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PRESENTATION

Operator

Good morning. My name is Laura, and I will be your conference operator today. At this time, we would like to welcome everyone to the 2017 Q2 Playa Hotel Earnings Call. (Operator Instructions) Thank you. Mr. Hymel, you may begin your conference.

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

Thank you very, very much Laura. Good morning, everyone, and welcome to Playa's 2017 Second Quarter Earnings Call. Like always, 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 is being 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 actual results to differ, please review the Risk Factor section of our most recent filings. We've updated our IR website at investors.playaresorts.com with today's presentation and recent releases. Also, as we discuss certain non-GAAP measures, it may be helpful to review the reconciliations to GAAP located on our press release.

On today's call, Bruce Wardinski, Playa's Chairman and Chief Executive Officer, will provide an overview of the current operating environment and outlook and discuss key operational highlights for the quarter, and I will address our Q2 results and other financial matters for the company. With that, I will now turn the call over to Bruce.

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

Great. Thanks, Ryan, and thanks, everybody, for participating this morning. We are pleased to announce that we realize we had another record quarter led by significant increase in net package RevPAR of 11.6%, and an increase in adjusted EBITDA of 22.4%. Just as we demonstrated in our first quarter, this excellent second quarter performance is a result of the continued successful execution of our strategy, which begins with driving higher package rates and occupancies across our portfolio, and in particular, the recently repositioned and still ramping, resorts. Second, maximizing non-package revenue, which increased over 6.9% in the quarter; and third, focusing on cost controls across our properties, which resulted in resort EBITDA margin improvement of 290 basis points.

Our key operational highlights for the quarter include the prompt and successful exchange of all of the outstanding public and founder warrants for ordinary shares. This removed a perceived overhang in the stock and really completed our [despacking]process. Next, closing on the acquisition of the site for the new Hyatt Zilara in Ziva Cap Cana, in the very high-end gated community of Cap Cana, which is in Punta Cana in the Dominican Republic, a very strategic market that we want to be in with Hyatt Ziva, Zilara property. The planned 750-room resort complex will feature both of the hotels, Zilara for adults and Ziva for all ages within the same 40-plus acres beachfront site. And this is an absolute world-class beach location. The construction on the resort is set to commence in the third quarter.

Next, we have recently begun, they're making strong progress on all of our ROI projects, including finishing the renovation of all the old Ritz-Carlton rooms at our Hyatt resort in Jamaica, including new room configurations to maximize sales to families at the Hyatt Ziva; shifting 120 rooms from Ziva to Zilara, the all-adult section, where we've seen higher demand and we received higher ADRs; development of a new beach spa and construction of a new state-of-the-art fitness facility. The room renovations have been going extremely well, and all of the projects are anticipated to be completed in the fourth quarter of this year in preparation to take advantage of the 2018 high season.

Next, the conversion of Gran Caribe and Grand Porto to the Panama Jack brand, which are on track to be completed by the end of November. These conversions include refreshed room concepts and updated public spaces. Our marketing team has already begun trade advertising for the resorts under the Panama Jack flag and we believe the finished product and concept will create lasting brand recognition and repeat customers for the 2 resorts that today have really little to no direct customer bookings.

Next, renovating the preferred tower rooms in Puerto Vallarta, which is expected to be completed in the fourth quarter of this year. This project will improve the guest experience and allow us to achieve premium rates for these significantly improved rooms and the entire towers. So the whole experience of the preferred guest towers are going to be dramatically better. And then finally, continuing renovations at Zilara Cancun, including a newly constructed spa, major upgrading of some of our presidential suites and swim-up rooms, updated lobby furniture and a new check-in experience. All of this is projected to be completed by the fourth quarter of this year.

Also, we updated and relaunched our playaresorts.com website, which now has better navigation, search engine optimization and a booking engine with improved functionality and user experience. It's still early, but the post-site relaunch trends are very encouraging, so what we've seen so far.

And lastly, our acquisition and development pipeline remains very active and robust. So with that, I'll turn it over to Ryan to discuss our Q2 2017 results.

