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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the fourth quarter earnings. (Operator Instructions)

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

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

Thank you very much, Mara. Good morning, everyone, and welcome to Playa Hotels & Resorts Fourth 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 a discussion of some of the factors that could cause our actual results to differ, please review the Risk Factors section of our annual report on Form 10-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 to GAAP of non-GAAP financial measures we discuss on this call were included in yesterday's press release.

On today's call, Bruce Wardinski, Playa's Chairman and Chief Executive Officer, will provide some comments on the fourth quarter and key operational highlights. I will then address our fourth quarter results and the 2020 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 it over to Bruce.

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

Great. Thanks, Ryan. Good morning, everyone, and thanks for joining us. We appreciate your interest in Playa. I'll begin today by reviewing several of our fourth quarter strategic accomplishments and then give some high-level thoughts on the operating environment as well as give an update on our near-term initiatives and outlook. I'll then turn the call over to Ryan to discuss our fourth quarter results and our 2020 outlook in detail.

Now turning to our fourth quarter results. At a high level, our fourth quarter fundamentals were largely as expected. If you recall, on our last earnings call, we mentioned that we had begun to see signs of stabilization in the Yucatán Peninsula, particularly in Cancun. Strong close-in bookings led to a moderate decline in RevPAR in Q4 in the Yucatán segment, with Cancun posting positive growth and Playa del Carmen continuing to drag down segment results. We believe the close-in bookings were driven by pent-up demand following weak bookings in September due to Hurricane Dorian.

The Pacific was down in line with our expectations as we telegraphed on the last call, given a softer group booked position. Jamaica also suffered from a difficult group comparison in the fourth quarter, but was additionally impacted by weaker overall market visitation and difficult comparisons.

Turning to the Dominican Republic and the market recovery there that continues to progress positively. In the fourth quarter, we experienced a 29.8% drop in comparable RevPAR and a $700,000 loss in EBITDA in the DR. If you recall, we were expecting a comparable RevPAR decline of approximately 35%, driven by growing spread between our branded and nonbranded hotels. The Hilton La Romana and Dreams Punta Cana performed largely as expected during the fourth quarter. But better-than-expected close-in bookings at the Dreams Palm Beach drove comparable segment RevPAR growth upside.

While we are encouraged by the performance at this hotel, we are not changing our outlook nor view of the market. This better-than-expected top line performance didn't flow through to EBITDA as we decided to invest in the guest experience during the opening of our 2 new properties in the segment to facilitate future EBITDA growth. We remain focused on growing our direct bookings and lowering our customer acquisition costs and are confident we are on target with our 5-year plan to increase consumer direct business to at least 50% by 2023.

In aggregate, during the fourth quarter of 2019, 25.4% of our Playa managed room nights stayed are direct, up 560 basis points year-over-year and 33.9% of rooms booked were direct, up 580 basis points year-over-year. Moreover, our loyal direct customers also tend to have an higher ADR as they represented 36.2% of our revenue booked during the quarter for future periods.

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.

At our Hilton and Hyatt branded properties, we're seeing strong increases in direct bookings as well as more group business. Specifically related to group, the Hyatt Ziva & Zilara, Cap Cana are very strategic resorts for Playa. All-inclusive resorts of this caliber with meeting space to handle large incentive groups in a destination like Punta Cana, more often than not do incredibly well, and they will serve to boost bookings at our other direct group -- other group properties, the Hyatt Ziva Los Cabos, the Hyatt Ziva & Zilara Rose Hall and to a certain extent the Hyatt Ziva Cancun because we will now be able to fulfill meeting planners' 3-year rotation cycle, all in-house without them having to go outside our portfolio to provide a variety of destinations to their clients desire.

As I mentioned, Q4 was not a strong group quarter for Playa. But as we look out to 2020, MICE business on the books plus advanced negotiation group business in the pipeline at the end of the fourth quarter should translate to flat to modestly positive RevPAR growth in 2020 in the Pacific. For the portfolio as a whole, our MICE business book for 2020 is up mid-teens year-to-date versus the same time last year.

