# Las Vegas Sands Corp. (LVS) CEO Sheldon Adelson on Q3 2019 Results - Earnings Call Transcript

Oct. 23, 2019 11:17 PM ET | 3 Likes
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Q3: 10-23-19 Earnings Summary

*Press Release* SEC *10-Q* *Slides*

EPS of $0.75 beats by $0.00 | Revenue of $3.25B (-3.62% Y/Y) misses by $-47.06M

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## Earning Call Audio

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Las Vegas Sands Corp. (NYSE:LVS) Q3 2019 Results Earnings Conference Call October 23, 2019 4:30 PM ET

**Company Participants**

Daniel Briggs - Senior Vice President, Investor Relations

Sheldon Adelson - Chairman and Chief Executive Officer

Rob Goldstein - President and Chief Operating Officer

Patrick Dumont - Executive Vice President and Chief Financial Officer

**Conference Call Participants**

Carlo Santarelli - Deutsche Bank

Thomas Allen - Morgan Stanley

Stephen Grambling - Goldman Sachs

Joe Greff - JP Morgan

Felicia Hendrix - Barclays

Shaun Kelley - Bank of America

Robin Farley - UBS

Jared Shojaian - Wolfe Research

**Operator**

Good afternoon, my name is Nicole, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Las Vegas Sands Third Quarter 2019 Earnings Conference Call. All lines have been placed on mute to prevent any background noise.

I will now turn the call over to Mr. Daniel Briggs.

**Daniel Briggs**

Thank you, and thank you for joining us on the call today. With me on the call today are Sheldon Adelson, our Chairman and Chief Executive Officer; Rob Goldstein, our President and Chief Operating Officer; and Patrick Dumont, our Executive Vice President and Chief Financial Officer.

Before I turn the call over to Mr. Adelson, please let me remind you that today's conference call will contain forward-looking statements that we are making under the Safe Harbor provision of Federal Securities laws. The company's actual results could differ materially from the anticipated results in those forward-looking statements. In addition, we may discuss non-GAAP measures. A definition and a reconciliation of each of these measures to the most comparable GAAP financial measures is included in the press release.

Please note that we have posted supplementary earnings slides on our Investor Relations website, we may refer to those slides during the Q&A portion of the call.

Finally, for those who would like to participate in the question-and-answer session, we ask that you please respect our request to limit yourself to one question and one follow-up question, so we might allow everyone with interest the opportunity to participate. Please note that this presentation is being recorded.

With that, let me please turn the call over to Mr. Adelson.

**Sheldon Adelson**

Thank you Dan, and good afternoon everyone. As you all know, I've missed our earnings conference call these last few quarters. So, let me begin by saying I feel good, I'm very happy to be here with Rob, Patrick and the team and I look forward to our discussion today. Let me also say that I am extremely touched by all the calls and emails I've received over the past several months. It has been remarkable to hear from so many people, including many of you joining us today. I deeply appreciate the well wishes, and everyone who took the time to reach out to me. It certainly means a lot.

With that, let me tell you about our strong financial results, and our unique strategic position. Our company is today as strong as it has ever been. Our balance sheet is robust as evidenced by our investment grade credit ratings, at both Las Vegas Sands and Sands China. I want to point out to you that S&P included us in the S&P 500 as of October 3rd. So, we’ve been part of the S&P 500 for about three weeks.

Our cash flow generation is unmatched in our industry with annualized adjusted property EBITDA of over US$5 billion. I think it's nothing to next. Our development pipeline at both Macao and Singapore is exceptionally exciting with over US$5 billion of capital projects coming to fruition in Asia, over the course of the next few years. These investments will further strengthen our leading position in the premium mass, MICE, entertainment and other non-gaming segments in Asia. At the same time, we will continue to enthusiastically pursue the right development opportunity in Japan.

Now, let's turn to our financial results. We had another strong quarter across all of our markets. Company-wide adjusted property EBITDA was US$1.28 billion. In Macao, adjusted property EBITDA was $755 million, consistent with the prior year. While overall Macao gross gaming revenues declined for the quarter, the mass-market continues to experience robust growth. We grew our mass-gaming revenues by 9% over the prior year with strong growth in both mass tables and slots, and in both the premium mass and mass segments. Most importantly, our profitability continues to lead the industry, with adjusted property EBITDA margin at 35.7%, up another 70 basis points compared to the prior year.

We're certainly more excited about our ongoing investment of US$2.2 billion to expand our critical mass of non-gaming offerings in Macao. Various components of these projects are already underway, and we look forward to giving you further updates in the coming months. We remain steadfast and I believe that Macao is the best market in the world with respect to the continued deployment of our capital. We look forward to making additional investments in Macao as we contribute to Macao's diversification and evolution into Asia's leading leisure and business tourism destination.

