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Harry Curtis *Nomura - Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and thank you for participating in the Q4 2014 earnings conference call of Melco Crown Entertainment Limited. (Operator Instructions). Today's conference is being recorded.

I'd now like to turn the call over to Mr. Geoffrey Davis, Chief Financial Officer of Melco Crown Entertainment Limited. Thank you. Please go ahead.

Geoffrey Davis - Melco Crown Entertainment Limited - CFO

Thank you for joining us today for our fourth quarter 2014 earnings call. On the call with me today are Lawrence Ho, Ted Chan, and Ross Dunwoody.

Before we get started, please note that today's discussion may contain forward-looking statements made under the Safe Harbor provision of Federal Securities laws. Our actual results could differ from our anticipated results.

I will now turn the call over to Lawrence.

Lawrence Ho - Melco Crown Entertainment Limited - Co-Chairman & CEO

Thank you, Geoff. While it has been a challenging period for Macau, I would like to highlight some of Melco Crown's key achievements during the fourth quarter of 2014, and the progress made on our development pipeline.

In Macau, I'm pleased to announce that we gained market share in the rolling chip, mass market table games and gaming machine segments in the fourth quarter of 2014. Our ability to, once again, take share in the mass market table game segment, while maintaining a disciplined approach to reinvestment and cost, highlights our market-leading position in this segment, especially at the premium end, and reinforces our confidence in our strategy of providing world-class service and amenities to premium customers.



As further evidence of (technical difficulty) following the recent change in management direction, the repositioning of our rolling chip business to focus on larger and higher quality junkets in Macau, continues to gather momentum at City of Dreams and Altira Macau, both of which gained market share in this segment during the fourth quarter of 2014.

Despite the challenging demand environment in Macau, we remain committed to enhancing our current operating assets in Macau, and investing meaningfully in our exciting development pipeline.

Our resolute belief that Macau remains the most important and exciting gaming market in the world, now and going forward, is demonstrated by the retail expansion in the fifth hotel tower at City of Dreams; as well as the ongoing development of Studio City, the next stand-alone integrated resort to open in Macau.

Our Company has always taken a leadership role in delivering world-class entertainment and attractions to Macau, including the House of Dancing Water, the Taboo Show, and Club Cubic, demonstrating our commitment to furthering Macau's appeal as a multi-facet leisure and tourism destination.

This leadership in commitment further exemplified with the introduction of the most diverse mix of entertainment ever seen in Macau, at Studio City, which is due to open in the third quarter of 2015.

Studio City, a Hollywood inspired, integrated resort, will offer visitors to Macau a range of incredible non-gaming attractions, including a figure-eight shaped Ferris wheel embedded in the facade of the hotel tower; a Batman-themed digital ride; a 5,000-seat live performance arena; a large-scale family entertainment center featuring DC comics and Warner Brothers characters; a fully-operational TV broadcast studio; Pacha Nightclub; unique F&B outlets; and 350,000 square feet of themed and innovative retail space.

We have received all the necessary labor and construction permits required to meet our intended opening timetable in the third quarter of 2015, and we remain on track to meet our design and construction budget of \$2.3 billion.

Moving away from Macau, I'm pleased to announce that our transformation into a leading gaming and entertainment company in Asia has taken a meaningful step forward, with the grand opening of City of Dreams Manila on February 2. Consistent with our approach of bringing a unique style of innovative entertainment to a diverse clientele, our property in Manila brings together a collection of world-class brands and attractions which are designed to appeal to both local and international preferences.

City of Dreams Manila offers a destination for leisure seekers to experience the [massive launch of] entertainment, nightlife, food and beverage, and gaming. In addition to world-class VIP and mass gaming areas, the integrated resort offers over 950 hotel rooms, suites and villas, a 50,000 square foot family entertainment center in collaboration with Dreamworks, Pangaea and Chaos nightclubs, together with a live performance center stage, as well as the diverse mix of restaurants and bars.

We look forward to keeping you updated on our operating performance, together with the progress of our transformational development pipeline which continues to take shape.

With that, I'll turn back to Geoff to go through some of the numbers.

Geoffrey Davis - Melco Crown Entertainment Limited - CFO

Thanks, Lawrence. We reported property EBITDA of \$279 million in the fourth quarter of 2014, compared to \$394 million in the fourth quarter of last year.

