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PLYA.OQ - Q3 2017 Playa Hotels & Resorts NV Earnings Call

EVENT DATE/TIME: NOVEMBER 07, 2017 / 4:00PM GMT

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PRESENTATION

Operator

Good morning. My name is Melissa, and I will be your conference operator today. At this time, I would like to welcome everyone to the 2017 Q3 Playa Hotel Earnings Conference Call. (Operator Instructions) Thank you. Ryan Hymel, you may begin your conference.

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

Thank you very much Melissa. Good morning, everyone, and welcome to Playa's 2017 Third Quarter Earnings 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 actual results to differ, please review the Risk Factors 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 reconciliation to GAAP located in our press releases.

On today's call, Bruce Wardinski, Playa's Chairman and CEO, will provide an overview of the current operating environment and outlook, discuss key operational highlights for the quarter, and I will address our Q3 results and financial matters for the company.

With that, I will turn the call over to Bruce.

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

Thanks, Ryan. Good morning, and thanks to all of you for joining us today. It's definitely been a very active quarter for Playa with a number of accomplishments, and of course, there were certainly some extraordinary challenges that we faced related to our financial and operational results. So we will cover these in detail, but we believe that while we have experienced short- and immediate-term disruption, the medium- and longer-term effects of current initiatives will definitely accrue to the benefits of Playa, our resorts, our guests, and most importantly, our investors. And we continue to set the stage for Playa's long-term success by smartly investing for the future.

I would also like to recognize the outstanding efforts of our employees across all of our resorts and our offices to ensure that the needs of our guests were a priority and they were focused on during all of the events we had in the quarter. We've added to our Investor Relations website an updated Q3 investor supplement that provides an overview of what we will discuss today.

So, first, let's review everything that has occurred in the quarter starting with the negative influences first. Not surprisingly, the biggest negative related to the weather. This was a much busier than usual hurricane season with direct weather impacts, airport closures, evacuations and general guest travel disruptions that affected all of our operations.

In my lodging career, I cannot recall a time where we had the level of travel disruption in multiple markets and feeder airports as we experienced in this past quarter. The quarter included 4 major storms, including Tropical Storm Lidia that hit the Baja California peninsula and parts of Western Mexico and it made landfall in Los Cabos on the 1st of September. This was a relatively short duration storm with far less media coverage, and our resorts suffered very minimal damage. The main disruption was due to the collapse of the Santa Anita bridge, which connects San Jose to Cabos to the highway, the corridor there in Los Cabos and subsequently over to the airport.

Next, Hurricane Harvey. It made landfall in Texas on the 25th of August, which caused record-setting flight cancellations and disruption at Houston's 2 main airports, Hobby and Bush Intercontinental, beginning August 25, even before the official closure of those airports on the 28th of August. The airports reopened with limited flights on August 30. Normal flight operations were back up and running 2 weeks later. There was no damage to our resorts from this hurricane, but there was a very meaningful impact on our guests' ability to travel to our properties.

Next, Hurricane Irma. It passed by the Dominican Republic on September 6 and made landfall in Florida on September 10. Airport disruption was experienced at all of Florida's major airports, including Miami International, Orlando International and Fort Lauderdale Hollywood International, all 3 of which service Playa's markets. Flight cancellations and disruptions were in the tens of thousands in Florida with major airports closing at various times on September 8 and 9. Airports reopened on the 12th of September with limited schedules, returning to normal operations on September 13. No damage resulted at our resorts, but again, there was a very meaningful impact on our guests' ability to travel to our properties.

Finally, Hurricane Maria. That one made landfall in the Dominican Republic on the 18th of September. Dreams Punta Cana and Dreams Palm Beach were evacuated during the storm. Dreams La Romana and Dreams Palm Beach suffered minor cosmetic damage and returned to normal operations immediately, while Dreams Punta Cana suffered more significant damage and remained closed until October 7 for a total shutdown of 18 days.

All of our Caribbean properties are currently fully operational and will be business as usual for the upcoming high season. That's very much the positive news. While there are certainly inter -- sorry, immediate and short-term disruptions from these weather events and related well above normal travel cancellations, we believe Playa has a tremendous opportunity to capitalize on the disruption within the greater Caribbean market.

