower RevPAR growth environment?

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

Sure. First of all, we've made this point before to people that throughout the year, it's very typical for us to adjust our costs. So you've got, you've got certain level of cost in the high season when there are high ADRs and then it's a little different in the summer time and then it's a little different again in the shoulder periods. So it's not unusual for us to do that and if you look back at prior downturns, economic downturns. We did the same thing. So when you have pressure, particularly in the Yucatan market, we are focused on doing things that have very minimal impact to the guest but behind the scenes, can lower our cost and it can be anything from staffing food and beverage offerings to just focusing on a lot of small details like everything matters at that point. And so it's just a combination of those things. Is it sustainable? Yeah, because we do it all the time. Our goal is always to have the highest ADR possible and be able to provide the highest level of customer experience. But when the ADR drops and there is some pressure, we can do that. I don't know, Ryan, if you wanted to add anything else.

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

Two other things, I would add are it's not just taking away staffing or closing things. There is actually some things they do that are incrementally positive to the guest experience. They offer more celebrations on the beach or cook outs and stuff like that, which the guests truly enjoy. But again, it's just all with an eye towards keeping them away from some of the a la carte restaurants because of the lower cost per guest food option. So there are things that you can do that aren't actually taking things away and actually improve the guest experience. And to answer the second part of your question, Chris. It is far more easy in the higher season when the sheer magnitude of revenue and RevPAR at your disposal, and that is why we are tempering the rest of the year a little bit that. Yeah. Can we still continue to adjust cost as we move throughout the year? Absolutely. But to the extent of some of the beats and the exceeding of our expectation in the first quarter, I wouldn't expect us to beat by as much on the cost side, as you move into the low season, particularly in Q3.

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

Okay, great. Great, great detail there. If we could maybe talk for a minute about Cap Cana. It's going to be a big group contributor for you guys, can you maybe share a few data points with us in terms of how your group book looks for next year and not to get real specific with numbers but how do you think that property -- what's the cadence of the ramp in in 2020?

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

Yeah. So as a reminder, Group business at Cap Cana is pacing roughly 300% above where our peers were at the same point prior to opening. And the Cap Cana asset group business pipeline is roughly 30% bigger than our current Rose Hall pipeline which up until now has been our best performing group hotel and again this is without the benefit of an asset for meeting planners to be able to tour. We've got sample rooms in great renderings, and as you see from the pictures online, they are moving incredibly quickly, but you still don't have a finished product with which to show. So that's pretty exciting. We have not changed in our assertion that this property on a stabilized basis should do a mid-teens to upper teens return on total invested capital, which should be roughly \$250 million, including land, all in. From a ramp perspective, the example I've given in the past as a guide, it's not certainly written in stone, but this asset should be similar I think in a ramp to our Ziva Cancun, which its first full year open was 2016. If you recall that asset opened at the tail end of 2015, just like Cap Cana, roughly today that asset is kind of roughly stabilized from an EBITDA perspective. And in the first full year that it was open, so kind of year one of three years. It did a little less than half of its stabilized EBITDA.

So hopefully that helps give you kind of a guide. Keep in mind that the major differences between this asset and the Ziva Cancun would be the markets. Punta Cana is incredible market, but the rates typically aren't as high as you would see in Cancun, that said because there's going to be such a large component of Group at this property, that does help the rates start to narrow the gap and it's 200 rooms larger than our Ziva Cancun. Does that help, Chris.

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

Yeah. That's helpful, Ryan, just, one last one for me. On the supply outlook in Cabo, do you guys think the worst of that is kind of past or what does the delivery pipeline look like for the next couple of years?

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

Yeah, I totally believe the worst is past. We have a little bit more coming, it's kind of a good news, bad news story. So the bad news is obviously there's more hotel rooms in that market and they are competitive with us, no matter what level they're at. The good news is that they are not all inclusive hotel rooms, they are at very high quality in ADRs, and there has been a corresponding increase in lift into the market.

So I think if you look at it from a longer-term perspective, I think it's relatively positive for us in our locations there, and I wouldn't be surprised, go out a little longer at some of those EP hotels could be potential conversions to all-inclusive for us in the future. So I would recommend all those owners who are out there, developing those resource today to think of Playa and give us a call.

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

Okay, very good, thanks, guys.

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

Thanks, Chris.

Operator

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

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

Hey, good morning. Thanks for taking my questions. I wanted to circle back a little bit to Mexico and Yucatan, could you talk a little bit more specifically about trends you're seeing on the ground there and Bruce, when you look out a little bit longer-term here, I mean what, in your mind needs to happen for some of the market's performance to improve.

