[PLYA] Playa Hotels and Resorts
Q1 2024 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:
Smedes Rose, Citi
Chad Beynon, Macquarie
Jonathan Jenkins, Oppenheimer
Gregory Miller, Truist Securities
Chris Woronka, Deutsche Bank

Presentation

Operator: Good day and welcome to the Playa Hotels & Resorts Q1 2024 Earnings Conference 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 would now like to turn the conference over to Ryan Hymel with the company. Please go ahead, sir.

Ryan Hymel: Thank you very much, [Seko]. Good morning, everyone, and welcome again to Playa Hotels & Resorts first quarter 2024 earnings conference call.

Before we begin, I'd like to remind participants that many of our comments today will be considered forward-looking statements, and are subject to numerous risks and uncertainties that may cause the company's actual results to differ materially from what has been communicated. Forward-looking statements made today are effective only as of today, and the company undertakes no obligation to update forward-looking statements.

For a discussion of some of the factors that could cause our actual results to differ, please review the Risk Factors section of our quarterly 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 will discuss on this call were included in yesterday's press release.

On today's call, Bruce Wardinski, Playa's Chairman and Chief Executive Officer, will provide comments on the first quarter demand trends and key operational highlights. I will then review our first quarter results and our outlook for 2024. Bruce will wrap up the call with some concluding remarks before we turn it over to Q&A.

With that, I'll turn the call over to Bruce.

Bruce Wardinski: Okay. Thanks, Ryan. Good morning, everyone, and thank you for joining us. Before we dive into our results, all commentary on comparable full year 2024 KPIs is synonymous with our legacy portfolio, as the Jewel Palm Beach was closed for a portion of Q1 2023, and the Jewel Punta Cana was sold during Q4 2023, and thus, would not be comparable for the full year metrics.

Our first quarter results exceeded our expectations, coming in well above the high end of our expected adjusted EBITDA range. Better-than-expected results were broad-based across our segments, driven by strong demand during the high season. Playa's owned resort EBITDA of $124 million in the first quarter of 2024 included a significant year-over-year foreign currency exchange headwind of approximately $4.8 million due to the appreciation of the Mexican peso, a benefit from business interruption insurance proceeds of approximately $400,000, and a modest EBITDA contribution from the Jewel Palm Beach Resort.

For Q1 2024, we estimate that FX headwinds were a negative 160-basis point impact on our reported owned resort EBITDA margin and 170 basis points drag on our legacy portfolio, which excludes the Jewel Resorts in the Dominican Republic.

Business interruption proceeds favorably impacted resort margins by approximately 10 basis points.

Adjusting for all of these factors, underlying owned resort EBITDA growth was up approximately 17% in the first quarter for the total portfolio and up approximately 11% for the comparable portfolio.

The strength in bookings that we began to see during the second half of 2023 carried into the first quarter, particularly into Mexico. But the demand was notable across our portfolio with all segments reporting positive year-over-year RevPAR growth, despite the difficult growth comparison from last year's first quarter and the headwind from the shift of the Easter holiday in 2024.

Our results in the Yucatan were once again quite exceptional on a currency-adjusted basis, with occupancy in line with the first quarter of 2019, but still trailing our 2018 peak and ADR growth of nearly 3% year-over-year.

Our operations team continued to execute at a high level in the Yucatan, delivering currency neutral-margin expansion of approximately 240 basis points year-over-year on mid-single-digit RevPAR growth.

As you may recall, following the realignment of key management personnel, we've been revisiting various processes, staffing models, and procurement practices since the second quarter of 2023. And the results of our efforts really began to show in the second half of 2023 as ADR growth moderated. As we've mentioned on previous earnings calls, the process improvements will be iterative, and we will continue increasing efficiency where possible to help offset the impacts of rising wages and inflation in various expense categories.

We believe we can hold FX neutral margin steady year-over-year in the Yucatan in 2024 on positive low-single-digit to mid-single-digit ADR growth, despite continuing underlying wage pressure.

In the Pacific, ADR growth was anticipated to be negative as a result of a large MICE group buyout at legacy rates from 2020. However, the buyout led to a record-high first quarter occupancy rate for the segment, resulting in year-over-year RevPAR growth of 6.2%. The strong revenue performance, combined with our cost control efforts, delivered 320 basis points of currency-neutral resource margin expansion year-over-year in the Pacific.

Additionally, we have decided to accelerate our renovation plans in the Pacific, and now expect the construction disruption impact on EBITDA to be at the high end of the previously-communicated range. We believe this is the best path forward to capitalize on the increased MICE demand we are seeing, and position our resort in Los Cabos for a strong high season in 2026 and beyond.