Now I would like to touch on some of our ongoing technological strategic initiatives. We continue to invest in the business, launching and expanding on several initiatives, including our book direct initiative I've already mentioned, aimed at improving the customer experience, lowering our customer acquisition costs and, most importantly, driving growth.

In early 2019, we began the soft rollout of a new end-to-end upsell and rebook technology at selected resorts. By using sophisticated algorithms, it identifies in real time, new revenue opportunities, including selling ancillary items and additional room packages to targeted guests. This technology will also enable us to accept more of the room upgrade fit as we move further back through the booking window and enter a seasonally slower period of the year.

We finished enabling the entire portfolio with this technology during the fourth quarter. During the first quarter of 2019, we launched our proprietary travel agent portal on which travel agents can now make commissioned reservations directly without having to go through a tour and travel operator. This effectively removes a layer of cost that previously existed, saving Playa roughly 7% to 9% in commissions per booking, while at the same time, maintaining the economics for the travel agent on a basic booking and improving the economics in the case of upsells or prebooked ancillary revenues.

To date, bookings via our website have been in line with our modest expectations, as in our view, the real growth potential is in 2020. Now that agents can book a commissionable end-to-end vacation, inclusive of air, ground transportation, excursions, suites, exclusive dinners and luxury spa appointments -- and luxury spa appointments. We are now live with the ability to book flights and ancillary services for a complete vacation package. As of February 1, our direct-to-consumer website, playaresorts.com is pacing ahead of our expectations with $37.8 million of gross revenue on the books for 2020 versus $22 million in 2019.

Let's now turn to the rollout of our new yield management system. We went live with our first property in Q1 2019 and expanded into 2 more properties during Q2. We made further progress during Q3 and are now live in nearly all of our hotels. We'll operate the new system in parallel with our current forecasting process for at least a year to fine-tune it, leveraging historical data and judgment of our marketing teams, an important step given the seasonality of our business. We expect the real benefit of the system to show up in our financial results starting in late 2020.

On the share repurchase front, during the fourth quarter, we repurchased approximately 442,000 shares outstanding at an average price of $7.66 per share for $3.4 million. Between January 1 and February 27, we repurchased an additional 340,100 shares at an average price of $7.35. Since program conception, we've repurchased a total of approximately 2.2 million shares at an average price of $7.58 over $16.5 million.

In conclusion, given the 2020 presidential election, general global travel concerns due to the coronavirus, which I will touch on momentarily, and the uncertainty with respect to the DR recovery and the cadence of our ramp in new assets, we felt the need to exercise prudence as we approach our 2020 planning and guidance. Given these uncertainties, we are giving a wider range for our 2020 EBITDA guidance, which we hope proves to be conservative and will be updated as we move through the year.

We continue to expect a sizable ramp in our free cash flow generation as our newly renovated Hilton properties come online, along with contribution from the brand-new Hyatt Ziva and Zilara Cap Cana. We are cautiously optimistic about our ability to achieve the goals we have set and return capital to shareholders as we continue to unlock value.

With respect to the coronavirus, it is important to note, there are no confirmed cases of the coronavirus in Mexico, Jamaica or the Dominican Republic to date, and we are in constant contact with the World Health Organization and the CDC to maintain the highest standards of prevention.

We are working with our travel industry partners to navigate this crisis. And given the significant flight restrictions from the affected areas, we have waived cancellation fees from anyone that is traveling from Mainland China, Hong Kong or Macau, up to 30 days prior to arrival at our resorts.

Our mix of Asian customers is 4%, with Mainland China representing less than 1% of total guests. Total Asian source revenue was less than $9 million in 2019, with 27% in Q1, 26% in Q2 and 34% in Q4. At the same point in time last year, we had approximately 50% of our total year's production on the books, with approximately 40% of that already recognized in January and February.

Our current full year Asian source pacing is down 10%, with Q2 Asian business down approximately 20% and reflected in our guidance. For Q2, we have just over $1 million currently on the books. Also important to note, the vast majority of our Asian business comes to Ziva and Zilara Cancun, hotels that should be able to replace the business given the appropriate lead time.

