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MPEL - Q1 2016 Melco Crown Entertainment Limited Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the first quarter of 2016 Melco Crown Entertainment Limited earnings conference call. (Operator Instructions). I must advise this conference is being recorded today, May 4, 2016.

I would now like to hand the conference over to your first speaker for today, Mr. Ross Dunwoody, Vice President of Investor Relations. Please go ahead, sir.

Ross Dunwoody - *Melco Crown Entertainment Limited - VP IR*

Thank you for joining us today for our first quarter 2016 earnings call. On the call today are Lawrence Ho, Ted Chan, and Geoff Davis. Before we get started, please note that today's discussions may contain forward-looking statements made under the Safe Harbor provision of federal securities laws. Our actual results could differ from our anticipated results. I will now turn the call over to Lawrence.

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Thank you, Ross. Hello, everybody. In the first quarter of 2016 we delivered a robust set of results that are underpinned by a resilient mass market segment in Macau, and improving trends at City of Dreams Manila.

During the first quarter, 2016, we generated Macau property EBITDA of approximately [\$220 million], representing a Macau property EBITDA margin of 22%. During the quarter, our results were impacted by a larger than normal bad debt provision at Altira Macau, which related to one junket which we thought appropriate to fully provide for at this stage. This impacted our results by approximately [\$18 million].



Adjusting for this incremental provision, our Macau property EBITDA would have expanded approximately 8% when compared to the fourth quarter of 2015. Similarly, Macau property EBITDA margins would have expanded almost 1% when compared to the fourth quarter of 2015, highlighting the strength of our mass market operations and our strong cost control focus.

We continue to see the operating environment stabilize in Macau, particularly in the mass market table games segment, which we believe expanded in the first quarter of 2016 when compared to the prior quarter. With the opening of Studio City in October, 2015, we have now further increased our exposure to the mass market segment, which we believe will be the long-term driver of profitability for our Company and the market as a whole.

At City of Dreams in Macau, we are in the process meaningfully upgrading our retail facilities which, together with the truly iconic fifth hotel tower, highlights our strategy of ensuring that City of Dreams has the product offering to allow it to compete now, and in the future, and retain its coveted position as the leader in the premium segments of the market.

We strongly believe that Macau remains the most important and exciting gaming destination in the region, which stands to be further enhanced by ongoing infrastructure works, including the Hong Kong-Zhuhai-Macau Bridge, the Taipa ferry terminal, and the Macau light rail system. The rapid expansion at Hengqin Island will also provide a long-term driver of growth for Macau, reflecting ever-increasing collaboration with, and support from, Mainland China.

As a leader in the non-gaming diversification of Macau, as is evident in our world-class entertainment and other non-gaming offerings, we are privileged to be a major contributor to the Macau Government's long-term development plan for Macau, including the ongoing focus on delivering a diversified tourism experience, which is unique and unrivalled in the region. No company in Macau has contributed more to the transformation of the city than MCE.

In Manila, City of Dreams generated robust growth in gaming and non-gaming segments which, together with ongoing cost control initiatives, resulted in meaningful expansion in both EBITDA and EBITDA margins. We anticipate that City of Dreams Manila will continue to deliver robust revenue and earnings growth in the coming quarters, as the Philippines' economy continues to grow, and as infrastructure improvements come online.

We expect that the expressway that connects the airport terminals to Entertainment City will likely open later this year, alleviating some of the traffic congestion issues in and around Entertainment City.

As also announced today, our Company has entered into an agreement to repurchase, and subsequently cancel, approximately 52 million ADRs, worth approximately \$800 million, from Crown. This repurchase of shares will result in a reduction in MCE shares outstanding by approximately 9.5%.

As a Company, we remain firmly committed to what we believe to be the most important and exciting gaming market in Asia. This transaction has resulted in a material reduction in shares outstanding at a fair price. As a consequence of this transaction, there has also resulted in an increase in Melco International's ownership of MCE, which is consistent with my positive outlook on MCE and Macau.

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

Geoff Davis - Melco Crown Entertainment Limited - CFO

Thanks, Lawrence. We reported Group-wide property EBITDA of approximately \$250 million in the first quarter of 2016, an increase of approximately 5% from the prior quarter, and broadly in line with the first quarter of 2015.

