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Q2 2019 Melco Resorts & Entertainment Ltd Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for participating in the second quarter 2019 earnings conference of Melco Resorts & Entertainment Limited. (Operator Instructions) Today's conference is being recorded. I would now like to turn the call over to Mr. Richard Huang, Director of Investor Relations of Melco Resorts & Entertainment Limited. Thank you.

Richard Huang *Melco Resorts & Entertainment Limited - Director of IR*

Thank you, operator. Thank you all for joining us today for our second quarter 2019 earnings call. On the call today are Lawrence Ho; Geoff Davis; and our Property Presidents in Macau and Manila.

Before we get started, please note that today's discussion may contain forward-looking statements made under the safe harbor provision of federal securities law. Our actual results could differ from our anticipated results.

I will now turn the call over to Lawrence.

Lawrence Ho *Melco Resorts & Entertainment Limited - Chairman & CEO*

Thank you, Richard, and hello, everyone. During the second quarter despite macroeconomic headwinds, Melco reported record property EBITDA of \$442 million, which represents year-over-year growth of 24%. Our Macau Integrated Resorts have gone from strength to strength with mass table gaming revenue growth having more than tripled from 9% in the first quarter to 29% in the second quarter.

Also despite market wide VIP softness, Melco still managed to deliver modest VIP revenue growth, which implies that the company took significant market share in both the mass and the VIP gaming segment during the second quarter.

Our flagship property, City of Dreams Macau, has been firing on all cylinders. Helped by the further ramp-up of Morpheus and the opening of the new VIP area on the second floor, VIP volumes and mass table gaming revenues both saw meaningful expansion, which drove property EBITDA growth of 46% year-over-year.

Studio City, our cinematically-themed integrated resort, also delivered impressive results benefiting from unique targeted casino marketing programs and the opening of a series of new non-gaming entertainment attractions in the first half of 2019. These programs helped Studio City to deliver its second consecutive quarter of record mass table gaming revenue, which drove property EBITDA growth of 29% year-over-year.

Our luxury boutique casino resort, - Altira, experienced the same mass gaming strength, with mass table gaming revenue expanding close to 30% year-over-year.



With growth in the mass gaming segment significantly outpacing that of VIP, Melco's earnings mix continues to improve with over 90% of our Macau EBITDA contributed by non-VIP segment. We remain highly confident in Macau's mass gaming driven growth, buoyed by the growing Chinese middle-class, new integrated resort openings and significant infrastructure upgrades, including the recently opened Hong Kong-Zhuhai-Macau Bridge, and the upcoming extension of China's high-speed rail network that will make Macau even more accessible.

Going forward, we will continue to invest heavily in Macau to further upgrade our resorts, to expand our asset footprint and to assist the Macau government in further enhancing the SAR's position as a world leading travel and entertainment destination.

At City of Dreams Macau upgrade works are currently ongoing to expand our premium mass and VIP gaming spaces. Renovation of Nüwa is also expected to start in 2020.

Over at Studio City, the 'Flip Out' Trampoline Park opened in May, while the 50,000 square feet Legend Heroes VR Park is expected to open soon. We expect these new entertainment attractions to further elevate the mass gaming and non-gaming appeal of the property.

Our next major project in Macau will be the further expansion of Studio City. We have budgeted \$1.35 billion to \$1.40 billion for the Studio City expansion, which is expected to have 2 hotel towers, a Cineplex, one of the world's largest indoor water parks and additional gaming space.

During the second quarter, the company has also made 3 important corporate announcements. First, Melco Resorts Philippines was delisted from the Philippines Stock Exchange effective June 11th.

Second, in May 2019, Melco entered into an agreement to acquire a 19.99% stake in Crown Resorts. The investment is an incredible opportunity to purchase a strategic stake in Australia's leading integrated resort operator.

Third, Melco Resorts has in June, entered into a definitive agreement to acquire from Melco International its 75% equity interest in ICR Cyprus, which is the developer of City of Dreams Mediterranean. City of Dreams Mediterranean is expected to be the largest integrated resort in Europe targeted for opening in 2021 with over 100 gaming tables, over 1,000 slot machines and approximately 500 hotel rooms.

