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# FINAL TRANSCRIPT

Q1 2020 Melco Resorts & Entertainment Ltd Earnings Call

EVENT DATE/TIME: MAY 14, 2020 / 12:30PM GMT

## CORPORATE PARTICIPANTS

**Lawrence Ho** *Melco Resorts & Entertainment Limited - Founder, Chairman & CEO*

**Evan Andrew Winkler** *Melco Resorts & Entertainment Limited - President & Director*

**Geoffrey Stuart Davis** *Melco Resorts & Entertainment Limited - Executive VP & CFO*

**David Ross Sisk** *Melco Resorts & Entertainment Limited - COO of Macau Resorts & Property President of City of Dreams-Macau*

**Geoffry Philip Andres** *Melco Resorts & Entertainment Limited - Studio City Property President*

**Kevin Richard Benning** *Melco Resorts & Entertainment Limited - Senior VP & COO at City of Dreams Manila*

**Richard Huang** *Melco Resorts & Entertainment Limited - Director of IR*

## CONFERENCE CALL PARTICIPANTS

**Edward Lee Engel** *Macquarie Research - Analyst*

**Harry Croyle Curtis** *Instinet, LLC, Research Division - MD and Senior Analyst of Gaming, Leisure & Lodging*

**Jared H. Shojaian** *Wolfe Research, LLC - Director & Senior Analyst*

**Joseph Richard Greff** *JP Morgan Chase & Co, Research Division - MD*

**K. Y. Cheung** *Goldman Sachs Group Inc., Research Division - MD*

**Praveen Kumar Choudhary** *Morgan Stanley, Research Division - MD*

**Robin Margaret Farley** *UBS Investment Bank, Research Division - MD and Research Analyst*

**Shui Lung Choi** *Citigroup Inc, Research Division - Director & Research Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by. Thank you for participating in the First Quarter 2020 Earnings Conference Call of Melco Resorts & Entertainment Limited.

(Operator Instructions)

Today's conference is being recorded. I would now like to turn the call over to Mr. Richard Huang, Director of Investor Relations of Melco Resorts & Entertainment Limited. Please go ahead, sir.

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### **Richard Huang** *Melco Resorts & Entertainment Limited - Director of IR*

First of all, let me apologize for starting a little bit late. We're having some technical difficulty, but thank you very much for joining us today for our first quarter 2020 earnings call.

On the call today are Lawrence Ho, Geoff Davis, Evan Winkler; and our Property Presidents in Macau and Manila.

Before we get started, please note that today's discussion may contain forward-looking statements made under the safe harbor provision of federal securities law. Our actual results could differ from our

anticipated results.

I'll now turn the call over to Lawrence.

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**Lawrence Ho *Melco Resorts & Entertainment Limited - Founder, Chairman & CEO***

Thank you, Richard. I hope all of you and your loved ones are safe and sound during these challenging times. I would also like to express my sincere gratitude to the PRC and the Macau SAR governments for their proactive response to contain the spread of the virus. I would especially like to thank the Chief Executive of Macau for his decisive leadership, which is exactly what we need in these unprecedented and difficult times.

As you may recall, in February, we were the first integrated resort operator to call out the severity of the COVID-19 outbreak and to encourage investors not to expect a V-shaped recovery in Macau.

In recognizing this risk earlier than most, we were able to take a number of proactive actions that better prepared the company for the challenging environment we face today. In February, we canceled the purchase of the second tranche of Crown Resorts shares. And in April, we sold our 9.99% stake in Crown, which further strengthened our balance sheet with approximately \$355 million of sales proceeds. Additionally, immediately following the COVID-19 outbreak, we undertook a detailed look at our Macau cost base and have meaningfully reduced our daily fixed OpEx run rate.

To complement our cost containment efforts, I'm personally forgoing my salary for the remainder of the year. Furthermore, the -- Melco senior executive management team has volunteered for a pay cut equivalent to 33% of their base salary, and our Board of Directors have volunteered for a cash reduction of their fees. To leave no stone unturned, we have taken the opportunity to closely review our management structure to drive further efficiencies. A few of our management staff have unfortunately departed but this will allow Melco to emerge as a leaner, more efficient company when demand returns.

In these difficult times, I believe it is important for us to offer reassurance and reiterate our long-term commitment to our colleagues, to our shareholders and to the communities we serve.