By our estimates, as much as 15% to 20% of the entire Caribbean room inventory is currently offline and, in particular, Puerto Rico, the British and U.S. Virgin Islands, Saint Maarten and Turks and Caicos were impacted quite heavily. Guests holding reservations in those markets have to go somewhere else and our sales and marketing teams have been aggressively working to gain market share and take advantage of the rooms out of service. Some have estimated that the harder impacted islands may miss not only this high season, but some or all of the next year or more. We've not yet reflected the financial impact of this loss of supply in outlook as it should be a positive for Playa as more guests seek a holiday with fewer resort options. But this is definitely an upside that we think is going to benefit us.

As an example of how all of this helps Playa, we're already seeing strong group demand at our Jamaica resort in Q4, and more importantly, in Q1 and Q3 -- I'm sorry, Q1 and Q2 of 2018. Given the higher number of guests looking for a home, we also made the decision to speed up our renovations at our Panama Jack conversions in Ziva, Zilara Jamaica in order to be ready to accept the displaced customers. This, of course, caused larger than forecasted renovation disruption in terms of rooms being unavailable, but will position the resorts for success in the very near future.

So now kind of with the bad news behind us, let's talk about the more exciting operational highlights for the quarter. In July, we closed on the acquisition of a land site in Cap Cana in the Dominican Republic, and last month, began development of our previously announced 750-room Hyatt Ziva and Hyatt Zilara resort. This is a very strategic asset for us. Not only will it mark the entry of Ziva, Zilara into the second most popular all-inclusive destination in the Caribbean and Latin America, but it will also provide world-class meeting facilities in order to keep meetings and incentive business that has already visited Ziva Los Cabos and Ziva Montego Bay within the Playa family. We expect to complete the project in early Q3 of 2019.

Additionally, we continued to make very strong progress on our $40 million of growth CapEx projects, including first, 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 Hyatt Ziva and shifting 110 rooms from Ziva to Zilara, which adds to our inventory of adult-only rooms, which are highly in demand at that resort and generate higher ADRs. The room renovations have been going extremely well, and all projects are anticipated to be completed in the fourth quarter of this year in preparation for the 2018 high season with a total capital outlay of approximately $14 million.

As discussed earlier, we're already seeing strong demand for this resort in late Q4 and Q1 and Q2 2018 and we expect 2018 forecasted EBITDA yield on investment to be in the range of 25% to 30%. Second, the $11 million conversion of Gran Caribe and an $8 million conversion of Gran Porto both of those to the Panama Jack brand. Those renovations are going extremely well also and are on track to be completed by early December. These conversions include refreshed room concepts and updated public spaces.

Our marketing team has already begun advertising the resorts under the Panama Jack flag, and we believe the finished product and concept will create lasting brand recognition and higher repeat customers for these 2 resorts that currently have little to no direct consumer bookings.

In our experience, major rebranding or repositioning efforts like these take 2 years or more to fully stabilize, with an early uplift in customer feedback and ratings allowing for more significant lift in ADRs in subsequent periods. We expect that the 2018 forecasted EBITDA yield on investment will be modest for the high season of 2018 as you really won't start to feel the true benefits until the second half of next year. The significant increases from the repositioning will be felt in 2019 and beyond. And really, this is very similar to what we've seen in Hyatt Ziva Cancún as an example with those results.

So I'm very excited about the potential for this conversion to Panama Jack to be a powerful growth driver for Playa, and we will seek further capital-efficient Panama Jack conversions as we get these first 2 prototypes launched this quarter.

Third, $3 million renovation of the preferred tower rooms in Puerto Vallarta, which is also expected to be completed in the fourth quarter of this year. This project will improve the premium guest experience and allow us to achieve higher rates for these significantly improved rooms. We expect 2018 forecasted EBITDA yield on investment of well over 30%.

Finally, we're continuing the renovations at Zilara Cancún, including a newly constructed spa that is currently under way and a new coffee shop, which has already been completed. These 2 projects greatly improve the guest experience at this highly sought-after resort.