We believe the delisting of Melco Philippines results in a simpler corporate structure, while the investment in Crown and in ICR Cyprus will allow for an expanded asset footprint and a significantly improved long-term growth trajectory.

Finally, we have been working diligently in Japan. At the first Japan IR expo in Osaka, we released images of our proposed Osaka IR, City of the Future, which should give relevant stakeholders a better idea of our vision for Japan. We have also participated in the Yokohama RFI, and will participate in the Osaka RFC process.

We believe the license bidding process remains on track to start in 2020. Our focus on the Asian premium segment, a portfolio of high-quality assets, devotion to craftsmanship, dedication to world-class entertainment offerings, market-leading social safeguard systems, established track record of successful partnerships, culture of exceptional guest service and commitment to employee development will put Melco in a strong position to help Japan realize the vision of developing world leading IR with a unique Japanese touch.

With that, I will turn the call over to Geoff to go for some of the numbers.

Geoffrey Stuart Davis Melco Resorts & Entertainment Limited - Executive VP & CFO

Thank you, Lawrence. I would like to start by highlighting a change in methodology used to compute our luck-adjusted EBITDA. As of the second quarter of 2019, our luck-adjusted EBITDA will be calculated by using a normalized VIP win rate of 3.00%. Prior to the revision, we used a normalized VIP win rate of 2.85%. The change was a result of a consistent increase in the VIP win rate that we have experienced over the past 3 years. Please refer to our earnings presentation made available on our Investor Relations website for the detailed impact

resulting from this change.

Now moving on to the highlights of our second quarter results, we reported group-wide property EBITDA of approximately \$442 million in the second quarter of 2019, increasing by 24% from the second quarter of 2018, while luck-adjusted property EBITDA increased 8% year-over-year to \$389 million. A favorable VIP win rate positively affected EBITDA at COD Manila and COD Macau by approximately \$32 million and \$26 million, respectively. At Studio City, EBITDA was negatively affected by an unfavorable VIP win rate by approximately \$5 million.

In addition to the VIP win rate fluctuation, our performance was affected by an increase in the provision for a one-time special award to all eligible non-management employees to reflect the announced payment date. The provision increase has negatively affected EBITDA by approximately \$8 million quarter-over-quarter and approximately \$16 million year-over-year.

Last, to continuously improve the retail shopping experience at Studio City, we have offered one-time rent relief to some of our tenants, which resulted in a \$12 million impairment charge to our deferred rent asset. The impairment charge negatively affected revenue and EBITDA by approximately \$12 million but it has an immaterial impact to the cash flow generated by Studio City during the quarter.

Adjusting for luck and the aforementioned one-offs, the property EBITDA margin in Macau during the second quarter was approximately 29%, up approximately 20 basis points quarter-over-quarter and up approximately 270 basis points year-over-year.

In the Philippines, COD Manila delivered luck-adjusted EBITDA of approximately \$51 million, representing a decline of 26% year-over-year. The luck-adjusted EBITDA margin at COD Manila declined by approximately 530 basis points quarter-over-quarter and approximately 810 basis points year-over-year to 37%.

Moving on to capital management, the Board has increased the quarterly cash dividend by 6% to \$0.165 per ADS. In June, the company announced it had canceled 82 million treasury shares, which is equivalent to \$27.3 million ADS.

To provide more clarity regarding our capital structure within our core or wholly-owned group, we had cash of approximately \$560 million and gross debt of approximately \$2.9 billion at the end of the second quarter of 2019, excluding Studio City and the Philippines.

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

Total depreciation and amortization expense is expected to be approximately \$160 million to \$165 million. Corporate expense is expected to come in at approximately \$32 million to \$34 million. Consolidated net interest expense is expected to be approximately \$86 million to \$88 million, which includes finance lease interest of \$10 million relating to City of Dreams Manila.

For the upcoming quarter, we do not anticipate any capitalized interest payment.

For those that follow City of Dreams Manila more closely, our building lease payment for the second quarter of 2019 was approximately \$10 million.

That concludes our prepared remarks. Operator, back to you for the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question we have is from the line of Joe Greff from JPMorgan.