With the opening of the Hong Kong's Zhuhai Macao Bridge, and the ongoing development at Bay initiatives, we believe Macao has the potential to become the MICE capital of Asia, and we fully intend to contribute to that goal, both through our existing assets and future investments.

In Singapore, adjusted property EBITDA was US$435 million, up 4% over the prior year. Rolling volumes were strong and/or above the level of the prior year. Mass win per day remains solid. The hotel continues to enjoy near full occupancy and retail sales per square foot increased by 10%.

Our Las Vegas operations had another good quarter with adjusted property EBITDA of US$93 million, an increase of 22% over the prior year.

Finally, we continue to increase the return on capital to shareholders. The Las Vegas Sands' Board of Directors just approved an increase in our annual dividend for the calendar year 2020 to $3.16 per share or $0.79 per share per quarter. A: dividends. I guess you missed that.

Thanks again for joining us on the call today. It's really great to be back. Now, let's take questions.

## Question-And-Answer Session

**Operator**

[Operator Instructions] The first question comes from the line of Carlo Santarelli with Deutsche Bank.

**Carlo Santarelli**

Hey guys, thank you and Mr. Adelson welcome back. Maybe, this question is best for Rob, just in terms of obviously what you guys saw in the 3Q, it looked like you saw some strength in both the core mass segment or base mass segment as well as a little bit of a pivot in the premium mass segment, which also grew fairly well. Just wondering, if there is any dynamics that you're seeing that are changing, as obviously VIP remained a challenge throughout the 3Q, and I guess it was a little bit surprising to see the premium mass perform the way that it did.

**Rob Goldstein**

Yes, nice surprise. So, as you know, I mean Macao is the world's largest gaming market and the current, future growth of that market is predicated on the mass market. If you look at Page 16 in the deck, you can see the continual year-after-year growth of this segment, and this is the segment that matters, let's be honest. And we are the market leader in those segments; mass to premium mass and slots. And that segment depends on rooms and suites and gaming capacity. Even though, we lead the market in rooms and suites, the completion of the Four Seasons, Londoner will put us in a more stable position than ever. Its quality, its quantity will enable us to dominate this critical segment for years ahead. When you couple that with our retail entertainment product, our competitive position is kind of hard to beat and we're very fortunate.

As you referenced, our rolling segment results were softer, but this segment represents less than 10%, I think Dan said 7% or 8% of our cumulative EBITDA composite. The other 90% plus is reliant on the mass segment. And to your comment that mass win for the quarter reached $1.6 billion, base mass was at $762 million, I think that was all-time high. Our premium mass grew to $674 million, which is $16,000 plus per table and the slots went to $160 million per quarter.

As our future and the future of Macao is mass, and visitation continues to improve, the quarter for us was very, very positive except for the softness in the rolling segment. But our game plan as you know we said quarter-after-quarter, year-after-year, our game plan remains the same. It's more product, we're spending $2 billion plus at Londoner Four Seasons, quality product. The quality we're doing at Four Seasons Londoner will surprise everybody, it surprised us actually. It's pretty spectacular. And so, we don't see a whole lot of changes in this quarter. It's business as usual. It's reinvest in the product, focus on the high-margin mass business, grow our fundamental advantage, which is more retail, more restaurant, more entertainment and most importantly more lodging. So, no real surprises. We're very pleased with the results, especially as you referenced the comeback of our premium mass segment, in particular.

**Carlo Santarelli**

Great, thank you Rob. And just the quick follow-up on the conversion right now, and obviously VIP volumes and lower hold there is kind of making it harder to see straightforward in the results. But when you think about the work that you're doing currently and kind of where you are in the transition, how much disruption do you think is net leaving the system? I know it's probably not easy to handicap but I'm sure you're capturing some of the disruption at your other properties. Do you feel like there is leakage outside of the system from some of the work that you guys are doing there?

**Rob Goldstein**

I think there is going to be disruption, but your reference point is spot on. I think we can capture if the team does their job, capture some of that disruption over region in Four Seasons and in Asia, I'd like to think we can. Having said that, it's a massive project underway. I mean ‘20 will be a disruptive year SCC, there is no denying it. We're transforming a 10-year-old product into something much more desirable for the market. So, there will be some disruption. I'm hoping the team and they claim they can do it, we'll move most of that business over to Four Seasons, Parisian, our other products. Obviously we can do it, where we've got the room capacity, lodging capacity or the gaming capacity. And frankly, we also have the ability to direct people who come for the entertainment product. It's a big positive. As you know, that's a unique differentiator for us over there. So, hopefully when the premium mass come to town, every week we've got a terrific show in there, they can push that customer away from SCC if they so desire. But, I think as we've said repeatedly, the end result is well worth it. What we're building at Londoner, we can't wait to show it to you, we can't to finish it. And the same thing with the room product, we saw a few months ago at the Four Seasons. It's exemplary in every way. Only time will tell. We can't quantify level of disruption. Yes disruption, how much we layer off in other properties? Time will tell.