As stated in the past, we will provide guidance on bad debt provisions when they fall outside of our usual range during a quarter. The [\$18 million] incremental bad debt provision at Altira, relating to one junket, has meant that we're outside of this normal range. If we adjust for this bad debt

provision, our Group-wide property EBITDA would have been approximately \$265 million, representing a sequential increase of 13%, and a year-over-year increase of over 5% in an environment of year-over-year declines in revenue in Macau.

During the quarter, EBITDA at Altira Macau was negatively impacted by unfavorable luck in the rolling chip segment by approximately \$5 million, whilst City of Dreams Macau was impacted favorably by approximately \$20 million.

On a luck adjusted basis, and normalizing for the \$18 million incremental bad debt provision during the quarter, our Macau property EBITDA would have been flat compared to the prior quarter, and down moderately on a year-over-year basis.

The EBITDA contribution from our non-VIP segments continues to represent over 90% of luck adjusted EBITDA at City of Dreams and on a Macau-wide basis.

At City of Dreams Manila, our property EBITDA was up 85% sequentially as trends improved in both VIP and mass market segments, with EBITDA margins expanding sequentially to approximately 30%.

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 \$135 million to \$140 million, including \$43 million at Studio City.

Corporate expense is expected to come in at approximately \$28 million to \$30 million, and consolidated net interest expense is expected to be approximately \$69 million, which includes finance lease interest of \$10 million relating to City of Dreams Manila, net of approximately \$10 million of total capitalized interest.

For those that follow City of Dreams Manila more closely, our building lease payment for the first quarter of 2016 was approximately \$8 million.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Robin Farley, UBS.

Robin Farley - UBS - Analyst

Two questions. One is, it sounds like the bad debt provision in this quarter was just from one particular junket, and I guess how do you think about the other receivables that you have junkets elsewhere, kind of thinking about what that debt risk may be with others?

And then also, I'm just curious if you have any comments on the market. Others have said things took a dip in March; they were waiting to see how April was. I guess, what is your impression of how mass has been trending in more recent weeks, relative to earlier in the year? Thank you.

Lawrence Ho - Melco Crown Entertainment Limited - Co-Chairman & CEO

Hey, Robin, it's Lawrence here. I'll hand over to Ted to go through the details, but I think April similar to March, wasn't a particularly great month. But I think May with Golden Week has started off great. I think generally, as a Company we think the mass market is stabilizing, but the VIP segment is still going through its structural changes. And I think that's part of the reason of our taking the additional provision on the junket is for that reason.



So maybe I hand over to Ted to give more color on both the mass and the VIP segments.

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

Yes, sure, Lawrence. So in respect of the bad debt provision, that particular \$18 million is actually a single incident. That is related to one junket who operate since 2008 in Altira, and I think their last two quarters' contribution to the Group is actually quite minimal. And I think we used a more prudent way in looking into that matter.

In respect of the other junkets, the portfolio in MCE I think we should categorize it, it has to be more like stable, and our contribution from the big four junket operator is actually increasing in last few quarters. So I think that the provision this time is actually on one single incident.

In respect of the market overview, especially in May I think we have a great time in terms of the very short holidays, May 1 holiday. As Lawrence mentioned earlier, there is some positive growth year on year in terms of particular times for May 1 holiday in mass gaming. We see some positive growth.

In respect of VIP, we see a mid-teen percent decline year on year in that particular area. So we think there's some transition happening in terms of VIP market stabilization. I think that's what I have.

Robin Farley - *UBS - Analyst*

Great. Thank you.

Operator

Billy Ng, Bank of America.

Billy Ng - *BofA Merrill Lynch - Analyst*

I have questions for Studio City. So what's the plan to further ramp up Studio City for the rest of the year? And also, is VIP still part of the potential strategy to accelerate the ramp-up for Studio City?

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Billy, again it's Lawrence here, so I'll let Ted run through the details. But we continue to be very proud of Studio City. It's a fantastic property, has great service, great products; most people who have visited have told us how different and amazing it is. But I think right now, it is on the southern tip of the strip, and it might as well be on an island on its own.