Joseph Richard Greff JP Morgan Chase & Co, Research Division - MD

My first question relates to City of Dreams Macau and obviously that property outperforming meaningfully on both mass and in rolling chip volumes. When you look back at the 2Q, how even was this relative strength? Was it concentrated to May? I know you mentioned in



the last conference call that May Golden Week was probably one of the best you have seen in the last few years here. And then related to the property and given this relative strength, maybe you can talk, if David is on the line, what are you specifically doing differently with Morpheus now? I know you talked about some of the things that have opened up there, but some of the things that you're doing now versus say 6 months ago, and then lastly, related to this property can you talk specifically what you're seeing so far in July with respect to mass and rolling chip volumes? And that's all for me.

David Ross Sisk Melco Resorts & Entertainment Limited - Property President of City of Dreams-Macau

Joe, it's David. So it's a variety of things that we have seen. And one of the things with the VIP is, we have been seeing strength ever since we opened up the new space, which occurred right around CNY. January was not such a great VIP month for us, but since we've opened up a new space and we really started cranking up with Morpheus, we've seen really good growth within our VIP business. We're very optimistic about it as we look out for the future with that as well, we've not seen really much of a slowdown and anything we have done to this point. So again, the space has been very well received. We just opened up 2 additional spaces last week. We've got a few more spaces to go for the final renovation, but again, the space has been great, Morpheus has been great for us. We've also had a really good experience with our employees and our relationships with the junkets continue to get better and better as they really love this space.

In relation to Morpheus and some of the things that we have done over the last 6 months, again, I just want to time things, when we talked about this asset we opened up Morpheus after the second quarter call. We talked about it, it takes time to ramp things up a bit, we thought we would be hitting our stride as we got into the fourth quarter. I think you saw that in our numbers and the revenue numbers for the fourth quarter continues to grow. We continue to get really good, good feedback on Morpheus. As we've gone forward, we really are looking to try to optimize where we can with Morpheus with the best possible customers in there. We're also trying to drive a better cash ADR at Morpheus as well given the level of demand that we're seeing. And we're also kind of seeing that trickle over quite a bit to our premium mass customers with our premium mass spaces as well.

Joseph Richard Greff JP Morgan Chase & Co, Research Division - MD

Great. And has this relative outperformance continued thus far in July?

David Ross Sisk Melco Resorts & Entertainment Limited - Property President of City of Dreams-Macau

We're pleased with what we're seeing in July and going forward hopefully.

Operator

The next question we have is from the line of Anil Daswani from Citi.

Anil Jeevan Daswani Citigroup Inc, Research Division - MD and Head of Global Gaming Research & Hong Kong Country Research

My first question is following on a little bit on Joe's with regards to COD. Could you comment a little bit about the mass gaming side? I mean, there was a modest pickup in the hold rate from 31.5 to 31.6. Do you see this being able to return to the sort of low 30 to 33 type level that we saw in the fourth quarter? Or is this kind of the run rate that we should be forecasting going forward? And obviously some very good progress made so far in the table drop, is that sustainable? That's my first question.

David Ross Sisk Melco Resorts & Entertainment Limited - Property President of City of Dreams-Macau

Anil, it's David. Yes, I think, with the low 30s we're fairly comfortable in that. Let's say that 31 to 33, we're fairly comfortable in that range. Again, a lot of this has been driven by the 4 interims that we have opened up the floor. We've got Morpheus, which again is incredibly popular with our customers. But as we've opened up the floor, we went to optimize with our betting limits. We've really worked really hard with our marketing people. We've got great marketing people and what they've done in terms of building better relationships with our customers, which is kind of a reversal from when we first came in here in January of '18. So we've got a much better relationship with those customers which is increasing the level of play, the longer they play, it helps our hold percentage, so like I said, we're very, very optimistic as we go forward here.

Anil Jeevan Daswani Citigroup Inc, Research Division - MD and Head of Global Gaming Research & Hong Kong Country Research

David, as a follow on to that when the high speed rail connectivity opens, does that drive this mass market hold rate up for the whole market because obviously those players get to be in Macau for a longer period of time because of the efficiencies of that high speed rail?