As a reminder, the Hyatt Ziva Los Cabos has not had any major renovation work done since the renovation that occurred following Hurricane Odile in 2014.

Turning to the D.R., we completed the sale of the Jewel Punta Cana in late December of 2023, and the Jewel Palm Beach was closed for a significant portion of Q1 2023, which we expect will lead to a meaningful year-over-year increase in EBITDA during 2024. Results in the segment were aided by the comparison from 2023, but the core comparable resorts also had a very strong quarter with double-digit RevPAR growth in mid-teens underlying EBITDA growth.

Finally, Jamaica had another solid quarter, with occupancy increasing year-over-year, reaching Q1 2019 levels and mid-single digit ADR growth, despite a significant headwind from lower MICE group mix year-over-year. The segment was off to a good start in 2024 with the U.S. State Department's Travel Advisory notice for Jamaica on January 23rd, has had a negative impact on the segment near term, as cancellations ticked up meaningfully thereafter.

Although the Travel Advisory doesn't pertain specifically to our resorts as much as the major metropolitan areas in other regions of the country, and the level of the Travel Advisory was unchanged from the prior advisory, the press coverage of this advisory notice was significantly greater than prior warnings.

Bookings in Jamaica saw a rapid improvement as we moved through February, giving us a sense of optimism that the impact would be fairly short-lived. But demand for the summer season did not continue to improve, leading to a significantly higher negative impact than we previously anticipated. The bulk of the impact experienced so far in Jamaica has been for Q2 and Q3, with revenue pacing down mid-teens, while our fourth quarter pacing is holding up much better with a low-single-digit decline.

Looking at demand as a whole, we saw steady demand through the quarter, and the pacing into the summer season remained strong outside of Jamaica. In aggregate, during the first quarter of

2024, 48.4% of Playa owned and managed transient revenues booked were booked direct [from] 300 basis points year-over-year. The decline was driven by fewer World of Hyatt redemption bookings, following a spike during the first quarter of 2023, ahead of a change in the conversion rate for point redemptions, which pulled forward quite a bit of demand.

During the first quarter of 2024, playaresorts.com accounted for approximately 11.3% of our total Playa owned and managed transient room night bookings, continuing to be a critical factor in our customer sourcing and ADR gains.

Taking a look at who is traveling, roughly 41.7% of the Playa owned and managed transient room nights stays in the quarter came from our direct channels. Geographically, the biggest change in our guest mix during the first quarter was our Canadian source guest mix, which increased 110 basis points year-over-year following several quarters of year-over-year declines. While this is encouraging, our Canadian guest book still has plenty of room to improve because it is only approximately two-thirds recovered versus pre-pandemic levels. Asian source guest mix improved modestly year-over-year, but remains the most depressed, as it is still only approximately 25% recovered versus pre-pandemic levels.

Our visibility remains a critical factor of our success, as our booking window was just over 3 months during the first quarter.

Finally, on the capital allocation front, we repurchased approximately $32.4 million worth of Playa stock during the first quarter, and an additional $17.4 million thus far in the second quarter, bringing our total repurchases since resuming our program in September 2022 to approximately $280 million or approximately 22% of the shares outstanding.

Once again, I would like to thank all of our associates, who have continued to deliver world-class service in the face of unexpected challenges and rising operating costs. Their unwavering passion and dedication to service from the heart, is what truly sets Playa apart.

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

Ryan Hymel: Thank you very much, Bruce. Again, before I begin all references to expense and margin, KPIs are on a currency-neutral basis, and also exclude business interruption proceeds unless otherwise stated.

As we mentioned, our first quarter results were well ahead of our expectations, as demand remained strong throughout the quarter. Healthy demand, easing pressure from food and beverage prices and our cost efficiency efforts led to reported margin expansion of 140 basis points year-over-year, which included a 160-basis point headwind from foreign exchange and a 10-basis point benefit from business interruption proceeds, as well as a 160-basis point tailwind from the 2 Jewel Resorts in the Dominican Republic.

So taken all together, underlying reported resort EBITDA margins increased 290 basis points year-over-year in the first quarter. Adjusting for FX and business interruption, our legacy portfolio delivered 140 basis points of resort margin expansion.

On the cost front, food and beverage costs continue to be favorable, as a result of lower input prices and cost efficiency efforts by our operations team. Labor costs were also favorable in the quarter, reflecting our efficiency measures, but wage inflation generally remains a headwind.

