

HD Preliminary 2014 Crown Resorts Ltd Earnings Call - Final

WC 3,993 words

PD 13 August 2014

SN CQ FD Disclosure

SC FNDW

LA English

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Presentation

OPERATOR: Today's conference is being recorded. I'd like to turn the conference over to Mr Rowen Craigie , Chief Executive Officer and Managing Director of Crown Limited. Please go ahead.

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ROWEN CRAIGIE , CEO AND MD, CROWN RESORTS LIMITED : Thanks everyone and welcome to today's call. I've got Ken Barton with me and we can go straight to questions.

Questions and Answers

OPERATOR: (Operator instructions) We will proceed in order in which you signal us and we'll take as many questions as time permits. Any further questions may be asked via the web and answered after the call. We'll now pause a moment to assemble a queue. Your first question comes from the line of Mark Wilson from Deutsche Bank . Your line is open, please go ahead.

MARK WILSON , ANALYST, DEUTSCHE BANK : Thanks very much. Rowen, was just wondering firstly in relation to trading conditions that you saw in the half, how you would best describe them? Whether there were any differences in demand trends, upper end and lower end and between slots and tables?

ROWEN CRAIGIE : Thanks Mark. I think we've made the point in the release today that we still see weak consumer sentiment in both Melbourne and Perth. So it's probably fair to say that the higher end is travelling a bit better than the lower end and that's true whether it's slots, tables, food and beverage or hotels. And probably that gets back to issues of consumer confidence, job security, mortgage repayments, credit card repayments et cetera. So there's a general proposition that the higher end consumer is probably holding up better than the lower end consumer.

MARK WILSON : Okay and then just the recovery there in VIP turnover in the second half. Just wondering what you belief drove that, whether it was junket play or direct play, mix of both?

ROWEN CRAIGIE : Yes it was both and I think we had a poor first half and the second half comp last year was not a tough one. Over -- across the year, it's still not a great result. I think we've spoken before about you've got to be a bit careful of half-on-half comparisons just in terms of particularly big properties with lower turnover, the timing of key customer visits or key junket visits can move those numbers around a bit.

MARK WILSON : Thanks very much Rowen.

OPERATOR: Your next question comes from the line of Matthew Ryan from JP Morgan . Your line is open, please go ahead.

MATTHEW RYAN, ANALYST, JP MORGAN : Hi guys. I was just going to ask on the dividends coming through from through from MTEL whether you anticipate paying any tax on that? And if so, at what sort of rate you'd be paying the tax?

KENNETH BARTON , CFO, CROWN RESORTS LIMITED : Hi Matt. I think we've had that question before and I think we've typically avoided giving any additional colour on internal tax arrangements. So we probably won't comment on that any further.

MATTHEW RYAN: Okay. And secondly I was just going ask about your capital requirements with obviously a number of different projects being spoken about at the moment. Can you just sort of talk about the various funding options that you've got and where you might be comfortable gearing the balance sheet to?

KENNETH BARTON : Yes, sure Matt. I think we've consistently referred to the maintenance of our current investment rate credit rating. And if you look through we're (inaudible) and (inaudible) we're looking at somewhere around 2.5 times debt to EBITDA. And I think increasingly people are looking at combining the matrix with particularly standard (inaudible) with an aggregation of the partial consolidation of Melco Crown. So that's quite helpful.

But I think preserving that 2.5 times debt to EBITDA, staying solidly in that investment grade rating, getting the rating stable there's a strong objective about it.

MATTHEW RYAN: Okay.

KENNETH BARTON : And the source of the funding. I think we've over the last couple of years Matt we've been to a variety of places and I think that's reaffirmed to us that there's a variety of debt capital markets open to us. We've been to the domestic retail, domestic wholesale market. In earlier times we've been to the US PP market. Banks are obviously available to us and I think through Melco Crown we've been -- they have been very effective at raising project finance for the large scale projects and that's quite a deep market as well. So I think we've got a reasonable spread of options available to us Matt.

MATTHEW RYAN: Okay. I mean is it likely that you can get debt in the US in regards to the Las Vegas project that's sort of non-recourse back to Crown or sort of sits off balance sheet or anything like that?

KENNETH BARTON : Well obviously it's very early days in Vegas and we haven't really gone down to the details of capital structure. But I think if you look back as a case study, Studio City was a very interesting example where around two thirds of the project was funded with debt and it was non-recourse beyond the project itself. So I think there are some good precedents in this sector for those kinds of financing arrangements Matt.