I think that's affecting the ramp up, and I think, at the same time, we're not totally happy with our own efforts. So there's a lot of marketing effort to do that, so I'll let Ted run through that. But I think all in all we're confident about Studio City for the year ahead.

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

Hi, Billy. In terms of the ramp-up marketing plan for Studio City, currently I'm sure we all know that it's basically a location issue, whereby we have challenges in terms of the [buzzing] number from different touch points, particularly in the border gates, and we're trying to fix this issue.



But encouragingly, we see some improvement in the last few weeks, if you look at the connecting route between COD and Studio City. We use COD as one of the pickup points for the Cotai patrons, so this is ramping up a bit.

Our marketing plans just started in the middle of April, before the Golden Week and we have great, great results during the three days holidays that just passed.

In terms of the plan, I think we are not going down to the route of really, really prime mass position of that property. It's more about mass and some sort of premium mass position as well. We are building up a unique database for Studio City and, after six months of operations, we have some meaningful percentage of premium mass and middle mass customers compared to COD's number.

You know COD we build this up for more than five years. As a matter of six months, I think we are quite confident that the number is actually going up every month. And we hope that in the next few months we can see some critical mass happening.

Billy Ng - BofA Merrill Lynch - Analyst

Thanks. Can I ask a follow-up question on that? I'm just wondering, actually, what kind of debt to EBITDA leverage ratio we feel comfortable? And why we're asking is, after spending \$800 million for the buyback, potentially I think buying out the minority stake of Studio City in the future is still on the table. So I just wonder, based on our calculation I think it's still all right, but I'm just wondering what kind of leverage ratio management is feeling comfortable with in the long run.

Geoff Davis - Melco Crown Entertainment Limited - CFO

Billy, it's Geoff. As a Company, we're still focused on maintaining optionality rather than on a specific leverage ratio. That being said, I think we have a very strong balance sheet, even after pro forma for the redemption of shares, with ample liquidity to continue to pursue our strategic goals of returning capital to shareholders. As you may recall from the last quarter, we have shifted gears somewhat in that respect with coming to the completion of most of our development projects, other than the fifth hotel tower, and City of Dreams, and with nothing imminent apparent in Japan as a development opportunity.

We have signaled a change somewhat in philosophy towards more of a return of capital approach, which you've seen from the \$350 million special, and now with the \$800 million redemption, well over \$1 billion just so far this year. So that's sort of how we prioritized our use of cash, but we have ample flexibility, going forward, to review additional opportunities.

Billy Ng - BofA Merrill Lynch - Analyst

Thank you.

Operator

Karen Tang, Deutsche Bank.

Karen Tang - Deutsche Bank Research - Analyst

Congratulations on the good first quarter results in a difficult environment. My question is, as a follow-up to the share buyback, can you explain to us how you get to this specific \$155 million share buyback? And is there any potential that this is just a first step or from Crown Resorts sell down in the Melco Crown stake? Thank you.



Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Karen, it's Lawrence here. I think it was really perfect timing between the two shareholders because Melco Crown, like Geoff said literally one minute ago, we were looking at our own capital allocation strategy. And it's no secret that Crown does have a very robust development pipeline. So I think when the two shareholders were contemplating the same things together, and this was kind of a perfect opportunity for Melco Crown to really buy back a large chunk of shares at a very fair price.

So I think the opportunity came together quickly and it was by mutual -- it was by negotiation. To be honest, both Melco and Crown will continue to be strong supporters of the Company, and I think I read that in Crown's statement as well. So I don't anticipate any changes in terms of our attitude towards the business, and I wouldn't read anything into would this lead to other transactions.

Karen Tang - *Deutsche Bank Research - Analyst*

Okay, lovely. Thank you.

Operator

Cameron McKnight, Wells Fargo.

Cameron McKnight - *Wells Fargo Securities, LLC - Analyst*

So just first of all on redemption of the Crown stake; it's happening at round about [\$15] a share. Lawrence or Geoff, do you see that as a fair price? Do you see that as a particularly cheap price? How do you view the valuation of the stock here, relative to the stock you've just bought back?

