Playa Hotels & Resorts (Q2 2020 Earnings)
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Corporate Speakers:

- Ryan Hymel; Playa Hotels & Resorts N.V.; EVP & CFO
- Bruce Wardinski; Playa Hotels & Resorts N.V.; Chairman & CEO

Participants:

- Chris Woronka; Deutsche Bank AG; Analyst
- Chad Beynon; Macquarie Group Limited; Analyst
- Patrick Scholes; Truist Securities, Inc.; Analyst
- Tyler Batory; Janney Montgomery Scott LLC; Analyst
- Smedes Rose; Citigroup Inc.; Analyst

PRESENTATION

Operator^ Ladies and gentlemen, thank you for standing by, and welcome to the Q2 2020 Earnings Conference Call.

(Operator Instructions)

Please be advised that today's conference call is being recorded.

I would now like to hand the conference over to your speaker today, Mr. Ryan Hymel. Thank you. Please go ahead, sir.

Ryan Hymel^ Thank you very much, Michelle. Good morning, everyone, and welcome to Playa Hotels and Resorts Second Quarter 2020 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 actual results to differ, please review the Risk Factors section of our annual report on Form 10-K, which were 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 recent releases. In addition, a reconciliation to GAAP of the non-GAAP financial measures we will discuss on the call were included in yesterday's press release.

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

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

Bruce Wardinski^ Great. Thanks, Ryan. Good morning, everyone, and thanks for joining us. We appreciate your interest in Playa during this extraordinary time for the world and certainly for our industry. I'll begin today by reviewing some of the measures we have taken to prepare the resorts for reopening and share insights with respect to what we are seeing in the operating and booking environment. I'll then turn the call over to Ryan to discuss our balance sheet and outlook. At the time of our Q1 earnings call, our focus was on mitigating the financial impact of travel restrictions and the safety of our associates and stakeholders as we temporarily ceased operation at all of our resorts. Temporarily ceasing operations at our resorts did not, however, mean that we have been sitting idle.

Using best practices gleaned from our brand partners, various governing bodies and leading experts, our operations and marketing teams have tirelessly labored to reimagine what the resort experience should look like in the new normal. Culminating in the introduction of The Playa Safe Stay program. As we mentioned on our last earnings call, we have the luxury of having expansive footprints, numerous dining outlets, and predominantly outdoor and open designs at the majority of our resorts, which provides the much-needed flexibility to redesign with distancing and safety precautions in mind. I will not go into all of the specific details regarding the individual safety measures we are taking, but guests staying at our resorts now see safeguards in applicable areas. Touchless payment and booking option using a QR code in our new Playa app, sanitizer and PPE available throughout our resorts and medical staff at each of our properties.

I encourage all of you to check out our May 4 press release detailing our protocols and the videos on our website. One major milestone is the reopening process that is extremely important to me is bringing back thousands of our associates to the resorts and being able to help generate activity in the local communities. Shutting down operations at our resorts was the most difficult thing I have done in my 30-plus years in the hospitality and lodging business, but I'm extremely grateful to be able to bring back so many of our associates that have helped build this great company and deliver service from the heart to so many travelers every day.

From a balance sheet perspective, our subsequent asset sales and capital markets transactions have addressed our immediate liquidity needs allowing our focus to turn to the successful and safe reopening of our resort portfolio. Travel restrictions in various countries in the Caribbean and Latin America began to ease in June. Thus allowing us to begin the reopening process in July for many of our resorts. As we discussed on our last call, using the fairly close proximity of our resorts to each other in certain destinations as a resource, we were able to aggregate demand and planned to take a phased approach to reopening based on the demand we are seeing in each market and the response to our new offerings and safety protocols. We believe that our property level breakeven occupancy at prevailing market rates expected in the third quarter is in the range of 35% to 45%.