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

Thanks, Bruce. Just like last quarter, we were focused on our strategic initiatives that -- improving RevPAR growth through a combination of occupancy and rate; improving non-package revenue which is very high-margin business for us, and flexing operational cost to increase resort EBITDA and associated margins. As Bruce mentioned, it's a very, very strong quarter, net package RevPAR growth of just under 12%, driven by ADR growth of 7% and an occupancy increase of 330 basis points. Non-package revenue of just under 7%, all leading to a total net revenue increase of 10.6%, which we're incredibly proud of. Adjusted EBITDA for our portfolio reached just over $41 million, which represented a 22.4% increase over the prior year. Our Hyatt properties again performed particularly well and they achieved net package RevPAR growth of 15.7%, ADR growth of 7.8% and resort EBITDA growth of 43%.

I want to briefly review our operational segments. Our resorts in Yucatán Peninsula achieved net package RevPar growth of 14% and this is driven by ADR growth of 8.5% and 420 basis points increase in occupancy. Every single one of our resorts in the Yucatán had increases in RevPAR, which was pretty excellent. And the resort EBITDA in the Yucatán was just under $30 million, which represented an increase of 19.6% over the prior year, and a 240 basis points increase in resort EBITDA margin. The Pacific Coast continues to outperform and both properties performed incredibly well and both the Ziva in Las Cabos and the Ziva in Puerto Vallarta, net package RevPar growth of 15.8%, net package ADR growth of just under 7% and a 570 basis point increase in occupancy. And resort EBITDA of $9 million, which increased 66% over the prior year.

Now turning to the Caribbean. The Caribbean had an increase in net package RevPAR 6%, driven by ADR growth of 4% and occupancy growth of 160 bps. Resort EBITDA decreased slightly just under -- just little below 1% compared to the prior year and that represented a 160 basis points decrease in EBITDA margin. As we -- it was said in our last call, and if you recall, we expected to make up some of the shortfalls from the Caribbean segment in the second and third quarter and we've been successful in doing so in the Dominican Republic of those assets but Jamaica does indeed remain behind our expectations. That said, this is due in large part to the work and improvements that we're making at that property and particularly the room configuration changes that Bruce mentioned earlier. These should all go a long way towards making 2018 and beyond, a success and we'll continue to make building occupancy a priority at this hotel. And so therefore, this lag in performance does not worry us nor change our long-term outlook for this asset. We're going always -- with all our assets and in particular this one, continue to make decisions today with a longer-term view in mind and not simply for short term gains.

If we flip over to the balance sheet, as of June 30, we had $195 million of cash and equivalents. Total interest-bearing debt at the end of the quarter was $890 million, which is comprised of our $530 million senior secured term loan and $360 million of our senior notes. Net debt as of June 30 was $695 million, and as I discussed on the last call, going forward, we plan on providing adjustments in net debt for the development CapEx spending at Cap Cana to facilitate a better visibility on that investment.

As of 6/30, we've not spend anything material, but as Bruce mentioned, we did close on the acquisition of the land in early July for a total consideration of $56 million. But to be clear at that time, we only paid $45.6 million, which includes releasing $5.6 million of an escrow deposit, which had been presented as restricted cash on our balance sheet. So what is remaining is another $10.6 million balance for the land that is due upon the earlier of 2 years from the beginning of construction or the opening of the hotel. With that I'll turn it back over to Bruce.

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

Great. So that concludes our kind of prepared remarks. And now I'll open up the call to answer any questions you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first questions comes from Harry Curtis of Nomura.

Harry Croyle Curtis - *Nomura Securities Co. Ltd., Research Division - MD and Senior Analyst*

I wanted to focus on, at least my perception of, what's going to drive long-term value with the closing of the Cap Cana transaction. Maybe if you can give us a sense of what your expected investments going to be, the timing of it. And if you look back in some of your prior closer to ground up developments, what sort of historic returns have you gotten in those? And do you think it's fair to say that you'll drive reasonably similar returns on invested capital?

