

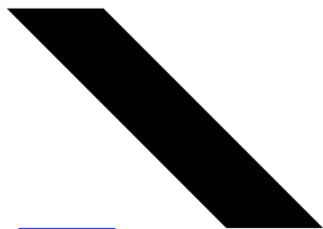


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Q3 2024 MELCO RESORTS & ENTERTAINMENT LTD EARNINGS CALL

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CORPORATE PARTICIPANTS

- **Jeanny Kim** *Melco Resorts & Entertainment Ltd - Senior Vice President, Group Treasurer*
- **Lawrence Ho** *Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer*
- **Geoffrey Davis** *Melco Resorts & Entertainment Ltd - Executive Vice President, Chief Financial Officer*
- **Evan Winkler** *Melco Resorts & Entertainment Ltd - Board Director and President*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **George Choi** *Citigroup Inc - Analyst*
- **John DeCree** *CBRE Securities, LLC - Analyst*
- **Ricardo Chinchilla** *Deutsche Bank AG - Analyst*
- **Praveen Choudhary** *Morgan Stanley - Analyst*
- **Simon Cheung** *Goldman Sachs Group, Inc. - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for participating in the third quarter 2024 earnings conference call of Melco Resorts & Entertainment Limited. (Operator Instructions) Today's conference is being recorded. I'll now turn the call over to Ms. Jeanny Kim, Senior Vice President, Group Treasurer of Melco Resorts & Entertainment Limited. Please go ahead.

Jeanny Kim Melco Resorts & Entertainment Ltd - Senior Vice President, Group Treasurer

Thank you, operator, and thank you all for joining us today for our third quarter 2024 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 now turn the call over to Mr. Lawrence Ho.

Lawrence Ho Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer

Thank you, Jeanny, and thank you all for joining us today. Our initiatives to activate areas throughout our properties and drive visitation are coming together. In September, we launched a revamped loyalty program, including the Signature Club for our

premium mass customer base. As part of this relaunch, we also introduced a new tier for our highest level of premium mass player that offers exclusive benefits and personalized experiences. This renewed loyalty program is starting to show the benefits of increasing efficiency in our player reinvestment.

We opened a new Signature (Club) (added by company after the call) premium slot area at City of Dreams. And at Studio City, we opened the Dragon Zone, a highly themed slot area in partnership with Aristocrat Gaming. We are enhancing accessibility into City of Dreams starting with the entrance on the corner across from MGM Cotai and Wynn Palace, which benefits from the highest footfall. We completed a new light tunnel at that entrance, which is complemented by live performances.

We also installed new, large-scale, interactive LED screens at Studio City to activate the area at the main entrance in front of the casino. The installation of RFID tables is progressing well, and we have now converted all of the baccarat tables at Studio City to RFID tables. Installation has gone relatively smoothly, and we are just scratching the surface in terms of utilizing the data. We expect to complete the installation of RFID tables at City of Dreams within the first quarter of 2025.

We have a pipeline of projects for 2025 to attract and retain high-quality, high-value patrons as the Macau gaming market continues to grow. Some of the projects planned include continued enhancement of accessibility and customer flow around City of Dreams, a revamp of Studio City's high-limit gaming area and, of course, the much anticipated relaunch of The House of Dancing Water, which is currently expected in the second quarter of 2025.

In Manila, despite added competition, City of Dreams' performance improved quarter-to-quarter. City of Dreams Mediterranean and our satellite casinos in Cyprus continue to face challenges with the ongoing conflict in the region but have had solid increases in GGR and EBITDA through the third quarter.

And finally, I'm excited to announce that City of Dreams Sri Lanka opened in October with the 687 key Cinnamon Life hotel run by our partner, John Keells. The casino and the Nuwa hotel are on track to open in the second half of 2025.

With that, I turn the call over to Geoff to go through some of the numbers.