Our property EBITDA margin in the fourth quarter of 2014 was 25.1% compared to 28.5% in the fourth quarter of 2013, and 27.5% in the third quarter of 2014.

Our luck-adjusted property EBITDA in the fourth quarter of 2014 was approximately \$290 million, while our luck-adjusted property EBITDA margins were 25.8%, compared to 28.1% in the prior quarter, in part reflecting the strong performance of our rolling chip business and the resulting impact on mix.

The EBITDA contribution from our non-VIP segments represents approximately 85% of luck-adjusted EBITDA at City of Dreams, and 80% on a Group-wide basis.

Following revisions to our employee retention program, and an encouraging increase in the take-up of the longer-term retention program by our employees versus a shorter term option, we were required to increase our retention provision in the fourth quarter of 2014 by approximately \$5 million, as compared to prior guidance and the third quarter level.

The greater than estimated number of colleagues electing the one-time payment in 2017, as opposed to the annual summer bonus plan, reflects the efficacy of our creative retention plan and highlights our Company's position as an employer of choice.

In addition to the capital expenditures relating to our extensive development pipeline, we returned over \$640 million to shareholders in calendar year 2014, with \$340 million returned via dividends and approximately \$300 million through our share repurchase program.

Given City of Dreams Manila was partly operational and for only a few days in the fourth quarter of 2014, we have not provided detailed KPIs or financial figures. From the first quarter of 2015 onwards, we will provide greater detail regarding the property's performance, including our typical disclosure of key operating and financial metrics.

As we normally do, we'll give you some guidance on non-operating line items for the upcoming quarter. Total depreciation and amortization expense is expected to be approximately \$110 million to \$115 million, corporate expense is expected to come in at approximately \$30 million, and consolidated net interest expense is expected to be approximately \$40 million, which includes finance lease interests of \$11 million relating to City of Dreams Manila, net of approximately \$37 million of total capitalized interest.

That concludes our prepared remarks. Operator, back to you for the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Anil Daswani, Citigroup.

Anil Daswani - Citi - Analyst

I have three questions, actually. The first one, obviously we saw the weakness in the hold rate for the rolling program, but we also saw a 250 basis point decline in the hold rate for the mass market segment. Is this structural or does it have something to do with the death of the top end of the pyramid of customers in Macau, or is this something that can revert back into the high [30%]s? So that's my first question.

The second question is on the market share gains that you guys have made in the mass market. Now clearly, these have been pretty significant, and on my calculations you guys are up to about 14.8%, 15% in the fourth quarter of the total mass market. How sustainable is that, and are there any initiatives in place that can keep that sort of market share going?

And finally, can you give us some color on the VIP rolling improvement that we saw in the fourth quarter? Has this come through largely on the back of Sun City or are there other junkets that you guys are adding to your program?



Geoffrey Davis - *Melco Crown Entertainment Limited - CFO*

Anil, it's Geoff. Well, we haven't made any sort of adjustment in our [DO] EBITDA from any adjustment to the mass market hold rate. If we applied the hold rate for the first three quarters of the year to our fourth quarter drop, it would have added somewhere in the range of \$10 million to \$15 million of incremental EBITDA.

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Anil, it's Lawrence. I think on that point I think we do need more time to do additional research, because our theory is that there is a correlation between the hold rate and mass and the smoking ban. Because ultimately, the hold rate in mass has always been highly correlated to the length of play and, with players having to go outside or go to smoking lounges to smoke, I think inevitably there will be an impact. So whether that impact is a temporary one or a permanent one, we'll still need to do more research.

But I think on the second and third questions about mass market share, we'll hand it over to Ted.

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

Yes, Anil, in terms of the last quarter last year, and more so we could actually give a little bit color on the beginning of the year, you're right, after the reclassification of the numbers we did hit record in terms of our market share naturally in both mass and VIP rolling chip market shares.

I'm sure everyone will know that there's some impact in terms of the visa restriction, etc., and the top end customer in market-wise actually declining. In City of Dream, however, if you look at the Q3 and Q4 number, we do maintain stable across two quarters in terms of unique customers. As Lawrence has mentioned, I think we reduce hold percentage, resulting in a lower revenue definitely. And it's actually correlated with the play time as a result of the smoking ban in the mainstream area. I think that's the reason for that.

We're quite confident that we can stay at the current high market share. I think due to our very, very high end best in class product of COD and also great player management that we continue to manage that [properly].