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Cameron, it's Lawrence here. We think it's a fair price because, ever since we've been in discussion with Crown, Melco Crown and Crown having these discussions, we have monitored the share price over the last couple of, two or three, weeks. And this is right at the VWAP during those periods, so it's definitely a fair price.

And I think from my personal perspective, I do think that Macau is going to start recovering very soon; hopefully, before the year is out the recovery will start. So I think from that standpoint, there is significant upside, but that's my personal view. I think we've built the product, we've got the team to do it, and now it's just about putting it all together again.

Cameron McKnight - *Wells Fargo Securities, LLC - Analyst*

Great, thanks. And then a question for you, Lawrence and/or Ted. Would you mind giving us your view on retail revenues and consumer spending trends in Macau? One of your competitors reported results that I think were a little below expectations. There was some commentary in the South China Morning Post in the last day or two talking about retail sales in Hong Kong, and whether there's a shift of spending from Hong Kong to Macau, and the extent to which a stronger US dollar is hurting inbound Chinese spending. Would you mind just giving us some thoughts on recent trends in retail spending in Macau?

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

Sure; this is Ted. In terms of retail sales, I think everyone knows that we have an increased supply in Macau whereby the total sales volumes actually stay quite stable, which means there's some dilution in terms of the operators' perspective. In terms of our view, it's really about the position of different properties, and that's why we're so confident in terms of our retail expansion that's happening in the middle of the year that will translate

City of Dreams into a more high-end premium property. And that will be a great positioning around the Cotai area. So we are still confident in terms of the luxury sector and the premium sector of that matter.

Cameron McKnight - Wells Fargo Securities, LLC - Analyst

Okay, great. Thanks. And then one last one; Lawrence, you mentioned that Golden Week was particularly positive or strong. Are you able to share any color or data points around the recent holiday?

Lawrence Ho - Melco Crown Entertainment Limited - Co-Chairman & CEO

Yes. I think if you look at visitation, Macau was kind of flat from last year. But based on our observation, mass was, like Ted said earlier on, had some decent growth on a year-on-year basis. And I think sometimes it just feels more happening. And so I think, all in all, Macau has a change from an all-week business into a weekday business. But I think, even compared to a normal weekend, the Golden Week weekend seemed a lot busier.

Cameron McKnight - Wells Fargo Securities, LLC - Analyst

Got it. Thank you very much.

Operator

Joseph Greff, JPMorgan.

Joseph Greff - JPMorgan - Analyst

Lawrence, I think I heard you that Crown's motivation for selling down its stake to you in the share repurchase agreement relates to their funding other developments. Did I hear that correctly?

Lawrence Ho - Melco Crown Entertainment Limited - Co-Chairman & CEO

Hey, Joe, it's Lawrence here. I can't speculate on Crown's intentions, but I think it's been reported and they don't make a secret that there are some interesting opportunities for them back home, and also in Las Vegas. So I can only assume that is the case.

Joseph Greff - JPMorgan - Analyst

Okay. Well then, my question for you is, on your strategic rationales why wouldn't you use your balance sheet capacity to buy out the minority partners in Studio City first?

Lawrence Ho - Melco Crown Entertainment Limited - Co-Chairman & CEO

Well, again, like I said earlier on, it was perfect timing because it was, as the track that Melco Crown was going down in terms of knowing that Japan wasn't going to happen for a few years, and most of our heavy CapEx development area was behind us, that we were looking at ways to return more capital to shareholders. We have always had an outstanding share repurchase authorization, so this was a great opportunity and the timing fit that we can buy one big block at one go, rather than through various channels and various pieces. So it just happened and this was kind of the quickest method to get the transaction done.



Joseph Greff - *JPMorgan - Analyst*

Good enough. Thanks, guys.

Operator

Praveen Choudhary, Morgan Stanley.

Praveen Choudhary - *Morgan Stanley - Analyst*

Two questions from me. One related to City of Dreams; it seems like on a [hold] adjusted basis, the mass revenue was down sequentially, and yet the EBITDA was decently flat. So trying to understand if there's a cost management here, cost saving, either moving staff around.