First and foremost, Melco's success is dependent on our colleagues. While cost control is important, this will not come at the expense of the long-term development of our colleagues in whom we continue to invest in career and whole person development programs. Second, we remain committed to maximizing customer loyalty and experience by leveraging our portfolio of the world's most star-studded integrated resorts, which won a record-breaking total of 107 stars in the 2020 Forbes Travel Guide. To enhance the guest experience, we will continue to invest in our properties with the renovation of Nuwa and additional villas at Morpheus.

In the first quarter, our premium focused integrated resorts took significant market share in the VIP and mass gaming segments. Our Macau EBITDA performance has also meaningfully outperformed that of our peers despite the company conservatively increasing its bad debt provision in the first quarter.

Third, we remain fully committed to supporting the communities we serve. In China, we donated HKD 20 million to the Hubei Red Cross, MOP 5 million to the Macao Federation of Trade Unions and MOP 3 million to the Women's General Association of Macau.

We hired 100 local resident construction workers and donated 500,000 surgical masks to the Macau government and the local community. Recently, we have mobilized thousands of our colleagues to support the local community through our simple acts of kindness program and volunteering events. To support local SMEs through local production and manufacturing opportunities, we are also launching a mask design competition in collaboration with the Macau Productivity and Technology Transfer Center to cultivate creativity and to create reusable and sustainable face masks.

In the Philippines, we donated over PHP 150 million worth of food packs and service installations for the government's relief efforts, which include 420,000 bottles of water, 625,000 kilograms of rice and 15,000 N95 face mask.

In Cyprus, we donated EUR 100,000 to the Ministry of Health to further the Cyprus government's efforts to curb the spread of COVID-19, while supporting the Cyprus community during these challenging times.

Fourth, this crisis is reinforcing our desire to lead the way in sustainability and to change some of the fundamentals of our industry. Melco remains dedicated to being sustainable. Our focus and efforts around environmental sustainability have also been recognized by the global nonprofit environmental organization, CDP, as the 2019 Best First Time Performer.

Fifth, Melco remains committed to its global development program. Our next major project in Macau will be Studio City Phase 2. Upon completion, the Phase 2 expansion will increase Studio City's hotel room inventory by approximately 60%, with 2 new hotel towers offering a total of approximately 900 luxury hotel rooms and suites. In addition to an expansion of gaming space, Phase 2 will also offer new non-gaming attractions that are highly complementary to those in Phase 1, including a Cineplex, one of the world's largest indoor/outdoor water parks, fine dining restaurants and state of the art MICE space.

In Cyprus, we are developing the City of Dreams Mediterranean. Construction restarted on May 6. Upon completion, COD Mediterranean will be Europe's largest integrated resort, offering over 100 gaming tables, 1,000 slot machines and 500 hotel rooms.

We continue to work diligently in Japan. After submitting our response to the Yokohama RFC in December of last year, we continue to actively engage with Yokohama officials to discuss our plans of bringing to Yokohama the best IR the world has ever seen.

Finally, we remain fully committed to shareholder returns. Year-to-date, the company has repurchased approximately 3 million ADSs worth approximately USD 45 million. However, in an effort to preserve liquidity in light of COVID-19 pandemic and to continue investing in our business, the Board has decided

to suspend the company's quarterly dividend program. This is a prudent course of action given current market conditions. Melco remains committed to returning capital to shareholders with a regular quarterly dividend. We'll evaluate the resumption of its quarterly dividend as the operating environment evolves.

I want to reiterate that we remain bullish on Melco's long-term growth prospects. Macau remains the most attractive integrated resort market in the world, benefiting from the expanding Chinese middle class, and infrastructure development in the Greater Bay Area. We have one of the most exciting global development pipelines to reap benefits from the favorable market dynamics. We also have a strong balance sheet to finance those projects and to overcome the near-term challenges.

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

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**Geoffrey Stuart Davis *Melco Resorts & Entertainment Limited - Executive VP & CFO***

Thank you, Lawrence. We reported Group-wide Property EBITDA of approximately \$75 million in the first quarter of 2020, declining by 82% from the first quarter of 2019, while luck-adjusted EBITDA declined to USD 12 million. A favorable VIP win rate positively affected EBITDA at COD Macau, COD Manila and Altira by approximately \$54 million, \$6 million and \$3 million, respectively. On a consolidated basis, overall results were positively impacted by approximately \$63 million.

