

Melco Resorts (2025 Q3 Earnings)

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Corporate Speakers:

- Lawrence Ho Yau Lung; Melco Resorts & Entertainment Limited; Chairman and Chief Executive Officer
- Evan Andrew Winkler; Melco Resorts & Entertainment Limited; President and Director
- Geoffrey Stuart Davis; Melco Resorts & Entertainment Limited; Executive Vice President and Chief Financial Officer
- Jeanny Kim; Melco Resorts & Entertainment Limited; Senior Vice President and Group Treasurer

Participants:

- George Choi; Citigroup; Research Analyst
- Luis Ricardo Chinchilla Vargas; Deutsche Bank; Analyst
- John DeCree; CBRE Capital Advisors; Analyst
- Joe Stauff; Susquehanna; Analyst
- Praveen Choudhary; Morgan Stanley; Analyst

PRESENTATION

Operator: Ladies and gentlemen, thank you for participating in the Third Quarter 2025 Earnings Conference Call of Melco Resorts & Entertainment Limited.

At this time, all participants are in a listen-only mode. After the presentation, we will conduct a question and answer session. Today's conference is being recorded. I would now like to turn the call over to Ms. Jeanny Kim, Senior Vice President, Group Treasurer of Melco Resorts & Entertainment Limited. Please go ahead.

Jeanny Kim: Thank you, operator. And thank you, all, for joining us today for our Third Quarter 2025 Earnings Call. On the call are Lawrence Ho, Geoff Davis, Evan Winkler, and our property presidents in Macau, Manila, and Cyprus.

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. In addition, we may discuss non-GAAP measures. A definition and reconciliation of each of these measures to the most comparable GAAP financial measures are included in the earnings release.

Finally, please note that our supplementary earnings slides are posted on our investor relations website. With that, I'll turn the call over to Mr. Lawrence Ho.

Lawrence Ho Yau Lung: Thank you, Jeanny. And thank you, all, for joining us today. Our properties in Macau delivered solid growth in the third quarter of 2025, with property EBITDA growing by 21% year-over-year, despite the negative impact of approximately \$12 million due to the typhoon in September. Our momentum in Macau is continuing, and we did not see a slowdown in October following the holidays. In fact, our Macau GGR grew over 30% year-over-year post-Golden Week, and COD recorded its highest monthly mass tables GGR ever in October.

We continue to introduce new initiatives to enhance the quality of engagement with our customers across all segments of our customer base. In July, we opened the Signature Club House at City of Dreams for our premium mass customers, which includes private gaming salons, hair services, a Formula One simulator, and other exclusive amenities to provide a differentiated experience.

In September, we reopened a gaming area featuring 15 gaming tables at City of Dreams near the Grand Hyatt, across from MGM Cotai and Wynn Palace, and just steps away from the Macau Light Rail Station. This new area has been designed to appeal to a walk-in crowd with lower table minimums, and we have seen this area well utilized with a steady flow of new patrons.

As we had announced previously, we closed Grand Dragon Casino and one of our Mochas in September. The 15 tables from Grand Dragon were allocated to the new gaming space at COD, and 90 gaming machines from the Mocha closure were shifted to Studio City. We will close two more Mochas before the end of the year, and the gaming machines will be reallocated across our three properties in Macau.

We have started the renovation of the Countdown Hotel, which we currently expect to open in the third quarter of 2026. After completion, this hotel will bring a one-of-a-kind experience to Macau and the region. We plan to simultaneously upgrade retail and food and beverage in this precinct of COD and continue to elevate the quality of our product offerings.

At Studio City, we unveiled a newly expanded high-limit gaming area along with four new private gaming salons at Epic Tower to provide an even more refined experience for our premium mass customers. In October, we relaunched the new iRad Hospital at Studio City, designed to further enhance Macau's tourism infrastructure with top-tier healthcare and wellness services.

In the Philippines, property EBITDA grew 45% quarter-over-quarter, and we have seen good momentum in October.