I hope that answers your second and third questions, Anil.

Anil Daswani - *Citi - Analyst*

Thank you very much, guys.

Operator

David Bain, Sterne, Agee.

David Bain - *Sterne, Agee & Leach and Citigroup - Analyst*

Lawrence, could you give us your view on the upcoming midterm review by the Macau Government? Should we look at this as a healthy debate of key topics and setting the stage for longer-term directions or actions to be set in motion years down the road? Or do you think we'll see something specific near term in terms of new regulation, or otherwise?



Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

David, it's Lawrence. I think the government -- it's a totally new government, you have a new financial secretary who oversees the DICJ, which is the gaming control board, and I do think that this review will have longer-term implications as well. I think they are reviewing the standard things that they've been preaching for many years.

And I think these things we are very comfortable about, which is non-gaming investment, diversification, development of local Macanese people supporting derivative industries within Macau. So I think on all of those fronts, I think we would have big checks because -- big ticks, I mean, because ultimately, I think we are one of the companies who have really invested and delivered on those fronts.

Whether they have any implications on eventual license renewal which is 2020 and 2022, I do think that there will be impact, but they haven't approached us yet. We've heard it in the media as well, but we look forward to it because I think, when that review is done, we'll not only pass with flying colors, we would be right at the very top.

David Bain - *Sterne, Agee & Leach and Citigroup - Analyst*

Okay, great. And then I believe you're hiring an additional 8,000 people for Studio City and I was just wondering if you could describe the process so far, just given the labor market.

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Well, I think we've started mass recruitment recently. I think our recruitment ads have demonstrated the type of local promotions that we have done over the last few years, the fact that well over 50% of our management positions are local Macau labor. I think so far, we haven't seen, even in the integrated resorts that has opened in the last three or four years, we really haven't seen any significant pressure.

Of course, there's a tight labor market; everybody knows that. But at the same time, I think there are more and more people converting over to the gaming industry because just the basic pay is higher. So we're not concerned. Naturally, there's a tight labor market and I think the fact that we are, like Geoff said earlier on, we are an employer of choice.

I think we have demonstrated whether it's through our pension plan or the innovative schemes that we have, retention schemes that we have devised, that we have probably the happiest labor force in Macau.

David Bain - *Sterne, Agee & Leach and Citigroup - Analyst*

Okay. And then this is very general and I know there's a lot of moving parts, but if you've done a recent market projection, just given current dynamics out there, do you think that, including new capacity, the market can be close to flat this year or grow or -- any thoughts on that or do you want to take a pass?

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

No, I'm happy to never take a pass. I think at the end of last year I was probably one of the more optimistic people saying that the market should be up single digits, single to mid single digits. But having said that, I think having seen what has happened in the first couple of months, together with some of the government regulations that we have seen, I think I would revise down my whole year forecast to be probably a slight negative on slight negative growth year on year -- I mean year over year.

And I think, with all the smoking regulations and the various things that have hit the industry, together with the fact that the rumor that we're hearing on the ground is the next integrated resort to open will get very little tables, I think that all will have a significant impact on growth of the industry.



David Bain - *Sterne, Agee & Leach and Citigroup* - Analyst

That's very helpful. Thank you so much.

Operator

Joseph Greff, JPMorgan.

Joseph Greff - *JPMorgan* - Analyst

My question is on Manila and the Philippines. As you look out the next two years, and you look at your sourcing of players from different geographies, how dependent is that property planning to be with respect to mainland Chinese VIP customers?

Lawrence Ho - *Melco Crown Entertainment Limited* - Co-Chairman & CEO

Joe, it's Lawrence here. I'll get Ted to supplement later on, on VIP, but our investment thesis on City of Dreams Manila, and we've said many times before, is really underpinned by the strong growth in the domestic market and the fact that Philippines is one of the fastest growing economies in the world in the last few years.

And at the same time, even the 2.5 years that we've been building there, we have seen all these improvements in infrastructure and in logistics and coordination. So I think longer term, the tourism aspect of the market will be very significant.

At the same time, the Philippines market doesn't rely just on China. Right now, if anything, China I think is the fourth most tourists going to the Philippines, so there is quite a few countries, Korea, Japan, and the US who are above China. And Philippines is located kind of halfway between -- it's closer to Southeast Asia and halfway between China and Singapore, so I think we expect a lot of Southeast Asian business and we have already seen that in the early going.