In addition to the VIP win rate fluctuation, our performance was also affected by our bad debt provision. During the first quarter of 2020, we incurred a bad debt charge of approximately \$54 million as compared to a bad debt charge of approximately \$11 million in the first quarter of 2019. On a year-over-year basis, the change in the bad provision negatively affected EBITDA by approximately \$43 million.

In the Philippines, COD Manila delivered luck-adjusted EBITDA of approximately \$24 million, representing a decline of 60% year-over-year and a luck-adjusted EBITDA margin of 23%.

On our fourth quarter call, we discussed how we had reduced our daily fixed OpEx run rate in Macau from approximately \$3 million a day prior to the emergence of COVID-19 to approximately \$2.5 million per day. With additional cost reduction initiatives, we have further lowered our Macau fixed OpEx run rate to approximately \$2.2 million per day in April. To provide some color on how COVID-19 has impacted our operations, we generated group-wide property EBITDA of \$153 million in January but negative property EBITDA of \$54 million in February and \$24 million in March.

Moving on to our balance sheet. As of the end of March, we have over \$1.2 billion of cash on hand. With the successful entry into a new senior facilities agreement in April, we have an undrawn revolver capacity of approximately \$1.6 billion. Our liquidity was further strengthened by the \$355 million of proceeds from the sale of our shares in Crown, as previously mentioned by Lawrence.

To preserve capital, we have identified \$230 million of CapEx that will be deferred beyond 2020. This is in addition to the \$100 million of CapEx eliminations and deferrals mentioned on our fourth quarter 2019

call.

A strong balance sheet, together with the adjusted CapEx program and temporarily suspended dividends should enable the company to overcome the challenging market conditions we currently face across our portfolio.

To provide more clarity regarding our capital structure within our core group, we had cash of approximately \$750 million and gross debt of approximately \$3.3 billion at the end of the first quarter of 2020, excluding Studio City and Cyprus.

As we normally do, we'll give you some guidance on nonoperating line items for the upcoming quarter.

Total depreciation and amortization expense is expected to be approximately \$150 million to \$155 million. Corporate expense is expected to come in at approximately \$27 million to \$29 million, and consolidated net interest expense is expected to be approximately \$80 million to \$85 million, which includes finance lease interest of \$10 million relating to City of Dreams Manila and \$2 million of capitalized interest.

For those who follow City of Dreams Manila more closely, our building lease payment for the first quarter of 2020 was approximately \$10 million.

Operator, that concludes our prepared remarks. Please commence the Q&A session.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) We have the first question from the line of Joe Greff from JP Morgan.

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### Joseph Richard Greff *JP Morgan Chase & Co, Research Division - MD*

Quick question for you. Given the reductions in your fixed daily OpEx in Macau. Now with that \$2.2 million run rate you mentioned, where do you see EBITDA breakeven level, at what revenue declines in Macau are you at EBITDA breakeven levels on this new lower operating cost structure?

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### Geoffrey Stuart Davis *Melco Resorts & Entertainment Limited - Executive VP & CFO*

Yes, Joe, it's Geoff Davis. So at those levels, in Macau, for EBITDA breakeven, we would need to see a revenue recovery of about 35%.

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### Operator

We have the next question from the line of Harry Curtis from Instinet.

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**Harry Croyle Curtis *Instinet, LLC, Research Division - MD and Senior Analyst of Gaming, Leisure & Lodging***

Lawrence, there's been some pretty positive response within China to the reopening of resorts. And we still have borders that are closed between Macau and China. I guess my question is, what's taking so long to get the borders reopened? What's the difference between the approach between travel within China? That's probably the better question. Within China versus the cross-border, why is there a choke point here?

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**Lawrence Ho *Melco Resorts & Entertainment Limited - Founder, Chairman & CEO***

Harry, I think that is a great question because that is the key issue because we know there is pent-up demand. And what we can see from domestic China and travel, even during May Golden Week, there was quite a bit of traveling around. But at the end of the day, both Macau and Hong Kong are SARs. And so I guess, it's excluded from the domestic China ecosystem. I think that's why, for us, when you break it down, short term, midterm, long term, I would say short-term continues to be Armageddon, midterm is grim, long-term is great. And it really depends on when the borders start opening up.