With that, I'll turn the call back over to Ryan to discuss fourth quarter results and our 2020 outlook.

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

Thank you, Bruce. Good morning, again, everyone. Our fourth quarter adjusted EBITDA was $20 million, representing a 46% decrease versus last year, as Bruce mentioned strong close-in bookings in Cancun was the bright spot in the quarter, with Pacific and the Dominican in line with expectations we outlined on the last call.

Comparable net package RevPAR decreased 6% during the quarter on a 130 basis point decline occupancy and a 450 basis point decrease in rate. Excluding the DR, comparable resort level EBITDA margins compressed by just under 500 basis points, primarily as a result of our investments in our shared services center and operating leverage in light of the RevPAR declines.

Comparable net nonpackage revenue was down just over 3% in the fourth quarter, and total net nonpackage revenue was down 4%. For the full year 2019, we generated adjusted EBITDA of $150.7 million, with comparable net package RevPAR declining 3.4%. The decline in full year RevPAR led to comparable resort EBITDA margin erosion of only 230 basis points for the year.

In the Yucatán comparable net package RevPAR declined a little over 1% in the quarter on the 3.4% ADR decline and 180 basis points higher occupancy, as again the market benefited from stronger close-in bookings, particularly in Cancun. Comparable owned property level resort EBITDA margin in the region, which reflects both Cancun and Playa del Carmen decreased $4.2 million or 22%. Margins in the segment were again impacted by increases in expenses related to sales and marketing, repairs and maintenance, and our shared services facility, though, which should lead to margin benefits over the immediate to long term.

On the Pacific Coast, net package RevPAR decreased 2.5%, driven by a 4.3% decrease in ADR and a 1.4% increase in occupancy. Owned resort EBITDA decreased $1.5 million or 20% driven by a 57% decline in group room nights, which weighed on RevPAR and an 18% decline in nonpackage revenue in the quarter as a result of this lower group mix.

Now turning to Jamaica. Comparable net package RevPAR decreased 5%, driven by a 6.2% decrease in ADR and a 90 basis point increase in occupancy. The RevPAR decline was driven by weaker international passenger arrivals in Q4, specifically in November, a decline of 16% of group room nights and a very tough comparison from Q4 [2017] (added by company after the call). Property level EBITDA decreased 3%, reflecting the lower RevPAR performance while margins held steady.

As a reminder, Sagicor portfolio was folded into the Playa portfolio in June 2018 and became comparable in Q3 of 2019. The one exception is the 88-room Sentry Tower, which wasn't opened in 2018 and will not be comparable until 2020. The results at our Sagicor portfolio continued to meet or exceed our expectations with property level EBITDA of roughly $30 million in 2019. We are very, very proud of the work the teams are doing in Jamaica, and we're thankful for the ongoing partnership with Sagicor. Looking forward, we're expecting another solid year in 2020 from our properties in the Jamaican segment.

Now turning to the Dominican Republic. We will again try and give you as much information as we can to help you with your models and give you better visibility into our outlook. For the quarter, comparable net package RevPAR decreased just under 30%, driven by a 13-point decrease in occupancy and a 14% decrease in ADR. Comparable EBITDA margins compressed 12.4 percentage points, which was an improvement versus the roughly 18 -- or 19% decline reported in Q3 as we had more lead time to right size staffing and OpEx. The newly remodeled Hilton La Romana and the newly remodeled Ziva & Zilara Cap Cana combined for a small EBITDA loss, but still a small improvement over Q3. But elevated levels of staffing and marketing pressured profits as we made the conscious decision to invest in the guest experience during the opening months at these resorts.

On our last earnings call, we highlighted the slowdown we saw in late September DR bookings and the growing spread between our branded and nonbranded properties. As the quarter unfolded, the Hilton La Romana and Dreams Punta Cana performed in line with projections, while Dreams Palm Beach finished 800 basis points ahead of the forecast, driving the RevPAR outperformance versus our previous guidance of down mid-30%.