So as I mentioned earlier, given the disruption in the greater Caribbean region, we made the decision to accelerate the renovation scheduled for these projects and their timing in order to be able to be complete for business as soon as possible and reap the benefits from the greatly improved products and the decrease in supply due to the closed resorts throughout the region. I'm also pleased to announce that in September, we launched an exciting and strategically important new effort to manage resorts owned by third parties.

In September, we entered into a long-term agreement to manage the 184-room Sanctuary resort in Cap Cana. This is a high-end, outstanding luxury resort. This marks the first of what we believe will be a rapidly growing business segment for Playa in third-party management. This segment has grown rapidly in recent years in our part of the world and has only a few key competitors. But we believe some of these managers have reached their saturation point in our markets, and therefore, this creates a big opportunity for Playa to fill the void and add a highly profitable avenue of growth for the company.

We've also begun staffing up our development team in order to take advantage of further opportunities. As we think that now we have shown that we have successfully entered this segment, we see potential for significant number of additional contracts in the near future. And it's really important to emphasize this Sanctuary, along with the Panama Jacks and our existing Hyatt Ziva, Hyatt Zilara, really round out our brand offering. So we have very deep and diverse brand offering that we can offer for our own resorts as well as for those of third parties.

What makes us most excited about the Sanctuary deal is that it is much more than simply a long-term contract. We like to say it's a deal with extras, and given the interest in how this part of our business works, I'll go into the unit economics and key terms. First and foremost, it is long-term management contract with a 15-year initial term and 2 automatic 5-year renewals for a total term of 25 years.

Playa will manage the asset through April 30 of next year at which time the owner will close the property down, completely renovate and expand the property and reopen at the end of 2018 as a reinvented 343-room resort with all of the investment capital coming from the owner. The management's fee stream to Playa is forecasted to be in the range of $300,000 to $400,000 in 2018, which is obviously going to be a partial year due to the 8 months of renovations. Then, $1 million to $1.5 million in 2019 followed up by $2 million to $2.5 million annually on a stabilized basis in 2020 and beyond.

These fees are essentially complete flow-through to EBITDA as there is little to no incremental expense needed to take on this project as we already have very strong regional oversight on the ground in the Dominican Republic. The only capital outlay from Playa is $2.7 million, which equates to about a 2- to 3-year payback on that investment with 100% cash-on-cash return thereafter.

Playa also gets full rights to the Sanctuary brand name, which can be used at other Playa Resorts or future acquisitions, conversions are management contracts. Playa is also currently in negotiations for the right to call 30% of the equity of the hotel upon completion of its renovation in 2018 -- at the end of 2018 and that's subject to delivery and renovation specifications that have been mutually agreed upon. So we believe that this opens the door to further acquisitions and management contracts with this particular owner as they own other resorts in the region. So this Sanctuary case study coupled with our previously demonstrated experience of improving the results of assets when we take over management control will allow this to be another important growth driver for Playa moving forward.

And finally, our acquisition and development pipeline remains very active and robust. The majority of deals we are pursuing are not actively marketed deals, and we are exclusively negotiating without competition. These deals do, however, take time, and the sellers in these market are slower-moving and require a good amount more time for diligence and negotiations. Having said that, we're very excited about the prospects in front of us, but at the same time, quite disciplined about generating attractive returns on invested capital.

So, we're being patient, but extremely pleased with the opportunity set that we're seeing. And with that, I'll pass it on back over to Ryan.

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

As Bruce discussed, we had a number of resorts that had room nights out of service from renovations and 1 from a hurricane. Just to quantify all that, in total, we had well over 20,000 room nights out of service this quarter alone and that includes Jamaica, the Panama Jack conversions, Ziva Puerto Vallarta and Dreams Punta Cana from the hurricane. So I just wanted to point that out because you saw on our earnings release, we've also presented comparable RevPAR figures for the quarter, which remove the room nights out of service from the available total.

So despite the disruption from all the hurricanes, our third quarter results were still strong. We had comparable net package RevPAR growth of just under 6% or total net package RevPAR growth of 2%. It was driven by an increase of net package ADR growth of 6%, offset by a decrease in average occupancy of 310 bps. This also includes an increase of net non-package revenue of 13%, and as we've discussed on every call thus far this year, that's a key operational performance indicator for us and something that we've focused on quite a bit at our hotels and very proud of. This all leads to a total increase in total net revenue of 3.3%.