As Bruce mentioned, we are undertaking efforts to streamline and improve our procurement processes across the entire portfolio and take advantage of our scale. These efforts are really just beginning to bear fruit from the heavy lifting undertaken in 2023. And we expect the benefits to accelerate, as the company moves throughout 2024 and beyond, as our cost savings are averaging mid-single-digit to high single-digit improvements per category.

We estimate that we've only penetrated approximately 30% with potential procurement savings thus far, with half of the savings flowing through our costs during the fourth quarter of 2023. Underlying expense inflation has remained steady since our last update, with any changes in our margin expectations for the year resulting from higher construction disruption and deleveraging in Jamaica from weaker demand.

Turning to our MICE group business, our 2024 net MICE group business on the books is approximately $65 million, up roughly 12% compared to the same time last year. Our MICE business is much more balanced on a year-over-year basis compared to what we experienced during 2023, as 2023 lapped incredibly difficult MICE comparisons in the second half of the year.

Finally, turning to the balance sheet, we finished the quarter with a total cash balance of $285.3 million and total outstanding interest-bearing debt of approximately $1.09 billion. We currently have no outstanding borrowings on our $225 million revolving credit facility.

Our net leverage on a trailing basis stands at 2.8x, excluding lease capitalization. We anticipate our cash CapEx spend for full year 2024 to be approximately $110 million to $120 million for the year, partitioned out between approximately $40 million to $50 million for maintenance and other critical CapEx, and the remainder designated for ROI-oriented projects. This increase is largely due to the acceleration of the previously-discussed renovation at our Hyatt Ziva Los Cabos resort.

Also, as a reminder, effective April 15, 2023, we entered into two interest rate swaps to mitigate the floating interest rate risk in our term loan due 2029. We entered into a 2 and 3-year contract, both of which have a fixed notional amount of $275 million and carry a fixed SOFR rate of 4.05% and 3.71% respectively.

Separately, we've implemented foreign exchange hedges on approximately half of our Mexican peso exposure for 2024, which should greatly reduce the volatility of the impact of our reported EBITDA this year. Based on the exchange rates at the time we entered into the FX forwards, we estimate the full year 2024 EBITDA impact from the Mexican peso year-over-year to be approximately $7 million to $10 million, which is slightly better than our previous outlook of $7 million to $11 million. Nearly 75% of the impact is expected to be in Q1 2024, and nearly 100% of it in the first half of the year based on current spot rates.

In the capital allocation front, as Bruce mentioned, we repurchased an additional 32.5 million of stock during the first quarter, an additional 17.5 thus far in Q2 2024. Since we began repurchasing shares last September, we've purchased over 36.6 million shares or approximately 22% of our shares outstanding at the time. We still have over $145 million remaining on our existing repurchase authorization.

With our leverage ratios at or near 3x, the anticipated free cash flow generation of the business and the attractive valuation of our stock, we believe repurchasing shares is still a very compelling use of capital, and intend to use our discretionary capital to repurchase shares going forward depending on market conditions.

Now turning our attention to our outlook for 2024, first, I'd like to remind everyone of the unique items affecting comparability of our financials, compared to 2023 before we dive into the outlook. First with foreign exchange, as a reminder, the depreciation of the Mexican peso had a $24.5 million impact on adjusted EBITDA in 2023.

Business interruption, as a reminder, in 2023, we recognized $6.1 million of BI proceeds, with $4.3 million of that coming in the second quarter of 2023 and approximately $900,000 in Q3 and Q4, respectively.

The DR Jewels, they recorded an EBITDA loss of approximately $15 million in 2023, and negatively impacted owned resort margins by approximately 280 basis points. Roughly a third of their loss occurred during the first quarter of 2023, as the Jewel Palm Beach, as a reminder, was closed for the majority of the quarter.

So with all that in mind, looking forward, we continue to expect full year 2024 adjusted EBITDA to be between $250 million to $275 million, which includes the following key considerations and inputs. We expect occupancy to be up low-single-digit percentage points for the total portfolio, and down modestly for the legacy portfolio. This change reflects the travel advisory having a continuing negative impact on demand into Jamaica.

We expect ADR growth of mid-single-digits for the total portfolio and low-single-digits for the comparable legacy portfolio. The driving force of the delta between the two is a positive 360-basis point impact from removing the lower ADR room night mix from the Jewel Punta Cana that we sold last year, and partially offset by the ramping occupancy at the Jewel Palm Beach Resort.

We expect a RevPAR growth of high-single-digit to low-double-digit for the total portfolio and low-single-digit for the legacy portfolio.

We estimate that the disposition of the Jewel Punta Cana resort and ramping occupancy at the Jewel Palm Beach resorts contributes approximately 900 basis points to 2024 RevPAR, with the vast majority of that contribution being the result of disposing the Jewel Punta Cana resort last year, and only a modest contribution to RevPAR from the Jewel Palm Beach resort as improving occupancy was partially offset by the negative mix of Palm Beach's ADR.