Geoffrey Davis Melco Resorts & Entertainment Ltd - Executive Vice President, Chief Financial Officer

Thanks, Lawrence. Our group-wide adjusted property EBITDA for the third quarter of 2024 was approximately \$323 million, a 7% increase compared to the second quarter. Favorable win rates at COD Macau and Studio City had a positive impact on our property EBITDA by around \$27 million.

We have been focused on operational discipline, and our OpEx in Macau remained stable this quarter at approximately \$2.9 million per day, excluding the cost of the Studio City residency concerts. With stable OpEx and growth in EBITDA, our EBITDA margin in Macau expanded sequentially. We expect this flow-through to EBITDA to continue as we drive revenue.

Our liquidity position remains robust. As of September 30, 2024, we had approximately \$1.2 billion of consolidated cash on hand and over \$3 billion in available liquidity. Melco, excluding its operations at Studio City, the Philippines and Cyprus, accounted for approximately \$665 million of the consolidated cash on hand.

Total debt declined by approximately \$60 million in the third quarter following the repurchases of the Studio City bonds due 2025. Melco also repurchased 20.7 million ADSs for approximately (\$112 million) (corrected by company after the call) during the quarter. This is inclusive of the \$38 million that was disclosed in August via a stock exchange filing. Of the ADSs repurchased, approximately 17.7 million have been cancelled. Both the bond and share repurchases were funded by cash on hand. As we normally do, we'll give you some guidance on non-operating line items for the upcoming fourth quarter of 2024.

Total depreciation and amortization expense is expected to be approximately \$135 million to \$140 million. Corporate expense is expected to come in at approximately \$20 million, and consolidated net interest expense is expected to be approximately \$120 million to \$125 million. This includes finance liability interest of around \$7 million relating to fees payable in relation to the Macau gaming concession and the Cyprus gaming license, and finance lease interest of approximately \$6 million relating to City of Dreams Manila.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

George Choi, Citi.

George Choi Citigroup Inc - Analyst

Thank you very much. Firstly, congratulations on a strong set of results. First of all, I think October, obviously, was a very, very strong month for Macau as a whole. And if you can provide us with any color on how you did during Golden Week, that will be very much appreciated. And secondly, on the dividends. So we understand Melco's priority is to reduce gearing, but is there any estimated time line for you guys to resume your dividends? Thank you very much.

Lawrence Ho Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer

Hi, George, it's Lawrence. So why don't I start off with the Golden Week question and then maybe hand it off to Evan and Tim and Kevin to provide supplemental information. I think everybody knows October was very strong. Golden Week was a great Golden Week. At Melco, our mass drop was up more than 20% year-over-year. And also more significantly, we had a number of record mass drop days at both City of Dreams and Studio City during that period.

So we're very happy with it. And the hard work that we put in over the last couple of quarters, since some of the management reshuffle started, I think, at the very beginning to pay off. A lot of the improved accessibility and new attractions really came online in late September. So I think we'll continue to benefit from it as the quarter develops. And as we continue to reinvest in the properties and the businesses and on the service, we'll benefit from that over the coming quarters.

On dividend, I think our number one priority, as we've stated for the last probably 12 months, 18 months, is still debt reduction. But I don't know if, Geoff, do you want to add a bit more color in terms of our dividend timeline? Then we can go back to Evan and Kevin and Tim to provide a little bit more color on October and Golden Week.

Geoffrey Davis Melco Resorts & Entertainment Ltd - Executive Vice President, Chief Financial Officer

Thanks, Lawrence. Just to reiterate, yes, debt reduction and delevering is definitely the key and our priority focus when we think about allocation of capital. However, we would like to become -- return to being a dividend paying company. We think it's potentially possible in the second half of next year, but subject to business conditions, et cetera. But eventually, we do see ourselves coming back into a dividend-paying mode sometime in the second half of next year.

Evan Winkler Melco Resorts & Entertainment Ltd - Board Director and President

And I'll just add, I think Lawrence said it well, we had a strong Golden Week. We felt good about both properties and how they're trending. Maybe to add a little bit more color, as Lawrence alluded to, we set some records, at COD, 3 of our top 10 days all time for mass drop. So we had 3 of our top 10 days in the history of the company at COD from a mass drop standpoint.