**Operator**

The next question is from the line of Thomas Allen with Morgan Stanley.

**Thomas Allen**

Thank you, and echoing Carlo's words, hoping you a speedy recovery Mr. Adelson. So, just around sticking with Macao, does it feel like the market is getting impacted by the Hong Kong unrest, and do you feel like your properties are feeling it? Thank you.

**Rob Goldstein**

In Macao, as you know, Thomas, is the mass segment that drives growth, it's that simple. In this challenging macro environment, we just continue to see it grow and grow. And that business revolves around lodging, retail entertainment and we continue to see the numbers to grow in all these areas. The mass keeps growing, premium -- even with our large base, our slots and premium kept growing. And with our CapEx position, it just gets better and better. I also think with our 39 new suites at Londoner and Four Seasons, it just will get better next 18 months for us, especially for family travel, length of stay, our great non-gaming product.

One thing we should reference is, the base mass, the continued improvement in transportation infrastructure connecting Macao will drive growth in visitation, and we can capture a large share of that growth. We're having iconic destinations and our theme resorts like Londoner, Venetian et cetera. So, in this challenging environment, we are really pleased with our results and just see it getting better down the road.

**Thomas Allen**

And then two more specific questions. It seemed like convention, retail and other revenue at all your properties was down a lot. What was driving that? And the second question is just, I know you've been mix shifting, your Macao tables away from base mass to premium mass. Could you just talk -- I mean recognizing that premium mass revenue was stronger this quarter, it has been more choppy. So, just wanted to hear the rationale behind that. Thank you.

**Rob Goldstein**

Just on the shift -- I think I heard you say the shifting from base mass to premium, I hope we are -- hope we did, obviously, that's our goal. Our goal always is to -- there is many premium mass customers in there, and move away from base as we can. But that's a challenge when you have so many tables. Very, very pleased with how that's happening and you saw the results in this number we came up with for the premium mass quarter, nice recovery from Q2 where we had it bounce the wrong way. Yes, I just think our structural advantages there are so damn strong, it's hard to refute where we're going. I don't think anybody can argue, with all our keys and not just having quantity, but quality, all the entertainment, the retail as you saw the numbers, I think it's on Page 27 we referenced the retail numbers, it's just -- our advantages here are good and they'll just get better with time. You referenced to...

**Patrick Dumont**

One thing, you mentioned the convention and other. One thing to note is that is also where we have ferry revenue, and so there's been a decline in ferry revenue year-over-year. So that's what's driving that. The majority of that is related to ferry. Okay?

**Thomas Allen**

Makes sense. Thank you.

**Rob Goldstein**

Yes. Tom, just a follow-up on that slide, you referenced, it's the growth from $434 million to $450 million, which is accompanied by an increase to $674 million total win, $16,200 per table, yes, it's a good trend, the right direction, and I hope we continue that way. I love they end up with a double premium mass tables that we have the demand to make it happen.

**Operator**

Your next question comes from the line of Stephen Grambling with Goldman Sachs.

**Stephen Grambling**

Could you all talk to the decision to walk away or I should say redirect your focus from Osaka to other markets in Japan, and then maybe just talk to any other markets that you do have your eyes on for development?

**Robe Goldstein**

Sure. We looked at Osaka and we think it's a wonderful market, a wonderful city. We had a great experience there. But in the end we felt our strengths and our -- what we do for a living so well is better represented in the opportunity in the Tokyo Bay region in Yokohama. And as you know, it's very competitive there. It's a very interesting market, a lot of capital required, a lot of thought process to make sure the numbers work, and we just thought Yokohama was just a better fit for our skill set. We're hard at work. The government has issued the RFC, we're hard at work at that right now and we'll see how it comes out. It's -- I think there is some time to ponder how Japan plays out in the end and we hopefully right in the middle of it and make the best decision for the -- our company, our shareholders.

**Stephen Grambling**

And can you just remind us of how to think about the amount of leverage that you'd be willing to kind of flex to, should you pursue that. And if you don't, it still seems like you're running, I think you're at 1.5, where could that move as you start to pursue the other development opportunities, and where do you think about the right level longer term?