Lawrence Ho Melco Resorts & Entertainment Limited - Chairman & CEO

Anil, it's Lawrence here. I think ultimately with improved infrastructure, it is only going to be better news for Macau. And we've already seen the impact of the Hong Kong-Zhuhai-Macau Bridge, with the high-speed rail both the Macau one and also linking it into the main Chinese rail system hopefully in due course, it's going to be exciting because Macau is right in the middle of the Greater Bay Area and with all of the development and emphasis from the national policy to develop the Greater Bay, Macau is the main beneficiary from a tourism standpoint. So I would assume every little thing helps in terms of improving accessibility and I think we look forward to those coming online.

Anil Jeevan Daswani Citigroup Inc, Research Division - MD and Head of Global Gaming Research & Hong Kong Country Research

Okay. Geoff, one for you. You mentioned a funding cost of about \$1.35 billion to \$1.4 billion for Studio City Phase 2. Could you give us an idea of how you guys intend to fund that new CapEx that you have at Studio City?

Geoffrey Stuart Davis Melco Resorts & Entertainment Limited - Executive VP & CFO

Anil, so based on our outlook for profitability at Studio City, given the significant cash on hand, cash flow from operations and some additional borrowings, that's really the plan for funding Phase 2. Now, of course, if things were to change, we have the listing as another avenue for raising capital, but at the moment, our plan is definitively cash on hand, cash from operations and additional borrowings. No plan to issue additional equity for Phase 2 at the moment.

Anil Jeevan Daswani Citigroup Inc, Research Division - MD and Head of Global Gaming Research & Hong Kong Country Research

Okay. And sorry my last question. Could Lawrence, you comment a little bit about, you know, if there is any impact from Sun City's recent issues surrounding proxy bidding in your Philippines operations?

Lawrence Ho Melco Resorts & Entertainment Limited - Chairman & CEO

I will let Kevin answer that.

Kevin Richard Benning Melco Resorts & Entertainment Limited - Senior VP & COO at City of Dreams Manila

At the City of Dreams Manila we have ceased providing video feeds for marketing purposes. At this point, it's too hard to draw any conclusions on business trends, but we'll continue to monitor and assess. At the same time, our core business continues to be premium mass and slots and that's where we continue to focus our efforts.

Operator

And the next question we have is from the line of Billy Ng from Bank of America.

Hay Ling Ng BofA Merrill Lynch, Research Division - Research Analyst

Congratulations on very good results. I have 2 questions. The first question is just to follow up on Anil and Joe's questions on COD and the potential of further ramp up. I think in the past you guys mentioned about 20% ROIC target and it seems like we are almost there already. So in the next few quarters, what else can you guys do in terms of more capacity or increasing like in 1Q you guys set up the junket rings and then we see the results in 2Q. Anything you can highlight to kind push the ceiling of the potential of COD in the next few quarters?

Geoffrey Stuart Davis Melco Resorts & Entertainment Limited - Executive VP & CFO

This is Geoff. So from a long-term perspective, nothing has changed in our long-term ROI expectation. Let me now let David follow up with any additional color on trends.

David Ross Sisk Melco Resorts & Entertainment Limited - Property President of City of Dreams-Macau

Sure. Again, I think we're still in the early innings at the ramp up from Morpheus. And again, it's not just Morpheus, we've also done a lot of work obviously in the VIP area and the main gaming floor. We're getting ready to do work at the newest tower. We've got Countdown that we're going to do work in, we've got the Hyatt. So again, it's just kind of refreshing of the property. So we think there is still a lot of ramp to build.

Hay Ling Ng BofA Merrill Lynch, Research Division - Research Analyst

And second question actually is for Lawrence. We saw some interviews in that you mentioned about potential restructure or potential merger between ZOOHK Melco International and MLCO. I know that you also mentioned maybe it will, we will have to wait until the license renewal process to complete. But could you share a little bit more about your thoughts and the overall thought process behind the potential if there is any restructure angle?