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

Sure -- Tyler. Good to talk to you. I think when you look at the situation in the Yucatan, it's not unlike what happens overall in individual markets in the lodging industry. Right. I mean, you've seen that in New York City or other markets that got a significant amount of new supply coming in, and while the demand was going up, you just have a level of supply that just puts too much pressure on even growing demand. And I think that's the dynamic that that we're facing there, then you combine that with the negative media coverage some of

which is valid and most of which is not valid and certainly not relevant to tourist who are staying in the hotel zone or in resort areas. And then that puts a little more pressure on rates. So the combination of the supply and the external factors pushing pressure on rates causes a short-term profit squeeze. And like I said, it's very typical, as you're well aware of what happens to lodging industry every year in individual markets. So that's what we're facing and if you look forward, saying, okay, what do you need to do to kind of counter that, one is going to solve itself and that is a decrease in the amount of supply. So the developers who develop hotels in Mexico, just like developers anywhere in the world are economic animals driven by expected returns.

And if you get lower rates, some of those projects just won't pencil and we've already seen projects that were anticipated to open in 2019 or 2020 that are now being pushed out by one year or two years and we'll see if and when those projects actually come online. Additionally, you'll have existing owners who have made pretty good returns on their projects in the past, who may look at this as kind of an opportunity to exit not for any other reason than when downturns or pressure happens, a lot of people change their outlook. So I think from our standpoint, that's going to be a dynamic as well. And then the third part is, what needs to happen. The government, particularly the local government. I'm not relying on the federal government in Mexico to do it, but the local government in Cancun, Yucatan row needs to be much more proactive in addressing some of these issues. Similar to how the Los Cabos government behaved. And so, I mean, that really has to happen and we are seeing, the highest level of interaction between the Hotel Association, which includes management, the managers and the owners of hotels, resorts in the market. Fighting, pushing with the government and so let's keep our fingers crossed that some of that's going to bear fruit and when we get through 2019 into the next high season for 2020, that it's going to be improved hopefully, greatly improved. And right now, we're seeing a big decline in the perception issue, so I think we kind of hit the low point last year -- for the most part and there is some improvement and let's hope that trend continues as well.

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

Tyler, even if none of that changes, I mean, I don't have a Smith Travel Report to prove this to you, but our intelligence tells us that our branded assets continue to outperform. And one of our largest assets, an asset that has produced an immense amount of EBITDA for us over the last three years is fully under renovation and we'll be opening it at the end of this year. So even if nothing changes, we'll will be able to grab more market share and better RevPAR indices just through our branded properties and the continued conversion of our properties to more consumer direct. So that's our answer. Even in the face of nothing else changing.

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

Yeah and I think our strategy is working and I think it's going to work even better when the Hilton conversions reopen at the end of this year.

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

Okay, great, that's helpful. And then I wanted to switch gears to talk a little bit about Jamaica as well. Obviously, the result at the Rose Hall have been very, very strong. How much upside do you think you have left at that property?

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

Bruce, you can chime in, but I would say, I still think there is still quite a bit. We did an initial renovation, I think some people sometimes forget, we did an initial renovation, it opened in 2015. But if you recall, there were some long short some legacy rooms when it was the Ritz Carlton that we never completely re-did well throughout 2017 and it finished kind of in the fourth quarter of '17. In 2017 we rebalanced the as the imbalance prior to that created an artificial ceiling on our rates. And so you're seeing the fruits of those labor bare true in our results in '18 and already into '19. So I think it has more running room from there because it's not yet stabilized, but also it goes back to the analogy that Bruce always use is that our portfolio and our business is very much like a water balloon, and right now, I think in my opinion, the Caribbean is certainly benefiting from some of the headwinds and market pressures you're seeing in Mexico. And Bruce says that if you squeeze the water balloon, the business goes somewhere else. And because our portfolio today is very geographically diversified, it's getting more diverse on an earnings basis. But today, it's geographically diversified just purely for in its locations that also adds as well. So I think it's it's a double benefit for Jamaica right now. And then you're seeing the same thing with the Sagicor assets and other assets that we haven't spent any money on, that's purely organic growth and just putting in the Playa playbook.

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

And I completely agree with everything Ryan, said. And I'll give you just an anecdote. So I was at a meeting yesterday and there's a gentleman, very wealthy individual, who takes his extended family on vacation every year. And it's like 20, 30 people that he takes and he has been to our resorts, I believe, five or six times. And he started all of this in Jamaica, and he has been to Jamaica and Cancun, Los Cabos part of, and Puerto Vallarta.