And the second question is related to City of Dreams Manila, if you can provide us the color why fourth quarter was weaker than we are in the first quarter. Can it be sustainable on this level, or Q1, 2016, level? And what happens when Tiger opens up at the end of the year or early next year, the competitive landscape on the Manila side? Thank you so much.

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Geoff, do you want the first question? Why don't I take the Manila question first and then maybe Ted can jump in. I think, at the end of the fourth quarter, we made some pretty significant managerial changes to the senior management team in Manila and we really rationalized the business. And I think Q1 is paying off and we're seeing the regular ramp up pace now. We're happy with where the business is, but we still think there's a lot of headroom ahead. I don't know, Ted, do you have any other observations?

Ted Chan - *Melco Crown Entertainment Limited - COO, Gaming & Non-Gaming*

Yes. In terms of the improvement in both mass segment and VIP, I think in terms of mass we, since the last quarter of 2015, we put a lot of discipline approach in terms of players' management and focus a lot on the service for the big customer and just like what we've been doing in Macau here. So it's great improvement in terms of market share for mass segment to a good level.

In terms of VIP ramp-up, I think we're happy with the last six months ramp-up for our fixed room junket partners that's undergoing a lot of changes throughout the beginning of the operations. That in the first month of the second quarter, April, I think we see also continued good trend on what we've been experiencing in first quarter 2016.

And I think we're also quite positive in terms of Tiger's opening later in the year or next year; in particular, when the expressway or infrastructure improvement to the Entertainment City. We all know that gamers are hopping around different casinos and there would be a great synergy among different offering with more casino operator there. So we're quite positive in the outlook.

Geoff Davis - *Melco Crown Entertainment Limited - CFO*

On the cost savings question, Praveen, as you recall from last year, cost savings and efficiency was a high degree of focus for the management team and the entire Company, and we were able to deliver on our \$50 million run rate savings target.

That emphasis on efficiency has carried into 2016. We continue to look for ways to do more with less, to be efficient and to try to reengineer things where possible. We're continuing to do that and hope to come back perhaps later this year with a revised target. But we are confident that we'll be able to find additional savings and efficiencies over the course of 2016.

Praveen Choudhary - Morgan Stanley - Analyst

Thanks very much, Geoff. If I could follow up on timing of the retail mall that you were working on in City of Dreams in two phases, just for everybody's benefit, and how much do you expect that to improve your bottom line in terms of EBITDA number, maybe, if any?

Lawrence Ho - Melco Crown Entertainment Limited - Co-Chairman & CEO

Praveen, maybe I'll give the timeline first. So as you know, City of Dreams is a operating property 24/7 so the main, we call it, it's actually three sections. The main arc which is the area that used to be water and we filled in, and effectively built a mall that is the size of Landmark in Hong Kong. That's opening July 1. But then, at the same time, since our retail is the pathway from one -- other than walking through the casinos, our retail is the pathway that leads you throughout the property, that will open progressively, really from October to December. So I think, by January 1 next year, the entire retail expansion will be done and completed.

I don't know, maybe I'll let -- in terms of breaking out exactly the EBITDA contribution of retail, but I think even more importantly is the fact that with Wynn and MGM opening, City of Dreams really will be the best location in Macau. That was really the original thesis, even 10 years ago. And we just want to make sure that the product that we're offering continues to cater to the premium part of that market.

Praveen Choudhary - Morgan Stanley - Analyst

Thanks very much, Lawrence. Thanks, everyone.

Geoff Davis - Melco Crown Entertainment Limited - CFO

I guess I'll just supplement, Praveen, by saying that while we don't provide projections in general on specific projects, we would anticipate getting a solid return, over time, with that investment. As Lawrence said, there's the retail element of it, but there's also the branding and positioning element of it as we bring the retail in alignment with the rest of the property, which is very premium and high end.

Praveen Choudhary - Morgan Stanley - Analyst

That's great, Geoff. And if I could just add from an investor perspective, this buyback is well appreciated and I've got a lot of emails from investors, so well done on that. Thank you.