Turning to mix and sourcing. We continue to be validated in our belief that our partnership with Hilton will be transformative with respect to consumer sourcing. During the fourth quarter, 20% of the room nights stayed at Hilton La Romana were booked direct versus 8% in Q4 of last year. We also made the decision to pivot to more European sourcing for the DR. As a result, our European source business has improved from 32% in Q1 to 46% in Q4, albeit a lower package ADR.

With respect to group bookings at Hyatt Cap Cana with the property open and the market concerns slowly easing, group sales have dramatically improved in the first 2 months of 2020. As we look ahead to 2020, we continue to believe the best strategy for premier assets like the Hilton La Romana and Hyatt Cap Cana is to maintain rate integrity to support a multiyear ramp in EBITDA, similar to what we saw in experience at Ziva Cancun. And what we're seeing today at the Hyatt and Rose hall. While we are encouraged by, first, the performance of Dreams Palm Beach in the fourth quarter; two, the trends we've seen thus far in Q1 2020; and three, the recent improvement in airport visitation data. As Bruce mentioned, we're not yet materially changing our market view.

We expect, a back half loaded year as the Hilton and Hyatt Cap Cana ramp and as we lap the steep decline in the DR that began in June 2019. And two, the market faces ongoing headwinds from the absence of airlift due to 737 MAX issues. And three, the new property ramps tend to be nonlinear and our ability to market the Hilton La Romana family side has been limited during construction, resulting in a large spread between the family and adult side.

With respect to comparable RevPAR growth, we expect Q1 comparable DR RevPAR growth to be down roughly 30%, which is similar to the Q4 results of 2019. And total DR RevPAR to be down low to mid-double digits. With respect to EBITDA, the 2 dreams properties present a material drag to 2020 EBITDA as a total over 1,100 rooms, and in 2018, performed quite well, recorded $25 million of combined resort EBITDA and in 2019 in the first half recorded $16 million of EBITDA.

The EBITDA drag from these 2 hotels is not expected to be as severe in the first half of 2020 compared to the second half of 2019, even if we assume the same RevPAR declines given the high season ADR and RevPARs are roughly 50% higher than they are in the low season.

Given our cautious RevPAR outlook for the DR market. We think the appropriate range for margins at Hyatt Cap Cana is something in the high teens to low 20s. And at the Hilton La Romana, we feel comfortable that we can achieve low to mid-20% EBITDA margins in a more conservative RevPAR scenario.

Turning to the balance sheet and cash flows. As of year-end, we had $21 million in cash on hand and $60 million outstanding borrowings on our revolver and total outstanding debt of just over $1 billion. Year-to-date, we've already paid back $15 million of outstanding borrowings on our revolver and expect to repay the remaining balance during the first half of 2020. With our major renovations and development projects complete, we're forecasting CapEx of roughly $30 million to $40 million, with roughly 2/3 of that going towards maintenance CapEx, and the remaining capital needed for finishing our major capital projects that spilled over into 2020.

Our forecasted use of cash does not include additional share repurchases as they depend on market conditions and other factors that may be commenced or suspended from time to time. As always, we'll update you all on that front as the year progresses.

Our current leverage is higher than we would like, but we expect to delever quickly in 2020 as the Hiltons and Cap Cana ramp through EBITDA contributions. And we believe adjusting our leverage levels for these significant investments in our properties is appropriate. As a reminder, in March of 2018, we locked LIBOR at 2.85% and $800 million of our term loan through March of 2023.

Now turning our attention to the 2020 outlook. We are forecasting 2020 EBITDA of $160 million to $175 million, and that's based on total portfolio RevPAR growth of flat to down low single digits. As I mentioned before, we're expecting a stronger second half of 2020, driven by the ramp of our newly renovated Hilton hotels, and the Hyatt Cap Cana and easier comparisons as we lap the DR Decline into the second half. Excluding the DR, we're expecting modest total portfolio RevPAR growth, once again led by the Jamaica segment. The low end of our guidance range assumes that 2020 looks very similar to 2019 with respect to total RevPAR growth, despite the addition of the Hyatt Cap Cana and a full year of the renovated Hiltons. As we get more clarity on the impact of the global travel from coronavirus and given the percentage of our EBITDA that is generated earlier in the year, we'll look to fine-tune our range as the year progresses, just as Bruce mentioned. Before I hand it back to Bruce, I want to highlight that we've included our historical rooms out of service related to our renovations last year in our financial supplement, which we posted today on our website, which will help you with your models.

