Melco Resorts (2026 Q2 Earnings)
August 13, 2026

Corporate Speakers

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

Participants

- George Choi; Citi; Analyst
- David Bain; Texas Capital; Analyst
- Joseph Stauff; Susquehanna Financial Group; Analyst
- John DeCree; CBRE Securities; Head of Equity Research
- Peter McGuire; Vanguard; Senior Investment Analyst

PRESENTATION

Operator: Ladies and gentlemen, thank you for participating in the Second Quarter 2026 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 Ms. Jeanny Kim, Senior Vice President, Group Treasurer of Melco Resorts & Entertainment Limited.

Jeanny Kim: Thank you, operator. Thank you, everybody, for joining us today for our second quarter 2026 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 provisions of federal securities laws. Our actual results could differ from our anticipated results.

In addition, we may discuss non-GAAP measures. Definitions and reconciliations 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: Thank you, Jeanny, and thank you all for joining us today.

We're confident in the long-term strength of our business and our outlook for the remainder of 2026 in Macau. Despite near-term headwinds that are reflected in our second quarter results, our priorities remain unchanged: to deepen customer engagement, attract high-quality visitation, and continue investing in our properties to anticipate the changing needs and preferences of our guests.

The opening of REM marks an important milestone in the continued evolution of City of Dreams, delivering a distinctive new experience for our guests, which we believe is not available anywhere else in Macau. We continue to take steps to operate more efficiently and strengthen our business. Together with the phased opening of REM, these initiatives position us well to capture the growth in demand.

We continue to enhance the gaming experience across our portfolio. We opened a new gaming area with 18 tables at City of Dreams near the Southwest entrance at the end of July. Its convenient location along the main Cotai strip, with easy accessibility is expected to attract incremental visitation, particularly from walk-in patrons.

The benefits of the convenient access to games has been a proven success with our 15-table gaming area near the Grand Hyatt entrance, which we opened in October 2025.

We are also commencing a revamp of the retail areas at City of Dreams in Macau. The redesign area will create a seamless loop across the property, introducing a more carefully curated mix of luxury offerings with differentiated elements. The completion of this retail revamp will allow us to deliver the full integrated resort experience at City of Dreams that will be uniquely Melco.

Competition remains elevated, resulting in a demanding cost environment. We're focused on being disciplined as we align our resources with the highest return opportunities and protect the guest experience.

Outside of Macau, our diversified portfolio continued to demonstrate resilience and growth potential.

In the Philippines, City of Dreams Manila delivered property EBITDA of US$31 million in the second quarter of 2026, representing a 9% year-over-year growth.

In Cyprus, despite the disruption associated with the conflicts in the Middle East, property EBITDA at City of Dream Mediterranean and our satellite casinos rose 60% year-over-year in the second quarter of 2026.

In Sri Lanka, our casino operations continue to ramp, recording positive EBITDA of US$3.5 million in the second quarter of 2026. We remain focused on executing a disciplined ramp-up strategy and driving further operational progress throughout the remainder of the year.

With that, I turn the call over to Geoff.

Geoffrey Davis: Thank you, Lawrence.

Our Group-wide Adjusted Property EBITDA for the second quarter of 2026 was approximately US$304 million. Adjusted for VIP hold, our Property EBITDA was approximately US$312 million. An unfavorable win rate at COD Macau had a negative impact on our property EBITDA by approximately US$9 million. The VIP win rate at COD Macau declined from 3.9% in the second quarter of 2025 to 2.7% in the second quarter of 2026.

We continue to be disciplined in our cost management with total daily opex in Macau for the second quarter of 2026, remaining steady at approximately US$3.4 million per day, inclusive of House of Dancing Water and in line with our prior guidance.

Lower-than-expected visitation and lower hold relative to prior quarters placed pressure on margins in the second quarter of 2026. We are actively evaluating opportunities to incorporate greater flexibility across our operations to better align our cost base with evolving demand and business volumes.

