Las Vegas Sands Corp. confident it will keep Macao gaming license

By Richard N. Velotta Las Vegas Review-Journal
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Las Vegas Sands Corp. CEO Rob Goldstein said Wednesday that the company expects to continue operating in Macao after the government there reconsiders gaming licenses next year.

“I think the government has recognized that we’ve been awfully good licensees, partners and friends with China and Macao. So I really don’t think (losing licenses) is a possibility,” Goldstein said during an earnings conference call.

Goldstein, responding to an investor’s question, noted he apologized if he sounded “like a broken record, but the truth is we’ve been doing this for a couple of decades and we have an unparalleled track record.”

Sands is the market leader with six properties in the Chinese enclave near Hong Kong, would continue to operate once the government reviews concessions granted two decades ago.

He cited the company investing more than $15 billion in Macao and generating more than $4 billion in cash flow that helped generate tax revenue.

“We’re very proud of our track record, our developments and our investments,” he said. “I think the government has recognized that we’ve been awfully good licensees, partners and friends with China and Macao. So I really don’t think (losing licenses) is a possibility.”

License review

Macao is in the midst of a 45-day public consultation, a series of public hearings on new gaming laws. Sands’ gaming license is set to expire June 26, but there have been reports that date could be extended.

Brendan Bussmann, director of government affairs for Las Vegas-based Global Market Advisors, said last month that he expects Sands and two other Las Vegas-based companies, MGM Resorts International and Wynn Resorts Ltd., would be allowed to continue operations after the government review.

The investor making the inquiry said he wants to ease his clients’ concerns about the concession renewal process since the Chinese government has been unclear about its intent.

Macao is the most important market in Sands' portfolio. The company underscored that earlier this year when it announced its plans to sell its flagship resort and convention center properties in Las Vegas — The Venetian, Palazzo and The Venetian Expo — to affiliates of Apollo Global Management Inc. and Vici Properties Inc.

The $6.25 billion deal is expected to close in early 2022 after regulatory approvals.

Under terms of the deal, New York-based Apollo, founded by real estate investor and former CEO Leon Black, would pay $1.05 billion in cash and $1.2 billion in seller financing in the form of a term loan credit and security agreement.

New York-based Vici, a real estate investment trust affiliated with Caesars Entertainment Inc., would pay $4 billion in the transaction.

Las Vegas Sands reported net losses in the third quarter, continuing a stream of net losses that began in the first quarter of 2020.

The company reported a net loss of $495 million, 48 cents a share, on revenue of $857 million for the quarter that ended Sept. 30. That compares with a net loss of $731 million, 74 cents a share, on revenue of $446 million in the same quarter a year ago.

Executives blamed the sluggish Macao market for the performance.

Grant Chum, chief operating officer of Sands China Ltd., and Sands China President Wilfred Wong, both based in Macao, said the market experienced a series of starts and stops in visitation during the quarter as a result of the government relaxation of border controls, followed by new coronavirus outbreaks in several cities.

Rebound in Macao expected

Goldstein said the company expects better results in 2022, anticipating the Macao market will come roaring back in the same way Las Vegas has, once virus cases decline and the number of vaccinations rises.

Goldstein said he couldn't predict when a turnaround would occur after he was asked if the 2022 Winter Olympic Games in China could stimulate visitation.

In Las Vegas during the third quarter, Sands properties generated $399 million in net revenue compared with $141 million in the third quarter of 2020. Table game drop, the amount wagered, was $440 million with 20.7 percent hold, the amount won. That compares with a $141 million drop and 8 percent hold in the third quarter of 2020.

Slot machine handle was $1.057 billion with an 8.7 percent hold, compared with $588 million handle and 8.4 percent hold in 2020.

The Venetian and Palazzo reported a 96.9 percent occupancy rate and an average daily room rate of $228 for the quarter compared with 43.7 percent and a room rate of $174 for the third quarter of 2020.

New York-based Deutsche Bank gaming analyst Carlo Santarelli told customers in a report that Sands' Macao hotels had an occupancy rate of 45.3 percent and average daily room rate of $160 for the quarter, compared with 7.5 percent and $154 in 2020.

Company executives said it was too early to detail the company's digital gaming plans and Chief Financial Officer Patrick Dumont said the company would start slowly on its efforts to develop its own sports wagering system.

With the company soon exiting the Las Vegas gaming market, officials disclosed earlier this month that they had acquired two office buildings and a parking garage on Durango Drive, just south of Hacienda Avenue, for $21.55 million.

Las Vegas Sands shares, traded on the New York Stock Exchange, on Wednesday closed down 78 cents, 1.9 percent, to $39.52 a share on average volume. After hours, the stock continued to slide by 81 cents, 2 percent, to $38.71 a share.

The Review-Journal is owned by the family of Dr. Miriam Adelson, the majority shareholder of Las Vegas Sands Corp., which operates The Venetian and Palazzo.

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Las Vegas Sands Corp.

Third-quarter revenue and earnings for Las Vegas-based Las Vegas Sands Corp., operators of The Venetian and Palazzo on the Strip and resorts in Macao and Singapore. (NYSE: LVS)

Revenue

3Q 2021: $857 million

3Q 2020: $446 million

Change: +92.2%

Net (loss)

3Q 2021: ($495 million)

3Q 2020: ($731 million)

(Loss) per share

3Q 2021: ($0.48)

3Q 2020: ($0.74)