Adjusted EBITDA for our portfolio was $24.3 million, a 5% decrease over the prior year, and adjusted EBITDA margin decreased 180 basis points. All due to the influences Bruce mentioned previously. Our Hyatt portfolio and those properties continue to perform incredibly well despite all the disruption. That portfolio achieved net package RevPAR growth of 9.6%, ADR growth of just under 10% and resort EBITDA growth of 47%.

So I'd like to briefly review our operational segments. In the Yucatán, our Yucatán Peninsula assets achieved comparable net package RevPAR growth of 4.6% or total net package RevPAR growth of just under 2%. Again, driven by ADR growth of 4% offset by 190 basis point decrease in occupancy.

Resort EBITDA just under $21 million decrease over the prior year and represented a decrease in resort EBITDA margin to about 35%. And as Bruce mentioned, the decrease was primarily due to the result of the performance of the 2 Panama Jack projects, which is again not to be unexpected, which had decrease in occupancy and package revenue as well as an increase in operational expenses due to the renovation conversions, and as Bruce mentioned, we are on track and scheduled to complete these renovations by mid-December.

In the Pacific Coast, our results achieved net package RevPAR growth of 4.2%, driven by ADR growth of just under 11%. Resort EBITDA was down slightly 2.4% and that represents a slight decrease in EBITDA margin down to 24% for the quarter, again that's due to Hyatt Ziva Puerto Vallarta, which experienced decreases in performance during the renovations on the preferred club tower, which began in late July and is scheduled to be completed in late November.

Our Caribbean basin had an increase in comparable net package RevPAR of 8.2% or total net package RevPAR of 1.5%. This is driven by an increase in ADR of 6.7% and offset by occupancy decrease of 390 bps. I'm very pleased that we've continued to employ the strategy of building and promoting occupancy at our Hyatt Ziva and Zilara in Jamaica and we are starting to see the fruits of our labor there. Occupancy grew 600 basis points over the prior year, and RevPAR grew 19.4% compared to last year's comparable period.

Resort EBITDA in that segment of $7.3 million increased 7.7% compared to prior year, and that's solely due to the Ziva and Zilara Jamaica property that more than made up for the shortfalls in our Dominican Republic properties, which were obviously directly and indirectly impacted by the hurricanes.

So in conclusion, LTM-adjusted EBITDA of $169 million for Playa is up 18% year-over-year and well above what the rest of the lodging industry is currently experiencing. As of September 30, we had $139 million of cash and equivalents on our balance sheet. Total interest-bearing debt at the end of the third quarter was $889 million, comprised of $525 million of our senior secured term loan and $360 million of our senior notes.

Net debt as of September 30 on the face was $750 million, but as we've discussed previously, starting with this call and all calls going forward, we plan on providing adjustments to net debt for development CapEx spending at our Cap Cana resort to facilitate better visibility on that growth investment. So as of 9/30, we spent just over $50 million, including the acquisition of the land in July, and so therefore, adjusted net debt as of 9/30 is $701 million, and we believe that's the figure you should be using when you perform your valuations.

I would also like to announce that last night we launched an add-on to our senior secured term loan in order to redeem the entire $360 million balance of our 8% senior unsecured notes. These legacy notes were put in place back in 2013 and in our opinion very expensive and their coupon does not reflect the current strength of our underlying company or its credit fundamentals. This trade will significantly lower our weighted average cost of debt and would save approximately $8 million to $10 million of cash interest expense annually. This trade also essentially net leverage neutral for us and fully prepayable and will allow us to repay the secured debt at any time in the near future in order to continue to delever the company. We stated that our near-term goal is to be able to be in the mid-3x net leverage and this will allow us to get one step closer towards doing so.