But our indifference point, where we lose the same amount open or closed, is in the mid-teens. Our objective is to open resorts, which we believe can sustain occupancy levels near the indifference point because we believe booking momentum is likely to build once guests have confidence that the lights will be on for their future stays and more information regarding the experience offered at our resorts is available on social media. This view has been playing out thus far. Additionally, opening the resorts helped gauge true demand levels as we were able to wash the stale bookings that had no intention of traveling to get a better sense of how to phase the rest of the opening time line and set us up for a successful high season. Thus far, we are extremely pleased with how business is building, particularly in Mexico, as the market has seen a healthy amount of airlift return, consumers appear to be taking comfort in the fact that there's a robust medical system if the need were to arise, and close-in bookings have been strong. The customer reviews for those who have traveled thus far have been extremely positive as well.

We are working on increasing our customer base by expanding sales efforts in new segments, prioritizing our health and wellness offering and as many of you have seen, offering a unique extended stay program called Work & Learn From Paradise, to name a few examples. Ryan will update you on the financials and our thoughts on liquidity management momentarily. But as we move through the remainder of 2020, we are aiming to see sequential improvement on a cash burn basis as more of our resorts open and momentum builds as we move toward the high season and the new year. Shifting over to our sales efforts.

We remain focused on growing our direct bookings and lowering our customer acquisition costs and are confident that we are on target with our 5-year plan to increase consumer direct business to at least 50% by 2023. In aggregate, during the second quarter of 2020, 51.6% of room nights booked were direct. That is up 23 percentage points year-over-year, reflecting the relative strength of our direct channels and our business model as a whole versus most of our competition. To give a better gauge of the underlying fundamentals of our direct-to-consumer website, as of July 15, playaresorts.com was pacing behind last year with $32.5 million of gross revenue on the books for 2020 versus $47.5 million in 2019.

During the second quarter, pr.com accounted for 28.3% of our total bookings, up 17.4 percentage points year-over-year. Looking ahead to 2021, playaresorts.com has generated $7.4 million of bookings for next year versus $6.1 million for 2020 at the same time last year.

Generally, as we think about direct booking growth, partnering with globally recognized U.S. brands is key to driving the highest value guest 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.

With that, I will turn the call back over to Ryan to discuss the balance sheet, and what we are seeing in the operating environment.

Ryan Hymel^ Thank you, Bruce. Good morning, again, everyone. Given the entirely closed status of our resort portfolio during the second quarter, I'll jump straight to measures we've taken to preserve liquidity and then give some color on forward bookings and market trends. As Bruce mentioned, we took several drastic steps to reduce costs and enhance liquidity over the past few months as our resorts were closed entirely due to the COVID-19 pandemic. We reduced all nonessential property costs, all nonrevenue-generating marketing spend, all non mission-critical capital expenditures, all nonessential corporate travel and made company-wide compensation reductions.

The bulk of our G&A savings in the second quarter came in the form of reductions in sales and marketing spend and compensation and headcount reductions, which we expect to slowly phase back in as we reopen hotels and resource them appropriately, but some portion of the G&A savings will likely be permanent. Our goal as always is to improve cash burn, but we once again cannot give earnings guidance given the continuing changes to travel restrictions and limited visibility. On the capital markets front, as you recall, we drew down the maximum availability under our existing credit facility in March. But as it became apparent that the pandemic was going to be disruptive for a prolonged period of time, we began to pursue other avenues of enhancing liquidity.

In May, we closed on the sale of 2 resorts in Jamaica and what we believe was the first lodging asset transaction in the post-COVID world. I can assure you, this was no easy feat as the pandemic presented obstacles on the touring, administrative and legal front. If you recall, at the time of the Sagicor transaction, the ultimate plan was to renovate and expand these 2 resorts. With our current leverage profile, we would have been unable to reposition these hotels for the foreseeable future, and the hotels didn't fit the strategic vision of the portfolio as is. Given the CapEx need, distance from the airport and non global brand affiliation.

Also in June, we announced that we raised a total of $224 million in the form of $94 million credit facility, a $110 million property loan and $20 million common equity issuance at a price of $4.10 per share in a private transaction. As we have mentioned, the world and state of travel restrictions remained highly uncertain. And we wanted ample liquidity to weather another disruptive shock to the travel landscape and that dictated the size of the capital raise. With respect to cash usage, our cash burn rate in May and June was consistent with what we've communicated to the investment community. And as we mentioned on our last earnings call, we've also provided a cash use bridge from May 1 through June 30 in our earnings release that will provide you with additional details on the sources and uses of cash since the last time we spoke.