At Studio City, 4 of the top 10 days occurred during this last Golden Week, and that's not just post-COVID, that's sort of throughout the history of the company. So we did see some very good volumes coming through the system at both properties. And I think coming out of October, we feel good about where the market is overall and, again, the traction that we're getting within our own business.

Operator

John DeCree, CBRE.

John DeCree CBRE Securities, LLC - Analyst

Hi. Good afternoon, everyone. Thank you for taking my question. Maybe one on the promotional environment. I think we ask you every quarter, but as well as your peers, curious if you could give us an update on your current thinking on the promotional environment. It sounds like it remains intense but stable. So curious if you have any opinions or updated thinking there.

Lawrence Ho Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer

John, sure. Again, maybe I'll let Evan elaborate more, but I think we're past the peak promotional intensity. And I think it's good that the market is becoming more rational. And so I think for the healthy development of the entire market going forward, I hope that all of the operators continue to do that because at Melco, our primary focus is always the -- has always been on EBITDA. And so I think, hopefully, with the promotional environment stabilizing, we'll continue to improve on our EBITDA margin model. Evan?

Evan Winkler Melco Resorts & Entertainment Ltd - Board Director and President

Yes, I think that's a good characterization. I don't think we've yet seen it really drop substantially, meaning we have seen the letup, but I think it's too early for us to say that it's on the glide path down to more beneficial levels, although that's where we ultimately hope to get it.

I think from our standpoint, we certainly aren't looking at any elevated promotional spending. We are looking at, through our new player launch, how do we best sort of retain our top players, how do we create an aspirational path for those mid-levels and how do we spend dollars effectively on bringing new people into the system. So I think it's more of an allocation issue against the existing pool as we slowly bring it down, but no major changes in the overall level.

John DeCree CBRE Securities, LLC - Analyst

Thanks, Evan, Lawrence. That's helpful. Maybe one for Lawrence or Geoff. You just spoke a little bit about getting back to dividend paying mode with the priority still being deleveraging, but I wanted to ask about your appetite for further share repurchases next year given where the shares are trading at today and realizing you have a finite pool of cash to allocate, how do you think about paying dividends versus buying back stock when you start to get to leverage levels that you're more comfortable with next year?

Lawrence Ho Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer

Yes. I think we've had a -- I guess Geoff can elaborate further, but I think over the past -- throughout the life of the company, we've returned capital to shareholders, whether it's through share buyback or in dividends. I think the recent share buyback in the Q3 was really a reaction to the extremely dislocated share price. I think we'll always be opportunistic and see what's the best deployment of capital is. I wouldn't rule out share buybacks if we have another significant dislocation of equity values. I don't know, Geoff, if you want to --

Geoffrey Davis Melco Resorts & Entertainment Ltd - Executive Vice President, Chief Financial Officer

Yes. The \$112 million that we repurchased in the quarter was definitely opportunistic and reflecting the deep value that we saw in the shares. So while we wouldn't rule it out, we're really unlikely to have programmatic sort of share repurchase. But looking forward, to the extent we have opportunities, we keep that on the table of potential measures that we could take.

John DeCree CBRE Securities, LLC - Analyst

Great. Thanks for all the color, guys. Really appreciate it.

Operator

Ricardo Chinchilla, Deutsche Bank.

Ricardo Chinchilla Deutsche Bank AG - Analyst

Hey, guys. Thank you so much for taking the question. A few weeks ago, we heard that there was some pressure on luxury spend from the Chinese consumer. Obviously, we saw a very strong Golden Week visitation and spending. Is there something -- is there some overlap that you're seeing between that pressure on luxury spend and on the highest-end consumer and your premium mass customer in Macau?

Lawrence Ho Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer

Ricardo, traditionally, there was a strong correlation between luxury retail and our industry. I think what we have seen post-COVID is the Mainland Chinese customers are more into experiences rather than on the luxury goods. I think we've seen in the last 12 months how the luxury retailers have struggled in China.