This March, he went back to Jamaica, and he told me yesterday that the experience could not have been any better. He said, it was just incredible, how positive, and he did comment, he goes, again, I think of all my vacations, that was my most expensive. And I said, yeah, I said, well I hope it gets even more expensive in the future. And he said, oh it will be, because they all want to go back to Jamaica. So This is just one story, but to the point that I think there's a lot of rate potential. That's a great asset, it's a great market. And as Ryan said, we're benefiting from market pressures other locations, and people will go to where they want to go and the nice thing about being diversified is that we can benefit from all of those trends.

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

Great. And just last question for me. Bruce, any update to how you are thinking about potential asset light opportunities or management contracts?

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

I know people will probably think, this is a broken record, that Bruce just says, hey, we're working and we've got a great pipeline. The fact is, we're working and we've got a great pipeline. The focus as we've said, we're not going to commit any major capital this year. So what you're going to see has got to be in an asset light manner, and we are working on things.

Just, our business is very different than kind of a typical hotel world, where you have institutional owners, who can make, kind of quicker business decisions and they're accustomed to working between management agreements, and branding, and ownership schemes. In our world, when you're dealing with owner operators, this is part of their family, literally, and it takes a lot longer and it's a different kind of process.

Having said that, we have a lot of irons in the fire, and I think the second half of this year, you're going to see things that we'll be able to announce, and that will start to bear fruit going into 2020.

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

Okay, great. That's all from me. Thank you.

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

Thanks, Tyler.

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

Thanks.

Operator

Your next question comes from the line of Brian Dobson, of Instinet Nomura.

Brian H. Dobson *Nomura Securities Co. Ltd., Research Division - VP of Lodging REITs*

Hi, good morning. So I guess not to beat a dead horse, but just a quick follow-up on your 1Q cost control, to the extent that there were any costs that shifted out of the first quarter, is there anything that contributed to that beat that will reappear later in the year.

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

Yeah. Specifically, marketing, our sales and marketing team has budgets that kind of shift throughout the year and shift from hotel to hotel based on trends and market conditions just like any other hotel company. Some of the timing of the accruals led to some of the beat in the first quarter, but we are expecting there just shifting into second quarter and that they're not going away.

Brian H. Dobson Nomura Securities Co. Ltd., Research Division - VP of Lodging REITs

Okay, thanks, that's helpful. And then, you spoke about a rise in direct bookings at the major brands. Could you remind us about your margin sensitivity to higher direct bookings and were higher direct bookings contemplated in the longer-term outlook that you put out at your Analyst Day, or is that, would that be incremental, I guess to the firm's longer term trajectory.

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

Yeah, for the most part, it's slightly incremental, when you look at the Analyst Day, we still didn't have the Hilton announcement yet, so there is some more on the come there just purely because we hadn't rolled that through. But as we look out and we haven't given any firm 2020 or 2021 guidance or anything like that that kind of multiyear outlook was of course a scenario analysis that applied at that point in time. But obviously, as we look out when we build in projections for the Hilton's and Hyatt, there is some underlying assumption that we get more and more direct business, particularly in light of the fact that both companies, as all the brands are, are putting such a strong focus to get more and more direct customers and building their loyalty program.

So some of that is in there without all of it being baked in. As far as the margin sensitivity. Obviously, when you are shifting customers down the cost ladder that we call it from mid to upper 20%, commissions down to the low-single digits. That's just purely increasing your net revenue and other than just some franchise fees or management expenses that we we pay ourselves internally, it's almost all complete flow through to the bottom line. So as you know, there's very little variable expense associated with charging more for the same room. It's not like you have to add additional employees to turn the room over, or anything like that, so it's very high margin profitability when you continue to move people down, so we're trending in the right direction.

Brian H. Dobson Nomura Securities Co. Ltd., Research Division - VP of Lodging REITs

Okay, excellent. Thank you very much.

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

Thanks, Brian.

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

Thanks, Brian.

Operator

Your next question comes from the line of Patrick Scholes of SunTrust.

Charles Patrick Scholes SunTrust Robinson Humphrey, Inc., Research Division - Research Analyst

Hi, good morning.

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

Hi, Pat.

Charles Patrick Scholes SunTrust Robinson Humphrey, Inc., Research Division - Research Analyst

Couple of questions for you here. With the negative RevPAR results in Mexico, how much would you estimate that is supply-driven versus market conditions?