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

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

Our fourth quarter performance in Mexico and the Dominican Republic, our current momentum at the start of the year and our group business on the books for 2020 in Jamaica give us a sense of optimism as we begin 2020. That being said, as Ryan also highlighted, the ramp of the Hyatt Cap Cana and our new Hiltons will be critical determinants of our success this year, but also makes the forecasting difficult given they are new properties.

In addition to the fundamentals 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 see these initiatives really gathering steam as we work through this year and expect a long tail of contribution.

On another front, I would like to let you know about our progress on the asset sale side and our capital allocation priorities. Although we are pleased to share with you that we have signed a nonbinding LOI for the sale of one of our assets and are currently in discussions, I am extremely disappointed to not be able to share news of an asset sale with you today. Given the sensitivity and stage of the negotiations, I cannot comment on any transaction, except to say I'm hoping to be able to share exciting news with you in the future. We are also proceeding with other asset sale processes as well, and we will update you when appropriate. With a potential asset sale in mind, I want to reiterate that we are committed to reducing our leverage and returning capital to shareholders, including through our existing buyback program or recognizing the constraint presented by our average daily trading volume of premium tender offer.

Before we go to Q&A, let me just say that I am incredibly frustrated. I'm frustrated that I cannot announce today that we are consummating an asset sale. I am frustrated that because of us working and in discussions on asset sales, I cannot personally buy our stock when, in my opinion, is trading at a price level dramatically below intrinsic value. I am frustrated that the media frenzy surrounding events in the DR last year has caused our results there to suffer greatly and to cause our fantastic new Hyatt and Hilton resorts in the country to open into a weaker market.

I am frustrated that, in my belief, the coronavirus may cause people to stop traveling, which may affect our 2020 results. The only solace I get when thinking about all of these frustrations is that they all have one thing in common. They are temporary. As frustrated as I am, and I am sure are all apply as investors, none of this affects the underlying value of our assets or our future profitability and free cash flow potential.

Playa has gone through some very difficult and frustrating times over the past 18 months, and I am confident that there are better times coming, and those investors who stick with us will reap benefits. I am personally 100% committed to improving our stock price and driving outsized returns to our investors. Thank you for your time and interest in Playa, and we will now take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have our first question comes from the line of Chris Woronka.

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

Appreciate all the color and data points you've already provided. Just a couple of questions I had. One is, as you kind of look at bookings in real time for the portfolio and whether you look at it, maybe daily or weekly, have you noticed any shifts recently in booking behavior? And that can be related to virus or not? Just anything geographically that stands out recently or any big changes?

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

No. I mean the positive that we mentioned that the close-in bookings have remained strong. And we're taking a hard line when it comes to yield management that we don't need to overly discount as we move through the months. And just based on our booking position today, we're not panicking behind. A lot of that's by design. With regards to any of the recent news, and currently, at this moment, aside from the booking statistics that we shared with you on our Asian business already, we're not seeing any real changes in bookings or cancellations through Wednesday of this week. Asian pacing has deteriorated roughly 500 basis points over the last month, and that's reflected in our guidance. And as we mentioned, a very small part of our overall net package revenue. But I do want to point out that our guidance does not reflect the global travel epidemic.

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

Okay. Fair enough. And then as we think about the DR and really wanted to kind of zoom in on the Hilton and the Hyatt Cap Cana. When you compare that to the direct booking percentage for the other Hiltons and the other Hiltons and Hyatts in your portfolio, do you think that stabilizes at a higher level for those 2 assets in the Dominican?

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

I don't think -- in my opinion, I don't think they'll stabilize any higher. I think they'll be more consistent with what you see from just Hiltons and being part of their global reach and their much larger loyalty program.