So no, I think we're very fortunate that people are still traveling, still enjoying the experiences. And Macau nowadays, in addition to gaming, there are a lot of reasons to go to Macau with all the concerts and events happening. So we're very happy about that.

But I think longer term, that correlation, hopefully, with a better Chinese economy, and we've seen the fiscal stimulus and -- I mean the monetary stimulus, I think hopefully, with more support from the Chinese government, with supportive Chinese policy, the Chinese economy will continue to recover. And I think in that case, our industry will continue to do well. And hopefully -- retail is not as big a component of our business, but longer term, it'd be great if everything was firing on all cylinders.

Ricardo Chinchilla Deutsche Bank AG - Analyst

Perfect. That's a great comment. I was also hoping if you could give us some guidance in terms of CapEx for the rest of the year and maybe preliminary plans for next year?

Geoffrey Davis Melco Resorts & Entertainment Ltd - Executive Vice President, Chief Financial Officer

Sure. So for this year, in the fourth quarter, we are looking for total CapEx of approximately \$115 million. So from earlier guidance at the beginning of the year, we pushed some of the CapEx from '24 into '25. So in 2025, while we're still going through the budgeting process now, we're targeting somewhere in the range of \$400 million for CapEx next year.

Ricardo Chinchilla Deutsche Bank AG - Analyst

Perfect. Thank you so much for taking my question.

Geoffrey Davis Melco Resorts & Entertainment Ltd - Executive Vice President, Chief Financial Officer

Thank you. And just one further piece of color of that \$400 million, about \$70 million to \$75 million will be for Sri Lanka.

Ricardo Chinchilla Deutsche Bank AG - Analyst

Perfect. Thank you.

Operator

Praveen Choudhary, Morgan Stanley.

Praveen Choudhary Morgan Stanley - Analyst

Hi. Thanks so much for taking my question, and congratulations for quarterly growth. I have a couple of questions. The first question is about dividend. It's pleasing to hear that it could start in second half of '25. Is there a number on net debt to EBITDA we should look at that will trigger that, saying we have delevered enough? So that's the first question.

The second question I had was mostly the potential of the company. I look at in 2019, we used to make more than \$400 million of quarterly EBITDA in 3Q, for example. So compared to that, even after spending on Studio City new assets, we are at below 70% of that number, suggesting that there's a lot of potential, a lot of EBITDA potential in the future. So just wanted to understand what is the blue sky. How should I think about it? So those are the two questions for me. Thank you.

Lawrence Ho Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer

Geoff, do you want to take the first --

Geoffrey Davis Melco Resorts & Entertainment Ltd - Executive Vice President, Chief Financial Officer

Sure. So on the dividend question, I would say, no, we don't have a specific trigger for net debt to EBITDA that would then unleash the dividend. It's more of a holistic decision-making process where, of course, we're looking at our leverage ratios, but also other factors, other opportunities and just the outlook overall for the business. So while that's a significant component, we don't have a specific trigger in respect to leverage.

Lawrence Ho Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer

Praveen, on your second question, I think myself and the entire management team, we totally agree with you, there is significant potential. And at the same time, it also speaks to there's a lot more work for us to do to get back to the 2019 levels with the additional investments at Studio City Phase 2 and Cyprus. So there's a lot more work for us to do.

And I'm confident that the last couple of quarters, the path that we're taking, reinvesting in the service and the quality of the business, re-establishing our brand promise and the brand quality, that will ultimately take us back to the heights that we achieved back in 2019. But definitely, there's a lot of untapped potential that we haven't quite reached yet. And we're hoping that 2025 is really going to be the year where all of the hard work will start paying off.

Praveen Choudhary Morgan Stanley - Analyst

Thanks so much, Lawrence. Just to follow up on that last point, are you saying that in 2025, you can get back to 2019 level? Or are you saying that in 2025, you would try to get back to top three casino or number three? And can you get the market share back to where you deserve based on your CapEx and the asset quality?