**Patrick Dumont**

So, I think this goes back to the original fundamental story of the company. One thing our Chairman has been expert at and the company has been very strongly supported by is allocation of capital. And so, if you look at the developments that our Chairman has pursued, they've always been large scale with very high returns. And so that underpins any decision we make about any new potential new jurisdiction. Conveniently, it also works hand and glove with our ability to return capital to shareholders over time as our CapEx rolls off. So, this is the framework that we use when we look at any jurisdiction. So, to think about it in terms of leverage, as the Chairman mentioned in his opening remarks, we have an investment grade balance sheet and that's been a work in progress over many years. So, very proud to achieve the levels of leverage that we have today, with our prudent financial management that we've exhibited has produced results, and gives us a lot of flexibility to pursue really any jurisdiction that comes available. From that standpoint, right now, if you go to Page 8 in the deck, you can kind of see a snapshot of where our leverage is. On a total consolidated basis, we're 2.3 times, on a net basis 1.5 times. So, it really depends on the timing of cash flows. We've built some developments recently, the Parisian, you can kind of see the development schedule there. We laid out in our last quarter's presentation how we would handle Marina Bay Sands expansion. That kind of gives you a sense of how we would look to spend capital, as we create a new development. But as a practical matter, given some of the growth that we anticipate from the CapEx that we hope to spend over the next three years, we hope to maintain leverage levels in our current context.

I think particularly when you give credit for pro forma EBITDA as the developments get closer to fruition. So, when you look at what we're doing really, this is a transformational story of our company. This is the second leg of a very large investment scheme. We're expanding in our two best markets, we're deploying billions of dollars of capital into Singapore, deploying billions of dollars of capital currently into Macao and opening probably our most competitive and best prepared product.

So, we're very excited over the next couple of years and hopefully that will provide an additional natural deleveraging and facilitate additional capital return.

**Stephen Grambling**

One very quick kind of quantitative follow-up. Can you just remind me, what was the total room count year-over-year I guess in Macao? We're trying to back into it, it seems like it's down, but I don't know if you have that number handy?

**Patrick Dumont**

So, if you go to Page 61 in our deck, I realize it's way in the back. We are actually laying out all the -- we actually lay out all the hotel rooms, including new capacity which we've highlighted. So that should probably ….

**Stephen Grambling**

Thanks so much. I'll jump back in the queue. Best of luck and best wishes Mr. Adelson.

**Operator**

Your next question comes from the line of Joe Greff with JP Morgan.

**Joe Greff**

Sheldon, good to hear your voice, and you stand 100% versus the last call. So, glad you're on.

**Sheldon Adelson**

I'm running again 95%.

**Joe Greff**

Just, Rob or for anyone there in the room, if I'm doing my math right, it looks like in Macao in the 3Q, your mass table hold percentage was a little bit higher than where it's been or where we would maybe deem it to be at a normalized level. Are we looking at that right, and was there anything with table hold on the mass side, and obviously that's maybe why premium mass grew at the higher rate that it did, and maybe you can kind of help us understand maybe what was going on there, whether it's mix or changing some of the tie bets or something else?

**Rob Goldstein**

There's been a lot of talk about Lucky 6 in the market, all you guys have written about it. I think that is starting to have some impact in the Macao market or even in Singapore. Yes, we're touch above, Joe, Q2 it's not material and we're actually a couple -- a few points above it in terms of the Q3, it's not material. I wouldn't consider it important. Again, in our business, half a point or quarter point with all this volume is -- it's just not relevant. I do think, as you know, baccarat like all of our businesses, it's mathematical equation, as the customers opt to play different proposition bets, be it Lucky 6, pairs and ties whatever, it plays to house advantage. And I do think you're seeing baccarat -- changing the baccarat, I start with long time ago, it's evolving to a different place and it's helpful, the industry -- as these different bets evolve. As you know, the flat bets or the bank player is not as advantageous to house as pairs and ties in that Lucky 6. So, hopefully, we'll see a trend up to 25, 26, 32, 67. But the truth of matter is we're delighted to see, the volume of play we've got, the whole percentage wasn't material. But I think, it's material to keep your eye on what's happening in the baccarat business since that is the predominant game, and the game's diversification into more proposition bets is very healthy for the house, not just our house, it just so happens we have more house than anybody else over there. So, the benefits flow to us. But as far as it being materially different from the quarter before, it's not. It's pretty much the same range.

**Joe Greff**

And then switching over to Singapore, as my follow-up. Rob, do you think you're getting a lot of business from China go into Marina Bay Sands that otherwise for whatever reason right now might be hesitant to go to Macao?

