

Las Vegas Sands

Q4 Review: In line in Macau and Singapore

Reiterate Rating: NEUTRAL | PO: 55.00 USD | Price: 49.64 USD

Hold-adjusted EBITDA in line in Macau and Singapore

Las Vegas Sands (ticker: LVS) Q4 revenues/EBITDA of \$2.92B/\$1.19B were largely in line with our \$2.90B/\$1.16B after hold adjustments. Hold-adjusted Macau EBITDA of \$688M was in line with our \$684M, and share of 25.2% was in line with our estimate of 25.3% and down -120bps Q/Q. In Singapore, hold-adjusted EBITDA of \$473M was in line with our \$475M estimate, as lower drop was offset by higher margins.

Bottom Line: [Following 3Q earnings \(see our report\)](#), we had concerns about the impact of the China macro on the pace of recovery in tier two and tier three cities. That said, we think that 1) management commentary, 2) December/January gross gaming revenue (GGR) data, and 3) visitation data are all reflecting a more balanced recovery across Macau source markets. We raise our Macau market-wide 1Q24 GGR estimate by +2% but lower our LVS share to 25.7% from 26.5% to reflect recent trends. We reiterate our Neutral rating on stable underlying trends, offset by China macro concerns.

Macau: Market share (-), non-gaming(=/-), margins(+)

Macau revenues of \$1.83B were modestly light of our \$1.86B estimate, driven by 1) an elevated promotions rate (19.9% of GGR) and 2) weaker non-gaming spend. Mass market revenue was up +9% Q/Q, while VIP GGR was down -18% due to unfavorable hold. Headline EBITDA was \$654M, but after adjusting for hold, Macau EBITDA was \$688M, and hold-adjusted margin was 35.9%, up 100bps Q/Q. We are encouraged by the underlying margin growth, and we think that higher compression can drive share gains and further margin expansion from here. While the promotional environment in premium mass could be intense as operators compete for share early in the recovery, we are encouraged that LVS sees a path to its pre-Covid margin structure.

Singapore: Headline beat from elevated hold

Singapore revenues of \$1.06B were ahead of our above-consensus \$1.00B estimate, with \$544M of EBITDA. Hold-adjusted EBITDA of \$473 was in line with our \$475M estimate and still grew +4% Q/Q despite more tepid growth in inbound visitors from China. Net revenues were up +5% Q/Q, and hold-adjusted margin of 48.8% beat our 47.3% estimate. We think that the EBITDA run rate of \$473M can hold or continue to improve from here, and we expect MBS to reach ~\$500M in EBITDA per quarter 2H24.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026
EPS	2.61	1.91	2.82	3.18	NA
GAAP EPS	2.40	1.60	2.50	2.85	NA
EPS Change (YoY)	NM	-26.8%	47.6%	12.8%	NA
Consensus EPS (Bloomberg)			2.81	3.19	3.99
DPS	0	0.40	0.80	1.00	NA
Valuation (Dec)					
P/E	19.0x	26.0x	17.6x	15.6x	NA
GAAP P/E	20.7x	31.0x	19.9x	17.4x	NA
Dividend Yield	0%	0.8%	1.6%	2.0%	NA
EV / EBITDA*	106.8x	13.8x	11.5x	11.0x	NA
Free Cash Flow Yield*	-4.0%	6.0%	5.3%	8.0%	NA

* For full definitions of *IQmethod*SM measures, see page 4.

25 January 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	12,326.5	11,981.7
2025E Rev (m)	12,682.1	12,403.2
2024E EPS	2.91	2.82
2025E EPS	3.30	3.18

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Stock Data

Price	49.64 USD
Price Objective	55.00 USD
Date Established	8-Jan-2024
Investment Opinion	B-2-7
52-Week Range	43.77 USD - 65.58 USD
Mkt Val (mn) / Shares Out (mn)	39,553 USD / 796.8
Free Float	49.8%
Average Daily Value (mn)	244.39 USD
BofA Ticker / Exchange	LVS / NYS
Bloomberg / Reuters	LVS US / LVS.N
ROE (2024E)	46.2%
Net Dbt to Eqty (Dec-2023A)	152.0%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

GGR: gross gaming revenue

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Timestamp: 25 January 2024 08:54AM EST

iQprofileSM Las Vegas Sands

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Return on Capital Employed	-3.4%	11.7%	16.4%	18.6%	NA
Return on Equity	67.8%	35.0%	46.2%	49.6%	NA
Operating Margin	-19.2%	22.3%	25.1%	25.9%	NA
Free Cash Flow	(1,595)	2,363	2,100	3,158	NA