I would like to now turn our outlook to 2017. As I mentioned at the beginning of this call, Playa takes no obligation to update forward-looking statements and anything that can be regarded as a forward-looking statement is subject to numerous risks and uncertainties that may cause the company's actual results to differ materially from what has been communicated. But that being said, and as we mentioned on previous calls, we will update our year-end guidance if we have a material change, positively or negatively, to the outlook for any new M&A activity or any outside influences. So given the number of influences that occurred during the quarter, and based on a preliminary assessment of the financial impact of all the tropical storms and hurricanes, other travel disruptions to our markets and ongoing renovations in Jamaica, Panama Jack, Puerto Vallarta, the company anticipates as much as $10 million to $12 million of lost EBITDA for 2017 and thus Playa's new year-end guidance is $168 million to $170 million of adjusted EBITDA.

And to reiterate, as Bruce mentioned before, we think it's also important to point out that we're not yet sure how to factor in the reduction in supply that we expect to experience for some time in the Caribbean as that could well lead to better pricing across all of our regions.

And lastly, as we look forward to 2018, we are currently in the middle of our budgeting and capital planning phase for the next year, so we will not be providing official guidance on 2018 until our year-end 2017 call. With that said, we're currently, as we mentioned, enjoying industry-leading adjusted EBITDA growth, and we currently anticipate that we will continue to outgrow our peers in 2018 on a normalized basis, assuming no major disruptions from renovations or otherwise next year. We would also like to point out that we anticipate that growth rate should continue to rise in 2019 as the Panama Jack rebranding and Sanctuary management contracts stabilize and the Ziva and Zilara Cap Cana project opens for business.

Of course, we'd expect to see further new management contracts and possibly some M&A activity by then as well. So all in all, we're very pleased with the outlook for continued growth at Playa.

With that I'll turn it over to Bruce.

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

Thanks, Ryan. So now we'll open up the call and answer any questions that anyone might have.

QUESTIONS AND ANSWERS

Operator

And your first question comes from Chris Woronka.

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

I want to ask you on the -- the room rate growth that you achieved was definitely pretty impressive and certainly more than we were modeling. I want to ask if any of that is due to maybe getting more direct contributions from the Hyatt system or different guest mix or something else?

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

I think it's a combination of things. It's definitely guest mix. You have to always look at this quarter as a little different because it's a lighter volume for us overall in rates, but it is kind of a mix, but we are kind of improving on all aspects of it. We're getting -- I'll give an example, Hyatt Ziva Cancún, there's definitely been a movement up in rate there and in some of the other resorts as well. So I think, they're all positive trends, very much positive trends.

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

Okay, great. And then I want to ask you on some of the, I guess, either M&A or management contracts. How do you kind of prioritize those? It sounds like there is a lot of opportunities and, I guess, I'm trying to get a sense as to how much you can put on your plate, but also how you prioritize getting bigger EBITDA contributions from owned assets versus maybe higher ROI, less CapEx management contracts.

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

Right. So it's a good question because obviously, there are slightly different aspects. But I don't think we have any sort of restraints on the ability to do both. Okay, so I don't think from the standpoint of resources, human resources or systems, our ability to sell or operate that we're really limited. So I don't look at it as much the necessity to set priorities on which one I go after first versus the other one. I'm a growth guy. And so my goal is to grow. And so we're working on a handful of projects, and I mentioned this at the last quarterly call and probably I was a little more optimistic that we could move things quicker, but I'm very happy with the progress we're making, but as Ryan alluded to, these are different kind of owners, different kind of opportunities, things just kind of move at a different pace. So you just take that as kind of a given with what we're working on, but we do management contracts we're looking at joint-venture opportunities and we would do an acquisition. So it's all 3 of them and I don't sit there and say, okay, I would do a management contract over a JV. Each one of them is like okay, what are the attributes of that deal. Some of these are involving markets that we're not currently in. So there is real big positives to that. Others involve markets where we are already there, and so there is some ability to cluster our resorts and operate more efficiently and drive our margins up at both our existing ones as well as new ones. Add then it's kind of a mix whether it's management contract or JV or an acquisition. So I'm really focused on that. I can tell you personally

I am actively involved across the board in those transactions and it's just something that we are driving. I mean the best scenario always is to get in before high season. Obviously, we are here on the 7th of November, it's a challenge to see if we can get something done by year-end, but hopefully, early into the year would be almost as good anyway. But we're very focused and not really rationing what we would do, Chris.

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

Okay, great. And just finally from me, now that you have access to the Sanctuary brand, should we think of that as being positioned kind of between the Panama Jack and the Ziva, Zilara? Is that kind of the way to think about it for any projects going forward?