So it's not very reliant on China but, at the same time, I think that's a huge potential, especially when the perception of the Philippines change and also when the relations between the two country changes.

Joseph Greff - *JPMorgan* - Analyst

Thank you.

Operator

Grant Govertsen, Union Gaming.

Grant Govertsen - *Union Gaming* - Analyst

A quick question for you on Mocha, actually. Is the reason that that's down 15% with revenues this quarter, is that primarily a smoking impact?

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

Hi, Grant; it's Ted here. You're right; if you look at the number and compare to our peers around Macau, in Peninsula side and Cotai, Mocha's actually down QonQ 15%, or 16% year on year. I think that's quite in line with the markets. If you look at the impact, we did a full analysis [on the players] in Mocha, it's actually smoking ban is definitely an issue and it represents the majority of the impact on the decline.

Grant Govertsen - *Union Gaming - Analyst*

Sure. Do you have any smoking lounges or Mocha's now entirely smoke-free?

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

No, it's entirely smoke-free.

Grant Govertsen - *Union Gaming - Analyst*

Got it. And so as a follow-up to that, and I know it's apples and oranges because Mocha's very convenience-based, but what gives you the confidence that we wouldn't see a similar type of impact should Macau go entirely smoke-free along with the elimination of smoking lounges?

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

If you look at the slot performance, I can only speak in behalf of MCE in terms of performance in CoD and Mocha. Definitely because of some of the availability of the smoking lounges being in CoD that have a lower impact on smoking area. So if you take that as the signs in terms of customer behavior, that definitely would bring the things down if there's a total ban.

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Grant, it's Lawrence here. Of course, we are concerned about the total ban and we strongly believe that we should respect our customers' rights and their preferences as well. And that's why we strongly support having airport-style smoking lounges. Even if there's a total smoking ban, we do not believe airport-style smoking lounges, which already exist within both Hong Kong and Macau International Airports, to contravene the ban.

But I think, at the same time, the difference between Mocha and some of the other casinos right now is the fact that Mocha is smoke free whereas others still have the smoking lounges. So I think, if it was a fair playing field, then perhaps the impact will be less.

Grant Govertsen - *Union Gaming - Analyst*

Great. Thanks, guys.

Operator

Jon Oh, CLSA.

Jon Oh - *CLSA - Analyst*

If you guys can give us a sense of your assessment today on the state of table capacity across the market today. Do you think that there's a large amount of underutilized capacity based on the level of businesses that we're seeing?



Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

John, are you referring to tables or --

Jon Oh - *CLSA - Analyst*

Tables; I'm referring specifically to tables.

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Well, I'll let Ted jump in, but I think as a Company, I think a lot of our competitors are doing it as well, but we were one of the first companies to really optimize our tables. So for at least three or four years, we have been shifting tables between Altira to City of Dreams and also from VIP to mass, trying to hit that equilibrium in terms of the EBITDA generation per table.

But yes, we have had eight months of negative growth, but I think the amount of visitors coming to Macau is higher, if anything; we've had the strongest growth of years. But at the same time, it's the average spend of some of the higher end players that have fallen. So I don't think it's -- I think Ted is best-placed to answer the question.

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

Yes, I think the better way to look at it is, I'm happy if we could give me another 300 tables; I'm happy to take it and we can deploy easily with the right FTE to spread our great table differentiation between different areas.

Right now, we are very busy -- the team are very busy over the course of a few quarters to optimize our tables on casino floors, so yes, I don't think that Macau is [already there]. If you give me another 200 or 300 tables, I'm very happy to take it.

Jon Oh - *CLSA - Analyst*

Okay. And I guess if I can follow up with -- as you think about the Studio City tables that you're asking for, how should we think about the bare minimum number of tables that you think, or at least that you would need on the floor to make the economics work out?

And how should we also think about -- there could be different scenarios that would happen based on the number of tables you're allocated. How do you then decide what you think is the right split of, or at least the right allocation of, what should be mass and what should be VIP, given that there's a risk that the table allocation could be underwhelming to your point earlier that there are rumors going around about one of the competitors that are opening may be getting a lot less tables. How do think about the allocation strategy?

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Jon, it's Lawrence here. I think we've maintained from literally 2011 when we started designing this Studio City, which is -- Studio City has capacity for over 500 tables, but we really believe, given all the non-gaming investment and all the family friendly and unique to Asia, first in the world attractions that we're putting in there, that we should, I think, on a pound for pound basis, deserve more tables. And also for what we've done previously.