Lawrence Ho Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer

That's funny because we -- I always -- that's one of my main complaints in terms of number of hotel rooms and CapEx. Yes, I think that's definitely the goal to get back to number three. And in 2025, in terms of -- there are -- some of our competitors have new hotel rooms and new product coming online as well in 2025.

So I don't think we've set ourselves a -- the long-term target is certainly get back to the market share in Macau of 2019. I don't know if we're going to get there in 2025 because we're still operating with less hotel rooms and less tables from back in -- compared to 2019. But I think the goal of being third out of all of the operators is achievable, but again, a lot of work within our internal team.

Praveen Choudhary Morgan Stanley - Analyst

Thank you. No, I -- we wish you all the best. Thank you.

Lawrence Ho Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer

Thank you.

Operator

Simon Cheung, Goldman Sachs.

Simon Cheung Goldman Sachs Group, Inc. - Analyst

Hi, everyone. Thanks for taking my question. I have two questions. Just, Lawrence, earlier on, you mentioned a re-vamp of your promotional program for your -- to attract more players. Can you just perhaps elaborate a bit more on that?

And you also did mention that you saw very strong performance during the Golden Week holiday. In terms of the volume, perhaps if you can share with us some of the other maybe qualitative trend that you observed, I'm not sure whether like player count or anything you observed on the ground that give you more comfort that your market share is starting to stabilize or improve, that would be great. That's the first question.

And then my second question, just more like a housekeeping question, is on the daily OpEx. I hear that, Geoff, you mentioned it was quite steady on a quarter-on-quarter basis. Wondering whether you can give us some guidance in the coming one quarter or two quarters, in particular, with The Dancing Water coming back online by second quarter next year. Thank you.

Lawrence Ho Melco Resorts & Entertainment Ltd - Chairman and Chief Executive Officer

Geoff, do you want to take the second one? And then maybe Evan, with the support of Tim and Kevin, can you take the first one?

Geoffrey Davis Melco Resorts & Entertainment Ltd - Executive Vice President, Chief Financial Officer

Sure. Thanks, Lawrence. So we can reiterate the guidance we provided on our second quarter call, which was we think that we could see OpEx per day creep up to 3.0 by the end of the year. Obviously, we were stable from the second quarter sequentially into the third, but that guidance remains intact.

And the next step-function change that we see to our daily OpEx is with the opening of The House of Dancing Water sometime in the second quarter. And that also remains consistent with prior guidance that, that will be 0.1 per day.

Evan Winkler Melco Resorts & Entertainment Ltd - Board Director and President

Sure. On the promotional system, in mid-September, we relaunched the player program. Essentially, what we've done is we've given a series of guaranteed benefits to our best players. And so they better understand our value proposition, and we're investing in that player category to make sure that we're continuing to retain and to grow the best players in the system.

The other focus is around new promotional offerings for people that are just coming in. So we're spending a little bit more there. So you have a little bit of a reallocation around the curve with the idea of bringing people into the system and then creating that aspirational environment so they move up the chain as they want to get towards the top. So you have all the benefits that you get when you reach these higher categories.

In terms of Golden Week, I think the other statistics are commensurate with the ones that Lawrence already alluded to. So in addition to drop being up by over 20%, we saw player hours up. We saw traffic up into all the properties. And so I think, candidly, consistent with the market. There was a very sort of solid Golden Week and customer environment going on during that time.

So I don't know that there's a lot more that we could share other than the ones that I gave you, but we had good drop and we also achieved record drop throughout both properties. So again, feeling very good about what we achieved there and how we are coming

out of October.

Simon Cheung *Goldman Sachs Group, Inc. - Analyst*

Great. Thanks for the color. Thank you.

Operator

Thank you. We have reached the end of the question-and-answer session. Thank you all very much for your questions. I'll now turn the conference back to Ms. Jeanny Kim for closing comments.

Jeanny Kim *Melco Resorts & Entertainment Ltd - Senior Vice President, Group Treasurer*

All right. Thank you for participating in our call today, and we look forward to speaking to you in the next quarter. Thank you.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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