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MPEL - Q1 2017 Melco Resorts & Entertainment Ltd Earnings Call

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Yau Lung Ho *Melco Resorts & Entertainment Limited - Chairman and CEO*

CONFERENCE CALL PARTICIPANTS

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Jon T. Oh *CLSA Limited, Research Division - Research Analyst*

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

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

PRESENTATION

Operator

Ladies and gentlemen, thank you for participating in the First Quarter 2017 Earnings Conference Call for Melco Resorts & Entertainment Limited.

At this time, all participants are in a listen-only mode. After the call, we will conduct a question and answer session. Today's conference is being recorded.

I would now like to turn the call over to Mr. Ross Dunwoody, Vice President Investor Relations, of Melco Resorts & Entertainment Limited. Please go ahead, sir.

Ross Dunwoody - *Melco Resorts & Entertainment Limited - VP of IR*

Thank you for joining us today for our first quarter 2017 earnings call. On the call today are Lawrence Ho, Geoff Davis, and our property presidents in Macau and Manila.

Before we get started, please note that today's discussions may contain forward-looking statements made under the safe harbor provision of federal securities laws. Our actual results could differ from our anticipated results. I will now turn the call over to Lawrence.

Lawrence Ho^ Thanks, Ross. Hi, everyone. In the first quarter of 2017, our group-wide property EBITDA increased by 42% year-over-year, driven by a year-over-year increase of almost 33% in Macau property EBITDA and a more than doubling of property EBITDA at City of Dreams Manila when compared to the same period last year. These impressive results come despite new recent property openings in both Macau and Manila.

Our group-wide property EBITDA margins were almost 28% in the first quarter of 2017, the highest margins we have delivered since the first quarter of 2014. This reflects our company's strong improvements in gaming revenues and our ongoing efficiency initiatives.

Our rolling chip operations delivered stellar results, particularly in Macau, despite the recent addition of two new integrated resorts with meaningful rolling chip operations. In Macau, our rolling chip volumes increased 41% on a year-over-year basis, and over 20% on a sequential basis.



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We have made numerous enhancements to City of Dreams over the past several months, including the opening of Macau's premier luxury retail precinct, which we believe will be a strong contributor to our customers' experience and our profitability over the longer term, as Macau continues to evolve and improve as a market that offers tourists a world-class leisure and entertainment experience.

We also announced that we are removing the Hard Rock brand from City of Dreams and will temporarily rebrand it as the Countdown Hotel. The Countdown Hotel will be in place until the Morpheus Hotel opens in the first half of 2018. Once Morpheus opens, the Countdown will close and we will then redesign and redevelop the Countdown into a new hotel concept that is more consistent with City of Dreams' positioning as the leading premium-focused integrated resort in the region.

Moving on to the Morpheus Hotel, we are honored not only to bring to life the last architectural masterpiece of the late Dame Zaha Hadid, but to deliver to Macau a true landmark and iconic structure which all of us in Macau can be proud of. This hotel will add almost 800 rooms, bringing the total at City of Dreams to approximately 2,200 luxury and high-end rooms, suites, and villas.

Morpheus will also feature some of the most amazing and inspired must-see nongaming amenities in Macau, including incredible sky villas, an infinity pool 130 meters above ground, dining concepts along sky bridges, and a breathtaking atrium, not to mention the addition of pioneer gaming facilities.

Despite already being widely recognized as the leading premium-focused integrated resort in Macau, we are extremely excited about the future opportunities these transformational enhancements will offer, enabling our flagship integrated resort to extend its position as the leading premium-focused integrated resort in the region, if not the world.

I would like to highlight that, unlike a number of our peers which would have fully completed their allowable development GFA this year, the final phase of City of Dreams and the second phase at Studio City provide us with meaningful earnings driver over the next several years at a time when significant transportation infrastructure improvements come into effect.

In Manila, City of Dreams continued its run of record results, with the first quarter of 2017 representing the fifth straight quarter of record EBITDA at the property. The results were driven by record gaming revenues across all segments, highlighting the comprehensive repositioning of the property as they strive to reach its full potential.

Our decision to invest in markets like the Philippines highlights our commitment to finding value accretive opportunities that deliver attractive returns on invested capital, yet still enabling us to strategically reinvest in our current operations while returning meaningful amounts of surplus capital to shareholders.