Turning to our balance sheet, our liquidity position remains robust. We had available liquidity of approximately US$2.8 billion with consolidated cash-on-hand of approximately US$1 billion as of the end of the second quarter of 2026.

Melco Resorts, excluding its operations at Studio City, the Philippines, Cyprus and Sri Lanka accounted for approximately US$492 million of the consolidated cash on hand.

Our strong liquidity position reflects the extension and upsize of Melco's revolving credit facilities, which was announced in June. The maturity date of the RCF was extended from April 2027 to June 2031, and the facility size increased by approximately US$821 million, resulting in a total RCF size of US$2.8 billion. This provides us with added financial flexibility as we think about our upcoming maturities.

Additionally, in May, Studio City issued US$300 million in senior secured bonds. The net proceeds from the issuance together with an US$15 million drawdown from Studio City's revolver and cash-on-hand, was utilized to early redeem the Studio City senior secured notes due 2027.

In July, Studio City redeemed an aggregate principal amount of US$165 million of its outstanding 6.500% senior notes due 2028. The redemption was funded with an US$150 million drawdown from Studio City's revolver, allowing for a reduction in interest expense. After cancellation of the redeemed notes, an aggregate principal amount of US$335 million of the 2028 notes remain outstanding.

From April 1 to August 12, 2026, we repurchased approximately 22.4 million of our ADSs for a consideration of approximately US$121 million. This brings the total repurchases in 2026 to approximately 25 million ADSs for an aggregate consideration of approximately US$134 million.

We continue to take a disciplined approach to capital allocation, thoughtfully balancing share repurchases, cash availability, prevailing market conditions and the long-term needs of the business.

Share repurchases have been opportunistic when the market price of our ADSs falls far below levels that in our judgment, appropriately reflect the underlying value of our company. Having spent approximately US$134 million on share repurchases in 2026, we currently expect to recommence dividends in 2027.

As we normally do, we'll give you some guidance on non-operating line items for the upcoming third quarter of 2026.

- Total depreciation and amortization expense is expected to be approximately US$140 million to US$145 million;
- Corporate expense is expected to come in at approximately US$20 million to US$25 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 Cyprus 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: (Operator Instructions) Your first question comes from George Choi with Citi.

George Choi: My first one, perhaps for Lawrence. Glad to learn that REM is on schedule to open in the third quarter. In your view, how different is REM versus your existing non-gaming product offerings at City of Dreams?

And my second question is perhaps for Geoff. On dividends, how should we think about your dividend policy?

Lawrence Ho: Hi, George. So we've actually soft opened REM already. We're easing into it. The grand opening is set for after Golden Week in October. And I think so far, the reception has been great.

Macau has some of the nicest hotels in the world. So there's already an oversaturation in the luxury market. And I think we -- in the prepared remarks, we said REM is unlike anything in Macau. It's actually more like -- it's unlike anything in Asia, probably in the world. So it's a very unique product. It's a lot of fun.

It's highly differentiated from anything that's in the market or even at City of Dreams. So I think that complements our 5-star hotel offering very well.

And so we're quite excited about REM and also about the rest of the City of Dreams Macau retail revamp, which there's a lot of hoarding right now, and we're going to have to suffer through the pains over the next few months.

But once it's all completed, we are very excited. And I think that will probably put City of Dreams to be the nicest property in all of Macau.

Geoffrey Davis: So George, on the dividend policy, as I said in the prepared remarks, we have pushed that from towards the end of this year to sometime in 2027. We have redirected as we've always said and as we've demonstrated, when there's opportunities to buy our shares at what we think are highly discounted prices, we'll take advantage of that.

We think in 2027, we will be in a position to recommence the dividend without providing any specific target on that. The intention is to commence the dividend when it can be substantive and meaningful. We're not interested in a nominal dividend. So hopefully, that gives you some direction on when and how we're thinking about the dividend policy.