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

Yes. That's a great question. So our all-in investment cost is going to be between $250,000 and $260,000 a room. So that's about a $190 million, when you consider it, it's a 750-room property. A great question on our historical resorts. And so that does not include the land. So there's another $50 million for the land. But obviously, we've already closed on a large portion of that. But for the actual development and construction what's left another $190 million. So if you look at it, I think the best way to look at that question Harry, if you look at the work we've done on our Hyatts, because while none of them have been pure ground-up development, there have been very substantial property renovations and expansions and redevelopments, including like for instance Ziva Cancun was a complete gut-job of the property and we gutted the resort down to the concrete before building it back up again. So if you look at our 5 Hyatts, in 2013, they did a total of $31 million of EBITDA and at the end of 2016, as the portfolio, they did $73 million. And we've spent just over $240 million almost $250 million in renovation, expansion costs of those properties. So that's a yield on 2016 of 16%. And that is the first year that all of those hotels were all open. So while we haven't guided individually to 2017, considering that's your first year of incremental yield on investment of 16%, it's very, very, very strong in our opinion. If you look at other projects that we've done in the DR, smaller projects where we've converted rooms to preferred, we've had yield on invested capital spent of anywhere from high teens to low '30s on a stabilized basis. So you can expect on a stabilized basis the Cap Cana project to return similar yields.

Harry Croyle Curtis - *Nomura Securities Co. Ltd., Research Division - MD and Senior Analyst*

Okay. And then maybe from a strategic point of view. How does Cap Cana fit into your brand network. Are there -- what are the advantages that you see and are there -- have you seen any evidence of when you open a large new project, does it dilute or enhance your customer network?

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

Sure. I'll take that Harry. I'll start with the last one. It definitely enhances. So when you think of the challenges of starting 2 brand-new brands. Okay? So -- and I really think we have to look at it that way. So Hyatt Zilara and Hyatt Ziva, the partnership kind of reentered into with Hyatt to develop those, it was a very significant undertaking. And we started with the first, which was the Zilara in Cancun, and that's a lot of work to go for one resort. And now we built that up to 6. We have the 2 Zilaras and we have the 4 Hyatt Zivas. So that's a very small number of properties for a brand, big international brand company like Hyatt. And I know, back when I started my career with another brand company we'd have to get up to where we said in the U.S., you'd have to get up to 100 hotels to really have a brand. Now in our segment, we don't need to have that number. But what you do need to have is representation in all of the critical all-inclusive markets, okay? So first, the number one market and I'll do this by airport because even though there is many submarkets in these location, it's really critical to focus on the airport, where the customers are going. So the number one market is Cancun. And obviously, right now we have the Hyatt Zilara and Hyatt Ziva in Cancun and they're doing fantastic. In the future, could we have them in other submarkets of that overall destination? Sure, and we would love to. But we're represented there and that's critical, and it's not surprising how well we're doing there. The second market, all-inclusive market in the world, is Punta Cana. And so going back to your question about the strategic rationale for entering Punta Cana. We have been looking literally for years to find a location that would be suitable for Hyatt Ziva and Hyatt Zilara. We looked individually, and in this case, we found a piece of land that could do both. It's much better to do both together because of the efficiencies of the operations, kind of complexing the 2 -- we think and actually we know we'll do much more efficient on operations, margins, cost everything. So when we found this location in Cap Cana, the reason for our excitement and I can tell you my personal excitement, we just did a land purchasing ceremony down there with the President like 3 weeks ago. And standing on that beach is, it's just an exceptional beach number one, there is a reef there so you never have big waves, it's deep, it's beautiful white Caribbean sand. And then beyond that, the infrastructure of Cap Cana, so Secrets Cap Cana has already opened, fantastic resort. There's a Sanctuary Cap Cana again, world class resort. So that -- the market has that quality level. And so we are going into the A++ location, when you look at beach and you look at our neighbors and you look at the infrastructure. It's located door-to-door, we'll be less than 15 minutes from the airport. All the roads, all the paths, bike paths, trails are already in, water, electricity everything is in there. So that's the advantage. And then the other -- next market would be Jamaica, we're in there, Puerto Vallarta, Los Cabos et cetera. So Punta Cana was a glaring hole for us that we needed to fill. And then when you look at, and the reason I answered the last part of your question which it enhances it is we need to be on a cycle. The rotation cycle with the groups. And so we already have big group facilities in Jamaica and in Los Cabos and then smaller facilities in Cancun and even smaller in Puerto Vallarta. Cap Cana will be in that large group facility category, so we'll be able to cycle groups. So we've had a number of our groups who've done 2 or 3 of our resorts and then they said, "Hey, we're going to have to go away for a year or 2 because we need to rotate on a 5-year schedule and you don't have other locations." Well we're going to have another location. So this is going to be very geared toward groups, it's going to be geared toward high-end customers. So high ADRs is going to be incredibly efficient because of the ground-up construction and as I said, it's located in the second largest all-inclusive market and in the best location within Punta Cana.