Finally, I'm delighted to announce that we have changed our company's name to Melco Resorts & Entertainment. As you all know, our long term partner, Crown, monetized the majority of its shares in Melco Resorts over the past year, a significant amount of which was either repurchased and cancelled by the company or purchased by Melco International.

These transactions highlight our company's and my personal confidence in the markets that we operate in, our world-class management team, the innovative integrated resorts we build, and the development opportunities that lie ahead.

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

Geoffrey Stuart Davis - *Melco Resorts & Entertainment Limited - CFO, EVP and Treasurer*

Thank you, Lawrence. We reported group-wide property EBITDA of \$353 million in the first quarter of 2017, increasing by 42% from the first quarter of 2016, while luck-adjusted property EBITDA increased by 47% on a year-over-year basis to approximately \$350 million.

The luck-adjusted property EBITDA margin in Macau was approximately 26%, up from 25% in the prior quarter and 21% in the first quarter of 2016. In Macau, our luck-adjusted EBITDA was broadly comparable to our reported EBITDA.



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On a property basis, City of Dreams was impacted by a favorable win rate by less than \$5 million, while Studio City was negatively impacted by approximately the same amount. The EBITDA contribution from our non VIP segments represented more than 90% of luck-adjusted EBITDA at City of Dreams Macau and on a Macau-wide basis.

City of Dreams Manila delivered total property EBITDA of \$61 million, representing an increase of 22% sequentially and 114% year-over-year. The property's EBITDA margin expanded to 39% in the first quarter of 2017 compared to 35% in the prior quarter and 30% in the same period last year.

On a luck-adjusted basis, Manila's property EBITDA would have been \$55 million, representing a 25% sequential increase and an over 80% year-over-year increase, with luck-adjusted EBITDA margins expanding by almost 400 basis points to 38%.

To provide a bit more clarity around the strength of our core business in Macau, we had cash of approximately \$720 million and gross debt of just under \$1.5 billion, excluding Studio City and the Philippines, at the end of the first quarter of 2017 on a segment reporting basis.

As we normally do, we'll give you some guidance on non-operating line items for the upcoming quarter. Total depreciation and amortization expense is expected to be approximately \$135 million to \$140 million, including approximately \$47 million at Studio City.

Corporate expense is expected to come in at approximately \$31 million to \$33 million. And consolidated net interest expense is expected to be approximately \$66 million, which includes financed lease interest of \$10 million relating to City of Dreams Manila and \$10 million of capitalized interest.

For those that follow City of Dreams Manila more closely, our building lease payment for the first quarter of 2017 was approximately \$8 million.

Operator, that concludes our prepared remarks. Back to you for the Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. (Operator Instructions) Your first question comes from the line of David Bain of Aegis Capital.

David Brian Bain - Aegis Capital Corporation, Research Division - Research Analyst

Great. Thank you; very nice quarter. At COD, you guys clearly outperformed, and really across the board, the VIP market. I know you outlined new retail, Lawrence, at COD. But are there any other factors or thoughts, new agents or anything outside of maybe the market returning and returning to the property of maybe choice? Any kind of color on the outperformance would be great.

Yau Lung Ho - Melco Resorts & Entertainment Limited - Chairman and CEO

Hey, David. It's Lawrence here. I think before I hand it off to Gabe to go through some of the details of why COD's VIP business is doing better, I think first of all the whole market has recovered. And at the same time, we have continued to be very disciplined in terms of credit extension. If anything, I think we've cut back on credit.

But I think it is really a function of the customers coming back, spending more, and, at the same time, our junket partners are at the same time feeling better about the market and being more flexible in terms of the credit they're extending. So, I don't know if there is additional, Gabe.



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So, I think all in all, the -- and I think the reason that we outperformed is we've been working with the same partners for a long time. We've supported them through -- I think over the years we've made a lot of improvements to the facilities that they have. And so, I think we have a great working relationship with them, and we will continue to take more share going forward.

David Brian Bain - *Aegis Capital Corporation, Research Division - Research Analyst*

Great. And then, just a quick follow up on sort of the market sustainability on VIP growth. We get questions on that. And then I just have one more, if I could.