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

And I just want to add to it. I think just having more Hiltons, I mean, if you think about it, we only had 1 Hilton. So having now 4 Hiltons and then having gone from 6 to 8 Hyatts, I think the more Hilton all-inclusive and Hyatt Ziva and Hyatt Zilara properties there are, there's greater exposure rather to the Hilton and Hyatt customers, and I think that's going to benefit us on the direct side. So I think just having greater reach, more locations, that's going to be a really big positive.

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

Okay, great. And then just last one is, Bruce, I understand the comments about the asset sales and you can't really comment. I wanted to ask from a share repurchase standpoint for the company. How do you balance -- I know you want to get the leverage down and you have some natural deleveraging that should occur with the cash flow. But given that the stock seems to be most dislocated right now, how do you guys balance taking advantage of that right now versus the cash flow coming in later in the year?

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

No. Great. Chris, that's a really good question. So we believe if we're able to demonstrate that we can achieve a great multiple for an asset, it will reset our stock price. So with that in mind, the proceeds from a first sale will be more stock buyback focused but will remain neutral impact to the balance sheet. As we have future asset sales, then we will probably shift a little more to deleveraging. But that's our focus.

Operator

Our next question comes from the line of Chad Beynon.

Chad C. Beynon ***Macquarie Research - Head of US Consumer, SVP and Senior Analyst***

Regarding the -- you talked about in the fourth quarter DR, a little bit of margin pressure because of the additional staffing in the marketing that you decided to invest back in the region. As we think about your guidance and the ramp to the margin targets that you talked about for Cap Cana and La Romana, does that include a reduction in marketing in the back half? Or is that just a natural ramp as the property kind of takes hold and the occupancies improve?

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

Yes, it's a natural ramp. We actually -- so both -- there's 2 parts to the kind of the additional expenses. One was kind of the elevated levels of staffing that we had down there. But two, because of the issues we saw on the DR, there are some things that we actually moved up. I mean, I'm not a marketing expert. But traditionally, you'd kind of wait to the property had been open for a couple of months and bring more groups and stuff down there and you show it really humming. We actually did a lot of trips with travel agents, partners, a lot of media attention to bring people down to the market late last year in Q4 to really showcase the property earlier than you traditionally would because we needed to help, and we weren't going to sit around and wait for outside sources to do that for us. So it's a little bit shift of both. But I think from a marketing perspective, you'll see that more evenly throughout the year, notwithstanding the additional money spent in the fourth quarter of 2019.

Chad C. Beynon ***Macquarie Research - Head of US Consumer, SVP and Senior Analyst***

Okay. And then back on the capital allocation front, Bruce, quite clear in terms of your view on where the stock is and the corporate buybacks in the fourth quarter and quarter to date. But as you think about the capital allocation decision tree, are there still opportunities for JV or sliver equity as you talked about to increase your portfolio? Or should we push those thoughts back to times when the leverage is lower than where it is now?

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

No, I mean, there's -- it all depends on the opportunity. But certainly, as opportunities present themselves, we won't miss something that's really potentially highly profitable and valuable to our growth. But there's no question. I mean given where the stock is today and our leveraged situation, it's glaring what the obvious uses of the cash need to be from asset sales. So that's kind of our position.

Operator

Our next question comes from the line of Tyler Batory.

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

I wanted to ask a little bit more about the 2 Hiltons. Can you talk about the displacement in 2019 from those renovations, discuss how much of that you think you can make back in 2020? And then when you look longer term, can you just discuss your views on what those 2 properties could do at stabilization, whether that time line or the amount of EBITDA contribution has changed at all?

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

Yes. Our stabilized -- opinion of where stabilized value could be has not changed, and we've been pretty consistent about just it's the shape of the recovery. Though we had said that those properties would have about $25 million to $30 million of displacement in 2019, they finished at the upper end of that range, we are not expecting that either one of them get back to their 2018 numbers in 2020. In fact, the low end of our guidance range implies that you'd get anywhere from kind of $12 million to $13 million back from those Hiltons. So not even close to half back what they were doing in 2018, given the fact that the DR is obviously still slowly reramping, given everything that happened last year and the relative underperformance of Playa del Carmen market as compared to Cancun in the Greater Yucatán. Again, we are still incredibly excited about the returns and what we said before still stand. It's just about the shape of the recovery. And again, given everything we've said earlier, we hope that, that low end of the range proves to be conservative and while the year moves on.