One item to note is the CapEx spend of approximately $7 million during the second quarter. This was associated with final payments for CapEx at our Hyatt Cap Cana that were originally intended to be spread out over 2020 and 2021but was required to be accelerated to eliminate all outstanding liabilities of the resort in conjunction with the property loan agreement we entered into in June. There was roughly $4 million of final spend attributable to Cap Cana that will impact our Q3 cash burn. And as we've discussed in the past, we still have some outstanding payments on the Hilton La Romana conversion project as well and are in the process of negotiating the terms and amounts of these payments. Now that we've opened many of our resorts, we will not be updating our burn rate target at this time given the lack of earnings visibility in the market. But we'll speak to burn metrics on our quarterly update calls.

An important point to share, however, is that nearly all of our hotels that we opened at the beginning of July, thus far, are at or well above the respective indifference points. Additionally, because we're still getting our restarting costs and investments calibrated as we get accustomed to the new normal, we don't have an estimate of recurring incremental costs related to new safety protocols to share with you at this time. What we can share with you is that the incremental labor costs are negligible at this point, and we've invested roughly $600,000 in CapEx to prepare for reopening in a socially distance manner. We are pleased to see that guests are responding extremely positively to the intention to safety that is apparent throughout our resorts and demonstrated by our associates, especially versus some of our competitors.

Lastly, I'd like to point out that the incremental capital we raised will increase our interest expense by nearly $5 million per quarter going forward.

I'd like to now turn your attention to our group business. We were fortunate that coming into the year, we had slightly over 50% of our MICE business slated to stay in the first quarter, and we're able to recognize that revenue with little disruption prior to the crisis. Another roughly 30% was roughly -- was scheduled to stay in Q2. And of that business, about half of those groups had already rebooked at the time of our last call, with 60% of them rebooking for later in 2020, 25% rebooking for 2021 and the rest rebooking for 2022.

As the disruption from the pandemic has continued, the complexion of our MICE group business for the second half of 2020 has continued to change. Since our last earnings call, our Q3 group business has seen roughly $1.3 million of cancellations, and we still have roughly $1.6 million on the books for the third quarter. Our fourth quarter group on the books business has experienced a modest net loss of only about $600,000 since our last investor update. So in aggregate, approximately 51% of our 2020 group business that had been impacted as a result of the crisis has definitely canceled or not rebooked. So said differently, of all the group business that was on the books at the beginning of the year prior to the crisis, we were able to recognize roughly half of that.

A fourth of that moved or rebooked and a fourth outright cancel. Our 2021 group business has been quite fluid as well. And we're currently modestly trailing behind where we were pacing at the same time last year, and that's inclusive of over $4 million of business that shifted from 2020 to 2021. On the leisure side of the group business, our wedding sales team and marketing team has been extremely active during the second quarter. Our wedding business on the books for 2021 has grown threefold since mid-February and a very encouraging sign that trends will hopefully begin to normalize as we head into the new year. With respect to advanced deposits, we currently have just over $21 million sitting with us versus $30 million at the time of our last earnings call, with

38% of that $20 million that is related to stays in the second half of 2020.Another 25% of that associated with stays related for 2021 and the balances for all periods thereafter.

All of the aforementioned efforts in transactions bring us to a total cash balance of $280 million as of June 30, and that's inclusive of roughly $28 million in restricted cash. On the other side of the ledger, we have about $85 million outstanding borrowings on our original revolving credit facility and total outstanding debt of $1.27 billion. We do not have any debt maturities until our revolver matures in April of 2022, and our term loan does not mature until April of 2024. One final item to note, in June, we've reached an agreement to amend our existing revolving credit facility to provide relief for the spring leverage based covenant test through and including the second quarter 2021. We're very, very grateful to have phenomenal lending partners and are extremely pleased with the outcome. We've included the new springing covenant test conditions in our earnings release for your reference.

Now turning to CapEx. Aside from the spend associated with Cap Cana and La Romana, we're not expecting any significant development CapEx for the remainder of 2020 and anticipate spending minimal amounts of maintenance CapEx. Our forecasted use of cash does not include additional share repurchases that we have -- as we have decided to suspend buyback activity for now.