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

No. Sanctuary is above Ziva and Zilara. It is a high-end, exclusive brand. So it's really exceptional and I would recommend that you and anyone on the phone call, go to Cap Cana and check it out. Even if you didn't make it before the end of April when it shut down for the repositioning, go next year because I'll tell you, I have stayed there and it's an outstanding, world-class resort. So Sanctuary will be our highest and luxury brand.

Operator

And your next question comes from Smedes Rose.

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

Bruce, I was wondering if you could talk about the State Department warning about U.S. travelers to Mexico. And if you've seen any impact from that. And maybe when we've seen these warnings in the past, if you could just maybe share what you've seen and how you expect that to play out.

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

Sure. I'll hit the last part of it first, Smedes. Unfortunately, we have seen it before, added to -- there is a lot of geopolitical stuff going on between Mexico and the U.S. I think, that adds a unique kind of flavor to it right now versus what we've seen historically, but these things they come out. So if you've gone on the State Department website, they'll put out travel warnings for locations all over the world. But interesting thing is, if you go to some other countries, you can see kind of the irony of it, is they'll talk about the U.S. cities, right. And so the U.S. will come out and say, okay, city X in country B is dangerous and you shouldn't go there. Well, whatever statistics are quoting can be less than say the top 50 U.S. cities. So it's kind of, like I said, it's a little ironic okay, that we come out and say that other places in the world are dangerous when a lot of the places in the U.S. are even more dangerous. So you got that, that listing and they put it out and really what happened, and it came out on August 22, it was a change in kind of crime rates in Los Cabos and Cancún. And so, if you look at the overall rates, they're still, like I said, way below most U.S. cities, but it was a dramatic increase because they quite honestly were pretty low. So when it came out, I think, there is always a gut reaction, especially with groups or tour operators where there is; whoa, what was that? And so we saw some of that. So came out like I said, late August, you definitely saw some impact in September. Then what happened was through October, it definitely decreased kind of the impact. I mean, the cancellation levels like week 1, week 2 were very high. Now they're back to normal. So we're not seeing anything that's kind of not typical. Another aspect of it is, if we were going to pick the absolute best time for that to happen, it would be August and September. So our kind of shoulder season of the summer ends the 15th of August, or so. The travel warning came out a week later. So it was very good timing for us. It did impact September, but you also had a lot of other things going on in September with the storms. So it's hard to be able to pull apart and say, okay, how much...

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

Sorry to interrupt you, but just sort of boiling it down to your all-inclusive resorts in Mexico, when you see these things coming out and you said that cancellation spiked in September, can you sort of maybe just quantify it a little bit? Is it some percentage of overall group activity and then it gets back to normal? And it's just a question I would say, we just get a lot of incoming calls on it. So just sort of a way to kind of quantify the impact. I know it's probably hard to separate it out this quarter because of the hurricane impact as well, but maybe just based when you have seen it in prior quarters as well. Is there a way that we should think about it?

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

Sure. Like I said, we saw some early group impacts and then, it really stopped. So I think if we're going to look at the longer-term consequences of it, I think, it's going to be relatively modest, but, I mean, Ryan can kind of give you the numbers in Mexico for RevPAR. I mean a lot of the impact that we faced in Mexico was more due to the rooms coming out of service at Gran Caribe and Gran Porto. I mean Los Cabos was impacted both with the storm and with the travel warning, but I'm not really seeing it. We'll try to have -- we'll have to pull out our numbers and maybe we can put out something more specifically. But if you look at the Cancún airport as one barometer, in September international visitation was up over 8%. In October, it was up just under 2%. So those are not big negatives. As people look at that warning and they go, for example, when we went through back in 2010 -- 2009, 2010, the H1N1, the swine flu, you saw decreases in occupancy of 30%, 40%, 50% across markets, okay. We are not experiencing anything like that, okay. I mean, we're seeing, like I said, international visitation into the Cancún airport is still up. Los Cabos was down a little bit in September. It was down about 2%, but some of that is also due to the storm, the Tropical Storm Lidia. So I think overall, the picture is not -- I mean, the picture is not negative. I mean, I would prefer if there was not a State Department warning, let me make that very clear. I would prefer that did not exist.