We still expect foreign exchange headwinds, as we mentioned, of approximately $7 million to $10 million year-over-year based on current exchange rates and net of any FX forwards. As Bruce mentioned, we expect construction disruption impact of high-single-digit dollars of EBITDA in the Pacific at the Hyatt Zilara Cancun.

And inflation, as we've mentioned several times on the call, we've been diligently working to improve our efficiency. And we believe we've lowered our margin leverage hurdle to approximately 4% ADR rate growth to hold margins flat on a currency and business interruption-adjusted basis. We expect a modest net negative impact from annualizing corporate expense increases from 2023, partially offset from higher and growing fee income.

With respect to the cadence of our profitability, we expect the first quarter to show the most robust profit in the year, given the Q1 2023 comparison, which included a $5 million loss at the DR Jewels.

The drag from construction disruption and a weaker demand in Jamaica are likely most pronounced in the second and third quarter, and hopefully, improve somewhat in the fourth quarter.

But now turning our attention to the second quarter, we expect reported occupancy to be in the low-70% and reported package ADR to increase mid-single-digit percentage on a year-over-year basis.

We expect owned resort EBITDA margins to decline significantly year-over-year, given the $4.3 million of business interruption proceeds recorded in Q2 of last year, which was a positive 180-basis point impact to the comparison period, and continuing foreign exchange headwinds in Mexico, which are expected to negatively impact margins by approximately 80 to 100 basis points.

All together, we expect Q2 owned resort EBITDA $67 million to $72 million; the Playa collection and management fee income of $2 million to $3 million; corporate expense of roughly $15 million to $16 million, which includes a negative FX impact; finally, adjusted EBITDA of $54 million to $59 million. Given our booking window, we're currently 90% booked for the second quarter.

We hope all that frame-up helps guide you as you fine-tune your models, and gives further insight in 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. So the year is off to a good start with solid top line growth, despite the setback in Jamaica from the Travel Advisory and lapping difficult comparisons from 2023. We remain focused on the areas within our control, such as our expense efficiency efforts and ongoing portfolio optimization.

With respect to the portfolio, our Hyatt Ziva Los Cabos was among the first of our resorts to undergo a significant remodel, following Hurricane Odile nearly 10 years ago. While the resort has performed extremely well, we expect our current renovation will significantly improve its competitive positioning in this key market.

Our other successful early Hyatt renovations and conversions are also approaching the point in their lifecycles for a refresh in the coming years, namely, Hyatt Zilara Cancun, Hyatt Ziva and Zilara Rose Hall. We are targeting these resorts for renovations next year, funded by the recycling of capital from noncore asset dispositions. Given the nature of the work involved in the specific footprints of these resorts, we expect the disruption to be greater than what we have recently experienced in the Pacific, which was done over multiple years.

We will be back with more information on these projects later this year, but I am incredibly optimistic about the potential for our Hyatt Zilara Cancun, as this resort sits on a prime piece of real estate and has performed well, given the limited direct supply growth. The renovation of this resort has the potential to add significant value to the portfolio.

Our Hyatt Ziva and Zilara Rose Hall have been significant drivers of EBITDA since the completion of their conversions in 2016, and have a large, established position in the MICE segment. These resorts in a key market with limited supply growth in close proximity to the airport in Montego Bay also have the potential to drive meaningful value for years to come.

In addition, we will consider room tower additions adjacent to our existing resorts, which should generate meaningful returns on capital, and drive incremental EBITDA, but that is not a high probability near-term endeavor for us. With our ROI projects largely funded with recycled capital, we will continue to redeploy the significant free cash flow we generate into share repurchases and maintaining our market-leading assets, setting us up for success beyond 2024.

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

Questions and Answers

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions). Smedes Rose with Citi.

Smedes Rose: First, Bruce, I guess I just was interested if you could talk a little bit more about what sounds like waning demand into Jamaica. And then just kind of wondering, since there's warnings that sort of have been out for a while, like why do you think they're having a larger impact in the second quarter? And is it really more sort of corporate groups that are switching out, so you're having to sort of backfill with more transient, or maybe just sort of talk about sort of the trends there and why you think they're playing out this way.

Bruce Wardinski: No, no, it's a great question, Smedes. From our standpoint, we can't really answer that. We have a very strong booking window, and we see that the weakness is kind of broad-based, so it's not just on the group side. It's across the transient as well. If you look at the quarter, I would say the two things that kind of jumped out to me was, number one, just the strength of demand, right, particularly in the high season, but also just the overall strength of demand. And we're seeing it through the rest of this year.