Yau Lung Ho - *Melco Resorts & Entertainment Limited - Chairman and CEO*

Hey, David. So, I think overall, as I said, the market is growing very nicely. We've had eight straight months of positive returns. And so, whether VIP going forward can grow at this double digit rate, I think it's hard to tell. But I think longer term VIP will probably closely track kind of Chinese GDP growth plus or minus a few percent. And so, whether it's high double digits or high single digits, I think we'll be equally as happy.

But without a doubt, our company has always been based on our premium mass business and also our premium direct business, which is why we are extremely excited for all the planning that is going into place right now for the opening of Morpheus tower in less than a year.

When the Morpheus Hotel opens up, I think we'll be the undisputed champion in the premium mass and premium direct business in all of Macau, if not the world. It has some of the most iconic architecture. We've been walking through the interior of the property recently, and it's just mind-blowing in terms of what we have been able to build and achieve.

So, I think we are -- there's still a lot of work to be done this year in preparation of Morpheus because, when Morpheus opens up, our whole retail area and common areas will link up finally. So, there's a lot of -- in addition to the addition of the tower, the addition of new gaming space, and of course the much needed rooms that we look forward to, even the retail area will improve. So, all in all, we're excited for the market recovery. And I think Morpheus is going to open just at the perfect time.

David Brian Bain - *Aegis Capital Corporation, Research Division - Research Analyst*

That's great. And just the last one, does the celebration of the 20 year handover of Hong Kong and the visits from officials influence maybe the short term May at all? And are there expected to be any implications for Macau, either on the surface or official visits, on the heels of this we should watch for?

Yau Lung Ho - *Melco Resorts & Entertainment Limited - Chairman and CEO*

Well, I think there's an official visit next week from the National People's Congress Chairman, which is one of the highest ranking government officials from China. I think naturally -- he's coming on a weekday, so I think the impact to our business will hopefully be minimized, the disruption to it.

But at the same time, I think the general consensus is that he's obviously coming hopefully with some good news. So, again, we're quite excited about it.

Operator

Thank you. The next question comes from the line of Anil Daswani from Citigroup. Please ask your question.



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Anil Jeevan Daswani - Citigroup Inc, Research Division - MD and Head of Global Gaming Research and Hong Kong Country Research

Okay. Congratulations, guys, on a fantastic result. Three questions from me. The first, Lawrence, you talked a little bit about the brand change at the Hard Rock with the Countdown Hotel. What's your strategy for the Crown brand now that James is out? Are you going to be looking to rebrand that as well in Macau as well as the Philippines?

Yau Lung Ho - Melco Resorts & Entertainment Limited - Chairman and CEO

Hey, Anil, it's Lawrence. And thanks for the support. I think we -- this year is going to be a very busy year. We're undergoing quite a lot of -- we have a whole new management team in place. And the transaction that we did with Crown throughout last year, and anchored by the main transaction that took Melco International past 50% at the end of last year, we have had a lot of rethinking in terms of our internal brands.

And replacing the Hard Rock brand is really one of it, because City of Dreams, since our opening in 2009, has really progressed significantly. If you look at we are the -- we have the most Michelin star restaurants in Macau. We have the most Forbes five star hotels in Macau. So, I think with the opening of Morpheus we really want to effectively build COD 2.0. And so, next year is going to be a big year for that.

And with Crown's reduced shareholding, I think we are looking at the whole City of Dreams and all of our significant brands with a new light. And so, I wouldn't be -- I think that's currently being considered by us, but I think it's highly likely that we would replace that brand with our own brand in due course, because ultimately we are trying to build and continue to build upon the greatest luxury and integrated resort in the world.

Anil Jeevan Daswani - Citigroup Inc, Research Division - MD and Head of Global Gaming Research and Hong Kong Country Research

Well, on that subject, could you tell us a little bit more about your plans in Japan, Lawrence, and how you see your competitive positioning there?

Yau Lung Ho - Melco Resorts & Entertainment Limited - Chairman and CEO

Well, we've -- I think in the first quarter, and we've been talking to various stakeholders in Japan for the last 12 years, this is by far and away the single most important initiative of this company. All of the integrated resorts we've built in Macau, in Manila, everything we have done is really to build up the showcase for Japan. So, again, nothing is more important for us.