**Rob Goldstein**

No. I don't think that's an issue at all. I think, the customers we've gotten to Singapore, it's foreign-based, as you know. Our growth proposition is interesting as we look at that business in Singapore. When we built that -- when Sheldon really developed that 13, 14 years ago we sat in this room and penciled that. And one thing we did, we couldn't have seen the dynamic growth Joe in the premium mass -- super premium mass that comes from all over the rim, and so we built a typical very nice hotel, but with lots of suites for high-rollers or rolling customers and lots of typical guest rooms for other. The evolution of the premium mass, especially the super premium mass from all our places, all over the rim, not just China has really changed the dynamic and that miss on our part, which we couldn't have seen it, we just were blind to it, it didn't exist. But that's why we're doing number four to make that tower really target specific, high level of focus on the premium mass customer that we don't get enough of them, and that's where the growth option resides in, in Singapore. The other piece I think we add to the Singapore discussion, this arena we're building, people don't quite understand the importance of that arena in Macao is breathtaking. When you look at our business, week-after-week, month-after-month we just can't get enough arena business there because the casino wants it so badly. It drives customers' decisions, when to come, where to stay. It's a ridiculous advantage that we don't have in Singapore and that will correct in a few couple of years, we opened four. But I think in Singapore, it's not about more business coming from China or less, it's about that property to achieve its total potential, taking the CapEx dollars we're going to deploy and being laser-focused on the segments that drive it, and that's the miss in Singapore in terms of -- we make a lot of money there, we're very proud of the operation, but there is so much more growth opportunity when we get the suites and rooms right, the entertainment right. It's going to be -- I think surprise people how much upside there is in Singapore. Very desirable place to visit, very safe, very user-friendly, enormous retail.

Our mall just continues to -- we were there last month, it's shocking how good it looks and feels. Our new nightclub business there. I just think we just have a lot of growth potential in Singapore, and it's going to be the entire rim. Wealthy people, affluent people who want an exceptional resort experience will come to Singapore.

**Operator**

Your next question comes from the line of Felicia Hendrix with Barclays.

**Felicia Hendrix**

Good afternoon and welcome back Sheldon, it's super nice to hear you there and comforting as well.

**Sheldon Adelson**

Super nice to hear me too.

**Rob Goldstein**

Always good to hear from you Felicia.

**Sheldon Adelson**

I haven't said A dividends for a long time.

**Felicia Hendrix**

It was nice to hear. So, just switching gears to Vegas, lodging is not a big part of your business in the chart, in the deck it showed that your table drop was down year-over-year in kind of both of those segments, for the market, we know that baccarat drop was down quarter-to-date through August, but mass drop was flat. So, just wondering on the mass side, was September down in the market or was that due just more to the types of conventions or groups you have in your casino, and I think in the past you've discussed that trying to improve that mix, so wondering where you are in the process.

**Rob Goldstein**

Not a specific answer for September. But, I will tell you that we are focusing on getting more of this mass and premium mass business in our building again with 7000 plus accommodations, we should be getting more of it. We're looking -- we obviously keep focusing on the room product, the suite product, more attractions more F&B. I'm very pleased where our casino is going. We've seen nice baccarat play throughout the year, it was a soft quarter you're right, relative to the previous but the mass and pre-mass growth opportunities are here, but I think as you know and you referenced earlier, Felicia, it's a lodging dominant market and will continue to be. Vegas is more -- from when I started in Vegas, it was gaming-centric, now it's lodging centric. And the guy who sits next to me, has a lot to do with that. But, I think the best days Las Vegas are ahead of us in terms of, as more MICE space comes to the market, as more things happen here, we welcome the competition, welcome all the wonderful things are happening all over the town. And so, we're not going to -- I don't think you can focus on Vegas gaming for a quarter, for a week or for a month and get too excited of the way, it's going to be a steady grind to a better place. We're not going to see -- I do -- I don't think you'll see as much Asian play in Las Vegas, as you've seen in the past, because the options in Asia are so damn good that it's hard to -- we still see great players show up occasionally, but the days of us dominating

Asian play, I think is over and the days of Vegas becoming probably the greatest lodging market in the world are here. And we won't be part of that transitional shift, since Sheldon authored it 20 years ago with the convention based focus. That's where I put my attention as I was looking at Las Vegas.

**Felicia Hendrix**

That makes sense. Thanks. And just switching gears to Japan. Just I think conventional wisdom, is that an integrated resort there would cost about $10 billion. So, I was just wondering if we can get a reality check on that.

**Rob Goldstein**

Yes, I am like, I am doing it right. It's a big number. Yes.

**Patrick Dumont**

Might be light.

**Felicia Hendrix**

Well, that's kind of what I'm wondering, is there any way to kind of...