MATTHEW RYAN: Okay. Thanks very much.

OPERATOR: Your next question comes from the line of Adam Alexander from Goldman Sachs . Your line is open. Please go ahead.

ADAM ALEXANDER, ANALYST, GOLDMAN SACHS : Good afternoon guys. I just had a question on the main gaming floor in Melbourne. In the second half the growth was sort of plus 4%, a lot stronger than the first half. What sort of initiatives are you sort of putting in to drive that? And then secondly, just on the Las Vegas project, you made some comments there that you expect your **equity** contribution to be between \$400 **million** and \$500 **million**. Just wondering whether that included the land **purchase** as well. Thanks.

ROWEN CRAIGIE : Yes that does include the land **purchase** and I can let Ken expand on that if you like. But in terms of the main floor, we're obviously in what is a challenging market in Melbourne. We're looking at all our marketing initiatives, the loyalty program and we're putting a lot of effort into maximising the opportunity within a market which is subdued and does have some weakness in consumer confidence.

So optimising the product, the layout of the product, looking at all the marketing programs, all of that there's been a lot of effort gone into that. As I said, the result was more pleasing in the second half. But we've still got a lot of work to do.

KENNETH BARTON : And I think there was perhaps some confusion. But to be absolutely clear, the \$400 **million** to \$500 **million** US dollar **equity** investment into the Las Vegas project will absolutely include everything we've invested to date for the **purchase** of the **property** and other project costs.

ADAM ALEXANDER: Okay, thanks Ken. And just an accounting question on that and I know its early days on Las Vegas. Is that likely to be a subsidiary that's consolidated?

KENNETH BARTON : Yes I think we've said it's a majority owned entity. So in that case, majority ownership would **lead** to consolidation. But again it's obviously very early days.

ADAM ALEXANDER: Yes, right, thanks.

OPERATOR: Your next question comes from the line of Sam Theodore from UBS . Your line is open, please go ahead.

SAM THEODORE, ANALYST, UBS : Thank you. Ken I guess just looking at the cash flow obviously VIP grow -- the growth in the second half was very strong. So I know can move around the cash flow a little bit. Can you just maybe just talk to us about maybe what you saw in the second half and whether that's already changed or when you expect that cash maybe to come in?

KENNETH BARTON : Yeah thanks Sam. I mean we did see as you pointed out quite a lift in working capital coming through the cash flow during the year. I think if you looked at it over the course of 12 months

it didn't move as much as it did perhaps for the six months. But I think there's a couple of things going on there. One was we did have quite a lot of activity very late in the year. And obviously in both places we had a very high win rate.

So activity late in the year and also the high win rate would **lead** you to having a higher receivables balance around this year end. But it's obviously something that we're very mindful of and as you say, it did consume some cash during the year and we're very focused on keeping a lid on the receivables.

SAM THEODORE: Thanks for that. Now one is just a clarification. So obviously we've got your dividend policy. So the 65% payout of pre-associate NPAT plus MTEL dividends. So that's, do we get all of the MTEL dividend or we get 65% of the MTEL dividend?

KENNETH BARTON : No, the calculation is 65% and the maths is NPAT minus **equity** counter profits plus the cash dividends times 0.65.

SAM THEODORE: Okay great, just checking. CapEx, I know we don't have Barangaroo officially completed yet. But I'm just wondering, because obviously with the opening still in FY20, I'm guessing the timing of that CapEx is probably going to be more later dated. Can you give us any comments on maybe the likely timing of when that starts, but when the probably bigger years are?

ROWEN CRAIGIE : Yeah so as you know the legislation has passed and -- which enabled us the ability to apply for restricted gaming licence and that licence has been granted by the gaming regulator. So now we just need planning approval, so then we can start construction. There's some preliminaries for construction involving remediating the land and digging a hole for the car **park**. So you want to think about that extended construction period of up to four years, three to four years.

Our planning approval hangs off the back of Lend Lease who's planning approval for Barangaroo South. And we're ready to go, but we can't lodge until Lend Lease lodges and they're in discussions with the Barangaroo Delivery Authority as to certain issues that need to be resolved before they can lodge. We're still on target for a November 2019 opening. But the CapEx will occur in the four years prior to that.

SAM THEODORE: Okay. And just one last one from me. So we saw obviously MTEL announce a share buyback. Is the review on Crown whether you would sell into that buyback?