And if what we're hearing in Japan is true, which is it's a very transparent and open process that will be based on track record, history, world-class management, innovative design, then Melco as a company would be perfect for it, because if you look at the resorts that we've built and the fact that we are -- out of all the markets that we operate in, we are by far and away the best corporate citizen, the best partner to the local governments. And this is -- whether it's Macau or Manila, this is true for both cases, that we would be the ideal partner.

And I think, compared to some of our competitors, we have by far and away the most dynamic and the youngest management team, very open-minded. And we always deliver the resorts that benefit the whole local community rather than just benefiting ourselves. So, we've very, very excited by it, but there's still a long road ahead. And we will continue to work closely with all stakeholders in Japan.

Anil Jeevan Daswani - Citigroup Inc, Research Division - MD and Head of Global Gaming Research and Hong Kong Country Research

Thank you, Lawrence. The last one from me; this one's a bit more personal. But with regards to -- there's been a lot of speculation about a changing of the guard at one of your competitors, SJM. Now, obviously it involves your direct family. Can you give us some insight into that, what's going on over there?



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Yau Lung Ho - *Melco Resorts & Entertainment Limited - Chairman and CEO*

Well, Anil, I think Melco and SJM are literally direct opposites in terms of the company. So, all the statements I made earlier on innovative, dynamic, young, can't say the same for that company.

But I think speaking as an unfortunate indirect minority shareholder from inheritance, which is me, I would suggest all institutional shareholders and analysts to get the company to pay a bigger dividend and act like a normal company. But that's my personal view.

Operator

Thank you. The next question comes from the line of Jon Oh from CLSA. Please ask your question.

Jon T. Oh - *CLSA Limited, Research Division - Research Analyst*

Thank you. Lawrence, great quarter. I have a few questions I wanted to follow up. I'll start with Studio City and also the rolling chip business. It's a fairly new business for you, but could you comment on the progress that you've made? And also, the volumes that you're seeing in the business right now in Studio City, it certainly surprised quite a lot of us on the upside. Could you talk to us about what you've done and also kind of the runway going forward?

Yau Lung Ho - *Melco Resorts & Entertainment Limited - Chairman and CEO*

Hey, Jon. I'll hand it off to David, who can give more details. But I think the space that we have renovated for our VIP and premium direct business at Studio City has always been magnificent, so I'm not surprised by the volume that we are seeing. But maybe for more of the details, I'll hand it off to David.

David Sisk^A: Hi, Jon. I think it's a few different things. I think obviously Lawrence has talked about how, as a company, we've always tried to design amazing spaces and create this amazing service dynamic. And I think with our junkets there and our premium direct business, we've really struck a chord with those folks, and they really like the space and they really like how we're handling them.

I think, as we look forward, we are also looking to add another junket, which will happen mid May here. So, another junket will be coming in. But we've been pleasantly surprised. It's something that we've been working at on all levels, from our operation through our marketing through our service in food and beverage.

But it's something, again, we really strive to do well, because we really wanted to get off to a great start with this. And it's come back to us, and the junkets are happy. And we're getting a lot of interest from other junkets as well, and we're starting to see more and more premium direct play come in that we haven't seen in at the resort before.

Jon T. Oh - *CLSA Limited, Research Division - Research Analyst*

Thank you, David. I'd like to follow up on the smoking non-rolling segment, which is something that you guys are very strong at, in particular in COD. Could you comment on the performance of that patch on that floor that you have, the smoking privileges for the non-rolling? And what kind of trends are you seeing in your yield, and how do you see the performance of this segment vis-a-vis a picking up of the VIP? Are they cannibalizing each other? Could you just comment broadly around that?



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Yau Lung Ho - *Melco Resorts & Entertainment Limited - Chairman and CEO*

Well, Jon, I think, again, for the -- it's Lawrence here. For the details, I'll hand it off to Gabe. But I think over the years we've continued to maintain the view, and it's proven right over the last few years, which is there's really no overlapping between the -- or very, very, very little overlapping between our premium mass business and the VIP customers, because ultimately the VIP customers and the premium mass customers are different breeds of people altogether.