Now turning our attention toward operating trends and the reopening process. As we look at each of our jurisdictions, we believe that roughly 50% of all the rooms in the market have reopened in Mexico and Jamaica, and roughly 25% in the Dominican Republic. And competitive activity has been as expected thus far. But again, these are just estimates. We believe customer sourcing via our brand partners has been a decisive advantage for us during the reopening process. As our direct channels had significantly outperformed other challenged source of businesses. Taking a look at who is traveling, over 50% of our business booked during the second quarter, as Bruce mentioned, came through direct channels. Geographically, our U.S. source business increased 600 basis points to 80% of all business booked and Mexico based business increased 400 basis points to 13% of all business.

While on the other side, Canada fell 600 basis points and Europe fell 100 basis points. We've mentioned several times that one of the biggest challenges we face as a hotel operator during the reopening process has been the continued contraction of the cancellation period to roughly 24 hours across our portfolio and across the lodging industry generally. I won't go into too much detail due to competitive reasons, but we did see cancellation activity leading up to the reopening of our resorts across the board, but very much in line with our internal projections.

As a reminder, the vast majority of our leisure business does not pay in advance. So there are no deposits to refund with most of these cancellations. We have, however, been extremely encouraged by the daily occupancy build for the resorts that have opened in Mexico and by the level of non-package revenue per occupied room that is being spent, which we attribute to the cabin fever phenomena and the implementation of our touchless

QR code app that allows us to effectively upsell for experiences and products across the resorts. Jamaica has been more volatile out of the gate despite having the healthiest booked position not too long ago, which we believe is likely attributable to changes in the airport arrival protocol related to COVID-19. Given that the DR began the reopening process a few weeks ago after Mexico and Jamaica, it's too early to comment on what we're seeing there, but we are very, very encouraged by the early trends.

We shared on our last call that our revenue on the books for the fourth quarter of 2020 was slightly ahead of our position at the same time last year and that we expected that to fall behind prior year meaningfully as we got closer to the fourth quarter. As of now, our revenue on the books is down approximately in the mid-30% versus last year for the fourth quarter, with the drop-off in pacing being roughly split evenly between Jamaica and Mexico. While the DR has actually improved, given the new Hyatt properties that we opened. As we mentioned before, while this is extremely encouraging, guests will still need to be able to travel to the resorts, and there's always a risk of delayed cancellations given the current 24-hour policies available in the market.

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

Bruce Wardinski^ Great. Thanks a lot, Ryan. To recap, the reopening process is well underway, with approximately 2/3 of our resorts currently open for business. Property level cash burn is heading in the right direction as our direct booking engine offsets weaker channels and should give us a unique advantage versus the competition, and we believe that our immediate liquidity needs have been largely appropriately addressed for the current environment. Specifically on our liquidity and estimated uses of cash, I want to reiterate the following point that Ryan and I have discussed on this call.

First, our property level cash burn, while we were closed, was approximately $8 million to $9 million per month. And going forward, we expect that number to improve sequentially as 2/3 of our resorts are currently open in helping alleviate pressure on cash burn.

Second, our monthly interest expense was approximately $5 million per month prior to the incremental financing we've raised in June, which adds approximately $1.5 million per month for total cash interest of $6.5 million to $7 million per month going forward.

Third, our corporate overhead is forecasted to burn approximately $3 million per month during Q2 and should increase incrementally by $500,000 to $700,000 per month in Q3 as we begin the reopening process, which is about half of the corporate expenses reduced in Q2 versus our original budget at the start of the year.

Fourth, we still expect $1.5 million per month for insurance premium payments. Taken all together, our cash burn would be approximately $20 million per month in a zero-revenue environment. But given the fact that 2/3 of our resorts are open, we would expect that number to be lower. It may not feel like it, but high season is rapidly approaching, which should lead to significantly higher ADRs compared to Q3 and substantially help our cash burn, all else equal.

I am very optimistic about our ability to rebound as we move into 2021, and I'm encouraged by the early trends we're seeing at our resorts. The leisure traveler is resilient and will continue to bounce back faster than business transient travelers and our customer sourcing via brand affiliation has enabled us to open faster and stronger than many of our peers. Although guests can't see our smiles, they can see our hands over our hearts, while welcoming them back to our resorts.