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

Okay. Great. That's helpful. And then as a follow-up, just in the Yucatán, it sounds like Playa del Carmen a little bit weaker than Cancun. So can you just talk about the differences and trends between those 2 markets? And what, in your mind, needs to happen for trends to inflect higher in the Yucatán generally?

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

Yes, the differences between those 2, there's some obvious stuff that Playa del Carmen further from the airport. The way the beaches and the tides were there, it suffered far worse from sargassum, the seaweed than Cancun did. I spent a lot of time last year in both those locations and which is always far, far worse, particularly at our Panama Jack Cancun, just the way that beach sits. And historically, not so much that we're seeing in 2020, but historically, it had a lot more supply, particularly lower end supply that came in at that market. There's just fewer places to build in Cancun particularly in Cancun proper, people are building to the north, and it's a little bit further and further away from the airport. So those -- you add those things up, it leads to relative underperformance when compared to Cancun. Like we said, we kind of noticed it at the -- on our Q3 call, and we're still seeing it now, but there's some signs of stabilization, particularly in Cancun. We still expect that Cancun will outperform Playa del Carmen. But I said January was off to an okay start. And so we're cautiously optimistic that we've built some momentum here, notwithstanding anything that's going on in the world today.

Operator

Our next question comes from the line of Patrick Scholes.

Charles Patrick Scholes ***SunTrust Robinson Humphrey, Inc., Research Division - MD of Lodging, Gaming and Leisure Equity Research and Analyst***

How would you characterize your sentiment about the trajectory of Dominican Republic today versus, say January -- 2 months ago, January 1? How are you feeling in that sort of 2-month period, better, worse, same?

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

I mean, I think better so as we said, it's always tough when you're comparing big negatives, and you're saying the big negative was not as big negative as you expected. So that case is where we're improving and the trend line is better. So I mean, in my opinion, it's more positive than 2 months ago.

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

Yes, it's more positive. We've seen the bookings continue to progress. Not to be the downer here, but the other side of that is that there's still continued airlift issues. That's a prohibitively expensive market to fly into without any of the news that happened last year. But then you layer on to it that there's been capacity shifts from the airlines and the lingering issues of the 737 MAX. So that is why we were clear that while we're encouraged by what we're seeing. We're not yet changing our outlook. So it's about the change in the ramp of the recovery. We do not believe at all that, that market is impaired indefinitely or anything like that. It's just about the shape of the recovery. And because so much of the year-over-year growth in absolute terms is back half loaded, we thought it prudent to continue to give a wide range and update you on our -- in just a couple of months on our May call when we have just a lot more information. So like I said, we're encouraged, but we'd like to see some of these other headwinds start to dissipate and right now they're not.

Charles Patrick Scholes ***SunTrust Robinson Humphrey, Inc., Research Division - MD of Lodging, Gaming and Leisure Equity Research and Analyst***

Okay. And then secondly, can you give a little bit more color on the sort of the travel makeup of your Asia Pacific customers to Mexico? Are those all like group tours where the whole group could just cancel outright? Or is this more sort of individual travelers?

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

It is not group, okay? So it's primarily -- we have a big percentage of that business who are honeymooners. So that's been really stable, good, profitable business for us. And then the other part of that tends to be couples or families. So definitely, it is not group business.

Operator

Our next question comes from the line of Smedes Rose.

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

Sorry, can you hear me?

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

Yes.

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

Okay. I wanted to ask you a little more on the use of capital, particularly if you're able to sell assets. And it seems like you've -- I mean, you've hinted at being more interested in share repurchase. But I mean if we are, and who knows, on the verge of a global slowdown in travel and your EBITDA -- debt-to-EBITDA is verging on 6x now, I mean isn't it more prudent to attack the debt first before -- and the stock will take care of itself later? Or I mean it seems like you're getting awfully high on the leverage side.