City of Dreams Mediterranean and the satellite casinos in Cyprus had their best quarter yet, with property EBITDA growing 53% year-over-year to \$23 million. Despite the escalation of hostilities in the region at the beginning of the quarter, we're now in the shoulder season, but the property is coming into its own and showing solid year-over-year growth so far.

In Sri Lanka, we opened City of Dreams Sri Lanka on August 1st as the first integrated resort in Sri Lanka and in South Asia. It is early days as we solidify our footing and continue to ramp up our operations there. With that, I turn the call over to Geoff.

Geoffrey Stuart Davis: Thank you, Lawrence. Our Group-wide Adjusted Property EBITDA for the third quarter of 2025 grew 18% year-over-year to approximately \$380 million. Adjusted for VIP hold, our Property EBITDA was approximately \$355 million.

Favorable win rates at COD Macau and COD Manila had positive impacts on our property EBITDA by approximately \$23 million and \$2 million, respectively.

We continue to remain focused on operational discipline and our opex in Macau remained stable this quarter at approximately \$3.0 million per day, excluding House of Dancing Water and the residency concerts. Opex for House of Dancing Water was approximately US\$100,000 per day, as previously mentioned.

Our Macau property EBITDA margin held steady at approximately 29% in the third quarter of 2025, which reflects our disciplined approach on costs as we drive sustained business growth.

Turning to our balance sheet, our liquidity position remains robust. We had available liquidity of US\$2.6 billion with consolidated cash on hand of approximately US\$1.6 billion as of the end of the third quarter of 2025. Melco, excluding its operations at Studio City, the Philippines, Cyprus, and Sri Lanka, accounted for approximately US\$1.05 billion of the consolidated cash on hand.

There was a quarter-over-quarter increase in Melco's cash balance of approximately US\$360 million, which was largely due to the timing of the US\$500 million in bonds that we issued in September. As of the end of September, we had approximately US\$358 million of the bond proceeds remaining, net of US\$142 million, which had been used to settle a tender offer on the senior notes due 2026.

In October, the remaining proceeds of the new bond were utilized to early redeem all of the outstanding senior notes due 2026, which had not been tendered. Following this exercise, the Group does not have any material amount of debt maturing in 2026.

We continue to reduce debt in the third quarter with a total of US\$180 million being repaid, US\$70 million at Melco, and US\$110 million at Studio City. We repaid a further US\$180 million at Melco in October and November.

In October, we also canceled 18.5 million of the approximately 32 million ADSs that were repurchased earlier this year at an average price of US\$5.10 per ADS.

As we normally do, we'll give you some guidance on non-operating line items for the fourth quarter of 2025.

Total depreciation and amortization expense is expected to be approximately US\$135 million to US\$140 million.

Corporate expense is expected to come in at approximately US\$25 million to US\$30 million, and consolidated net interest expense is expected to be approximately US\$115 million to US\$120 million.

This includes finance liability interest of around US\$6 million relating to fees payable in relation to the Macau Gaming Concession and the Cypress Gaming License and finance lease interest of approximately US\$5 million relating to City of Dreams Manila.

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

QUESTIONS AND ANSWERS

Operator: Thank you. (Operator Instructions) Your first question comes from George Choi with Citi. Please go ahead.

George Choi: Hi, thank you very much for taking my questions. So, you guys have introduced new side bets just like everyone else does in Macau to your Baccarat operations over the last year or so. Would you say that they contributed positively to your recent EBITDA growth and would you be raising your theoretical hold rate anytime soon?

That's my first question. My second question is a housekeeping one. Would you please remind me the capex required for the renovation of the Countdown Hotel? Thank you very much.

Lawrence Ho Yau Lung: Sorry, George, it's Lawrence. So, your first question was on the theo hold rate for VIP?

George Choi: Or perhaps mass hold rate trends that you are looking for?