But in terms of more specifically about pit 11 and some of our premium mass space, maybe I'll hand it off to Gabe.

Gabriel Sargent Hunterton - *Melco Resorts & Entertainment Limited - Property President of City of Dreams - Macau*

Jon, we've continued to see very good yields in pit 11. And I absolutely agree with Lawrence that it's not -- there's no cannibalization between that area and VIP. It's just an area where the team has worked very hard to continue to deliver a great product, and the customers have repeatedly responded to it.

Jon T. Oh - *CLSA Limited, Research Division - Research Analyst*

Wonderful. And if I can just touch on one last one, and this question is for you, Lawrence, you were making a statement about -- I think a few days ago on CNBC about the potential for Macau to go back to \$45 billion in GGR. Could you help us understand kind of what are some of the implicit growth drivers behind this \$45 billion number? It happens to coincide with Macau's peak GGR in 2013, but that was largely a VIP driven market. What do you think would be the construct or the makeup of this potential \$45 billion, in your mind, in the future? And thank you. That's it for me.

Yau Lung Ho - *Melco Resorts & Entertainment Limited - Chairman and CEO*

Hey, thanks a lot, Jon. No, that's a great question as well, because what I didn't talk about in the Bloomberg interview is the fact that \$45 billion nowadays versus \$45 billion during 2013 is a significant change, because ultimately the \$45 billion target that I thought we could -- that the market can hit within five years is going to be mass driven.

And as we all know, mass is four times as profitable as VIP. So, even though the market might only get back to 2013 levels, theoretically all the companies should be factoring in -- if you factor out inflation rates and stuff, that should be doing four times as well.

We still believe that of course there has been a revival in the VIP market over the last little while, last couple of quarters. But again, the foundation of the market in Macau will always be driven by mass and with infrastructure support.

And to be honest, if you look at the number, if the market grows at around 10% over the next five years, you do get to that level. And assuming Chinese GDP grows at around 6%, 6.5%, it's not that hard to get to back to that number within five years.

Operator

Thank you. The next question comes from the line of Billy Ng from Bank of America. Please ask your question.

Billy Ng

Hi. Good evening and congratulations on a very solid quarter. I have two questions. The first one actually is for Lawrence. Would you mind to share about what you think about these two companies, the Melco International and Melco Resorts? Now Melco International has the absolute control of Melco Resorts. And at the same time, Melco International, we understand that they are also involved in some smaller gaming or casino projects in the world. So, what's the dynamic between these two companies?



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Yau Lung Ho - *Melco Resorts & Entertainment Limited - Chairman and CEO*

Billy, it's Lawrence here. I think when Melco International bought the majority shareholding from Crown in Melco Resorts, and we control the company outright, the decision and the idea is to consolidate all gaming projects or integrated resorts projects to be operated by Melco Resorts. But at this stage, I think we still need to wait for a whole bunch of internal processes. But longer term, that is certainly the goal.

And Melco International will, for all intents and purposes, be a holding company for the main gaming interests, which all the gaming interests would be within Melco Resorts. That is the intention, obviously subject to a whole bunch of internal processes and potentially shareholders' approvals at the various levels.

Billy Ng

Thanks. And then the next question may be for Geoff. Geoff, just wondered, for the first quarter I think the margin expansion is quite impressive. Was there any cost saving initiative going on? And also, if there is something, what is the potential to have additional or incremental cost saving for the rest of the year?

Geoffrey Stuart Davis - *Melco Resorts & Entertainment Limited - CFO, EVP and Treasurer*

Hi, Billy. Yes, despite a mix shift towards more VIP business, we were able to deliver a sequential improvement in margin. And that is largely reflective of ongoing cost saving initiatives and efficiency initiatives.

At this point, it's a little too early to quantify what that might be over the course of 2017. But we do anticipate that being a meaningful exercise, particularly as we work with our new colleagues, Gabe, David, and Andy, across all of the properties in Macau.

Operator^ Thank you. The next question comes from the line of Karen Tang from Deutsche Bank. Please ask your question.

Karen Tang^Q: Thank you. Great quarter. I was going to ask the margin expansion question, but you've explained it. Thank you.

Operator

Thank you. Your next question comes from the line of Praveen Choudhary from Morgan Stanley. Please ask your question.