And the other one is the concern people had about ADRs and the fact that we're not seeing any issue with ADRs, and so they're more than sustainable. And it's what we've always said about the price-value relationship, and value is just kind of in the eye of the holder. It's still, in my opinion, relatively cheap and a great value proposition for people to go. So when you look at Jamaica, it really stands out from the standpoint that we have this very strong demand, and we're getting good rates, and why it's so significant, I really don't know.

I've been in very close contact with Adam Stewart, who's the head of Sandals, and we intend to push the government do something. Quite honestly, the government has really been asleep at the switch, and has not done anything proactive to address the situation. Sandals has a much higher concentration in the country than even we do. So we're going to be pushing to see what we can do.

Fortunately, what we see for the fourth quarter doesn't look as bad as Q2 and Q3, so that's good news. And I think again, it shows the resiliency of our business, particularly in the high season, where we generate so much of our EBITDA. But we need to address this issue short term, and we're not just sitting idly by. We're trying to do all kinds of initiatives and push it, but it doesn't make sense. One of the things, for example, is the areas covered under the Travel Advisory are really nowhere near Montego Bay and the resort zone.

So if you look at where we are located, which is on the north side of the island, a completely kind of resort corridor, there's not really any significant issue. It's on the other side of the island, the south side of the island, primarily, and there's a big mountain range in between. So we're going to trying to communicate some of that and hopefully, drive some additional business, but we're at a loss for why it's so significant.

Smedes Rose: Okay. And then I just wanted to follow-up, if I could, just on something you mentioned sort of at the end of your remarks about the Hyatt Ziva and Zilara in Cancun going under renovation next year. I don't know if you can provide this, but I would imagine that's one of your bigger sort of EBITDA-generators across the portfolio. Can you maybe just speak to -- well, I don't know if you can provide what percentage it is, that would be great.

But can you just speak to how you were going to manage the EBITDA coming out of that asset, and in balancing it against the need for renovation? And I think you've talked about a new boom tower there in the past.

Ryan Hymel: Yes, so to be clear, we are only talking about the Zilara Cancun at this point. We are not referring to any renovation at this point for next year for Ziva Cancun. We're still going through a lot of these plans internally and going through scope. And that's why Bruce mentioned we'll be back with more information.

But what we're specifically talking about is the potential need to target the Zilara in Cancun, which is about a 300-room property, and the Ziva and Zilara Hyatt in Rose Hall. So the Zilara, rough figures has been roughly at high-teens, almost $20 million EBITDA contributor, for our overall portfolio, adjusting for FX. And so it's a good EBITDA contributor, just given the number of rooms. But as you recall, that property was essentially -- I think I've done this before on a call -- I'm using air quotes right now, you can't see me -- but it was converted to a Hyatt in 2013 when we recapped the company.

And since then, we've done some things to the ancillary services, like we've renovated the spa, we've renovated the gym. We done some things to coffee shops and restaurants, but generally, the rooms have just been repainted and have not been touched since we took over the property more than 10 years ago. And it's essentially lived under the umbrella of the Ziva Cancun up the street. So just given its proximity to the airport, the location in the prime real estate spot in all the -- in the hotel zone in Cancun, it's overdue, quite frankly, for a renovation. And so again, scope and timing will come later this year.

But in the past, we have discussed potentially running it through high season or effectively Easter, and then potentially closing the property down for the remainder of the year to contain any lost EBITDA for the last, call it, 8 to 9 months of the year, and reopening in time for the high season. Again, more information to come there, but that's generally the plan we've discussed in the past.

Bruce Wardinski: And let me just add to that just kind of the strategic rationale. So like Ryan said, it's been over 10 years we haven't done a rooms renovation, so just from normal course, you would do that. But I think the opportunity here in Zilara Cancun is even more significant.

When we acquired that back in 2013, the rates that were being obtained for that type of resort in Cancun were good, but not kind of at the exceptional level that we're seeing, for example, with our newer properties like Hyatt Ziva, Zilara Cap Cana and even Los Cabos. So I look at Cancun being the number-one all-inclusive market and the high level of demand.

And the fact is that we have a relatively limited number of rooms at Hyatt Zilara Cancun. So that demand profile is incredibly strong already. And then you have the ability to put an exceptional product there on, as Ryan described, probably the best kind of beach in the hotel zone in (inaudible). I just think we really have a great opportunity so it shouldn't be passed. This isn't just a renovation. This is absolutely an incredible resetting of the floor, okay, for Zilara Cancun.