Lawrence Ho Melco Resorts & Entertainment Limited - Chairman & CEO

Billy, I don't think we've ever publicly said anything about that. And to be honest, I really have no intention and neither company nor its Boards have any intention of merging. Melco International has a different mandate from Melco Resorts, but I think with what we have done recently simplifying the corporate structure by delisting in the Philippines, by buying Cyprus into Melco Resorts clearly show shareholders that both gaming-related development and activities will be at Melco Resorts and Entertainment, whereas Melco International continues to have its own mandate and look at different things. So there is absolutely zero intention to merge the 2 entities at this stage.

Operator

And the next question we have is from the line of Harry Curtis from Instinet.

Harry Croyle Curtis Instinet, LLC, Research Division - MD and Senior Analyst of Gaming, Leisure & Lodging

Just a quick follow up on the VIP list in Macau. Has there been any meaningful change in the commission structure with the junkets or is that pretty much business as usual?

David Ross Sisk Melco Resorts & Entertainment Limited - Property President of City of Dreams-Macau

Harry, it's David. No, it is business as usual. In fact, we're trying to obviously maintain our cost structure as much as we possibly can, which again, one of reasons for Morpheus is, it's a great product, we charge a higher comp rate for that than any of our other hotels. So no, we're not messing with the structure at all.

Harry Croyle Curtis Instinet, LLC, Research Division - MD and Senior Analyst of Gaming, Leisure & Lodging

Okay. And then a follow-up question for Lawrence. Have you guys been working with the government on the timing of the expansion at Studio City? And have you gotten -- have you submitted the construction drawings and gotten permitting at this point? Or is it that still too early?

Lawrence Ho Melco Resorts & Entertainment Limited - Chairman & CEO

No. Look we've been working on that and we've talked about it on various calls quite some time. But I think, we have made some headways, a lot of the ground preparation, site preparation works have been done. And we're hopeful that we can commence piling mobilization by the middle of September. And so things are moving finally.

Harry Croyle Curtis Instinet, LLC, Research Division - MD and Senior Analyst of Gaming, Leisure & Lodging

Okay. And then that leads to my last brief question, which is, has -- in your conversations with the government, has there been any indication or body language on what their expectations are for or from you as far as capital investment and the future development in an effort to extend the gaming concessions?

Lawrence Ho Melco Resorts & Entertainment Limited - Chairman & CEO

To be honest, the message that they have given us over the years and it's been very, very consistent for the last 15, 20 years, which is, they want further diversification of Macau. And I think out of all of our competitors, we've probably done the most on that. And when they did say midterm review back in 2015, 2016, we also -- Melco came out on top on most of the categories. And as you know, this year there is going to be a change in administration, there will be a new Chief Executive elected soon. He's going to take office at the end of the year as part of the 20th Anniversary of the Handover of Macau to China. And so I think they're going to have to, the administration and the new CE is going to have some time. But based on -- they need some time to sort out the affairs, but I think based on the messaging that we've heard is really status quo and following on the same of making Macau -- continue to make Macau the leading tourism and entertainment center in the world and certainly within the -- within this region.



Harry Croyle Curtis *Instinet, LLC, Research Division - MD and Senior Analyst of Gaming, Leisure & Lodging*

I guess, what I'm trying to get at is do you think that the Studio City incremental investment gets you pretty far down the road in exhibiting that interest to diversify? Or do you think that there is going to be a more incremental investment that's going to be required in? And that's my last question.

Lawrence Ho *Melco Resorts & Entertainment Limited - Chairman & CEO*

I think, again, it's too early to say. I don't know what the Macau Government would like us to do in terms of extending our concession when it comes due in 2022. But I think the issue with Macau is it's the lack of land. So if there was an opportunity, we would love to invest even more into Macau if there was more sites, but we all know that that's not possible. So I don't know at this stage what the requirements will be.

Operator

And the next question we have is from the line of Praveen Choudhary with Morgan Stanley.

Praveen Kumar Choudhary *Morgan Stanley, Research Division - MD*

Couple of questions for me. One, would you able to talk a little bit about the Cyprus business and when can we see EBITDA contribution from the business even the satellite business can that contribute in Q3 and going forward? Second question is related to the gaming level, for Geoff. Does the gaming level at the end of June include all the \$1.2 billion that has been spent on Crown or just half of it so that we know whether we should add that in Q3 or not? And yes, that's it for me.