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

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions)

Your first question comes from the line of Chris Woronka.

Chris Woronka^ Appreciate all the data points. So my first question was just kind of, I guess, maybe for Bruce. Bruce, you've been in this business a while. How do you think the rate integrity holds up? I mean, we've never seen anything like this, but I know rates have been a little bit -- under a little bit of pressure, particularly in Mexico last couple of years. I mean how do you think it goes from now until high season? Or are you confident that you can get the kind of rates you want and need in the first quarter?

Bruce Wardinski^ Sure, sure, Chris. Well, first of all, I'd like to vail a comment on that. I'm really old by saying I've been in the industry a long time. So I get the subtle impact there, Chris. You're right. I've been around. I've seen a lot of downturns, seeing a lot of different situations, including H1N1 and SARS, but nothing compares to this, right? So in everything we've all seen in our life from a lodging and business and general environment, nothing compares to this. I think the one positive, and Ryan can give more detail about it, but I think the one positive here, if you want to take a positive out of everything is that rate is not the discerning issue, okay?

So people who are going to travel are going to travel because they want to go where they have the best chance, okay, of being very safe and having a great experience. And I think if you look at our resorts, you look at Playa Safe Stay, you look at all of our protocols. We blow away our competition. I mean, absolutely blow them away, okay? If you look at hotels in the U.S., I mean, forget about COVID spikes in Florida, but just take resorts in Florida, they're small, they're tight. They're congested. They do not give you the kind of experience that you're going to get at ours.

Ours are big, expansive, multiple restaurants, lots of room to do whatever you want to do in social distance. So when people are evaluating whether or not they want to go on vacation, and I think there's such tremendous pent-up demand. And you really see it in

Mexico, where there's certainty on the airport protocols and people are confident of it, you're really seeing that happening there. They're going to pay the rate.

So I'm not concerned about the rates. I think what we need to see is when there's more certainty as to the experience, okay, the experience at the airport, the experience on the airplane, the experience arriving into the destination. When people are confident of that, and they're going to see it on social media, they're going to go to the resorts. And this -- I mean, I haven't told you, everyone I run into is like I can't wait to go to one of your resorts. Are you guys open? What can you do? And so I think you're going to see it. And so I'm not concerned about rates.

For the first time, probably my career, I'm not concerned about rates. What I'm concerned about is occupancy, and that's going to build, and it's going to take time. It's not going to all come tomorrow, okay, but it's going to build. And I think we offer such a better product than what people can get in the U.S. or in Europe or anywhere else that I think you're going to see us doing better in the near, medium and long term.

And Chris, just add a little add some numbers to that. You heard us talk about the fact that we are booking in the second quarter, well over 50% direct. And it just shows that the fruits of our labor are well worth it. Tour operator business is about 60% of where it was last year and OTA is about half of where they were last year. And so it's encouraging sign that we're able to do that much direct.

So you heard us talk about being from a revenue perspective, about in the mid-30s percent behind prior year for fourth quarter, our rate is only down about 1 percentage point. And if you look out to the first quarter, it's up about 1 percentage point. So all things equal, rate is holding in quite nicely, all things considered. Okay. Yes.

Chris Woronka^ Okay. Yes, those are, I think, pretty favorable data points. And then the other question would be on the cancellation policy, where I think you guys in the near term, mentioned that's a little bit of an issue. At what point do you think that goes back a little bit more towards normal? And can you maybe negotiate something especially with Hilton or Hyatt, given the kind of unique nature of the bookings for your hotels?

Bruce Wardinski^ Yes. I think that I don't have an answer as to when that would change. I understand why big brands and just the overall industry is doing so to make sure they're stimulating demand. I understand that. I think the stance we've taken for a lot of our customers is said say, hey, look, at the end of the day, to the best of our abilities, we can move them, that's what we'll do. And talk to them, and this is not unlike a few others that have said this on their call, remind them that, look, this is still a pretty good rate you're getting. And if you wave, you cancel and you try and come back a year from now or 6 months from now, that rate is only going to go up. So that's kind of the best thing we can do. It is -- when there's a global pandemic, I think it's kind of hard about where, but I think it's kind of hard to argue against force majeure clauses.