For instance, I haven't been to Macau in 3 months. And if I have to go to Macau for a meeting, I'd be quarantine in a hotel in Macau for 14 days. And then coming back to Hong Kong, where I live, would be another 14 days of quarantine. So I think in the world right now, you're seeing pretty extreme cases. Macau haven't had a single case locally transmitted or imported for over 35 days.

Hong Kong's had single-digit case for the last 30 days. And yet, the Hong Kong and Macau are taking a very conservative view. Compare that to the U.S., where they're talking about opening up resorts, it's just night and day. And so I wish the border would start opening up soon. And I guess we're in the hands of the government there. But I think once it opens up, things, as Geoff mentioned earlier on, it doesn't take a lot for our business to breakeven. The saving grace, really, I think, for Macau is the fact that 90% of the market is based on gaming revenue. I know there's a lot of talks of diversification over the years that people especially within Southern China will make a trip to Macau to gamble. And that is the truth of it. I can't imagine what happens in Las Vegas, where it's dependent on nightclubs and MICE. And those aren't going to be available and open, and it's a destination market. So I think all in all, I am way more pessimistic. And in all the years I've been doing this, I've never had less visibility than right now. But hopefully, Hong Kong and Macau will start being considered part of China.

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**Harry Croyle Curtis *Instinet, LLC, Research Division - MD and Senior Analyst of Gaming, Leisure & Lodging***

That's an interesting response, particularly when it comes to the reference to the governments, which was my second question. And Lawrence, I was interested in your views on the new Chief Executive and the Head of the DICJ as to what are their priorities for the next 2 to 3 years? And what are the biggest differences between the regime that's there now versus the former government.

**Lawrence Ho Melco Resorts & Entertainment Limited - Founder, Chairman & CEO**

Well, I think the Macau Chief Executive has done an excellent job. There's only been 45 total cases in Macau. The medical system was never really under stress. The Macau government has taken care of 100% of its people. And of course, the operators ourselves are taking care of our colleagues. And so generally, people's mood and there's optimism in Macau once the borders open up. But the border issue is more complicated than just Macau because China still considers Macau and Hong Kong in the same light and Hong Kong have had all kinds of bureaucratic issues that the Hong Kong government has done.

I think Macau has done an excellent job and Hong Kong has done a really terrible job. And if anything, Macau is being dragged into this by Hong Kong, if they need to open up the Hong Kong Macau border at the same time with China. So I think the Macau government, the new administration has done a good job. It's unfortunate that within the first 100 days that the new administration took over, you had COVID-19. And so that has taken most of their attention. But again, to give credit to the Macau CE, he has instructed his secretaries just, for instance, secretary of public works and land has accelerated the approval of a lot of construction projects.

So for instance, Studio City Phase 2, after almost a year of being stuck in limbo, we got all our necessary approvals. And even on a lot of A&A works, those approvals came through. So there is a big focus to keep people working. And I think the next major thing, as outlined in the Chief Executive's speech is going to be the gaming license rebidding process. I think that's probably the main focus. And given COVID-19 and the fact that I haven't been able to go to Macau for the last 3 months, I haven't had the opportunity to meet the new DICJ Head, the person who's going to take over. And I look forward to. But judging from his track record, he's done a great job everywhere he's been, and he certainly knows a lot about the industry.

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**Operator**

We have the next question from the line of Edward Engel from Macquarie.

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**Edward Lee Engel Macquarie Research - Analyst**

Sorry to go back on what you just said earlier, but I mean, do you think Guangdong would only look at both Macau and Hong Kong, opening at the same time? Or is Guangdong looking at the 2 SARs individually, just given the different entry points?

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**Lawrence Ho Melco Resorts & Entertainment Limited - Founder, Chairman & CEO**

Well, I think traditionally, when you look at Hong Kong and Macau, they always do things very close together because given the proximity, given the geography, and I think that's why even recently, we've been monitoring all of the news coming out of both Hong Kong and Macau. The Hong Kong Chief Executive talked about potentially opening Guangdong together with Macau. So I think inevitably, for better or worse, even though Macau haven't had a case, as I mentioned earlier on, for over 35 days. It's probably waiting for Hong Kong. And even more unfortunate is the fact that Hong Kong have started having a couple of local transmission cases in the last couple of days. So we really have to see.