**Rob Goldstein**

Don't wonder too hard. Patrick, and I spent way too much time in Japan in the last 6 months. I feel like I could write a guide book. I'll say this about it, it's extraordinary place. We really enjoyed going there, but to your point, sometimes I come back and to pinch myself, I think back to the days when we developed, The Venetian with Sheldon in Las Vegas 20 plus years ago, and I remember saying to myself, my god, I am part of a $1 billion development, and it seems kind of comical thinking back on it today that you can nearly build a nightclub today for $200 million in this town. So, the reference point that you make is very, very well thought out, $10 billion, $12 billion, it does give you pause and no matter -- I once came back from a trip, and I said to Sheldon, we were having coffee, I said think about it, you could spend the equivalent of what Sheldon has spent in China for many casinos and retail malls, you spend that in one building, one IR in Japan. No matter, how good you are at this business, that must give you pause and stop and think, is that prudent? Can you really deploy, can you get the return? We've had those discussions, and we've had them with the Japanese government. And so, our Chairman and our Board will make that decision ultimately, but we and -- Patrick and I, we have learned a lot, but that's a very fair question to ask, if any operator, not just us. You know we have the balance sheet and the capability and the skill set to do it. The question is, can we get a return that -- the guy to my left is going to endorse and his Board, and we're working through those issues right now. I think $10 billion is the starting point. And I don't think anybody's going to do for less than $10 billion, unless you're going to do something, sub par. So, it's a fair question to ask.

**Patrick Dumont**

Just to be clear, the $10 billion is likely in the prime city locations are being discussed. Right, there may be other locations in smaller cities besides the main cities of Japan, where the investment entry cost would be lower.

**Rob Goldstein**

But we're not in that business. We're not going to Hokkaido, we're not going to -- we're going to be in a top tier city which would mandate $10 billion, and that may be light. I mean the cost of building in Japan is a big issue and the way the deals are structured, it's a challenge. And we're the guys who -- we spent $6 billion years ago and we spent 13 or 14 and 15, we were used to writing big checks. But, all that money one IR does make you stop and pinch yourself and say, can you get the returns that your shareholders deserve.

**Felicia Hendrix**

So, there's kind of a cap and obvious follow-up to that, it seems like there could be a scenario where you guys just say, overall we're not going to get the kind of returns, and we'll let someone else participate in Japan?

**Rob Goldstein**

We're not there yet. It's always fair, anything we look at, we look at, in the end it's really Sheldon and the Board to make that decision. But, everything we look at is predicated on return on invested capital. We have a great balance sheet, the reason why we don't do the things just to do them. We do them because they make great sense for the company and I think Macao -- by the way, it's hard to be the opportunities we face in Macao and Singapore. Those two growth opportunities, we're spending billions in both -- but it's money that's so well spent. Our Macao results, I hope I can't wait for a couple of years now to see the results we're doing in the Macao, both in the Londoner and the Four Seasons . I can't wait to see the result of all the infrastructure, the government's doing there is exceptionally good for the market. It's been a great, and very enjoyable to watch Macao from a infrastructural development. The new trains coming to Gongbei, all the infrastructural improvements there are really helpful to the market, and as we have tip our hat to the government for doing that. Same thing in Singapore, what we're building there with that theater, and those new rooms is going to be a very, very good thing for this company in terms of invested capital returns.

Japan will take a little more thought process. We're starting, not writing off, we're deep into it and we'd like to be there, but to your point, we've got to make sure, at the end of the day, it's prudent and the returns Sheldon's always said 20. So, it's going to be a big number to make it work.

**Operator**

Your next question comes from the line of Shaun Kelley with Bank of America.

**Shaun Kelley**

Hi, good afternoon everyone and pass along my best wishes to you Mr. Adelson as well. Just wanted to touch on a couple of things. One, was just in the detail around the expansion that you're planning for the Cotai Strip. It looked like perhaps the timing or for the opening on the Four Seasons slipped a little bit, I think we've heard plenty about construction challenges in the market there. But, can you just give us an update on just general construction progress and timeline for some of the things that are scheduled to open and any chance at the Four Seasons or you do you have some rooms available for Chinese New Year?

**Rob Goldstein**

Shaun, that thing's referenced page 19 ongoing strategic reinvestment. Page 19 gives you a great snapshot of our timing on this thing. You're right, we had a little delay in some of the issues in the Macao, but I think we're going to get to these timelines that we feel pretty confident. That Four Seasons, pretty much -- there is gaming happening as we speak today in the Four Seasons Macao. There is a new gaming salons -- I think 13 tables open. We are working through the room issues. The rooms, by the way, there is 290 of them. These are immense 2,000 square foot to 4,700 square foot, so these are mind-blowing suites relative to the market today. The Londoner, again -- there's rooms open -- about 150 open currently already. The gaming salons have not started nor the facade, that will happen in 2020 and into 2021. There has been some slippage due to the process there, but it's moving ahead.