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

I think in Mexico, where we saw the bulk of the supply over the last couple of years was in Riviera Maya kind of Playa del Carmen. Within kind of greater Cancun, the hotel zone, there is really nowhere else to build, so they began building north of there. So, in my opinion, it has more to do with some of the market conditions, but to be clear, those market conditions are culmination of all of the things we've talked about previously, whether it's supply, whether it's perceived issues on crime, seaweed or just competitive rate discounting. So it's pretty hard to quantify that. Also keep in mind that there is a portion of that and in my opinion at least for this quarter, a large portion of that has to do with the timing of the Easter shift and the fact that it -- it is later this year, which is better for us on a long-term basis, but negatively impacts the first quarter.



Charles Patrick Scholes *SunTrust Robinson Humphrey, Inc., Research Division - Research Analyst*

Okay, thank you. And then one more question, are you seeing any demand changes especially out of the UK as it relates to travel for this quarter and next, I relate that to concerns about traveling during Brexit.

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

We have -- we have been monitoring that for an extended period of time obviously as the Brexit process has dragged on and on and on, and we have not seen any meaningful decline or increase. You know, it's kind of relatively stable business coming out of the UK.

We get quite a bit of UK in Jamaica, and obviously our Jamaica performance is really strong and it's not an insignificant percentage of our business there. So I think from our standpoint, UK is kind of alive and well. And we don't really anticipate anything negative there.

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

We saw that impact more back when it was originally announced.

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

And then there was another issue kind of unrelated to Brexit is there was the UK had a tax imposed on flying to a number of locations based on travel time and all. It was like a fuel tax related to the environment and that had a little bit of an impact but that was a couple of years ago now. So all in all, I'd say UK is doing well for us.

Charles Patrick Scholes *SunTrust Robinson Humphrey, Inc., Research Division - Research Analyst*

Okay, very good. Thank you.

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

Thanks, Patrick.

Operator

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

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

hi, good morning. I wanted just to ask a little bit about maybe some of your, how you're thinking about just longer term CapEx projects, obviously I know you shelved a lot of them besides the Hilton renovations and the current Hyatt construction that's underway, but at one point, you did have a deck with quite a few room renovations that you've talked about particularly in Cancun, trying to get done and fairly extensive opportunities at the Sagcor properties. Could you maybe just provide an update of how you're thinking about the timing of that and overall CapEx spend?

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

Sure. So obviously for 2019, we've made it crystal clear, we're focused on Cap Cana and the three Hilton conversions. And then to your point, we had other projects announced that we deferred out of 2019. Mostly though. I just want to kind of make a correction to what you said. They're really not room renovations, they are room additions for the most part. So the only kind of room renovation, but it has a significant room addition component to it especially from a value standpoint is the Hyatt Zilara Cancun. So if you look at that project, we've done a number of the aspects of that total project of the renovation. That includes the fitness facility, the Spa, the coffee shop, so we've done a bunch of work already at that project, we've done sample room.

So everything is kind of poised to complete that room renovation and that expansion in a very rapid standpoint. So hopefully, diminishing, any disruption as much as possible. That I think would be the #1 candidate to be done in 2020. Then in the next bucket of projects, would be. We have the land at the Hyatt Ziva Cancun, which would be just a rooms tower probably a high end product category. We have the land in Jamaica for Hyatt Ziva there in between our existing Hyatt Ziva Zilara and the Jewel Grande, given how well Jamaica is performing, I think that would be another high priority project. So those would be the next two priority projects then kind of going down in the next bucket would be as you mentioned, Jewel conversion slash, which could involve brand conversion/expansions of those properties. And then, the last one, it's our third-party managed contracts, which would be potential projects, brand conversions or

different opportunities in the future.

So that's how I would look at the priority, meaning that we will be prudent and as we stated in our prepared remarks. We've said to -- at other times, the big issue is depending on how our stock price performance and how the market reacts to it. If there are great higher ROIC projects we would love to execute them. But if the stock price is a better use of our free cash flow, which is going to be very significant, we're going to use the free cash flow to buy back shares. So it's either going to be to do our growth, which is sitting there, it's kind of, on a silver platter ready to go, or is to use the free cash flow, which again is going to be very significant extra to buy back shares -- or to reduce our leverage. So, I really think, we try to emphasize that we are going to be flexible in how we approach things going into next year and that's what we're going to do, but it's going to be a big change.