Operator: Your next question comes from David Bain with Texas Capital.

David Bain: Awesome. Hi, Geoff and Lawrence, super excited to be back on these calls with you.

And I guess my first question would be for you, Lawrence. Over the past few years, we've seen multiple go-privates and M&A transactions, just given intrinsic values, at least in our view, exceeding public multiples. I think Melco is a clear example of that. I'm sure that opportunity, that type of transaction is not lost on you. You have a lot of corporate action optionality. Is there any kind of big picture thoughts on those type of opportunities? Is it fair to think about them when we look at shares and analyzing them?

Lawrence Ho: Dave, good to talk to you again.

We're always very open-minded. And I think if you look at our transactions over the years, we've been quite innovative. But I think at this point in time, our core focus is, I know it's been a few years since COVID, but we're still kind of digging out of the COVID hole that elevated our debt. And so I think the priority is still on debt repayment and really getting our -- improving the performance in Macau, and we opened Sri Lanka a year ago, learning the market there and really trying to crack the code on the Indian market.

So there's still a lot of work -- a lot of stuff on our plates right now. But again, we're always very open-minded in watching the market and what other people are doing very closely.

David Bain: Okay. Good enough. And then looking at the historical World Cups versus this one in 2Q '26, are there some reasons that this year may have been more impact than previous years?

And maybe in reverse, are we seeing more event-oriented benefits in Macau? And if material, maybe you can discuss the entertainment calendar that could match up with the REM and the COD retail catalyst towards the end of the year and into next year?

Lawrence Ho: Yes. Why don't you take, Evan?

Evan Winkler: Look, I mean, I think from our perspective, this year, World Cup probably had a larger impact relative to prior periods. It's a little bit hard to give you the exact as to why. Obviously, there are a lot more opportunities for customers to access different sports betting venues. And so I think this year, similar to the rest of the world, we experienced with a lot of our customers, pretty significant sports betting volumes with respect to the World Cup.

And I think in June and July, I would say that our experience is likely that it was, to some degree, a substitute to some of their gaming activity. So we did see some reduced volumes and with players that came on board, some reduced level of play relative to their historical activity, which, again, we won't know for sure, but I think it's likely that during the World Cup period that, that took some of the gaming wallet.

David Bain: Interesting. Okay. And anything on the back half entertainment calendar that you think is material? Is that something that we should be monitoring more in Macau relative to in the past?

Evan Winkler: Look, I think all of us are looking at different entertainment opportunities. We had a concert at the end of July that we really like the results of. And so we've seen individually that certain entertainment events have driven good volumes. And so we continue to look at opportunities that can drive gaming volume and gaming activity within the market.

And so I think us and others continue to look at that as an opportunity to continue to push the market, but I don't have an individual thing to point you to.

Lawrence Ho: No. But I think also the concert and entertainment calendar has become much more rational this year compared to previous year where you might have five or six events happening on a weekend. And I think all competitors and ourselves have learned that not all events are profitable.

And so I think even this year, you're seeing -- I think at Galaxy and Sands, there's a 50% drop-off in terms of concerts and events in the second half of 2026.

Operator: Your next question comes from Joe Stauff with Susquehanna.

Joseph Stauff: Hello, Lawrence and Geoff. I guess to start with, could you update how to think about the outlook for Macau-based opex per day over the next couple of quarters, right, with your new suite product launch and just thinking about that number in particular?

And then wondering if you could comment just on, say, the post-World Cup trends that you're seeing in Macau and whether or not they -- you don't want to give numbers, I can appreciate, but are they in line, say, with pre-World Cup trends? Or have they strengthened? Just wondering how that level of demand is rebuilding after that World Cup impact?

Lawrence Ho: Well, I guess, Evan and Geoff, do you guys want to talk about the opex one ?

Evan Winkler: Sure. Look, I think from an opex perspective, obviously, we have REM opening and ramping up. I think if we include REM and other activities, we're probably looking at something closer to US$3.3 million to US$3.4 million.