Praveen Choudhary^Q: Thanks for taking my question. Hi, Lawrence. Hi, Geoff. Hi, Ross. A couple of questions for me on numbers. You normally give every quarter what's the percentage of EBITDA that's coming from non VIP. It'll be great if we can get that. And on a numerical number, if I could also get CapEx for 2017 and 2018, that'll be helpful. And then I'll ask the next question.

Yau Lung Ho - *Melco Resorts & Entertainment Limited - Chairman and CEO*

Or, Praveen, let me get Geoff. Geoff is ready to --.

Geoff Davis^A: Yes, Praveen. So, for the first quarter, we did indicate in our prepared remarks that the EBITDA contribution from non VIP segments was more than 90%. So, that's a metric that we've provided in the past, as you said, and it's roughly 90% in this quarter.

Looking at CapEx going forward, we've got roughly \$200 million per quarter for the remainder of this year. And then as we finalize and finish Morpheus, which is the last ongoing piece of our construction pipeline, that number dips down to roughly \$150 million per year in 2018 and beyond. There's a little bit of -- there's about \$50 million of Morpheus in 2018, but about \$150 million per year is about right. That, of course, doesn't include anything for Studio City phase two.



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Praveen Choudhary^Q: Right. I wanted to ask you that question, Lawrence, about that phase two timing. I remember some of your competitors are talking about their phase two, etc. How do you think about the timing, CapEx, as well as how do you want to align that CapEx with your potential buying 40% of Studio City as well as Japan potential?

Yau Lung Ho - *Melco Resorts & Entertainment Limited - Chairman and CEO*

Hey, Praveen. So, on phase two at Studio City, we're still in the process of negotiating and discussing with the Macau government on our land gazette [ph]. I think naturally we've had changes with the design. And there have been environmental issues involved because Studio City, especially phase two, is situated right next to a natural bird park. And so, we're still in discussion with the government.

And at the same time, in line with our strategy to be the best corporate citizen, we also want to get the government's input in terms of what they think is the development for the -- in terms of what they want to develop for the city going forward, so whether it's more hotel rooms, more attractions, etc., etc.

So, we have a very, very, very, very preliminary budget based on having additional hotel rooms and more attraction space. But for now, again, I think it's too early to say. And even the timeline -- we built Studio City in about three and a half years. But for phase two, assuming the start date, it might take a bit longer because, whenever you add a new phase to it, it's much more difficult than to just build up a new property from the ground up. So, I would say any building of phase two would be a four year -- from the day shovel hits the ground, would be four years, four and a half years.

Praveen Choudhary^Q: Got it. Can I just add one more question?

Yau Lung Ho - *Melco Resorts & Entertainment Limited - Chairman and CEO*

Oh, sorry, I forgot to answer. In terms of buying out our minority partner in Studio City, to be honest the answer has been the same for the last five years, which is we're very interested and we still believe we're the natural buyers.

But I think that the focus between ourselves and the minority shareholders has been to support David and the team there to really grow the business. And the two partners, the two shareholders, ourselves and New Cotai, really haven't had a serious discussion on this topic for quite some time now. But again, we're always open to have that discussion.

And in terms of capital allocation between that, Japan, and phase two, maybe I'll let Geoff handle that.

Geoffrey Stuart Davis - *Melco Resorts & Entertainment Limited - CFO, EVP and Treasurer*

Thanks, Lawrence. As you know, Praveen, we've had some significant return of capital to shareholders with the \$650 million special earlier this year and a recharacterization of the quarterly dividend to be a flat number and a higher number than what the percentage of net income had been previously.

We'd like to see that \$0.09 per ADS increase over time. But all of our capital allocation decisions are made with one of the key mandates of the company, which is to maintain optionality for future development, which could be any number of different attractive investments for us. So, we have the capacity to do more while at the same time looking at an ability to distribute cash to shareholders or share repurchase. And as we do -- as we have done for the last several years, we'll reevaluate where we are with cash, the balance sheet, forward-looking projects, and determine whether or not another special makes sense for us at that time.