Evan Andrew Winkler: Sure. So, again, the only one that we sort of published something on and we adjust to is obviously on the rolling business where we have a target of 3%. Based on what we're looking at from a data standpoint, and again, we continue to watch it, that number sitting here today is still a good number in terms of that business constituency and in terms of the betting mix of those players.

And I understand this varies market by market. So, there's some noise in the market about other markets raising that up substantially. But yet today, we haven't yet seen a strong enough basis for us to adjust, but we're continuing to look at it.

In terms of our mass business, obviously, as we've added more, it's been a positive uplift. I don't know that it's dramatic because we've gone from sort of the widely adopted on

the Banker's six to the Sevens bets . We are seeing a lift up, but I'm not sure that that's a massive driver as we sit here today. But obviously, it is improving as we're giving more options to our players in terms of our overall percentages.

Geoffrey Stuart Davis: And on the capex question for the Countdown, that's about US\$125 million.

George Choi: Thank you very much.

Operator: Thank you. Our next question comes from the line of Luis Ricardo Chinchilla Vargas. Please go ahead.

Luis Ricardo Chinchilla Vargas: Hey guys, thank you so much for taking my questions. I wanted to start asking about the operating environment in terms of promotions. Have you guys seen any uptick or anything meaningful on that front?

Lawrence Ho Yau Lung: Well, Macau is always going to be very dynamic and every day you're looking at how to compete. But I think I can say that I'm very proud of the team because throughout 2025, we've really held the line on reinvestment. And even this quarter, we've keep track of the share shift on a daily basis, a weekly basis and we're seeing some of that. But I think we've really held the line throughout 2025 and we'll continue to observe it. And maybe I let Evan elaborate a bit more, but I think the environment is certainly, I would say, is competitive but stable.

Evan Andrew Winkler: I think that's fair. Again, you've probably seen some statements by some competitors talking about being more or less aggressive on certain programs. We sort of look by program, by player segment and are evaluating constantly in terms of what we're doing.

In Q3, while we're always tweaking and trying to optimize, we didn't see a big shift upward. Again, there's probably, if you look program by program areas that we're going to look to tweak up and others that we're going to look to tweak down. We'll continue to monitor and respond to the competitive environment, but I think Lawrence said it well. It's very competitive, but at least right now, it's not irrationally competitive.

Luis Ricardo Chinchilla Vargas: Fantastic. That's great color. For my second question, I was hoping if you guys could give us some capex guidance for next year, even though it might be early and you guys are still finalizing the budget.

Geoffrey Stuart Davis: You're right. We're in the midst of reviewing and finalizing and approving that budget, but as a placeholder for now, I think US\$400 million for 2026 is a good number.

Luis Ricardo Chinchilla Vargas: Wonderful. Thank you so much for taking my questions.

Lawrence Ho Yau Lung: Thank you.

Operator: Thank you. Our next question comes from the line of John DeCree with CBRE Capital Advisors. Please go ahead.

John DeCree: Hi, everyone. Thanks for taking my question. Lawrence, I apologize if I missed any prepared remarks. I dialed in a couple minutes late, but did you provide any color on Golden Week and if so I could get it offline to not make you repeat yourself, but interested in kind of what you guys see kind of pre and post around the seasonality and the shoulder periods, maybe relative to what you'd expect several years ago or how strong are the peaks and how consistent is visitation on property to kind of leading up into Golden Week, which I think typically be a little slower? And then have you seen any signs of slowdown after?

Lawrence Ho Yau Lung: Hey, John. I think on Golden Week the whole market was a bit disappointed because we were unlucky. There was a typhoon on, I think, day four, and then Mid-Autumn Festival was effectively day six.

And for Mid-Autumn Festival, most people go back to their families and stuff. And so, I think the whole market was quite disappointed by the first seven days. But throughout October, the last 21 days of October were extremely strong.

And so, I think the traffic that went -- that skipped Golden Week or left early for Golden Week clearly came back. And so, I think all in all, post-COVID, October was the best month. And I think for us as well, I think we've continued to, on a year-on-year basis, kept up with the pace of growth in the market. So we're quite pleased. I don't know, maybe Evan has more.