**Edward Lee Engel *Macquarie Research - Analyst***

Okay. That's helpful. And then can we please just get an updated time line for Studio City Phase 2, the Nuwa renovation, then Cyprus, please?

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**Lawrence Ho *Melco Resorts & Entertainment Limited - Founder, Chairman & CEO***

Great. Why don't I hand it off to David, Geoff and Evan, you guys can hopefully put a more positive spin to things than I have.

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**David Ross Sisk *Melco Resorts & Entertainment Limited - COO of Macau Resorts & Property President of City of Dreams-Macau***

Sure. So, Edward, I think one of the great things that may come out of this, if there's any good thing that's come out of this that Lawrence mentioned, is that we have gotten our approvals a lot faster. And given the fact that obviously, our volumes have been very low and very challenged. We've been able to close Nuwa, and we're going to actually be able to accelerate the renovation for Nuwa. We hope to have it back up and operating, most likely by the end of September and in time for the October Golden Week. As far as Studio City, I'll let Geoff speak to Studio City.

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**Geoffry Philip Andres *Melco Resorts & Entertainment Limited - Studio City Property President***

Well, we've taken advantage of this time to get some projects done. We've got all new carpets, all the ceilings painted, done a lot of work in the casino. When people do come back, they're going to come back to a brand-new casino, which we're really excited about. The place is polished up and ready to go. And we also got a great approval for our water park, which will start. And then the Phase 2 project is well underway. We're doing a lot of piling and a lot of activity going on in the construction site. So we're really excited about how Phase 2 is coming along, and that's going to be a great addition to Studio City.

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**Evan Andrew Winkler *Melco Resorts & Entertainment Limited - President & Director***

Sure. This is Evan. Lastly, on Cyprus. Obviously, we had a period where we had to shut down construction works given the pandemic in Cyprus. We've reopened now about 1.5 weeks. We've got testing done on site. We've got about 300-ish people back. We had 200 of them tested, no cases so far. We have protocols in place. Everything is moving forward smoothly. We obviously lost a few months here just in terms of people being off-site and having to go back to their host country, and we are still working on actually getting labor throughout Europe back on site, just given some of the travel difficulties and restrictions. So I would tell you, we know we're a few months behind. We're hoping to keep it only a few months behind, but there has been some significant disruption just in terms of worker migration and then a little bit in terms of some of the supply chain throughout Europe.

I would tell you, the government is aware, has been working with us very closely, has been very supportive of getting the project back up and running. And while there's nothing formal, we're in discussions, I think they, like all the governments around the world are very understanding that there have been a number of things outside of everyone's control and that they are understanding, that has caused some delays even as we try and mitigate those delays in terms of final completion.

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**Operator**

We have the next question from the line of Praveen Choudhary from Morgan Stanley.

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**Praveen Kumar Choudhary *Morgan Stanley, Research Division - MD***

Congratulations for getting the market share. I have 3 questions, if I may. One is on Japan, we heard LVS pulling out. I wanted to understand what are they seeing differently from you in terms of returns or requirements that Japan is trying to put on you?

The second question I had was numerically. We wanted to understand the OpEx number that you mentioned has gone down to \$2.2 million. What would that number be if, let's assume, by fourth quarter, you have GGR, your revenue back to 2019 levels, so normalized level, will the OpEx remain at that level? Or will it be slightly higher?

And the third and final question for me is do you think, in case of social distancing, the supply will become constrained, meaning in a particular table, you will not be allowed to have more than 3 people to sit. And so even though pent-up demand comes back, we may never be able to go back to full capacity utilization. Just wanted to hear your thoughts on that.

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**Lawrence Ho *Melco Resorts & Entertainment Limited - Founder, Chairman & CEO***

Yes, Parveen. Let me take the first question. I think Geoff will answer the second one. And I think on the third question, why don't we let David answer that.

So on Japan, we've been working on Japan for a very long time, 15 years. And we continue to think that outside of Macau, Yokohama remains the most attractive IR destination. And even with COVID, our local teams have continued to engage with the Yokohama officials and authority, ever since Yokohama declared its candidacy, we have said that we are Yokohama First. And we'll continue to do that. I can't speculate why LVS is not pursuing the opportunity. And also, the rule of the game was established a long time ago, nothing has been changed in the last year or two, so I can't speak to that. So I think maybe on the second question, we'll refer to Geoff.