I mean, there's really going to be an inflection. We're going to have a major increase in EBITDA in 2020 over 2019 and that's going to flow down in large part to the bottom line. So we're really optimistic to grow, but we're also going to be very willing to buy back our stock, if that's the best use of our free cash.

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

Great, thanks. And then the other thing, I just wanted to ask you a little bit, you mentioned that Easter will help you in the second quarter -- I'm sure it will, but when Easter falls that later in your experience, Bruce. Does it have the same kind of positive impact? It just seems like, we've just seen from other lodging companies, which I know is probably sort of a different business cycle, but that the spring break kind of fell over multiple periods this year versus maybe being a little compressed when Easter is earlier, - have you seen that, or does it make a difference at all into the...

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

Yeah, it's definitely different in our business, and it's kind of funny because it's almost like Easter for us is the end of Easter and really it's kind of the week after Easter because some countries, go the week up and also week after. But that is just the end of our high season. And it doesn't matter whether it's the end of March or if it's the end of April. And the business just really changes after that point. And so having Easter fall on the 21st of April this year is really a positive for us. So that gives us three to four weeks more high season, than if it had occurred later later in March. And to your question, have we seen it before? Yes, we have seen it before. One other time in my experience, since I've been involved with this now and it's been 18 years. We had a late April Easter and it was a really big positive in that year. So we're going to benefit from the late Easter timing. And it's funny because I look at it, and I know, Easter all goes based on the first full moon after the Equinox, now, but I just wish, they could find a way to get it to the end of April for us all the time. So I'd like to lobby for that, but I probably will fail.

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

All right, thanks a lot. Appreciate it.

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

Okay, thank you, Smedes.

Operator

And our final question comes from the line of Greg Gibas at Northland Securities.

Greg Gibas

Good morning, guys. Thanks for taking my questions. First, now that we've seen supply growth in a few of your key markets, going forward, what markets do you expect to see the most supply growth in ?

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

I think, we're going to be back to a point of more normalized growth. So Los Cabos, we've talked about Cancun, the Yucatan just performed so well for so long. I think that's what attracted developers to go into that market. And I think now with kind of the softening there. I think, it's going to go back to more normalized, which it could be, maybe even below, in the next few years. The other markets, we're just seeing, typical growth and the good news is it's not easy to develop in kind of Caribbean Island locations. So while people will

announce deals, those deals often never occur or if they do occur, they occur years and years and years later.

So it's not like there's a lot of people who can go in and just get something put up really, really quickly. So from our standpoint, there may be individual areas where you see kind of a little above average supply growth. But I think for the most part, we're going to drop back into more normalized levels for the next few years from what we're seeing.

Greg Gibas

Okay. Good to hear. And then are you still in active discussions with potential other large hotel branding partners, now that you've had success with Hilton and Hyatt?

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

Right now, we're really focused on increasing our relationship with Hilton and Hyatt. We're always open to additional relationships, but I'd say, we have so much on our plate and we value the Hyatt and Hilton relationships so much that I'd really like to see them grow and us to be much, much more meaningful players within their organizations.

Those are big companies and we want to be meaningful to them and because and I've been in the hotel business now 32 years and I know that if you're meaningful to someone, you're going to get a lot more attention and that's where we want to be. So we never closed doors, we never burn bridges but I love the two relationships we have, and we want those to be much bigger relationships.

Greg Gibas

That makes sense and just last quick one for me. Regarding the redevelopment efforts -- sorry, the development and rebranding efforts that are expected to be complete in the fourth quarter. More specifically, when in the quarter are you expecting those to be completed?

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

I mean the Cap Cana asset is taking reservations for November 1, the others -- because they are not closed. They're taking reservations, people are staying at them now. We just got chunks of rooms closed down but they're supposed to be finished around the mid to late November, kind of right in line with what we've done at previous projects like I mentioned earlier, like the Ziva Cancun.

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

But I think to get a better feel, Greg, what you should do is you should absolutely book a Cap Cana for the week of November 1. And then the other ones, you pick which other one for December and you'll see for yourself how great they are and how well the projects turned out.

Greg Gibas

Will do. Thanks, guys.

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

All right, take care.

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

Thank you.

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

With that, we'd like to thank everybody for participating on our call today. We're incredibly bullish about the future for Playa. As we said, we are less than six months away from the opening of the Hyatt Ziva Zilara Cap Cana, it's going to be a game changer for our company and we're just looking for great success there as well as driving more and more business and particularly direct business at our Hilton conversions. So thank you all very much for participating on our call today.

Operator

This concludes today's conference call. You may now disconnect.

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