Evan Andrew Winkler: No, I think Lawrence is spot on. Coming out of Golden Week, I think we all felt like it was a little soft and we were a little unlucky on the calendar, and we were definitely unlucky on the weather. And then you normally get more of a drop-off, and it just sort of continued to stay strong and there was good tails going through October.

So sitting here now, we look back and we're like, actually, October feels very good. I mean, we feel really good. But we didn't feel great immediately coming out of Golden Week.

It was soft, but unusually. And I -- as Lawrence said, I can't tell you if all the people who put off trips came back. We can't give you the precise causality of it, but we had a very, very strong period following it, much stronger than we would normally expect.

John DeCree: Awesome, Evan, Lawrence. Thank you for that. And maybe a quick one for Geoff on kind of opex per day.

I know kind of maintaining cost discipline has been core to the story. You have given us a little cover in the past. Any change in opex per day assumptions that you could see or could share or kind of steady as it goes?

Evan Andrew Winkler: Maybe I'll take that. Geoff can add any color he wants. So we have a few things going on in Q4.

We've got the China National Games where there's a fairly big level of support that we're going to be providing that's going to hit the P&L. You have the 10th anniversary of Studio City, and we actually have some pretty exciting promotional activity around that. So those are kind of one-offs that will be significant drivers in Q4.

We also are entering a period where seasonally we tend to do a bit more promotion. And then also as the concerts or the residencies have dropped off, which are normally excluded, we are having some backfill activity to make sure that we have strong activation. And so the net of all those is we're going to probably spike up here in Q3.

We're probably going to be more like in the US\$3-US\$3-ish million range. And we may, again, depending on some promotional and other activity that we're looking at, drift a little bit higher. But that should be coming down in the subsequent quarters.

I think probably premature to talk about how much, but we are going to see an uptick here in Q4 based on those things.

John DeCree: Great. Appreciate that color. Thanks, all.

Operator: Thank you. Our next question comes from the line of Joe Stauff with Susquehanna. Please go ahead.

Joseph Stauff: Thank you. Thank you very much for taking the questions. A couple of follow-ups just on that opex per day response that you had given. US\$3-3 million, all-in including the one-times is the right way to interpret that comment, correct?

Evan Andrew Winkler: That is the baseline, again, as we're looking at some promotional activity. It's not going to be lower than that. There are some things we're contemplating. It could drift a little bit higher, but yes, that's including the one-times.

Joseph Stauff: Got it. I wanted to zoom out --

Evan Andrew Winkler: That's for Q4. For Q4.

Joseph Stauff: Q4, yes, of course.

Evan Andrew Winkler: Normal run rate.

Joseph Stauff: Understood. Understood. I wanted to zoom out. COD has been just a significant improvement and turnaround here over the past one-and-a-half years. Just kind of zooming out and thinking about the strategic initiatives and investments you've made, wondering if you could just maybe rank what you think to be the most important investments and strategic initiatives that you've taken and made at COD to really kind of create this impressive turnaround and results especially year-to-date?

Evan Andrew Winkler: Well, we're all looking around each other. That's sort of one that was unexpected, but I'll give you my take, and then maybe Lawrence or Tim or others will chime in.

I'm not sure it's one individual thing. I think over the last 18 months, Lawrence has set a mandate that to some degree we need to kind of get our swagger and market leadership back at COD on product, service, and what we're doing. And so we've really done a breakdown on the business, from soup to nuts, at every position, on every way that we provide service, looking at the customer experience, and then also sort of tying together what the customers experience on property.

And so I don't have one big thing to point you to. It's literally been hundreds of items, and they're not on the call, but we have mid-level executives across the board that have contributed in big ways and small ways. So I've been really happy and proud on how many different people have contributed in different ways. But it's been a lot of small steps, and then you kind of look back and you've climbed a pretty long way, but I don't know that there's one thing that's been the silver bullet.