But if you can convince them, particularly when it comes to group and just the fantastic expansive properties that we have, it's so much easier to have a group meeting or a wedding at one of our properties than somewhere else. So I think it's easier to convince somebody to move rather than cancel. That said, it's still very difficult.

Ryan Hymel^ Yes. And I'll just comment on the wedding side of things. And I got to report the other day, from wedding middle market kind of firm. And what they were showing is that while there's some cancellation of weddings. Most of them are just being deferred. And so they're being deferred into, for the most part, into 2021, some into late 2020, some into 2021. Some people are still getting married now, and they're just pushing off the celebration.

So there's a lot of that business, which I don't think is going to go away. And I think you're going to see the same with some of the group business, too, where people are like, hey, we don't want to such kind of stop doing what we want to do, and there were reasons they book that to begin with. And the pandemic has put kind of a temporary hold on things, but I think you're going to see people are going to want to get back, celebrate wedding, celebrate, big sales initiatives, all those kind of things. I'm, again, optimistic that we're not going to lose tremendous amount of that business.

Chris Woronka^ Great. Very helpful. Just one last one. Is it possible to know -- you guys mentioned the differences in how you've picked up more U.S. business and lost a little bit of Canada and Europe and picked up Mexico. How would you kind of bucket the rate differential? So I would guess the business coming from the U.S. is generally the highest rate. Is that the way to think about it?

Bruce Wardinski^ Yes. Yes. Obviously, it's always about the highest rate. And the other thing to think about is what time a year we're in. Okay. The European business coming in the summertime is typically group business and it's not the best rates. So if you're getting more Mexican and U.S. business here, you're getting better rate by definition.

Operator^ Our next question comes from the line of Chad Beynon.

Chad Beynon^ Bruce, I wanted to start with just your outlook, I guess, kind of on the back of what you guys were able to do from a financing standpoint, what's going to happen with some of these family-owned private companies in markets that you compete against? I mean, what are -- what's their financing situation? Do you think that could help shore up some assets? Or do you think those will, I guess, remain closed. Could you just kind of frame out what this means for the all-inclusive industry over the next couple of years given that dynamic?

Bruce Wardinski^ Sure, Chad. That's a great question. If you go back at the beginning of Playa, one of our premises was that we felt we could be a consolidator in the all-inclusive space. Okay, you have these family, owner operators that were second generation, going into third generation, and we thought it's just a great opportunity. And I think, as you're well aware, as our shareholders are aware, these are not -- there are no branded affiliations. These are brands that most people don't really know or recognize. And predominantly, it's been sold through to our operators, and it's been a rate issue, okay?

So they get the volume because the rates are low. And again, going to kind of the answer to Chris' question, right now, low rates aren't the issue, okay? And especially, when a lot of the tour operators are failing, okay? And I mean, that industry is going to be very different. If it's even around in the near future, okay? But going back to your point about the family owner operators, I think there's tremendous opportunity. Right now, the discussions I've had with some of the people at those companies is that they felt, and this was going back to the beginning, back in March, I guess it was at the beginning, but for us kind of the beginning.

And then until recently, in the view early on was that, oh, it's going to be really bad, but by November, things are going to be good. December is going to be good, the high season is going to be good. And so all we need to do is survive kind of through September, October. I don't believe that's the situation for them. And I think they're going to be very stressed. And so will they have the financial wherewithal to reopen? I don't think all of them will.

And so going forward, I think there's 2 benefits to Playa from this, okay, from a medium and long-term strategic view. One is that there are going to be properties coming out of the system, right? They're just going to be properties that don't reopen, and that's going to benefit us. Second, okay, I think there's going to be companies that are going to be forced and/or highly encouraged, okay? To sell. And I think the advantage Playa has as a public company will be the ability to execute on some of those transactions.