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**Geoffrey Stuart Davis *Melco Resorts & Entertainment Limited - Executive VP & CFO***

Thanks, Lawrence. So on the second question, with the reduction from approximately \$3 million to approximately \$2.2 million in Macau, about 75% of that is volume related, with the remainder being more management initiatives. So as we come back into a more normalized revenue environment, we do anticipate some meaningful savings and a meaningful positive impact on the margin.

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**David Ross Sisk *Melco Resorts & Entertainment Limited - COO of Macau Resorts & Property President of City of Dreams-Macau***

So Praveen, I'll take your third question on the social constraints. We're a little different with our properties because we really skew towards the premium mass. So ideally for us, even though now that we've got basically 3 chairs in each of our tables, we generally like to try to keep it to where we're at about 2 players at the table. We find that's where you get our maximum efficiency with our players and

get the best opportunity for win with our players.

Additionally, when you think about 1,000 slots or so at each of our properties, you never get to full utilization. So the fact that we're spread out more shouldn't really impact us that badly. Again, we skewed towards the higher end players. So we think our players are going to be okay with the distancing. We've never had the properties that have the most people in them. We've always had properties, and again, because of the quality of the play that we have, and the players that we have and the service and the things that we provide, we get the best possible action from our players.

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**Operator**

We have the next question from the line of George Choi from Citibank.

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**Shui Lung Choi Citigroup Inc, Research Division - Director & Research Analyst**

Just a couple from me. First, also in Japan. Lawrence, how do you see the amount needed to be invested in Japan now given reduced competition amongst the casino operators? Is there any flexibility in the \$10 billion figure that everyone was talking about? Or is a proposal with a sub-\$10 billion CapEx commitment still going to be seen as not competitive.

And my second question is for Geoff. I just want to confirm whether the \$179 million of other expense item, whether that's related to the Crown shares? And do you expect more loss to be built in the second quarter for the Crown's shareholder disposal?

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**Lawrence Ho Melco Resorts & Entertainment Limited - Founder, Chairman & CEO**

So George, on Japan, I think ultimately, for a Tier 1 location like Yokohama, USD 10 billion is still the target. Because at the end of the day, given the site and the size of the site and just to build out the GFA will cost that much. And also given Yokohama is going to be so close to Tokyo, I do think that even though there's less competition right now, the national government is going to be expecting a best possible bid. So I think in any case, whether there's more competition or less competition, it's still around the same price tag.

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**Geoffrey Stuart Davis Melco Resorts & Entertainment Limited - Executive VP & CFO**

So George, the \$179 million, yes, it is related to the Crown shares. Most of that is a change in the fair value. So we took a fair value loss with the share price at the end of the quarter at AUD 7.6 and that was partially offset by \$13 million in dividend income.

With the sale, that was at AUD 8.15. So no, we don't anticipate an additional loss there.

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**Operator**

We have the next question from the line of Robin Farley from UBS.

**Robin Margaret Farley UBS Investment Bank, Research Division - MD and Research Analyst**

I wanted to just touch on the topic about the license in Japan as well. I guess I just wondered if you had any thoughts about the license only lasting 10 years to get a return on that size of investment. And then I have a question about Macau as well.

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**Evan Andrew Winkler Melco Resorts & Entertainment Limited - President & Director**

Why don't I take that, Lawrence. Look, and I think there's been speculation around this point, given, obviously, the announcement that is coming out from Sands. This is something that's been out there for a while. I think if you took the perspective that at the end of year 10, your resort would go away, it would obviously change your investment dynamics. We've operated in markets, and we're operating in one now where there is technically a finite life to a license. And what we've obviously found is if you're a good partner to the government and do a good job in terms of resorts, CSR and other things that we do very well, your expectation is that license would perpetuate. And so you have a longer horizon than the end of the license when you look at the investment. And I think that's consistent with how we view Japan, which is a market that we want to be in for the long term.

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**Robin Margaret Farley UBS Investment Bank, Research Division - MD and Research Analyst**

Great. No, that's very helpful perspective. And my other question on Macau, and I apologize if you said this in your introductory remarks, but I had some technical problems on this end. Have you commented on whether you expect mass or VIP to recover at similar rates or one recover more quickly than the other?

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**Lawrence Ho Melco Resorts & Entertainment Limited - Founder, Chairman & CEO**

David, do you want to take that one?