We still believe that we really do need 400 tables to make the casino kind of happening and busy. I think scenarios that -- we have worked on scenarios where there are fewer tables than that, but it would be less than optimal. I think ultimately, as a management team, Melco Crown we care about the interests of our Melco Crown shareholders first and foremost.



Of course, as one of the licensees, we have the ability to transfer tables from one property to another. But at the same time, given the shareholding of Studio City it makes it more complicated and we would need to do a lot more modeling to really look out for the best interests of Melco Crown shareholders.

Jon Oh - CLSA - Analyst

Okay. Thank you.

Operator

Praveen Choudhary, Morgan Stanley.

Praveen Choudhary - Morgan Stanley - Analyst

I have a couple of questions. The first question is related to margin. If we look at year-over-year number, your mass revenue and slot revenue for City of Dreams is down marginally, I would say flattish. VIP is down a lot, but assuming that VIP is kind of variable [cost per day], I'm surprised why the margin overall as a Group for year over year is down so much. Can you talk a little bit about that?

Geoffrey Davis - Melco Crown Entertainment Limited - CFO

Relative to expectation, there was about \$5 million of incremental retention cost, and I suppose we'll leave it to you and your colleagues on the sell side to determine whether or not the \$10 million to \$15 million adjustment from the mass market hold rate is something that you'd like to apply when you do your financial analysis.

But the only other thing I would point out, I suppose, is that if you look at the face of the P&L, because of seasonality, there are more dark days at The House of Dancing Water. You see the impact on the entertainment there; that has a very high flow through.

So you put together operating leverage, mix, the retention scheme, mass market hold rates and entertainment revenue and I think that, hopefully, sheds some light on the sequential margin performance.

Praveen Choudhary - Morgan Stanley - Analyst

Thanks, Geoff. That makes sense. Two more simple questions; one, in Altira you mentioned that you've added Suncity and the volume did pick up. But from a profitability perspective, again EBITDA perspective, Altira was also down quarter over quarter. Anything you can talk about?

And then maybe the final question I have is about the smoking ban. There was some fine that the health department put through for MPEL. I'm just trying to understand if that has been resolved and what's the current status of those premium mass areas where you allow smoking because it's considered VIP. Thank you so much.

Lawrence Ho - Melco Crown Entertainment Limited - Co-Chairman & CEO

I think on the first question on Altira, I'll let Ted jump in, but I think, Altira, as we said in the prepared remarks, we have moved towards -- after years from having lived through the [AMAX] days, we finally kicked out quite a lot of the smaller and less high quality junkets, and we have moved forward with going with some of the bigger boys.



And the rooms that we have created for them are probably some of the nicest VIP junket rooms ever seen anywhere in Macau. And I think that's why they are seeing that, even though Altira is kind of on its own in terms of location, I think that's why we are gradually opening up and doing better. I think, before Chinese New Year, we have another two very nice salons opening up for them. So I think there are much better days ahead for Altira and it's on the way up, so I'll maybe let Ted jump in.

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

Yes, on that front, you are right, we're getting Suncity, but I think there is still a little bit of time to ramp up during the fourth quarter. I think in the beginning of this year, 2015, the first month of 2015 is actually doing quite well.

I must say that's why I think our rolling chip market shares also hit a record high for this Company. [Adding that], we will add another sizeable and quality junket operator in Altira next week and also, we remodel a little bit on the junket operation rooms in Altira, which will be also up for business next week.

So basically, Altira has transformed into the place whereby we have the three biggest junket operators out of four biggest junket operators in Macau -- in Altira and operating from next week onward.

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

I think, Praveen, on your last question about smoking, I think we continue to maintain the same view, which is we're totally respectful and in 100% compliance of what is written in the law. So I think there's a difference of interpretation between us and one of the government departments.

In terms of the fine, I don't think we have a legal department colleague here, but I really have to ask what we're doing on that front. But again, I think it's a minor fine for not posting signages and so I think by no means is it a major offence. But again, we're fully respectful. I think as well the day that we see something written in black and white and in the law, we would comply with it right away.

Praveen Choudhary - *Morgan Stanley - Analyst*

Thank you very much, Lawrence. Thanks, Ted. And congratulations for opening the City of Dreams Manila.