If I look at activity on a post-World Cup basis, again, I think in the June, July period relative to other World Cup periods, I think, unfortunately, we were surprised that the impact probably was more significant this year than it has been in past years.

Coming out of that period, as we get into the late July, early August period, I think we've seen a reversion to our normality. So we're seeing our customers come back. We're seeing normal playing volumes. And so I think that it's been a sort of dip in terms of activity that we think has now returned back to normalcy as we move forward into the back half of 2026.

Joseph Stauff: Understand. I appreciate that. And the US$3.3 million to US$3.4 million, is that all in, including House of Dancing Water?

Evan Winkler: Yes. Our guidance now, given that we've cycled through the opening of House of Dancing Water includes House of Dancing Water.

Operator: Your next question comes from John DeCree with CBRE.

John DeCree: Two from me. Geoff, maybe the first one to you or whoever wants to opine. I think in your prepared remarks discussing the margin in the quarter, you mentioned you guys are evaluating some opportunities to create better flexibility in the cost structure to align with business volumes. I was wondering if you could elaborate on that.

Is that things you're looking at to kind of find opportunities and variable costs to adjust during periods like unusual shifts in demand? Just curious if you could give us some more color on some of those opportunities.

Geoffrey Davis: This is Geoff, I'll start and then hand over to Evan.

But we are casting a pretty wide net when it comes to reviewing our cost base and finding areas for efficiency. And I think you see that with the opening of REM. And as that ramps up, we think we can keep our US$3.4 million per day opex number consistent going into the third quarter as we find and execute on cost savings.

Excuse me, as far as specific measures, maybe I'll hand it over to Evan.

Evan Winkler: No. And look, we've -- in the post-COVID period, I think we spent some time looking at enhancing all of our sort of products and services across the board throughout Macau. And so we've had a period where we have added in from a guest experience standpoint, sort of across the board in almost all aspects of the guest experience, meaning wet and dry amenities in the rooms, butler service, an enhanced number of people and enhanced offering on the gaming floor.

And I think with Tim and with Kevin and Raymond at the property level, we're looking at each one of those and looking at the areas where we really think we have a high level of guests impact in areas where we think we're spending money where we may not be getting as much return on some of those dollars as we would like.

And so I think we're going through the entirety of where we're spending and looking at areas where we think we can trim without negatively impacting guest experience, certainly at the premium levels.

And so, I think, throughout the back half of 2026, we're going to be going through an exercise where we're looking back at the last couple of years of data and seeing areas where we can strategically trim back without really negatively impacting that guest experience. It's not going to be seismic, but it would be significant in terms of areas that we think we can save some money and redeploy into other areas of our guest journey as they come to COD and SC.

John DeCree: Got it. That's helpful color. And then maybe on an unrelated topic, whoever wants to take it. We talk a lot about the competitive environment in Macau, particularly in the premium segments. I think an event like World Cup reminds us that there are external competition outside of Macau for customers. Curious if you're seeing or have a view on kind of regional gaming competition in the area.

Lawrence, your exposure in Manila and other regional markets might position you kind of the best in your peers to answer this. But are you seeing a competitive environment increase from other regional gaming markets or not so much compared to maybe pre-pandemic levels?

Lawrence Ho: I would say not so much, because the Macau serves a predominantly Mainland Chinese market. We are seeing more and more Southeast Asian tourists and more Korean showing up in Macau nowadays. But still, that's a small portion of it.

Manila serves -- there's a huge domestic market in Manila along with a massive Korean market. And I think given the geopolitical tensions between Philippines and China, the Chinese tourist has disappeared for a while, but I think with some better visa schemes allowing the Chinese tourists to come.

So I think so far in 2026, we've seen a little bit of uptick on that. So I think that each market serves its own kind of catchment of areas.

Operator: Next question comes from George Choi with Citi.