Operator

Our next question comes from Smedes Rose of Citi.

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

I wanted to ask you just first of all, I think in the -- previously you've indicated about $180 million of EBITDA for this year generated. Are you still comfortable with that estimate even with the Jamaica running a little behind?

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

So as we said so we used $180 million number during our transaction and our plan is never to kind of focus on quarterly guidance but we've said that if we thought there is going to be a material deviation positive or negative then we would say something and we don't see that so we're not saying that, we're maintaining the guidance. If you look at the rest of the year, Q3 for us is always a less important quarter and always -- in this year I think we'll be a little softer given the work we're doing at Jamaica, in the Panama Jack, and finishing out Puerto Vallarta. Q4 I think should be really good. So which is more important to us because that begins the high season. But -- so I feel good about where we are for 2017. And then more importantly, as a management team and I can tell you myself, as leading this company, our focus is always on the long-term value proposition. And so I look at the work we're doing and we focus very much on minimizing disruptions. So when we do our projects, we do them in obviously, seasonally low periods, we try to do them efficiently. So that -- we're not having big disruption. The one place this year that we're having that disruption is in Jamaica. And it's impossible to finish out 440 rooms at a resort within one year and not have some disruption. So that's what you're seeing in Jamaica. But on the other ones, I think, while we will experience some, it's pretty muted disruption. But our focus, like I said, is on the long term. So every single one of these projects is going to have near-term benefit for us and long-term benefit. So 2018 is going to be a really good year benefiting from the work that we're doing in 2017. And then looking out to 2018, and our existing portfolio, we're going to have very minimal disruption because really the only property that you could see some disruption at is going to be Zilara Cancun, where we're contemplating doing rooms renovation next year. Beyond that, everything else will be done this year. So -- it's a long answer to your question, but we're maintaining guidance and like I said, I think all the things we're doing while maintaining guidance of 2017 is going to lead to good results in 2018.

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

Great. And then the other question, I just heard you mentioned in your opening remarks, that the acquisition outlook was active and robust. I'm just curious if you could maybe provide a little more color in terms of maybe the kinds of products that might be -- that you're looking at and maybe kind of the scope if you're looking at portfolios or one-offs and kind of maybe how you would like that to play out? You know over the next few quarters.

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

Sure. The scope of the projects, yes, we're looking at portfolios and one-offs. So -- and not to be glib about that, but we're looking at a big, big number of opportunities. So they would include acquisition of existing, they would include joint ventures with existing and it would include management opportunities, doing management contracts for existing. So the projects we're looking at don't -- in near term don't have any new constructions. So these would be things that would contribute right away to EBITDA. So I think that's very, very important to us. And then the reason -- and I would've loved obviously, to been able to say today, "Hey, we've got this deal we're going to announce." In -- I can tell you in our segment it's a little more challenging because going back to I think the other part of your question is kind of what the deals are? How they are comprised? These are mostly family-owner operated assets. And in that world, it's not as simple as going to an institutional investor or REIT or a private equity group and just saying, "Hey, I hear your hotel is for sale. Here's the price, we'll pay it." Okay, and then we get it or there is an auction for a property and we win it, even though I hate auctions, so I'm not sure I'd want to win it. But in this case it's really dealing with multiple meetings, multiple exchanges of information, meeting numerous family members from different generations, okay? In trying to do that. So it is a slower process but we're not -- we didn't just start this process in March, okay? So we've been having discussions with different groups for a very, very, very long time. And -- so I would say -- what I always tell our head of development as you have to have a lot of irons in the fire and they have to be at different stages of -- in the process. So that you can have some that are going to hit soon, some in a little bit, longer term, longer term. And I can tell you we -- that's what we have. So I think, I can't tell you it would be next week or next month but I can tell you that I feel we're looking at a lot of really good things and we have people who want to do deals. And in our world, that's the biggest hurdle, okay? Is getting people who want to do a deal. So these are not people who, we're just going in on a cold call and starting to say, "Hey, would you like to sell?" These are people that we're actively engaged in discussions with. So that's why I feel good about it and I feel good about it from the standpoint of, if you look at our criteria that we've always espoused, it's under branded, under managed and under invested. And all of the opportunities we're looking at fall within those categories, okay? So we think if you get a single asset or a management contract or portfolio, we're going to be able to rebrand them, change to our management be much more efficient particularly on kind of big items like procurement and labor and sales and marketing that we can be much more efficient on. And then in select cases where necessary and it could relate to the branding, changes -- if we're changing brand, is some investment, okay? But again these are existing properties that have existing EBITDA and cash flow.