Smedes Rose: Great, thank you. Appreciate it.

Operator: Chad Beynon with Macquarie.

Chad Beynon: Bruce, I wanted to ask kind of a two-parter on Jamaica. One, can you just frame out -- I'm not sure if you mentioned this in the prepared remarks -- but what spring break or kind of the lead-up to Easter in Q1, maybe just March in general, looked like versus prior-year period, was there an impact?

And then secondly, on the look forward in Jamaica, is your approach to hold ADR, and not fill the rooms with locals? I know in the past, there was some good demand. Could you just kind of help us think about what will be locals versus tourists in your model right now?

Bruce Wardinski: Sure, sure. And I'll just kind of address the second part, and then I'll pass it over to Ryan. He can give you more kind of on the first quarter and the EBITDA impact and Easter. But our strategy absolutely is to hold ADR. Since we came out of the pandemic, we have been very focused on that. And we don't believe there's anything kind of permanent or even longer term from this situation in Jamaica. We need to deal with it. But whenever you kind of reset your rate structure, I think it's a very slippery slope and it's challenging to kind of regain where you were.

And especially in a hotel like this, which is such a big MICE contributor, that's something we don't envision doing. We have a high-quality resort. We're going to maintain the high quality of that resort, and ADR kind of discipline is critical to that. Then I'll pass it over to Ryan.

Ryan Hymel: And then Chad, to be clear, your question is around the impact to March from the travel warning or (inaudible)?

Chad Beynon: I guess maybe if you could think about like spring break this year versus spring break last year. It doesn't sound like March was impacted, but I know it's not a same-store, same-week comparable.

Ryan Hymel: Yes, correct. For us, the fact that Easter, the Semana Santa week was within March, it certainly helps a little bit for Q1, but it certainly hurts April. For us, Easter week, particularly in the Mexican or the Spanish-speaking countries, kind of marks the unofficial end of our high season. So the further out it goes, the better. So next year, when it's in, I think, the second or third week of April, it's the definitive positive to Q2, and just generally, is a definitive positive to Playa because it elongates the high season. So for us, it was kind of a minimal impact to Q1 on the positive side, but it definitely hurts Q2.

Chad Beynon: Okay. Thanks. And then lastly, any update in terms of Jewel Palm Beach, how you're thinking about hanging on to this property, marketing it, divesting it? What's the M&A market like out there?

Ryan Hymel: Yes, no, we are actively marketing the property. And we're hopeful to be able to announce something in the near future, but we are actively marketing the property.

Chad Beynon: Okay. Thank you both. Appreciate it.

Operator: Thank you. Tyler Batory with Oppenheimer.

Jonathan Jenkins: This is Jonathan on for Tyler. Maybe following up on Jamaica, and understanding the dust hasn't fully settled yet, but can you talk about the disruption there and how it compares maybe to past travel advisories or interruptions you've seen over the years?

Ryan Hymel: Yes, it's funny that you ask that. Thanks for the question. So it's been a substantial swing, mostly concentrated as where we sit today in Q2 and Q3. And it's actually as far as the impact in the swing for what we were expecting for Q2 RevPAR prior -- at the beginning of the year versus where we sit today, it's actually almost right on par with some issues we had in late 2019 with some crummy news cycles that came out in the DR.

If you just look at a full year basis and kind of put some numbers around it, just using round figures, we were expecting the Jamaica segment to be up low-single-digit RevPAR. Now based on where we sit today, it's expected to be down mid-single-digits. So that's a high-single-digit to potentially double-digit RevPAR swing in a few months here.

So it's certainly, as Bruce mentioned earlier, I won't recast it all, a lot worse than we thought. And again, it's not that there's just an increasing number of cancellations; it more so it has to do with demand. What we're picking up on a daily basis is below traditional trend lines from what we've expected beginning of this year, or what we were able to experience last year. So the marketing team has done a number of different sales blitzes and tactics that have a nice impact for a couple of days, then demand falls back off again.

They target some -- one of the questions Smedes asked earlier, they targeted some -- a lot of local groups as well, who obviously, wouldn't be worried about a travel advisory, and also Canadians as well. So we've seen peaks and valleys, but just generally, we're just below a traditional trend line from a booking basis. So the summer is essentially shot, and as Bruce mentioned, [forward] looks okay, but we'll have to see how that works throughout the rest of summer, given our booking window is around 100 days.

Jonathan Jenkins: Okay. Very helpful, Ryan. And then maybe following up on that booking window discussion, can you talk about the booking window for that MICE group business in Jamaica? Just trying to get a sense of maybe potential implications for 2025 from this near-term headwind.