Geoffrey Stuart Davis *Melco Resorts & Entertainment Limited - Executive VP & CFO*

Okay. So it's Geoff. On Crown, only the first tranche has closed. So the second tranche will happen sometime before the end of September. And when we think about financing that, we are exploring different options, but we intend to use the asset itself to help with the funding solution. On Cyprus, when that transaction closes that will be fully consolidated into the Melco consolidated P&L. And it's already cash flow positive. So we are at a run rate of somewhere between -- with just the temporary in 2 satellites of USD 25 million to USD 30 million.

Praveen Kumar Choudhary *Morgan Stanley, Research Division - MD*

Great. And then maybe if I can add one more question. The CapEx number that you've provided for this quarter \$173 million. Would you be able to break down in terms of where is this going? I'm just trying to different -- separate the maintenance versus other costs please?

Geoffrey Stuart Davis *Melco Resorts & Entertainment Limited - Executive VP & CFO*

Well, of that amount, a significant majority of that was related to the addition to our corporate fleet and the remainder was primarily at City of Dreams.

Praveen Kumar Choudhary *Morgan Stanley, Research Division - MD*

Okay. Again, very, very good quarter. So congratulations to the team.

Geoffrey Stuart Davis *Melco Resorts & Entertainment Limited - Executive VP & CFO*

Thank you. And just anticipating sort of looking forward CapEx question. For each of the third quarter and fourth quarter we're looking for about \$120 million of CapEx and that is prior to any spending for Studio City Phase 2.

Operator

Our next question is from the line of Edward Engel from Macquarie.

Edward Lee Engel *Macquarie Research - Analyst*

Congrats on a great quarter. Is there something structural going on driving that higher expected rolling chip win rate range?

Geoffrey Stuart Davis Melco Resorts & Entertainment Limited - Executive VP & CFO

Our decision to move from 2.85% to 3% was really based on historical results. So we've seen, while in the first 10 years or so, 8, 9, 10 years 2.85 seems -- the actual results supported that number. Over the last 3 years, we have seen something at 3% or greater at -- in Macau and even higher win rates in the Philippines. So we felt after 3 years of historical results supporting that level, it was time to make the change. So nothing really structural to think of going forward, it's just a reflection of activity on the ground over the last few years.

Edward Lee Engel Macquarie Research - Analyst

Great. And then at City of Dreams did you play unlucky on mass tables, again?

David Ross Sisk Melco Resorts & Entertainment Limited - Property President of City of Dreams-Macau

I'm sorry. I still got pretty good mass table wins.

Edward Lee Engel Macquarie Research - Analyst

Last quarter you said you played unlucky on premium mass at City of Dreams.

Lawrence Ho Melco Resorts & Entertainment Limited - Chairman & CEO

When I said last quarter, we played unlucky towards the end of March, a little bit, so we didn't quite close as well, but now we're strong through the whole quarter and we continue to see strength.

Operator

The next question we have is from the line of Jared Shojaian from Wolfe Research.

Jared H. Shojaian Wolfe Research, LLC - Director & Senior Analyst

Geoff, can you just expand on 2 of the items you called out specifically the negative \$8 million on the provision quarter-over-quarter, why did that get worse from first quarter and then the one-time rent relief, what drove that decision? And then you said this hits EBITDA, but does it also hit property EBITDA?

Geoffrey Stuart Davis Melco Resorts & Entertainment Limited - Executive VP & CFO

So for the rental relief, maybe I'll let my colleague, Geoff, discuss the commercial rationale behind that, but it was to enhance our retail offering and that hit both revenue and EBITDA.

Geoffrey Philip Andres Melco Resorts & Entertainment Limited - Studio City Property President

So on the rent relief issues, as you know, we were planning our Phase 2, which is going to be pretty spectacular and that's opening down the road. So we needed to find a good win-win arrangement with our partners that kind of bridges between now and Phase 2 and also gives us flexibility as we reimagine our retail with the Phase 2 coming online. So it's really about planning for the future.