Operator

Our next question comes from Chris Woronka of Deutsche Bank.

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

I want to ask you little bit about Jamaica and really the question is how much juice is there next year when you think about what's been going on this year and what you're doing with the rooms and some of the added amenities, without any kind of guidance just maybe some kind of trajectory on your -- your view on that?

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

Sure. If you look at Jamaica, there's always a silver lining, I'm an optimistic guy, there's always a silver lining and the silver lining in Jamaica is that we haven't performed to the level that we want to perform to, okay? So when you say is there upside or significant upside? My response is absolutely, okay? And what gives me the confidence to say that is if you look at the market dynamics, okay? So if you look at some of our competitors, that are at our quality level and below our quality level and service level and how they are performing right now and they are performing incredibly well, okay? And so I look at that in saying, "All right it's not a market issue, it's a property issue." And you say "Okay, well what was or what is the issue?" And as we've said, I think below -- before on our calls is that we did not renovate all of the old Ritz-Carlton rooms. So when we built and reopened the resort, the brand-new rooms were incredibly well received but the old Ritz-Carlton rooms were not and the biggest impact that had was with the groups, okay? And so they -- a lot of them would not book because they said, "Hey, fine you give us only the new rooms and we'll book there." But we couldn't do that because out of 620 rooms, 400-plus of them were the old rooms. So after this renovation in 2017, all of the rooms will be at the same quality level, okay? And so what we're planning to do, we've done this with some who have asked to come down already, but we brought in meeting planners and toured them through and they just absolutely love what we've done. And so when it's all finished, we'll do big groups in numbers of these meeting planners and bring them in to show them. So we're already seeing good pick up for 2018 on the group side which is definitely been muted for 2017, okay? So that's one of the big changes. Another change if you -- and we mentioned this in our prepared remarks, within the Hyatt Ziva, we talked about changing the room composition, okay? Specifically, what that means is we were losing out business and more importantly ADR opportunities because we did not have enough rooms to meet the demands of the families over at Hyatt Ziva. And in the summer time in particular, but even in the rest of the year, what we needed to have were more double doubles. Now it's a double-edged sword resort in the hotel business because if you do bunch of adult groups they're going want more kings mix, we look at double doubles but the double doubles allow us to yield more. Because in the all-inclusive business as you well know we charge per person. So if you can have a double-double and you get 4 people, 2 adults and 2 kids in a room that's better than having 2 adults or 1 adult in a king room. So even in the rooms that are just king, what we've done is we've put in sleeper sofas and these are not your cheesy, foldout, lying on the 1 inch mattress on the springs and the kids end up in the bed with the parents kind of mattress. These are more high-end like a full-time kind of folding out bed, okay? That is absolutely, I have slept on it to test it, you can sleep on it and have a good night experience. So we put those in and we have increased our number of double doubles. So we're more efficient over at the Ziva. So that was what we talked about on the room composition. Second, we talked about moving 120 rooms from Ziva to Zilara, okay? Jamaica is a very strong adult market overall and certainly in all-inclusive. And what we found in the past is that we had more and more demand for the Zilara side of the resort than for the Ziva and the benefit of that is you yield higher rates over at Zilara. So we're taking those 120 rooms, they are now exactly at the same quality level as the other rooms, as I said earlier, and those are going to be Zilara rooms. So we've increased our number of Zilara rooms, we've increased our number of kind of "family friendly" rooms and overall, for the group quality, for the groups we've finished that project. Additionally, we put in -- over at the Zilara, we put in a beach spa, we put in a coffee shop at the Zilara, new shop at the Zilara. So now the Zilara is truly its own resort. So before I think some of our customers felt, "Hey, if I want to get a coffee, I got to walk over to the Ziva lobby." They don't have to do that anymore. So we've really put in the investment to make Zilara its own resort and it gets great reviews since we've done that and then with the extra rooms we think we're going to yield more. So overall, I think it's a great occupancy and rate opportunity. So you're going to see higher RevPARs next year, you're going to get more groups in there, the groups come in at higher rates. So I think overall the business plan is going to get back on track with what we originally thought we should be doing right now. So -- was it a little delay, was it difficult, did it cause some disruptions in 2017. The answer to all those questions is absolutely, yes. But as I said earlier, I think we're a long-term focused company and we're going to start benefiting immediately in Jamaica in 2018.