We have rooms opened in the Four Seasons? Yes, we will by Chinese New Year have some rooms open. But fully complete it probably, unfortunately, it will be second quarter of ‘20. My mom used to tell me, all good things are worth waiting for, they'll be worth waiting for. It's going to be a game changer; Four Seasons is a whole new place, a whole new world that will be the best product in Macao in terms of size and quality, and I think Londoner will be a very strong sister to the Venetian. So, that page is very -- it says it all. Tells you the dates and times, and it answers all your questions.

**Shaun Kelley**

Great, thanks. Thanks for the detail. And then, just as sort of a broader follow up and I appreciate that VIP remains a smaller and smaller portion of the business, but Rob, could you just give us your kind of color or thoughts on, specifically some of the -- we know about some of the challenges around, maybe specific junkets and some of the kind of credit policies, as it might relate to broader China. But your thoughts, specifically on some of these frontier markets because we hear that come up from time to time in our conversations with investors as well about, the Philippines and Cambodia and some of the competitive offerings there. So, just kind of what's your take from all the time you spend on the ground, and the market?

**Rob Goldstein**

Well, the numbers speak themselves in Macao. It's been challenging there, and I think the government will deal with those issues in the Philippines, etc, is not my area to comment on. I think whatever happens, you can read about it like I do, in terms of the Chinese government's take on all that, and we'll leave that to the government. As far as Macao, we've been doing this a long time. We've watched that market ebb and flow, and we're certainly in a difficult time period. I'd like to say, it always resurrects, and it always seems to have in the past I believe will get better. I just don't know when, I don't know how. As you referenced, it's about 7% or 8% of our composite EBITDA. But yet, it does have a value to us, we love to pick up some more profitability there. One thing we are doing by building the Four Seasons product, and even the Londoner, our portfolio is just tailor-made now for that junket space of the junket resurrection, if and when it happens.

I really don't want to pretend to know, how and when that comes back. I've been wrong in the past, thinking it will be a difficult time, and they were on some life support situations a couple of years ago and they climb back up the hill, all the way. I'm rooting for them, we want to see it get better, but it's hard for me. We spend a lot of time in Macao, listening to a lot of people, there is a lot of divergent opinions. I would say, we're rooting for that segment. We believe that segment will get better, but I just don't know how to be -- give you insight, that's valuable as to when and how it resurrects. So, without avoiding the question, that's an honest answer.

**Operator**

Your next question comes from the line of Robin Farley with UBS.

**Robin Farley**

Great. Thank you Sheldon, glad you're back, nice to have you back. Two questions. One is on Japan. There are some others that are talking about consortiums and partners in Japan, so I'm just wondering what your latest thoughts are on that and then I have a cash flow question.

**Patrick Dumont**

Sure. So, in Japan, we are very confident in our ability to execute in a rate of resort there, to the standards of all of our other developments. I think, it would be helpful for us to look in the Japan market and find partners that could be useful to assist in the overall development, and that could be partners that we trade with, that could be partners that invest with us. We're really meeting with people now, attempting to understand the dynamics of each individual market and looking to develop relationships to see how we can be helpful and they could be helpful to us. So, much like some of the other potential concessionaires in the market, we're looking around to see if it's viable, how it might work and what the mechanics would be, but it's something that could be very helpful if we come to the right structure and the right set up.

**Robin Farley**

Great, thank you. That sounds a little bit more open to partners, maybe than what we've heard before. That's helpful, thanks. And then my other question is on share repurchase, just looking at the amount of share repo in the quarter, it's like a bit lower than the run rate in the first half of this year and in 2018. Just what are your thoughts on share repurchase, what we should expect going forward, if there was something different about this quarter just getting more cautious because of VIP business or that kind of thing? Thanks.

**Patrick Dumont**

So, I think when our Board meets quarterly and when our management team talks with the Chairman, we really think about total capital allocation, and one thing that's been a hallmark of our Chairman's activities and developments as I said before is really that capital allocation. You can't just think of the share repurchase without considering our CapEx and our dividends. If you go to Page 29 and you look at the remarks that the Chairman made at the beginning the call, you'll see that we in effect committed to spend north of $5 billion over the next couple of years. And so, we think reinvesting in the business is a much stronger indication of our view of the potential growth that we have, versus return of capital through share repurchases. We've always said that the cornerstone of our capital return policy is the dividend. You see that the Chairman raised the dividend $0.08 for the upcoming year, which we're very excited about, we think it's very shareholder friendly. And, if you look at the capital expenditures that we intend to make this year, and in the years coming up we feel very strong, these will be very high return projects. And we think these projects will facilitate a much greater level of capital return over time. So, we're being very cautious with the way that we purchase shares, and as we said before, it's something that we would modulate as our cash flows become available. So, what you're really looking at is a holistic view of capital investment, the dividend cornerstone program and then excess cash flow being returned to shareholders through repurchases.