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**David Ross Sisk Melco Resorts & Entertainment Limited - COO of Macau Resorts & Property President of City of Dreams-Macau**

Sure. No problem, Lawrence. So look, I think our bigger players are going to come back first. So we expect to see our VIP coming back fairly strong. We also expect to see our premium mass come back strong as well. And then slowly, we'll see kind of what we call the mid-mass area for us starts to come back. We have a pretty good feel for this because when we opened up on February 20, we've got to a breakeven point within about a week after we opened up. And again, it was driven primarily by those 2 segments So we feel pretty confident that, that's what's going to come back first, Robin.

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**Robin Margaret Farley UBS Investment Bank, Research Division - MD and Research Analyst**

Okay. And I assume that with maybe limit on capacity initially that you'll kind of limit maybe the mass business that would come back? Or do you think that's more just that it will take mass demand longer to come back?

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**David Ross Sisk *Melco Resorts & Entertainment Limited - COO of Macau Resorts & Property President of City of Dreams-Macau***

I think it'll take a little bit more time for the mid-mass to come back, it's going to take them a bit longer. I don't think we'll be capacity constrained at all. As I said a little bit earlier, I think our players that we have at City of Dreams and Studio City and in Altira are premium mass, they skew to a little higher level. So that player, I think, likes to kind of play with some distance between each other. And with our betting limits, we kind of encourage that because again, we want to try to keep it to 2 players at a table where possible, to try to get that optimal level of play from those players.

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**Operator**

We have the next question from the line of Simon Cheung from Goldman Sachs.

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**K. Y. Cheung *Goldman Sachs Group Inc., Research Division - MD***

Just have 3 quick questions. Again, as a follow-up on the question about the pent-up demand. I remember last time, Lawrence, you said that you don't expect any recovery perhaps even in third quarter or even towards the fourth quarter. I wanted to get a sense that based on what you have observed and earlier, you mentioned that you definitely see some pent-up demand coming through. What is your expectation to maybe perhaps a time line for you to see the overall gaming revenue perhaps to go back to the normalized level, would that take 1 year, 2 years? That's the first question. And then the second question is, you also mentioned you wanted to pay dividend as soon as possible. What are some of the criteria or milestones that you're looking for when you're considering resuming your dividend?

And then my last question is related to CapEx. And Geoff, you mentioned that you have another \$230 million of CapEx defer into later year. Can I get the numbers as to how much CapEx that you are budgeting for this year? And how much you have spent in the first quarter?

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**Lawrence Ho *Melco Resorts & Entertainment Limited - Founder, Chairman & CEO***

All right, Simon. I think on the first question, maybe David can help supplement. But again, I think everything depends on the border and when that gets opened up. I -- at Melco, we've done quite well, even with this pandemic, and I think we were probably the most aggressive in terms of cost containment and some of the moves that we made. And so I think, naturally, our view is that the recovery is going to be slow. But again, once the border opens up, it's not that difficult for us to get to breakeven. But again, that's all subject to the border. I think maybe David has more views in terms of when do we get back to normal. My personal view is, again, we mentioned in Q4 in our earlier call. It's still around there, but it's slipping by the day, in my opinion. But maybe David has different views.

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**David Ross Sisk *Melco Resorts & Entertainment Limited - COO of Macau Resorts & Property President of City of Dreams-Macau***

Sure. So I'm probably a tiny bit more optimistic than Lawrence. As we said in our fourth quarter call, we thought that probably the market would be returning to some level of normalcy right around October, we were kind of circling in October Golden Week where we thought things would start to get better. We

saw some of that in China during the May Golden Week, a lot of the hotels went back to 90% occupancy. So we know there's a pent-up demand out there. I think we'll see it kind of jump up again in October, where Lawrence and I agreed pretty primarily on this is that I think -- I'm not sure how sustainable that is during the whole fourth quarter. I think that will be somewhat lopsided and go up and down for a while.

My guess is, personally, by the first quarter of 2021, I think we'll start seeing some normalisation where we're back to more of a normal view of the world here, hopefully. That assumes also that there's no reemergence of the virus in any way, that there's not a huge reinfection rate as we head into the winter months.