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Cash Realization Ratio	-0.5x	2.2x	1.8x	1.8x	NA
Asset Replacement Ratio	0.6x	0.7x	1.3x	0.7x	NA
Tax Rate	NM	19.4%	14.1%	14.1%	NA
Net Debt-to-Equity Ratio	205.4%	152.0%	134.7%	108.9%	NA
Interest Cover	-1.1x	2.8x	4.3x	5.8x	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Sales	4,110	10,372	11,982	12,403	NA
% Change	-2.9%	152.4%	15.5%	3.5%	NA
Gross Profit	732	4,085	4,828	5,046	NA
% Change	-6.8%	458.1%	18.2%	4.5%	NA
EBITDA	497	3,855	4,598	4,816	NA
% Change	-13.4%	675.7%	19.3%	4.7%	NA
Net Interest & Other Income	(598)	(538)	(428)	(370)	NA
Net Income (Adjusted)	1,993	1,460	2,093	2,278	NA
% Change	NM	-26.7%	43.4%	8.8%	NA

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Net Income from Cont Operations (GAAP)	(1,541)	1,431	2,217	2,442	NA
Depreciation & Amortization	1,036	1,208	1,261	1,275	NA
Change in Working Capital	164	253	0	0	NA
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(603)	369	271	271	NA
Capital Expenditure	(651)	(898)	(1,649)	(830)	NA
Free Cash Flow	-1,595	2,363	2,100	3,158	NA
% Change	-96.2%	NM	-11.1%	50.4%	NA
Share / Issue Repurchase	0	(400)	(1,400)	(1,600)	NA
Cost of Dividends Paid	0	(305)	(594)	(716)	NA
Change in Debt	1,200	(1,803)	(1,747)	(2,293)	NA

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026
Cash & Equivalents	6,436	5,818	4,177	2,727	NA
Trade Receivables	433	598	598	598	NA
Other Current Assets	NA	NA	NA	NA	NA
Property, Plant & Equipment	11,451	11,462	11,851	11,406	NA
Other Non-Current Assets	3,719	4,239	4,239	4,239	NA
Total Assets	22,039	22,117	20,865	18,970	NA
Short-Term Debt	0	0	0	5	NA
Other Current Liabilities	4,054	4,252	4,252	4,252	NA
Long-Term Debt	13,947	12,576	10,829	8,536	NA
Other Non-Current Liabilities	382	844	844	844	NA
Total Liabilities	18,383	17,672	15,925	13,637	NA
Total Equity	3,656	4,445	4,940	5,338	NA
Total Equity & Liabilities	22,039	22,117	20,865	18,975	NA

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Gaming

Company Description

Las Vegas Sands is a hotel, gaming and resort development company that owns the Venetian Resort, the Palazzo and the Sands Expo Convention Center in Las Vegas. The company also owns the Sands Macao, Venetian Macao, Four Seasons Macao, Parisian and Sands Cotai Central in Macau, as well as Marina Bay Sands in Singapore.

Investment Rationale

We have an Neutral rating on LVS due potential for EBITDA growth in a recovery scenario, though there continues to be uncertainty surrounding Macau. LVS is a low beta, low leverage stock that is less correlated with US macro and rates.

Stock Data

Average Daily Volume

5,038,953

Quarterly Earnings Estimates

	2023	2024
Q1	0.31A	0.63E
Q2	0.47A	0.66E
Q3	0.56A	0.75E
Q4	0.58A	0.78E

Price objective basis & risk

Las Vegas Sands (LVS)

Our \$55 PO is based on approximately 11x our 2024 EBITDAR estimate, a modest discount to historical average of 13x given slowing recovery, China macro and lower FCF conversion due to the concession capex.

Risks to the downside are 1) a delayed recovery in Macau, 2) continued COVID-related disruption, 3) increased uncertainty surrounding the implications of the concession process, 4) the pace of re-opening in Singapore, and 5) a worse ramp than expected for new properties.