And I think our model of rebranding, when we've done the rebrandings to the Hyatt or Hilton brands, our case studies are tremendous. The success rate is tremendous. So as we look at the opportunities going forward, the ability to rebrand these properties could really be positive for us, for the industry for our business. So I think it's a positive in the long run for us. I don't ever want to see someone else's pain or suffering, but I think it could be like, hey, let's collaborate in some way, and we can both win. I think this is -- that's what we want to pursue, and it's really the opportunity for them and for us to do better and do better than the rest of the competition in the all-inclusive space.

Chad Beynon^ That's great. And then, Ryan, I guess moving on to -- or I guess, Ryan or Bruce, for EBITDA margins, I guess you have 2 factors. You have some extra costs going into the business. But then as you examined the properties, you were able to take out some things. If we -- if and when we get back to, I guess, historical revenues at a property or within a region, should we expect that margins get back to the same level? Or do you think it will take just a little bit of a longer ramp, maybe an extra couple of quarters to get back to those kind of high 20s, 30s that we saw pretty pandemic?

Bruce Wardinski^ Yes. Honestly, Chad, it's really too early to tell right now. And like we said in our comments, so far, additional OpEx has been negligible, and the CapEx hasn't been that much. But just given the fact that we've been open for, call it, 30-

something days, it's just too early to tell. If it's also, we do think that some of the amount spend and the staffing that we have at the properties currently is probably appropriate for at least get us to probably 40%, 45% occupancy. And then you can think about probably a sequential step from there where you start in to layer on more staffing. So we think we're appropriately staffed today. But unfortunately, it's just too early to tell what those costs are going to be over time.

Operator^ Your next question comes from the line of Patrick Scholes.

Patrick Scholes^ A lot of my questions have been answered, but I'd like to hear your thoughts on what you're seeing for market share gains currently and expectations going forward?

Ryan Hymel^ Sure. I mean, I think it's -- again, it's a little hard to tell, as you're well aware, we don't get good star data or other data in the market and given kind of the fluid situation we're facing today, we don't see a lot of it. Having said that, go to our direct booking numbers, look at what we're accomplishing. And the fact is, traditionally, the biggest producer of customers into all-inclusive has been the tour operators. And a lot of our competitors rely hugely on that. I'm talking 75%, 80-plus percent, okay? We do not.

And so you're seeing our strong direct booking numbers, and I think that's why we're doing so well. And I think going forward, we're going to continue to do well. Other people are having to really discount their rates, okay? They're discounting their rates because they're losing their distribution sources. We are holding our rates. So I think the proposition going forward is going to be positive for us.

And again, I don't want to look at other people's pain, but the disruption is going to happen. It is -- it has happened, it is happening, it's going to continue to happen. And we're all going to have to do business in new ways, and that's what we're focused on. I think the fortunate thing for Playa was we were already doing business a new way with the brand affiliation that we have, and I think you're going to continue to see that grow.

Operator^ Your next question comes from the line of Tyler Batory.

Tyler Batory^ I wanted to ask first, just in terms of future bookings. Is there a booking window at all? Just wondering how far in advance guests are making some of their reservations. And then I'm also wondering how far in advance guests are canceling their reservations?

Ryan Hymel^ Yes. So it is -- from a cancellations perspective, it's all over the map. We saw cancellations a couple of days in advance to weeks in advance just given the flexibility that is out there. And again, that -- it wasn't anything different from what we would have expected. It was pretty much in line with what we assumed to be internal wash, if you will. The booking window it still continues to compress. You've heard us talk in the past, kind of 30 to 45 days.

You've got some people booking a couple of weeks out. It's still -- just overall, with the advent of technology even pre COVID, it allows people more choice and to look online and shop for best rates. And so that's brought the booking window down. Obviously, I'm not talking about group, the leisure transient. But then this process and this COVID crisis has just kind of continued to compress it. It does make visibility more difficult. And so it's harder to project at this current time. My hope is that as cancellation policies eventually loosen and go back to a little bit normal, back to our kind of our traditional 14 days for international leisure, that helps a little bit the visibility and the booking window.

Tyler Batory^ Okay, great. And then how about on the labor side of things? Just as you ramped back up operations at your properties, have you had any issues rehiring employees at the property level?

Ryan Hymel^ No, not at all. If you think about -- just one, the destinations that we operate in, tourism is the big source of jobs for those communities.