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

Yes. No, I mean, it's a good point. I mean so what I stated was kind of our sentiment, where we are today. But I can't predict where we'll be tomorrow, let alone probably in a week or a month.

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

Exactly -- given where you are on leverage, wouldn't it be better to go ahead and get in front of that since to exactly your point, you can't predict what will happen.

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

That may absolutely be what happens. So we'll meet with the board and we'll have that discussion, given all of the evidence of our business and our prospects as well as the global situation, and it may be very well that we do that. But let me just comment a little bit where -- and I won't say it doesn't matter, but I'll say that we can still accomplish both, okay? And the reason I say that is, even with a downturn, our free cash flow generation is very significant. And so as Ryan mentioned, we're going to be paying off the rest of the revolver in the first half of the year. If we have the proceeds from an asset sale, I think we'll have different levers that we can pull. So as we look at it, we will make that determination. And we're not going to do anything stupid. We're going to do what's best to secure a great outcome. And if that outcome is deleveraging, we'll deleverage. If it's a combination of deleveraging and stock buyback, we'll do that.

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

Okay. And then I just wanted to ask you, you guys have talked a little bit about how you thought the Cap Cana asset would ramp up comparing it to your Cancun properties. I mean has that changed at all in terms of how you think the first, second and potentially third year EBITDA generation looks there?

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

No, no. And again, going to my -- kind of my summary comments about my frustrations, it's definitely a temporary issue. So Hyatt Ziva and Zilara Cap Cana, unfortunately, open into a soft market, okay? It's -- as Ryan said, this isn't something that's going to go on indefinitely. It's kind of recovering. And I think once the 737 MAX situation is resolved, once coronavirus is resolved, once a lot of things are resolved, that asset -- those 2 hotels are going to be incredibly successful. You can go on and you can look at the TripAdvisor ratings, you can go down and you can talk to guys who've been there, the overall experience is tremendous. And what happens in our industry is that you need that natural progression to occur. You need guests to go to a resort, you need great feedback from their experience, you need groups to go to the resort and get great feedback and then success breeds success. And I think that's what you're going to see. We had that situation. We've had that situation at Zilara and Zilara Rose Hall, and I think it will be even better here at Hyatt Ziva and Zilara Cap Cana. It is an incredible asset. It's built for groups, it has more amenities and facilities and efficiencies than any other resort we have. It's got the best beach of all of our resorts. The Dominican has had a cloud over it due to the whole media frenzy in 2019. And then it was impacted, as Ryan said, by flight availability. These things will clear out, and that resort will do well. And even in the meantime, it's going to do better than the competition there. I mean Cap Cana is, for one, an incredible location. And number two, we have the best resort in Cap Cana. We have the best resort in the Dominican and arguably in the Caribbean. So I think it's going to do well. It's just opened into a soft market. That's it.

Operator

Showing no questions at this time. Please continue.

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

Okay. So I'll just wrap it up by saying, it's an uncertain world. And we have a lot of challenges, but we are not alone, okay? If I were to choose where to go in the world right now, I personally would choose to go to one of our locations, but who knows what's going to happen to the whole travel market, leisure, business, everything combined. We've seen this before. It's hard to predict with this one. But I can tell you that from the standpoint of our business operations, I think things are going as well as they can, given the external situations. And we will continue to focus on driving free cash flow and profitability. And that's our focus.

So we had a good start to the year. Hopefully, that will continue, even given the external factors, and that's going to be our focus. The asset sale discussion we've had, I can't comment on any specifics. But I can tell you as we've said before, that remains an incredible focus as well for the company. So we will do that, and whether, Smedes, I suppose, use the money to deleverage or buy back stock, we will do what's most prudent in the best interest of our shareholders, but we will do that.

And so with that, I'd just like to say, hang in there. I guarantee you. I'm hanging in there. I feel more positive in this year than I did last year. And even with coronavirus, I think this shall pass. So thank you very much for taking your time to listen to our comments today.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you all for participating. You may now disconnect. Have a great day.