Risks to the upside are 1) faster-than-expected return to Pre-COVID Macau environment, 2) potential border re-openings, 3) better-than-expected returns on recent projects, 4) mass market growth in Macau, and 5) potential entry into the sports betting and iGaming vertical

Analyst Certification

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US - Gaming, Lodging and Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Boyd Gaming Corp	BYD	BYD US	Shaun C. Kelley
	Choice Hotels International	CHH	CHH US	Dany Asad
	DraftKings, Inc.	DKNG	DKNG US	Shaun C. Kelley
	Hilton Worldwide	HLT	HLT US	Shaun C. Kelley
	Host Hotels & Resorts Inc.	HST	HST US	Shaun C. Kelley
	Hyatt Hotels	H	H US	Shaun C. Kelley
	Marriott International Inc.	MAR	MAR US	Shaun C. Kelley
	Penn Entertainment	PENN	PENN US	Shaun C. Kelley
	Ryman Hospitality Properties	RHP	RHP US	Shaun C. Kelley
	Soho House & Co Inc	SHCO	SHCO US	Shaun C. Kelley
	Vail Resorts, Inc	MTN	MTN US	Shaun C. Kelley
	VICI Properties	VICI	VICI US	Shaun C. Kelley
	Wyndham Hotels & Resorts, Inc.	WH	WH US	Dany Asad
NEUTRAL				
	Apple Hospitality REIT Inc.	APLE	APLE US	Dany Asad
	Caesars Entertainment Inc	CZR	CZR US	Shaun C. Kelley
	Churchill Downs Incorporated	CHDN	CHDN US	Shaun C. Kelley
	Hilton Grand Vacations Inc	HGV	HGV US	Dany Asad
	Las Vegas Sands	LVS	LVS US	Shaun C. Kelley
	MGM Resorts International	MGM	MGM US	Shaun C. Kelley
	Park Hotels & Resorts Inc.	PK	PK US	Dany Asad
	Wynn Resorts Ltd	WYNN	WYNN US	Shaun C. Kelley
UNDERPERFORM				
	DiamondRock Hospitality	DRH	DRH US	Dany Asad
	Gaming & Leisure Properties, Inc.	GLPI	GLPI US	Shaun C. Kelley
	Marriott Vacations Worldwide	VAC	VAC US	Shaun C. Kelley



US - Gaming, Lodging and Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Pebblebrook Hotel Trust	PEB	PEB US	Shaun C. Kelley
	Playa Hotels & Resorts	PLYA	PLYA US	Shaun C. Kelley
	Red Rock Resorts, Inc.	RRR	RRR US	Shaun C. Kelley
	RLJ Lodging Trust	RLJ	RLJ US	Dany Asad
	Sportradar Holding AG	SRAD	SRAD US	Shaun C. Kelley
	Summit Hotel Properties	INN	INN US	Dany Asad
	Sunstone Hotel Investors	SHO	SHO US	Dany Asad
	Travel + Leisure Co	TNL	TNL US	Dany Asad

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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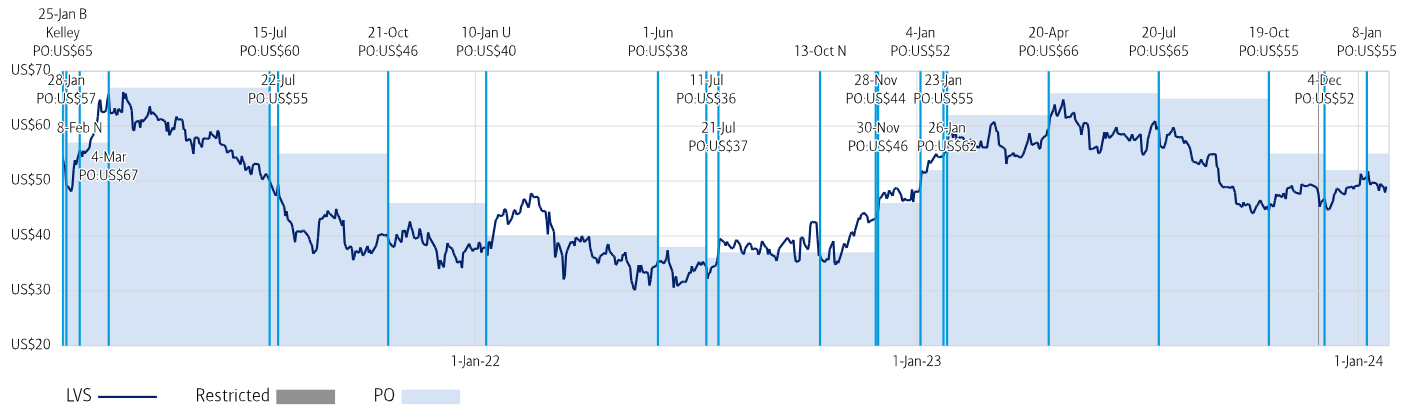
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Las Vegas Sands (LVS) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Gaming Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	22	50.00%	Buy	10	45.45%
Hold	12	27.27%	Hold	6	50.00%
Sell	10	22.73%	Sell	3	30.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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