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

Great. Just back to Cap Cana for a second. It sounds like the returns you guys are penciling out based on historicals, they are pretty favorable, but are the economics any different in terms of how the hotel -- in terms of the absolute RevPAR, the margin, is that similar to the other high-end assets or is there something more unique to that market?

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

Just the -- the Dominican in general is -- if you look at our other DR assets, that's a mid-80s occupancy year round where Cancun is low 90s year round. And you -- typically the rates are a little bit less in the DR than you see versus Mexico and particularly Cancun. That said, the labor is cheaper too.

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

Yes, and in Cap Cana, I think we're going get -- we're going to be at the high-end of those rates. So I think, we'll benefit more than Punta Cana overall. And you know as Ryan gave the numbers earlier, those are the yields we shoot for in an unlevered IR basis. So we don't look at a project (inaudible) project that's not going to be very profitable.

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

Okay, great. And just finally for me on the non-package revenue, I know that moves around a little quarter-to-quarter. What are some of the -- trying to understand the business model. What are some of the puts and takes in that because in the last quarter it was a lot higher than we thought, and we thought this quarter was maybe more in line. What are -- is there anything that you guys are going to change that?

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

I'll let Ryan -- Ryan can get into the parts of that equation, but let me just talk about the first quarter versus second quarter. One thing about non-package revenue and the reason it's higher is you get more people base. So I'm probably taking Ryan's answer but in the high -- the people who come in the high season spend more on non-package revenue. And so that's where we're really focused, trying to get more and more business.

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

Yes, I know that's right. It's one of the things that's a little counterintuitive because you assume that somebody is already spending more for their package isn't going to spend on extra incidentals but it's the name of the game. If people have more money to spend, they spend it. And so it's been -- this has been a big focus for this year. You've seen it. We've had steady improvements in Q1 and Q2. Particularly the way we educate and train our employees to up-sell rooms, to promote wine sales, to promote romantic dinners on the beach, spa sales, stuff like that without making the guest feel like they are getting nickel and dimed or making them feel like they're at a timeshare convention essentially. And there is -- unique things they'll do and they'll say, "Hey, they'll put out announcements or flyers that say, Hey, from 11 to 2 in the afternoon it's 25% off in the spa" or something like that. Well the spas, they are never crowded at that time of day. So we do things like that, that create demand and create excitement without overly shoving it down someone's throat.

Operator

Our next question comes from Paul Penney with Northland Capital.

Paul Richard Penney - *Northland Capital Markets, Research Division - Senior Research Analyst*

Can you give us more color on the progress on the direct channel migration, specifically what has been done with the websites, increasing your presence within Hyatt and penetration into the OTAs?