Operator

Brian Han, Morningstar.

Brian Han - *Morningstar - Media*

Just a couple of questions. Firstly, can you please comment on whether there's been any change in the productivity per table differential between your two properties over the past few months?

And secondly, apologies for sounding perhaps a little skeptical, but can you elaborate on what's so unique about your player management system that's allowing you to continue taking share in the market? Thanks.

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

Right. Now, let me just jump to the second question; I think I missed the first one. In terms of how do we maintain that, we definitely accumulate three to four years' experience with those dynamic pricing in terms of efficiency of the tables, which is what we invented three or four years ago.



But at the same time, I think the most important thing really is actually the both non-gaming and also the F&B introduction into the picture whereby you really, really improve the playtime or play minutes of the customer when they come to our property. So if you look at the whole percentage compared to our peers, it's way, way higher if you look at that parameter.

So we continue to look at that and also, apart from the efficiency of the table, but also, we are looking at the right products to serve the right customer. In our property in CoD, it basically is alignment with the high-end premium mass segment, which is so important in terms of positioning. So we're quite confident that we can actually maintain that and also evidenced by the numbers in the last few quarters.

Could you repeat your first question about the productivity?

Brian Han - *Morningstar - Media*

Yes. There's always been a real divergence between City of Dreams and Altira in terms of productivity per table, and I know moving towards higher quality junkets was going to improve that. I was just wondering whether that improvement is coming through over the past few months.

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

The major improvement in terms of productivity in the VIP area basically I think coming from Altira in the fourth quarter, particularly in the later part of fourth quarter. I must say, at this point, the VIP productivity is quite close in terms of two properties in VIP productivities. So that's quite an improvement.

For the mass table productivity, or yield if you like, of course, we add some more tables in the fourth quarter of the year, so I think it's actually down to some we had close to HKD120,000 per table per day for the mass at this stage.

Brian Han - *Morningstar - Media*

Okay, great. Thanks very much.

Operator

Harry Curtis, Nomura.

Harry Curtis - *Nomura - Analyst*

Two questions. First, on the mass piece, if you could describe the promotional environment year to date in the mass segment and whether or not it's been relatively stable, or do you see signs of it intensifying?

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

It's Ted here. In terms of the promotional environment, we would like to take it as a reinvestment onto our customers. So we really dug into a deep investigations over the last few weeks for this year and also, by the end of last year.

Basically, the reinvestment to the mass, particularly in premium mass area, it stayed quite flat in terms of Q3 and Q4. That really suggests that our peers, in terms of our other operators in Macau, are really, really rationally reacting to the current external issues. So we are not compromising on the margin, basically.

So I must say Q3, Q4 in terms of reinvestment is quite similar across these two quarters.

Harry Curtis - *Nomura - Analyst*

Okay. And then my second question is related to Studio City and how the government would like to see operators increase the mix of their tourist customers. So once you open Studio City, can you describe how you plan to approach mix between casino customers and your leisure/tourist customers?

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Harry, it's Lawrence here. In terms of Studio City, it is designed with a lot of non-gaming attractions in mind. And since it's situated literally 30 seconds' walk from the Lotus Bridge border, I think on top of gaming customers who tend to want rooms, it will also appeal to the customers who might be staying over in Hengqin Island because it's so convenient and for families to come over.

So I think Studio City, without sacrificing the rooms for really non-players, the rooms will still be for non-players, but then we'll also get a nice mix of day-trippers who are players and also day-trippers who are purely there for the attraction, that as I mentioned earlier on, would be with Batman, Warner Brothers, kind of family entertainment center, House of Magic, there's plenty to do. There's more than enough to do for leisure seekers and also for families.

We probably have more things to do within Studio City than the entire Macau combined right now. Again, it ticks all the boxes from the government's perspective, so we are hopeful that being the next stand-alone integrated resort to open, that the government will reward us with more tables and then expansion piece.

Harry Curtis - *Nomura - Analyst*

Okay. Thanks very much, Lawrence.

Operator

Thank you. There are no further questions at this time. I would now like to hand the conference back to today's speaker. Mr. Davis, back to you.

Geoffrey Davis - *Melco Crown Entertainment Limited - CFO*

Okay. Thanks, everyone, for your time today.

Operator

Ladies and gentlemen, that does conclude our conference for today. You may all now disconnect.



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