Ryan Hymel: Yes, so they traditionally book at least at the absolute shortest, maybe 9 months out; but it's traditionally 12 to 18 months. So it certainly would have a potential impact on 2025. Again, not going into much detail yet, but as also Bruce mentioned, those potential plans to look at also renovating the Jamaica asset as well, which would have an impact. But that's our traditional booking window has, the last couple of months, been around 90 to 100 days with the exception of MICE, that books further out.

Jonathan Jenkins: Okay, very good. And a last one for me if I could, maybe on the relationship with Hyatt. Any updated thoughts on that relationship? And kind of what percentage of Hyatt stays are redemption stays?

Bruce Wardinski: Yes, so traditionally, our Hyatt redemptions have been around low-to-mid-single-digits as a percentage of the overall business we get from Hyatt. But the relationship has been good. We've had the benefit of having all of these Hyatts having been converted now for over 10 years now; they're well known in the system, they're well known in the markets. And the NPS scores speak for themselves, and a lot of that has to do with the operations teams at the resorts that are obviously run by us, but also just the Hyatt customers are higher-paying, discerning customers. So it's been a really nice marriage between the two.

And obviously, they bought Apple Leisure Group a few years ago and they're kind of still working through that, but our relationship is still very, very good and I think mutually beneficial to both.

Ryan Hymel: It's been a great 11 years with Hyatt, and jointly, we really developed the Hyatt Ziva and Hyatt Zilara brands. And I think the exceptional performance of our teams in all three of our countries that we operate in, is just a testament to the strength of our operations, and then the fantastic properties that we own and operate, as well as the great affiliation with Hyatt.

Jonathan Jenkins: Okay, excellent. Thank you for all the detail. That's all for me.

Operator: Gregory Miller with Truist Securities.

Gregory Miller: I'm on for Patrick Scoles. The first question I have relates to the CapEx plans for Los Cabos, and if you're willing to share beyond that for 2025, could you share what your current high-level cash-on-cash return expectations are for your CapEx work?

Ryan Hymel: So in Cabos -- and this is definitely more defensive in nature. We don't talk about the two resorts in the Pacific as much because there's really just two, but they generated nearly $60 million of resort EBITDA in 2023, and Los Cabos is a substantial portion of our MICE business. I say it all the time, so I kind of sound like a broken record, but that hotel has punched above its weight for a number of years now, considering that, as Bruce mentioned, we have not done quite a bit.

We've not done any real renovation of that property, particularly in one of the older towers, since the hurricane. It's doubled its EBITDAs from 2019 to 2023, and again, large in part due to the MICE business. And so we want to continue to ensure that we capture that share of that booming MICE business for many, many years to come. So I can tell you the sales and marketing teams internally are happy about the things we are targeting, particularly one of the older towers, some of the meeting space, adding a new gym.

It's attacking the things that have ailed us at that property, and prohibited us from kind of pushing rates or potentially losing business to other newer properties that have come in over the last couple of years. So no explicit cash-on-cash returns on that because it's something that just needed to be done to protect the value of that real estate, and give us a chance to capture that market even further.

Bruce Wardinski: (Inaudible) expanding some of the meeting facilities like the pre-function area at the ballroom and different things are going to make us more attractive to a large segment of groups. And so as Ryan said, the MICE business there is really important and has been really successful. I think the things we're doing are just really positioning us to continue to maintain a really strong MICE business going forward.

Gregory Miller: Okay, thanks. Appreciate it. So I'd like to shift gears on my second question. I recognize that the third-party management business is a smaller piece of the overall portfolio. But you did announce some Wyndham Alltra deals in the Dominican Republic recently. I'm curious what opportunities do you see with this brand as a third-party manager going forward? What kind of hotels are best suited for conversion and for your operations?

Bruce Wardinski: As we said -- and you described it appropriately -- the third-party management business is a lower kind of profit contributor for us. The vast majority of our profit comes from our owned assets. So there is a lot of focus on that. Having said that, the all-inclusive space is really dominated by kind of the middle, kind of like the same with most hotel markets around the world. In the U.S., there's just a huge number of hotel rooms in the middle. Well, that's certainly the case in all-inclusive.

So when you look at Wyndham Alltra, what excited us working with Wyndham on having the opportunities to convert some of those is just the broad number of hotels, resorts and rooms that could be converted to that brand. And many of them could be converted with relatively not insignificant capital. But it's just more even more easily done that if you go into a very high end or a luxury property. So I think there's a lot of opportunity, and we're excited to be partners.

I can't really project how many we'll do, but we've had some really good success with Wyndham Alltra brand and we love working with Wyndham, they're a great partner.