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

And, Smedes, if it's helpful, we've done our best to quantify all this. Obviously, the close proximity of all these forces and events kind of layered on top of each other, but of our kind of $10 million to $12 million of lost EBITDA, roughly $2 million to $3 million of that is from travel warning, and as Bruce said, the cancellations spiked and have all returned to normal.

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

Okay. And then I just wanted to ask you one more question. You've noted that a lot of rooms in your markets are out of service and you're looking to try to relocate those customers into your property. So could you maybe give a little more specifics on how you actually do that? Because if there was a branded hotel, wouldn't that brand try to move them to another branded hotel in their system? Or are they coming out of other all-inclusive resorts and how do you actually just get a hold of that customer and say, "Why don't you come to [Playa Hotels]?"

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

Yes, that's a great question. Yes, you're right. It's not like if Hilton in Puerto Rico closes, it's not like we have access to the list of groups that were going to have meetings there for the next 12 months, right and that we can go to them and get them. Sure, I think, the first reaction from a branded property is going to be okay, so fine, take that example: The Hilton in Puerto Rico, they're going to try to move it to another Hilton in the Caribbean or a Hilton in Florida or some comparable location. Well here's the challenge. A lot of these groups, the reason that they're going to a Caribbean resort or a Mexican resort is because that's where they want to go, okay. So that's the experience they are looking for. A lot of these are incentive groups, and they're not going to just easily switch to Orlando, okay point one. Point two, the big brand companies don't have a large amount of inventory of meeting facilities within the Caribbean, Mexico region, okay. They just don't. So it's kind of one of the areas where they're just lacking in supply. So when you take out some pretty significant players in the space, there are going to be clients looking for new locations. And so what we have seen, we alluded to in the prepared comments, is in Jamaica, in particular, because we have tremendous meeting facilities at that resort, we saw a lot of short-term pickup of groups in October, November, right away. Then, we've seen it for Q1 and Q2. And so we are in and working with the Hyatt [mice] team and our mice team, we are out there and the meeting planners know us. So when their property goes down, they don't necessarily just go to look there and they do have options with their contracts typically when it's been put out of service that they can move without penalty. So that's the opportunity that we have. And then just going back to the transient side -- that's on the group side. Then if you look at the transient side, okay, there's just some big disruption. I mean, if you take out 15% to 20% of rooms, and people are going to -- were planning to go to Saint Thomas or to Saint Maarten, or to wherever, now they've got to go somewhere new. I mean, I can tell you, I was talking to somebody in the Netherlands the other day and they said they know a lot of people because the Dutch Saint Maarten, which is a very high-end part of the Caribbean, they're looking now to go to Aruba and Curaçao because they are also other Dutch properties. So I saw there was a Wall Street Journal article, and I wish I had it in front of me, but they, just in the last week, it had talked about how for Thanksgiving and Christmas, the bookings are way up at places like Barbados and Aruba and other locations, and that's what I think you're going to see, and I think we're going to hopefully benefit from that.

Operator

And your next question comes from Paul Penney.

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

Can you give us an update on some of your direct-to-consumer efforts for the quarter? And looking forward, is there a definitive marketing plan in place to help build brand awareness of the Panama Jack and the Sanctuary brands?