Lawrence Ho Melco Resorts & Entertainment Limited - Chairman & CEO

And on the provision for the one-time special award to non-management employees, as you know, we have had that accruing for that award, but we accelerated the payment date as we had announced previously. So we needed to have effectively a catch-up accrual to put us on pace for that payment date rather than a later date that we've previously assumed.

Jared H. Shojaian Wolfe Research, LLC - Director & Senior Analyst

Right. Okay. And I guess what I'm kind of getting at is, I mean, the combined \$20 million was from 1Q. Is that sort of one-time? Or do you expect 3Q, you're still going to have this headwind again? Or does it flip back \$20 million in the 3Q? I am sorry, I didn't understand you correctly, is this in the property EBITDA number or just in your adjusted EBITDA?

Geoffrey Stuart Davis Melco Resorts & Entertainment Limited - Executive VP & CFO

So it was a charge that impacted reported EBITDA, as supplementary information, we're providing this information within reported EBITDA. We have the retail restructuring charge, and also wanted to highlight across both Macau and Manila the impact of the acceleration of the pay date for the one-time special gift. Now we'll have to make a decision at the appropriate time as to whether or not

there will be an accrual beyond that one-time time special gift and that will be the decision that we will look at in due course. But we will still have at least 2 quarters of accrual at a normal rate for the one-time special gift for the first 2 months of the third quarter.

Jared H. Shojaian Wolfe Research, LLC - Director & Senior Analyst

Got it. Okay. That's helpful. And then shifting gears on Cyprus. Is there any CapEx that's left to spend at COD Mediterranean? Or has that pretty much been absorbed by, I guess, the prior owner? And can you just talk about why MLCO decided to take on that stake? And maybe how you're thinking about the returns of that project? Is that sort of in your 20% ROI kind of hurdle rate? And should we be thinking about it like that?

Geoffrey Stuart Davis Melco Resorts & Entertainment Limited - Executive VP & CFO

Well, maybe I'll handle the numbers question and hand it over to Lawrence for the strategic answer. While we've been very happy with the initial results with the temporary facility in the satellites, today we really only completed the foundation or piling work for the permanent. So the vast majority of the CapEx related to that project still is pending.

Lawrence Ho Melco Resorts & Entertainment Limited - Chairman & CEO

On the strategic rationale, the City of Dreams Mediterranean project is going to be the largest integrated resort in Europe. And for Melco Resorts and Entertainment, our goal has always been to be more global and to give our guests more different and unique experiences. So I think with the positioning of what Cyprus is, it surely fits into our profile and where we want to take the company next.

Geoffrey Stuart Davis Melco Resorts & Entertainment Limited - Executive VP & CFO

And from our perspective, no need to alter our long-term ROI expectations for the Cyprus project. We think it's a terrific investment, a great opportunity, and we're looking for very solid returns.

Jared H. Shojaian Wolfe Research, LLC - Director & Senior Analyst

Great. And then just 1 last one, if I may. Studio City had better volume sequentially from last quarter on both VIP and mass. And the mass win rates were also better, I mean, obviously really strong results. Is this entirely a function of some of the casino marketing that you called out? Or were there some other factors?

Geoffrey Philip Andres Melco Resorts & Entertainment Limited - Studio City Property President

Jared, this is Geoff Andres. It's not just one thing, it is a lot of factors. We continue to bring on additional amenities to Studio City. We've opened up 3 new restaurants this year, a Wonton/Dumpling Restaurant, a great new pizzeria where our chairman had dinner tonight, Hidemasa has been a fantastic store for us. And the Flip Out Trampoline Park and VR is starting to catch some traction and really the place is just getting more and more activated and coming to life. And then you couple that with really some very positive, good targeted casino marketing activities and the team in the casino sales is doing a great job and it just all came together and worked well for the second quarter.

Operator

Thank you. There are no further questions at this time. I would now like to hand the conference back to Mr. Richard Huang. Please continue.

Richard Huang Melco Resorts & Entertainment Limited - Director of IR

All right. Thank you all for dialing in tonight. We look forward to speaking with you, again, next quarter.

Operator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.

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