Joseph Stauff: No, I appreciate that. I know there are a lot of things going on, but I'm just curious of how you think about it. There's always the market dynamic versus, say, the company-specific, say, initiatives, and so that's the question. Maybe --

Lawrence Ho Yau Lung: No, and I think let me add to that as well. I think during COVID we were barely surviving, right? City of Dreams was always our flagship. It's where Morpheus, Nuwa, Forbes lifestyle, and where we have the most Michelin star restaurants.

And I think for a while during COVID we just weren't living up to the brand, the brand promise and the brand proposition. I think with the new team coming on board and Tim in the leadership, I think we've revisited, like Evan said, we've revisited literally every single thing from the tiniest amenities to much bigger attractions. And so I think we're finally, post-COVID, we've come out of that funk and we've rediscovered this wagon.

Joseph Stauff: Okay. Thank you for that. Just one quick one. Any update maybe on the process for strategic options for your Filipino asset? Any updates or reference points you can give us?

Geoffrey Stuart Davis: Sure. This is Geoff. We are approaching the end of the process with our advisors and should have a definitive assessment of our alternatives by the end

of this year. This has always been an opportunistic exercise that's been driven by the potential for a one-off debt reduction event, not any specific desire to exit the Manila market. So we have and will continue to be very valuation driven on this exercise, and we'll continue to be disciplined in our approach to assessing the offers that we have for this business. But we hope to be back by year end with a definitive answer.

Joseph Stauff: Great. Thanks a lot.

Operator: Thank you. Our next question comes from the line of Praveen Choudhary with Morgan Stanley. Please go ahead.

Praveen Choudhary: Thank you. Hi, Lawrence. Hey, Geoff. Hi. Thank you very much. I think Macau market obviously is doing very well since May of this year. Q2 results, GGR being up 13%, October being up 16%.

I guess investors are asking literally two questions. So I just wanted to ask you those two questions and see how you want to respond to it. One is obviously the margin, which has been talked about where the competitive dynamics remains intense.

And the reinvestment cost is genuinely pretty high, which is why the margin could have been very high, but it's not. So any thoughts there that it is the bottom of that margin or peak of the reinvestment intensity?

But the second question I had was on premium driven business, meaning a very small number of people is driving big chunk of the mass revenue and thus the profit for the Macau business. And that is similar to, let's say, VIP driven back in the days, which deserves lower multiple and so on. So the fact that grind mass has been missing or at least been less available than we would like, is there anything you can talk about or are you seeing any early signs of that changing? That'll be great. Sorry for the long winded question.

Lawrence Ho Yau Lung: Hey Praveen, it's Lawrence. So maybe why don't I start and I'll hand it off to Evan and see if Geoff wanted to chime in as well. I think clearly when the VIP and the junket business went away, we had all hoped that margins would just rocket, just go sky high.

And unfortunately, that hasn't happened. And I think it's well documented what some of our competitors have done. And so I think, as I mentioned earlier on in the Q&A, I'm very proud of the team because we've really helped the line on reinvestment so far for the entirety of 2025.

So theoretically, if all six concessionaires can kind of get their act together, there should be margin expansion given that the market is growing. And so on one hand, I think, as Evan mentioned earlier, I think we're past peak competitiveness in terms of the intensity in the market. But at the same time, I think everybody's still thinking of ways to try to steal business and grab share.

And I would say as well, I think every time I read a sell-side research, everybody just talks about market share. So I don't blame some of our competitors for constantly focusing on that rather than being more focused on EBITDA. So, again, I think it's as rational as it has been in the last maybe 12, 18 months.

But again, I'm pleading with our competitors and also sell-side research analysts to maybe place less emphasis on weekly, monthly market shares as well, so that people don't feel like they are pressured to chase market. I don't know. Maybe Evan want to --

Evan Andrew Winkler: I guess, Praveen, on the two that you asked, from a margin standpoint, I agree, obviously, with Lawrence, that there should be room to create upward. I'm not sure sitting here in the competitive market today that I think on that one way or another. We could always be surprised.