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

So, I'll start with Panama Jack as we've been working on that longer and that kind of goes to the direct-to-consumer and the brand awareness. We have done a number of things, and it starts really to roll out in earnest, I mean, we've done some pre-marketing campaigns efforts, but it's really starting to roll out in the next week or 2. And trying to kind of build that momentum going into high season. So we will finish those conversions in the first 2 weeks of December. And then, we are up and running as Panama Jack. We have done a lot of trade show initiatives. So in our industry, there was a big show, it's called Cancún Travel Mart, that was in October. We were down there in full force with people wearing Panama Jack hats and doing that and had an amazingly positive reaction from the travel trade. Right now our Chief Marketing Officer, Kevin Froemming, is over in London at World Travel Mart doing the exact same thing. So we're pushing on that. And then we have -- like I said, we have a bunch of initiatives that will start rolling out over the next 2 weeks. So going back to kind of your first part of your question on direct-to-consumer, Panama Jack is a key part of the direct-to-consumer strategy, and it's not going to happen overnight. We're going to have to get more than just these 2 properties, but I'm telling you we're focused on getting more than just the 2 properties. But to get them open and get pushing. Then, if you look at the numbers, if you peel back our numbers and look at how our Hyatt resorts performed in the quarter, I think you can see very strong results, and those results are indicative of improving direct-to-consumer actions. So we still have a lot to do. So I don't want to sugarcoat it and say like, "Oh wow, we're doing great and we got nowhere to go." We have a lot more to do. And we're working with Hyatt. One particular initiative is on their website in order to make it a much more all-inclusive friendly and consumer business, transient, consumer-friendly approach and experience. So that is probably not going to happen until the first half of the year. So we were hoping to have it done by the beginning of the year. And now, it's looking like that's, like all tech projects they always seem to get delayed, so that's pushing back. But we are at full-blown efforts trying to improve. Other initiatives is negotiating with our existing channels on preferential rates. So even though we may stick with those channels, what we're doing is we're able to reset the rates for 2018 and save 150, 200 basis points on each channel. And so again, you'll start seeing the benefits accruing to us beginning -- and most of those are annual contracts. So they'll start really coming into play beginning in January.

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

Great. And Bruce, you've teased us with some -- with "new markets." Can you give any more detail on where you're seeing potential opportunities?

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

It's within the greater Caribbean area, is where we're looking right now. So...

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

Okay, great. Ryan, couple for you, real quick. Curious about the 10% increase in SG&A for the quarter and year-over-year.

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

Yes, no. 2015 and '16 are the years we kind of built out the management team in Florida and in Cancún. So what you're seeing is just the continued maturation. So there is not going to be a whole lot of growth going forward as a percentage of revenue, but what you're seeing is just year-over-year comps as we kind of built out the team over the last couple of years.

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

It's kind of like a full year run rate.

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

Got it. Great. And last one. Ryan, can you give us a sneak preview for some of your major growth CapEx projects in 2018?

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

So in 2018, we're still working on that budget and capital planning now. I think the one that Bruce mentioned on the last call, the potential plan is our Zilara in Cancún, that's a property that's continued to outperform its status, if you will. It's probably it's our highest in 2016 and will probably be our second highest rate in 2017. And considering that we converted the property with a couple of million dollars and essentially put up new signage and painted some of the rooms. And when you compare it to the Ziva right down the street, you're starting to see that manifest itself in guest responses that wow, I'm paying a lot for this property. So that's why initially we said let's convert the spa, we already converted the fitness center and we put in a new coffee shop. What we're thinking about doing, but it's too early to tell is doing a full-scale renovation at that property. So we're still running the numbers and decided how and when we want to do that. But that's something we'll come back to in the future. That's probably the most material at this point.

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

To add to that challenge, that hotel runs 90 to low 90s in occupancy per year. So whatever we do, we'll do it very efficiently and in as short a time period as possible, but there will be some disruption and that's why going to Ryan's kind of answer, it's not something that we do lightly because that hotel performs incredibly well. If you look across the rest of the portfolio, Jamaica, after this work, it will be in fantastic shape. Puerto Vallarta, likewise. Los Cabos was redone by the beginning of -- actually towards the end of '15. So that's in wonderful shape. We will have just done Gran Caribe and Gran Porto Panama Jack, they will be in great shape. Ziva Cancún is essentially a brand-new asset. There is nothing that's required there. So looking forward, there is really are not too many of our resorts that would be on that list so fortunately. So that's good from both the capital standpoint and then any-kind-of-disruption standpoint. So we're feeling pretty good about that.

Operator

And there are no further questions at this time.

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

Okay, great. Thank you, everyone, for joining us today on the call. It was kind of a good quarter to get behind us. We're really optimistic to finish up these projects and continue on our sales efforts and really pump into a very successful high season going into 2019. So we appreciate your interest in Playa and we look forward to having a call at the end of the year and hopefully have much more positive news without any hurricanes to talk about. So thank you all. Take care.

Operator

And this does conclude today's conference call. You may now disconnect.