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**Evan Andrew Winkler *Melco Resorts & Entertainment Limited - President & Director***

That probably leads in on the dividend question. Again, Macau, which is always a hard market to predict future performance, given volatility, if anything, given the virus. I mean there is, right now, in our view, pretty dramatic volatility in terms of how soon the border opens, what's it going to look like once that opens? Will you have a double dip? When are you going to get back to a point where we feel like we have a very good handle on what the next several quarters look like in a sort of new normal basis.

And so I think before we really think about putting the dividend back in place, we need that kind of stability for us to be looking at from a financial perspective to make sure that we feel comfortable. We're obviously focused on delivering capital back to shareholders as soon as we can, but we want to be fairly prudent given what's going on. So we're going to want to have a pretty good view on where we think the world is going before we start doing it again.

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**Geoffrey Stuart Davis *Melco Resorts & Entertainment Limited - Executive VP & CFO***

And this is Geoff. I'll take the last one. As a housekeeping item, that suspension of the dividend conserves about USD 80 million of capital a quarter. But on CapEx, we had \$100 million of CapEx in the first quarter of 2020, and we'll have a total of about \$600 million for the year, so \$500 million for the remainder of this year. And to give you a little additional color of the total \$600 million for 2020, about \$240 million of that is development CapEx between City of Dreams Mediterranean and Studio City Phase 2, and that's about equally split.

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**Operator**

We have the next question from the line of Jared Shojaian from Wolfe Research.

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**Jared H. Shojaian *Wolfe Research, LLC - Director & Senior Analyst***

So I want to ask you about the concession renewal process and whether you think the current crisis has caused the Macau government to put the concession conversation on hold, and maybe potentially when we get to 2022, that time line is temporarily extended. Can you just talk about what you're hearing and thinking on that front?

**Lawrence Ho *Melco Resorts & Entertainment Limited - Founder, Chairman & CEO***

Yes. So the Macau Chief Executive gave his effectively state of the union address in around late April. And I think during that address, he specifically said that the government would not be delaying the rebidding process. And so I think from Melco's perspective, we have been ready. I think he mentioned some of the key points in terms of the CSR that the company is doing for the community, whether the operator has helped the city diversify and then making use of the midterm review that the previous administration had done in around 2015, 2016, taking stock of what each operator has invested in, how much they've given back to the community and how much non-gaming attractions they put in. If people remember correctly, out of that midterm review, Melco came out on top in terms of every single category. So based on the current Chief Executive and what he's saying about the rebidding process just going along the original time line and for the licenses to expire in June 2022. Melco is ready and happy to participate in that process anytime.

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**Jared H. Shojaian *Wolfe Research, LLC - Director & Senior Analyst***

Okay, thank you. And then just on Manila, and I apologize if I missed this, but have you given a burn rate number in Manila? And maybe how you're thinking about that reopening time line?

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**Geoffrey Stuart Davis *Melco Resorts & Entertainment Limited - Executive VP & CFO***

This is Geoff. I'll give you the OpEx. So it's not really a burn rate, but I'll give the OpEx -- daily OpEx number. And in Manila, we see that coming down to about \$300,000 a day, and that is down from closer to around \$500,000 pre COVID-19. So we set some very meaningful reduction in those rates. And I would say, just to follow-on to that, roughly 90% of that is volume related.

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**Lawrence Ho *Melco Resorts & Entertainment Limited - Founder, Chairman & CEO***

I think maybe Kevin can give the color on Manila.

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**Kevin Richard Benning *Melco Resorts & Entertainment Limited - Senior VP & COO at City of Dreams Manila***

Yes. Thanks, Lawrence. In Manila, I think most people know, we're still under enhanced community quarantine, and we've been that way since mid-March. Moving into next week, the Metro Manila is going under a modified enhanced community quarantine, and they're starting to allow businesses opening. That being said, the government and PAGCOR still haven't provided an opening date for the casinos. But we're hopeful in the near future, we'll be able to open up at least a portion of our property. That being said, our main focus right now continues to be on our colleagues and the community, health and safety and just supporting them and being ready to open up a safe clean property.

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**Operator**

Thank you, sir. As there are no further questions, I would like to hand the call back to Mr. Richard for any closing remarks.

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**Richard Huang *Melco Resorts & Entertainment Limited - Director of IR***

All right. Thank you for dialing in for our conference call today. We look forward to speaking with you again next quarter.

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**Operator**

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

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