But look, right now, the market remains competitive. I think the dream for everyone is if everyone competed in a very rational way on product and service, that there should be upside within this market that I hope we realize. And also, I think I have a hope that as we continue to get more and more mass business into the market, and you get just a better supply-demand dynamic in terms of what's available, that that will continue to improve.

When the junket business left, there's a lot of product and service that they were using that didn't get used. And that's been backfilled by people going after that premium mass business. So you're seeing the effects of that from competition.

So I think margins are stable, but I don't know that there's a near-term catalyst that'll do that. But I think the overall long-term trend is healthy. In terms of the premium-driven business, I'm not 100% sure if that was going after premium direct business, where, yes, that business tends to be fairly clumpy, driven by pretty large players.

We are seeing more players from more geographies around the world. So while that is the nature of that business, it feels pretty healthy. In terms of, if you meant premium mass, yeah, we're always going after those premium players.

And we're not really going after grind-grind mass. But we are, again, seeing new players coming into the market. So, I don't know that that's -- I wouldn't sort of signal that out as not healthy.

I do think that we are getting a healthy drive on the mass business overall. We don't tend to be kind of a grind mass player. So I probably have less insight into that market demographic. But in terms of players coming into our system, I think we feel good about market growth.

Praveen Choudhary: That is very helpful. Can I just have a last follow-up question on Sri Lanka? You know, it's early days. I totally appreciate that. But when you entered the market, you had a view that it will be a return-accretive market and eventually it will

generate a certain kind of EBITDA. Is there anything you picked up in terms of either it being too difficult or regulatory issues or visitation being weaker or you need to tweak business models slightly or you need to provide something? Anything you can share about that market? That would be very helpful. Thank you, Lawrence.

Lawrence Ho Yau Lung: Hey, Praveen. I think it's super early days. It's only been open for three months. And for us, it's a whole new market because it's mainly targeted at the Indian market. So there's a lot for us to learn along the way. I think we're very optimistic about the country and the tourism growth in that market. And I would say that we're learning every day and there are new programs that we haven't really seen before. Anyway, I'm sure we'll have more to report in subsequent quarters.

Praveen Choudhary: Got it. Thank you.

Evan Andrew Winkler: No, no. I would just say, look, initially when you go into a market that already has some incumbents, it's a little bit of a steal share market where you have incumbents protecting the existing customer base. We're luring them with a better product and service, but you have promotional activity. And so we're kind of in the early days of that. I think our long-term strategy is we want to expand that market and change the kind of customer that's going into that market who expects more premium product. But that's not going to be done in a month or two.

That's going to be done here over subsequent quarters. So as Lawrence said, we're early days. We're focused on getting that very valuable high-end guest, and that's going to be a journey from here to there.

Praveen Choudhary: Yeah, that's a good call-out, Evan. Thank you.

Operator: Thank you. Our next follow-up question comes from the line of George Choi with Citi. Please go ahead.

Choi George: Thank you. So you guys have made significant progress on de-leveraging, and if there's any positive results in this COD Manila strategic review, your gearing is going to go down further. So I'm just wondering if you have any thoughts on your cash allocation strategy. Thank you.

Geoffrey Stuart Davis: Thanks, George. As you know, in the post-COVID period, we've been very laser-focused on debt reduction, and we've had some meaningful success in paying down some of the debt that we incurred during the three challenging years of COVID.

However, going into next year, we plan to take a more balanced approach using our free cash, and while debt reduction will continue to be a primary mandate, we aim to potentially recommence the quarterly dividend by the end of next year.

George Choi: That is encouraging. Thank you very much.

Operator: Thank you. There are no further questions at this time. I now hand back to Ms. Jeanny Kim for closing remarks.

Jeanny Kim: Thank you, and thank you all for joining us again today. We will look forward to speaking to you next quarter. Thank you.

Operator: Thank you. That does conclude our conference for today. Thank you for participating. You may now disconnect.