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

Sure. If you look at it, as we said before this is a key part of our strategy but it's also a part of our strategy that's going to take time to progress. So we're attacking it on a broad number of fronts, okay? So as you mentioned on our website, we talk about the relaunch, I like it, it's much better than previous, but it's not the final product and we've further enhancements to make to it. But the initial reaction kind of results are positive, they're up but it's on lower base. So again, we're to keep -- we're going to push that. With Hyatt and Hyatt's website, obviously much more significant of an opportunity. We had a meeting with Hyatt last month, going with all of their sales marketing team, their senior leadership as well as their technology group. And they are doing some major initiatives that I think are just going to be excellent on their website. All technology takes its time. So they've got more brands than just Hyatt Ziva and Zilara, but we are very high up in the queue. So our expectation is that the Hyatt Ziva and Zilara component of the hyatt.com should be done sometime in the first quarter of next year. And so that's really positive. And some of the things that, that's going to change, or that will be changed in a much higher content. So both photos, images, videos also a much clearer differentiation of all-inclusive. So before, for example, if you pulled up Cancun on hyatt.com you'd see the Grand Hyatt and you may look at that just from the rate standpoint that's a EPA non-all-inclusive hotel and you look at the rate saying, well wow that's a lot cheaper than Hyatt Ziva Cancun or Hyatt Zilara Cancun so I'll just go there. Well obviously that's not a good comparison because you have to build-in the food and beverage component of it. So with the new website, it's going to make it much clearer to get to all-inclusive. So Hyatt, that's the only brand major U.S. international brand with exposure or having a presence in the all-inclusive. So it's all new for them. And I think they're doing a great job. Sure I wished I had a magic wand and I could say that would all be in place tomorrow, but it's not. But I like what they're doing and I think it's going to be really beneficial. So we're getting good direct business already from Hyatt, if you add in the group direct, it's even better. And I think in the next 2 years, you should be able to take that up several hundred to plus 1,000 basis points. So I think that's a real opportunity. So we're really focused on that, we are focused on our website and then with the OTAs of the other channels, what we're doing across the board is every single one of them, we are negotiating tougher deals and they're just coming down 100, 200, 300 basis points. And we expect to go the next year and do it again. And if you look at what's going on in the broader hotel industry in the deal Marriott just got with Expedia and Hyatt is negotiating with Expedia and Marriott did with booking, Hyatt did with booking. You know Hilton is the same way. All of those contracts are coming down, okay? So we believe the trend will be for consolidation and whether it is the OTA which kind of already occurred or within the tour operator world and those commissions are coming down, and as well in our business we have what's called co-op spending or co-op marketing that we give money 1% or 2% to the tour operators, 3%, 4%. We're squeezing or eliminating that as well and trying to take that money use it more efficiently, okay? On online efforts to get more traffic to our direct channels. So I think across the board, you're going to see improvement. So it's going to be something that again going back to our longer term focus. I think in 2018, 2019, 2020 you will see continued progress towards that. And that will come out in net ADR growth that will pay above the market.

Paul Richard Penney - *Northland Capital Markets, Research Division - Senior Research Analyst*

Thanks, Bruce. That's very good color. Switching gears, can you give us more color on the roll-out on the first Panama Jack convergence in Cancun. Are we still slated to start in September? And what's the timetable to have them fully converted, both properties?

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

Yes. It's starting in September and they'll be done end of November, first week of December. So everything will be done this year.

Paul Richard Penney - *Northland Capital Markets, Research Division - Senior Research Analyst*

Great. And last one, the currency move in the peso, is there any efforts to offset the recent headwinds here?

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

No. We've talked in the past and looked at whether we do a cashless collar or something like that. It's not something we look to do, we're not looking to do anything like the airlines or make longer term bets or enter in any sort of forward contracts. It's something we deal with and continue to monitor. Has it moved to a slight headwind over the last month or 2? Yes, but it's not that far off our initial expectations. So it's something we've continued to monitor, but it's also something that we've lived with for a long, long time dealing with -- in these markets and with these type of expenses and there are plans in place on the operating side both at our hotels and AMR to manage cost appropriately given the shift in the peso.

Operator

And we have no further questions at this time.

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

Great. Well, thank you, everyone for participation on our call. We were really pleased with second quarter results. We're excited about the ROI projects and our initiatives on the direct-to-consumer that will proceed through the rest of 2017 and as I've probably said ad nauseam, we think that's going to give us really strong outperformance in 2018 and beyond. So we're excited with the prospects of the company, where we're today and where we're going in the future. And we appreciate your interest and support. So thank you all very much.

Operator

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