KENNETH BARTON : We haven't made any comment on that. But I'm not sure Sam we'd actually -- we're very happy with our holding in MTEL and we think it's performed very well for us.

SAM THEODORE: Okay thank you.

OPERATOR: Your next question comes from the line of Sacha Krien from CLSA. Your line is open. Please go ahead.

SACHA KRIEN, ANALYST, CLSA: Rowen and Ken. I just want to ask a follow up question on VIP. So we saw some pretty strong results from Echo yesterday as well and also looks like they had a very strong end to the half. Are there any trends offshore that you are seeing that you think are perhaps influencing these numbers and perhaps can you comment on how you're seeing those trends progress into the new year?

ROWEN CRAIGIE : Look I think we've made the point previously that Australia's got such a small share of that **Chinese** VIP market that even if conditions in **China** are adverse for the principle VIP market which is Macau. That's not necessarily a reason why in particularly half year results a particular Australian casino can buck that trend and the converse also applies.

I think you've seen that the commentary from all the Macau licence holders now about VIP trading in Macau and the sort of factors that are weighing, particularly in the last quarter on that market. But as you quite rightly say, both Australian groups had good growth in their second half. The challenge remains to get the players to Australia. And to do that they're overflowing effectively Macau, Singapore. They're turning down Vegas to get to Australia.

If as a market we're successful in doing that with good properties in Sydney, Melbourne, Perth and down the track Brisbane, then that's the major battle and the customers will **property** hop between those cities. But the first challenge is how do you get them to fly to the most distant market where they're all playing the same game which is high stakes [backroom].

SACHA KRIEN: Do you think -- are you able to comment on whether there's some cross over in the customers that have created these strong results for both companies over the last six months?

ROWEN CRAIGIE : Oh look I think both Melbourne and Sydney share some customers, but others would be unique to those properties. And as I said, you've got a total market share of less than 3%. So there's plenty of new business out there if we can get it to come to Australia.

SACHA KRIEN: Okay and just a couple more very quick ones. VIP commission rates, how have they compared to the prior period. And then perhaps you can give us an update on the EGM levy negotiations in Victoria.

ROWEN CRAIGIE : Well taking the last one first. Those discussions with the Victorian Government are still ongoing. When those discussions conclude, whatever the outcome we'll be making a statement. It's just a question of waiting for those discussions to conclude.

And across the period there was no major change in commission rates. I think the point we've made for some time now is that with Melbourne, the only casino being affected by a super tax on VIP play, Melbourne's ability to match the commission rates of either Sydney or Perth is constrained and that remains an issue for Melbourne.

SACHA KRIEN: Okay, thanks.

OPERATOR: Your next question comes from the line of Michael Kaufman from Citi. Your line is open. Please go ahead.

MICHAEL KAUFMAN, ANALYST, CITIGROUP : Alright thank you. Just looking at your CapEx numbers for this year, your CapEx for Crown Melbourne looks a little bit higher than what you previously indicated. I'm just wondering, is that the jets that you acquired or is that the golf course that's pushed CapEx higher?

KENNETH BARTON : No it's the planes Michael. They were bought during the year and we've notionally allocated that all into the Melbourne chart.

MICHAEL KAUFMAN: Okay, great. Thank you. And my other question has to do with your announcement yesterday to acquire 50% of Betfair . Do you mind discussing strategic rationale for acquiring the other half and some of your potential plans for the business?

KENNETH BARTON : Yes sure Michael. It's obviously been predominantly an exchange base business from when it started in 2004 and the exchange grew well. But it's a relatively mature product. Where we see the opportunities there which is similar to the other corporate bookmakers is on the fixed-odd **site**. We've got an emerging product on the fixed-odd **site**. It's still got quite a bit of development work to be of a standard that's equivalent to the competition.

But we think with some development on the sports book and the ability to promote Betfair more widely in -- across Crown's customer base, we think there's an opportunity to grow that sports book at a rate that's more commensurate with the market. But that's where we see the opportunity. And really going forward it's going to be more around -- any growth is going to be more focused around how we can penetrate that fixed-odds market rather than the exchange which is a relatively mature product.

MICHAEL KAUFMAN: Okay, alright, great, thank you.

OPERATOR: And your next question comes from the line of Oliver Ansted from Colonial. Your line is open, please go ahead.