We've done a phenomenal job, the operations team, the HR teams and working with those people at the properties that we've had to furlough. We're also fortunate that in our jurisdictions, particularly the DR and Jamaica, the local governance were very proactive with plans and policy they put in place to help support some of the wages that are lost for some of these people because they understood that they needed to keep these people engaged and happy and help support the owners and operators in these markets so that when things reopen, we can reopen helpfully. So no, not at all. And that speaks very, very highly of the entire operations team with Alex and Greg and all the regional VPS.

Tyler Batory^ Okay. And last question for me. Any general comments in terms of what you're seeing on airlift in some of your markets?

Ryan Hymel^ Yes. It's still hard to tell me. In general, Airlift is still stating the obvious down compared to what we've seen as normal. The best-performing right now is Mexico, particularly Cancun. And that's why you heard us talk about that the Mexico properties are enjoying the best occupancies right now have ramped the quickest. Right now, we believe it to be a couple -- for a couple of reasons. One, just the distance that the Cancun market is from so many of the major, specifically East Coast airports from Washington, D.C., 3 hours, slowly 3.5, New York, it's a little more. So pretty easy to get to.

I think they've benefited from some of these spikes in states like Texas and Florida during these times as well. But also the restrictions at the airport there, are they -- they essentially are taking your temperature when you land. So there's not additional restrictions in place like you're seeing in Jamaica. So those properties have done extremely well. Jamaica and the DR, from what we can see, the DR is currently still down 85%, 90% of traditional flights coming in, and then Jamaica's down roughly 70% to 75%, the number of flights coming in. So there's still a long way to go. But just given where everything stands and given the fact that we just opened 30-something days ago, I think we're pleased with where things are.

Operator^ Your next question comes from the line of Smedes Rose.

Smedes Rose^ I just wanted to go back to some of your earlier comments about breakeven points. I think you had mentioned 35% to 45% occupancies. Is that at the property level? Or is that on a corporate-wide level?

Ryan Hymel^ Great question. That is at the property level. Corporate-wide would be closer to very high 50s, low-to-mid 60s, just depending on the month and the rates we're getting. And as you heard Bruce mention, as we approach high season, all else equal with higher rates that helps us bring down those breakeven from both the property and a corporate level.

Smedes Rose^ Okay. So when you talked about 35% to 45% breakeven at the property level, what sort of rate is that underwriting?

Ryan Hymel^ It's the rates that we're currently seeing and forecasting in the markets now. So what -- in the fourth quarter -- it's roughly about -- just down about 1 percentage point to last year and the first quarter was up about 1 percentage point.

Smedes Rose^ Okay. And then just final question. When you -- so to get to kind of 60% ish occupancies, at that point, you should be, I guess, EBITDA positive on a corporate-wide level. From what you're seeing now, which I know it's early, but on the bookings trajectory. I mean, is that something that happens in the first half of '21? Or do you think it's just a longer ramp, even let's just assume there's some answer to the pandemic by year-end or early next year, kind of how do you think about getting back up to that kind of occupancy level?

Ryan Hymel^ It's -- unfortunately, it's just too hard to tell right now, Smedes. I do want to point out that I was talking about 60% at the cash breaking from a cash perspective. Obviously, there's noncash items like amortization of OSNE and other things that run through a P&L. Would make it a little bit longer to get back to it from an EBITDA perspective, but you're generally in the range. But as far as how quickly we can get back, I -- your guess is as good as mine at this point.

Operator^ There are no further questions from participants online. I would now like to hand the conference back to today's presenter. Sir, you may continue.

Bruce Wardinski^ Great. No -- well, thank you all for participating. I think we've given you as much information as we're able to at this point in time. But I'll just say, it's a unique situation. None of us have ever gone through it before. But we are seeing some positive trends, and we're going to continue to push our team at the corporate level. At the properties is working really hard, doing the best we can, and I'm really kind of more optimistic than we've been throughout this whole process at this point in time. So thank you very much for your interest in Playa. And I hope everyone has a good day and a good weekend. Thank you.

Operator^ That does conclude today's conference call. Thank you for participating. You may now disconnect.