George Choi: Just a couple of follow-ups. On City of Dreams, as you start your construction work on your retail area, the renovation work that is, how should we think about the disruption for your next couple of quarters?

And secondly, perhaps for Geoff, would you please provide us with your latest guidance on capex for this year and next year, please?

Lawrence Ho: Yes, on COD Evan or --

Evan Winkler: Sure. Why don't I start, Tim can supplement.

Look, I -- it's sort of a double-edged sword. I think we're very excited about what we've got in store and what we're putting together from a retail podium level standpoint. But we are going to be suffering through some pretty significant construction disruption between now and middle of next year.

You're already seeing it in parts of the retail arc that we're going to be completing over the next couple of months that it's going to cycle through various areas of the property really going through summer of next year.

It's hard for me to put a dollar number or a dollar figure on that. Tim has done an amazing job, I think, in terms of hoarding and making the property feel better throughout the construction disruption. But at the same time, it is what it is. You can't hide the fact that activity is going on.

So I do think that we are going to get some level of guests impact despite our best efforts between now and June of next year. But I would say the positive news is, as we go into June of 2027 and beyond, I think we're going to have one of the best feeling, most innovative retail experiences that exist in Macau and really across Asia. But there will be, to some degree, an impact between now and then.

Geoffrey Davis: And on your second question, George, for the remainder of this year, we've got about US$225 million of capex across the group. And for next year, that figure will drop down considerably to somewhere in the range of US$275 million to U$300 million.

Operator: Your next question comes from Peter McGuire with Vanguard.

Peter McGuire: Could you repeat or review the capital structure moves that you've made thus far and how you'll address the 2027s? Or did you say that you had repurchased some of the 2027s? I wasn't quite clear on that.

And second question is within the VIP business, is the softness relative to the competitive environment and Wynn, as an attractive offering there and a decent quarter in that segment?

Geoffrey Davis: So on the MLCO 2027s, we haven't made any definitive plans on how to address that maturity, but I think we have a lot of options. And as always, we'll be monitoring all the various avenues for refinancing those notes. And as always, we'll be opportunistic.

One position that we can always take is via the upsized RCF. We can take down those bonds with the RCFs. But that's a decision we'll make later this year.

Evan Winkler: Yes. Sorry, what was -- and apologies, the question with respect to VIP, could you repeat that?

Peter McGuire: Yes. Just in the VIP business, is that -- I know you had the World Cup in June, of course, in the mass segment perhaps impacted there. But just specifically in the VIP business year-over-year, what was the experience there? And what's the competitiveness in that market that for that rolling chip customer with respect to -- I know Wynn Macau has a nice product, and they had a decent quarter within that segment.

Evan Winkler: So from a premium direct VIP rolling chip business standpoint, I think we continue to be very strong.

From a competitive standpoint, Wynn, although, again, has nice offerings in terms of stuff that they do is generally not our leading competitor within that business.

In terms of where they're shifting their play, where they seem to be trying to go more towards premium direct versus VIP, if you look at their volumes over a period of time.

I think from our standpoint, we definitely did take a hit where some of those premium players during the World Cup. Again, I don't know where they went, but the assumption is that they probably did some level of sports activity, which impacted our business.

They have now come back. I think we feel pretty good. And I think we feel pretty good about the rolling volume that's coming through in August and our own offerings.

So I think as we get to the back half of the year, we feel good about the VIP rolling chip business, and I wouldn't single out a single competitor is someone that we are particularly worried about. It's always been a business where I think we figured to get our fair share or more. And I don't think there's anything that I see on the horizon that would shift that reality.

Lawrence Ho: And don't forget, our -- in Q2, our win rate in VIP was 2.7%, which is below our normal 3% and definitely way below where we were last year 2Q. I think we were 3.4%, 3.7%. So it's pretty significant in terms of the win rate being unfavorable this Q2.

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

Jeanny Kim: Thank you, everybody, for participating in our call today, and we will speak to you again next quarter. Thank you.

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