Gregory Miller: Thanks, Bruce. And that's all from us.

Operator: Chris Woronka with Deutsche Bank.

Chris Woronka: Bruce, I want to kind of revisit Jamaica a little bit. And I appreciate you mentioned your work with Adam and hopefully, maybe get the messaging from the Jamaican government up a little bit or the marketing. But isn't part of the issue here the U.S., the State Department? I'm just curious whether you know is there some kind of formula they're using to determine this risk level? It seems a little not very scientific, to be diplomatic, is there anything you can do on this side of the fence?

Bruce Wardinski: That's a great question, Chris. And so I have volunteered and we will do this with the Jamaican government. But I have volunteered to go with the Jamaican Ambassador here in the United States to go meet with the State Department, and actually extend that question because it's pretty nonsensical that you would come out with an updated travel advisory when nothing has changed. It would be like saying, okay, in the middle of a storm it's going to rain. Well, it is raining, okay? And why are you now telling us it's raining?

So I live in the D.C. area, and I actually have friends who work at the State Department. And I can tell you it's going to be an interesting meeting, I'm sure, to find out exactly why they do that, but it doesn't make any sense to me.

Chris Woronka: Okay. That's great. Appreciate that, Bruce. And then a question -- I know you guys, I think, recently wrapped up renovation in PDR. Are you seeing kind of expected rate lift there, or would you say that's a little bit more like Cabo, where it's somewhat defensive just to bring the bring the property up?

Ryan Hymel: It's more akin to Cabo. We're not done; they're still doing rooms right now. That’s kind of what Bruce mentioned earlier. That property, and then like what we had been doing in Cabo before we decided to accelerate the work at one of the towers, was to kind of do it on a little bit in piecemeal, and kind of do a third of the rooms at a time. That property, just like Cabo, last major renovation was 2015, so it was due in a time. So there's potential for uplift in rate.

That property again does really, really well; it's on a private -- kind of really one of the only real kind of private beaches in Puerta Vallarta, so close to the airport. It's kind of protected on both sides by the mountains. And so it's a excellent asset that needs to be maintained. And so for us, a little more defensive in nature and maintaining the EBITDA base that we've got there today. It's not a big group house or anything like that. It does pretty well with weddings but that's about it.

Chris Woronka: Okay, fair enough. And just the last one is when we think about what you might do on a renovation/upgrade of Zilara, and think about what you've got down the street with Ziva, is there any thought to -- I'll just preface this by saying I think your rates in the market are terrific. But is there any thought to possibly trying to maybe tap into the Andaz piece of Hyatt? I know that the Ziva-Zilara brands are created kind of for you guys when you launched the concept over 10 years ago.

But with Andaz, the kind of rate premium they get, is there any way to almost co-brand, or take a turquoise tower and put it Andaz on that, and create even further rate separations or anything like that that's possible?

Bruce Wardinski: We'll look at that. It's a good comment. We've always looked at whenever we reposition a hotel, we look at how do you optimize it from a brand perspective? And so that's an important part of the equation, but I'll tell you, the opportunity here really from my perspective, is to take the fantastic-located resort with 100% oceanfront (inaudible), and try to create a product that maximizes ADR. And I think Hyatt Zilara, look at what we get. Look at what we get in Cap Cana, look at what we get in Rose Hall.

So I think Hyatt Zilara Cancun can drive a very significant rate in premium if we have the appropriate product. And that's our goal is to get the appropriate product. But having said that, will we consider options? Absolutely.

Ryan Hymel: Just to give you some context, some round figures, because we don't disclose individual resort ADRs, but for Q1, the Zilara in its existing state, did very high $500 of package revenue -- of package ADR, $500. Our Ziva Cancun up the street did US$150 more than that per night, and our Ziva-Zilara Cap Cana, again a different market, but a much newer property, is almost $200 more per night in package ADR. So the gap exists and the opportunity exists.

And so to that property's credit, it's doing really, really well for what it is. And I know you've been there and many others have, and you go in there, like wow, this is just a very different product than you've got up the street. So if we can kind of decrease that gap and bring that property up, that's very, very high profitability on the higher --

Bruce Wardinski: Yes, and I do want to emphasize, we really think this is a huge opportunity. Again, as we talked about some of the others are more defensive and protective in nature, this is a huge opportunity, and I'm expecting big success coming out of this repositioning.

Chris Woronka: Okay. Understood. Super-helpful. Thanks, guys.

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

Bruce Wardinski: Great. Well, thank you, everyone, for participating. It was a great quarter, and we're looking forward to a lot more going on in the rest of this year. Thank you very much.

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