**Operator**

Your next question comes from the line of Jared Shojaian with Wolfe Research.

**Jared Shojaian**

And just to echo everyone's comments, Mr. Adelson really is great to see you doing better and to hear you on this call. So, just sticking with the VIP and the mass trends here. If I look at Slide 36, the VIP contraction has taken a step down obviously it's getting worse, but if I go back to slide 16, the mass GGR is actually accelerating here sequentially. So, I'd love to just get your thoughts on why you think mass has decoupled so significantly, why mass has really remained insulated from a lot of the -- some of the macro weakness we've seen in China?

**Rob Goldstein**

First of all, thank you for pointing out slide out, it's my favorite slide, I could look at it all day long. I think what you've seen is this become, I mean the investment proposition in Macao going back to beginning, was always 1 billion there or so people at your doorstep, that was always the whole idea of Macao, and all you're seeing now is the maturation of that thought process. VIP has created all kinds of headlines and all kinds of stops and starts, but the one thing that's always been true is -- the one thing that Sheldon really did when he built this thing, we built all these casinos back in the day, people just didn't understand it, well, how many do you need. While other people were thinking about it, we were building them. As people were talking about what they were going to build some day in ‘23 or ‘24, we're building it now.

So, we've never been reticent to spend money in Macao. We've always believed that the engine here would be, and should be, all those people across the border. And so, as we see this, this kind of makes us feel validated, and that slide you point out indicates the steady march towards ‘20, ‘22, ‘25, ‘30 who knows when it stops? My guess is, it doesn't stop. The only thing preventing more mass growth in Macao is infrastructure, which the government has done a great job. The trains are now going to soon -- at the end of the year more trains going right into the city. I mean, they're there bypassing Zhuhai into the Gongbei border crossing. More avenues are opening up. The infrastructure, the airport. So, it's no big surprise that the Chinese -- the mass business is growing and premium is growing. It's a very different business than the junket and the rolling business, always has been, which is much more capital dependent and money movement dependent and has all kinds of issues with it. So, to my way of thinking, this is the natural evolution of this market. Think of -- it's got a back -- we always say gambling is local, the only good thing in Macao is the local market's called China. It's a big local market back there, it's not California. And it's a growth market.

This is a very simple story; Chinese consumer, Chinese march towards success and middle class status is happening as we speak every day. That's why LVMH -- luxury companies can't wait to get there and have been getting there for years. That's our story, the growth -- the reason we're going to keep growing to $3 billion $3.5 billion and $4 billion is because we're building product to address that market and as the government gives us the infrastructure and gives us the airport and trains, we build the rooms and give them all the things they want. There is no reason why it shouldn't keep growing, it is growing and that's why that's where we're focused. The junket business and the rolling business was always a wonderful side business, it's always been helpful. We welcome it. But you're not going to -- the margins there just dictate that you can't invest too much capital, and expect it to make a great return. Our business as you see, even with all the macro concerns in the market today, our business keeps marching forward 8%, 9%, 10% 12% growth quarter-after-quarter.

The slide you referenced indicative of a backyard called China, and the backyard people are getting richer by the day, they want to gamble and -- by the way, if you've been to Macao recently, it's more from a place that wasn't so terrific to an incredible place to visit now. The people want to come because it's great. The rooms are great, the food is great, the retail, the shows, it has at all, and I think that's why it's happening. It's not going to stop, right. We're at the epicenter of that. Our investments -- what this Board authorized a couple of years ago to put a few billion dollars more into Macao, we want to invest more money in Macao. We're complete bulls on the growth and future of Macao, that's why Sheldon and the Board said, do the Londoner, do the Four Seasons, keep building more. When we get the green light from the government, we love to build more sleeping rooms, and more retail, and more restaurants and more entertainment, because that's the future Macao. It's not going to stop. I mean Macao has proven to be very resilient, and to your point despite the -- it's decoupled, it doesn't stop growing. In fact, the decoupling is accelerating. And also, you should know that the driver of that premium mass customer is a younger, more affluent, lifestyle driven person he or she is 35, 45 50 years old, they want the best things, they want the rooms, they want the entertainment, they want the food, they want the retail that we offer.

It's not simply a gambling play and that customer is not capital dependent on the junket side. They're very independent of the junket. So, it's both a higher margin customer, it's growing by the day and there is no reason to stop. In fact, just the opposite, it will keep growing and that slide is why that's the powerhouse of Macao. The growth is just incredible, it's just -- $15 million, $17 million $20 million, $22 million. Why would it stop? It won't. So, we're very pleased to see it. Our products speak to it, we keep investing there, and we're very grateful to be there.

**Operator**

And with that, we have reached our allotted time for question. We thank you for your participation and ask that you please disconnect your line.