OLIVER ANSTED, ANALYST, COLONIAL FIRST STATE INVESTMENTS LIMITED: Thanks. Just was curious, the comments you made around the super tax in Melbourne. Can you just outline what sort of level of marginal tax rate you're paying on VIPs out of Melbourne versus the old 10% days at the moment and how that sort of steps going forward?

ROWEN CRAIGIE : The way super tax works is that it cuts in in increasing amounts at increasing higher levels of turnover. So you actually start any financial year, the first month of the financial year you're virtually paying no super tax. By the time you get to the end of the financial year you can be on the maximum rate.

Last year the effect of that was that the average rate of super tax paid across the year was about 4% in Melbourne. So currently it's converting a 10% base tax rate into a 14% tax rate, which obviously compares adversely with Sydney at 10% and Perth at 12%.

OLIVER ANSTED: Great. And just one follow up question. It just looks like the variable costs in Burswood in the second half seem to step up more so than the revenue line. Was there some change in tax rates or commission rates in Burswood or is it just a mixed effect?

KENNETH BARTON : Well you're talking there I guess in the second half about not so much operating expenses, but gaming taxes which--

OLIVER ANSTED: Yes the variable cost line, gaming tax and commission.

KENNETH BARTON : Yes, they went up about 15% and if you look, that's probably most closely correlated with, Oliver, with the VIP business which grew 17% in the second half.

OLIVER ANSTED: Yes sure. Thank you.

OPERATOR: And your next question comes from the line of Larry Gandler from Credit Suisse . Your line is open, please go ahead.

LARRY GANDLER, ANALYST, CREDIT SUISSE : Hi, Rowen. You're generally not one to sensationalize and I'm finding it harder and harder to parse out your comments about trading. I think the last six or eight months you've been generally saying that trading conditions are difficult and in the result we just got Melbourne did pretty good I thought on the main gaming floor.

Your comments going forward are also one of weak consumer sentiment. I'm just wondering, how should I interpret those? Is it more as a positive or more the negative? It's very difficult for analysts to sort of independently observe what's going on inside the casino. We have to rely on your statements.

ROWEN CRAIGIE : So Larry, you were bemoaning the fact that we haven't given you an F15 forecast?

LARRY GANDLER: Pretty much.

ROWEN CRAIGIE : Or you think that there's some data missing from F14 which we're not revealing?

LARRY GANDLER: No, pretty much going forward I'm finding it harder to make use of the statement of weak consumer sentiment if in the last six months you also used that statement, but actually the performance was pretty good.

ROWEN CRAIGIE : Look, I think we're saying we improved in the second half but overall, for the results for the year on the main floor at Melbourne is main floor gaming revenue up 2%, that's not where we want to be. If you think of where our costs are, we're not -- wages costs aren't at 2% in the Australian casino industry.

So yes, we had improvement in the second half, yes, everyone's working hard and we're trying to get cost savings to mitigate against that low revenue growth. But 2% revenue growth is not where Melbourne wants to be and we're trying to do better than that. But it's just not possible to say that the Melbourne economy has picked up in the last six months relative to the previous six months.

You've got all the economic indicators, they're all there available in terms of gross state product and consumer retail expenditure and unemployment rate, so Victoria's got some issues arising from the state of the manufacturing industry, and they're not issues that are shared with other states probably other than South Australia.

LARRY GANDLER: Okay. Actually, that answered my question, that's good. Thanks. I also wanted to ask about strategy. We've seen Genting cede new markets for gaming like say Miami. Crown seems to be going down that path. I'm just wondering if Crown is perhaps considering non-traditional gaming markets like Sri Lanka as an ongoing opportunity for its brand Crown Resorts.

ROWEN CRAIGIE : I think Larry, we're trying to leverage off our brand and our current assets. So I think we've said that we don't have specific plans that we can talk about with the Las Vegas investment. But suffice to say, we're probably looking at playing to the strength of the Crown brand, which is at that luxury end, and I think you wouldn't want to draw too many more conclusions from that. We've announced the projects that we're involved in and I'd just probably leave it at that.

LARRY GANDLER: Okay. Thanks.

OPERATOR: We have taken as many questions as time permits. I would now like to hand the call over to Mr Craigie for any additional or closing remarks.

ROWEN CRAIGIE : Well, thanks everyone for taking the call, and obviously if there's further questions feel free to direct them to us during the course of the afternoon. That's it. Thank you very much.

OPERATOR: This concludes today's conference. Thank you everyone for your participation. You may all disconnect.

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