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Praveen Kumar Choudhary - Morgan Stanley, Research Division - MD

Geoff, thanks very much. That was my question, actually, I wanted to ask you. But to understand, when would we see this \$0.09 going up to whatever that number is, \$0.12, for example? Should we wait for FY 2018, that is next year March, or can that be earlier? And similarly, the special dividend, that \$650 million, was given. If there has to be another special dividend, one has to wait for a year or it can happen any time depending on how you see all these other optionalities? So, timing is the question for me.

Geoffrey Stuart Davis - Melco Resorts & Entertainment Limited - CFO, EVP and Treasurer

So, on the special, typically the timing is around year-end, a little before or a little after. And that's when we'd assess, again, the state of the balance sheet and our needs going forward. So, that would be typical for us.

And the establishment of the \$0.09 dividend is fairly new. I would say that, while there's always an opportunity to see that increase, I think that's a longer term interest for us, not something in the immediate future.

Praveen Kumar Choudhary - Morgan Stanley, Research Division - MD

Great. I mean, we heard from Lawrence that he likes dividend from SJM. So, our existing shareholder fan club would like more dividend, like him. So, I'm hoping that they're all going to be very happy soon. And I also wanted to thank all of you to meet our number -- or beat my number, which was significantly higher than consensus, so well done on that quarter. And thanks again.

Yau Lung Ho - Melco Resorts & Entertainment Limited - Chairman and CEO

All right. Thanks, Praveen.

Operator

Your next question comes from the line of Joe Greff from JP Morgan. Please ask your question.

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

Hello everyone. Geoff, I don't think you gave it this way, but in the first quarter, could you give us hold-adjusted property level EBITDA margins for each of City of Dreams and Studio City?

Geoffrey Stuart Davis - Melco Resorts & Entertainment Limited - CFO, EVP and Treasurer

Sure, Joe. So, the margin for Altira on a hold-adjusted basis was pretty much in line with the reported number, whereas hold-adjusted for City of Dreams was approximately 30%. And Studio City was about 24.5%.

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

Thank you. And we noticed that the mass market table games' hold percentage at Studio City was north of 26%. Is there anything unusual to report there? I know it's higher than what it was last year and higher than what was reported elsewhere.



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Geoffrey Stuart Davis - *Melco Resorts & Entertainment Limited - CFO, EVP and Treasurer*

Well, I'll see if David has anything to add, but the 26% was roughly consistent with what we had in the fourth quarter and slightly higher than the third. So, we've been trending towards a higher number as that property capitalizes on various initiatives to drive play and length of play.

David Ross Sisk - *Melco Resorts & Entertainment Limited - Property President of Studio City*

Maybe just to kind of add on to that a little bit, Joe, in terms of the property itself, we've really been focused on trying to drive a lot more promotions in there and trying to take people that are coming through that Times Square and get them to play longer. We've also repositioned some of the tables in there, and we've made some changes on limits on the tables as well, which I think is kind of driving some of that.

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

Okay, great. Good enough. I mean, I know it's below at City of Dreams, so just curious. Thanks so much.

Operator^ The next question comes from the line of Grant Govertsen from Union Gaming. Please ask your question.

Grant Govertsen^Q: Good evening, guys, and congrats. I just have one question on Studio City. We noticed that on a sequential basis it looks like mass slots and nongaming are down a little bit. Is there any color you can give us on that? Is that something -- is that seasonal trends that you're seeing or greater focus on VIP, etc.?

David Ross Sisk - *Melco Resorts & Entertainment Limited - Property President of Studio City*

It's not greater focus on VIP. We held a little bit lower in the month of March than we thought we would relative to our Signature Club, which is in our premium area. Volumes were down a little bit. So, part of what we've done to try to kind of rectify that is we've kind of made some changes in management relative to our marketing areas there and our sales teams, which is going to provide us greater leadership and greater accountability. It's off just a bit, but we weren't too happy with that, so we're going to change to try to drive that forward and obviously see growth on a sequential basis going forward.

Operator

Thank you. There are no further questions at this time. I would like to hand the conference back to the speakers. Please go ahead.

Ross Dunwoody - *Melco Resorts & Entertainment Limited - VP of IR*

Great. Thank you, everyone, for joining, and we'll see you again next quarter.

Operator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you all for your participation. You may all disconnect your lines now. Thank you.



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