Lawrence Ho - Melco Crown Entertainment Limited - Co-Chairman & CEO

Thank you, Praveen.

Operator

Grant Govertsen, Union Gaming.

Grant Govertsen - Union Gaming Research - Analyst

Just a couple from me. First one, Geoff, and I apologize could you repeat the two luck adjustments that you mentioned earlier?

And then secondly, as a follow-up to Praveen's question, can you update us on the status of the leasing out of the new retail space? I guess especially in light of your peer which recently re-traded, seemingly, all of their leases at the mall that's less than one year old. Thank you.

Geoff Davis - *Melco Crown Entertainment Limited - CFO*

Grant, on your first question EBITDA at Altira Macau was negatively impacted by unfavorable luck by about \$5 million. City of Dreams Macau was impacted favorably by approximately \$20 million. Two zero.

Grant Govertsen - *Union Gaming Research - Analyst*

Thank you.

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Grant, it's Lawrence here. In terms of the retail environment, it's no secret that retail in both Hong Kong -- well, Hong Kong is actually much worse than Macau, but in Hong Kong and Macau are suffering. I think we fly our relationships with our retail partners. For Studio City we have Taubman who has strong relationships with a lot of these brands globally. And for City of Dreams it's actually a partnership with DFS which, again, is partially owned by the LVMH Group and have relationships globally.

I think most of our partners are -- of course, everybody's concerned in the retail environment and high spending environment but, at the same time, they recognize that Studio City has only opened for less than six months. And with regards to City of Dreams and the retail expansion there, we're fully let and I think between the Boulevard at City of Dreams and the Boulevard at Studio City we would have literally every single big luxury brand in the world.

Grant Govertsen - *Union Gaming Research - Analyst*

That's very helpful. Thank you.

Operator

[Adam Trivison, Gabelli & Company].

Adam Trivison - *Gabelli & Company - Analyst*.

Can you provide an update on the project capital yet to be spent at Studio City and City of Dreams?

Geoff Davis - *Melco Crown Entertainment Limited - CFO*

So for project CapEx for the fifth hotel tower at City of Dreams, we've got about \$275 million to spend over the course of the remainder of this year, with about \$350 million to spend in 2017 and approximately \$50 million in 2018.

Adam Trivison - *Gabelli & Company - Analyst*.

Okay, great. And what's left, is there any project CapEx left at Studio City that hasn't been paid out yet?

Geoff Davis - *Melco Crown Entertainment Limited - CFO*

Studio City is relatively minor remaining CapEx, between \$30 million and \$50 million.

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

And I think on a longer-term basis, I think eventually, because we've built-out about two-thirds of Studio City which is effectively phase 1, and we do have to fulfill the obligation, the development plan that we had submitted to the government, which is to develop the remaining one-third of it. So I think longer term, we'll be looking at that as well.

Adam Trivison - *Gabelli & Company - Analyst*

Okay, great. That's helpful. And can you just provide the mass/VIP table breakout for City of Dreams and Altira?

Geoff Davis - *Melco Crown Entertainment Limited - CFO*

Sure. At Altira, we've got about 90 tables in VIP, and 40 tables in mass. At City of Dreams, we've got approximately 150 tables in VIP, and 355 in mass; I'm rounding.

Adam Trivison - *Gabelli & Company - Analyst*

Okay, good. Great. Thank you very much.

Operator

Aaron Fischer, CLSA.

Aaron Fischer - *CLSA - Analyst*

I know you talked about the retail at City of Dreams and also the extra hotel tower, and then the remaining one-third Studio City, but can you talk a bit about what else you could potentially do over the medium to long term in Macau, whether there's other opportunities to redevelop Altira in some way to try and get the earnings back up to a better level?

Maybe you could elaborate a bit more on what you have planned for the remaining third at Studio City, and if there are any other opportunities, whether it's trying to get hold of sites 7 and 8 or anything else in Macau? Thanks.

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Hey, Aaron, its Lawrence here. I think for City of Dreams, after the late Zaha Hadid designed fifth tower, which we intend to complete in 2018, and when we opened up the remaining retail expansion and also the retail modification project at the end of this year, that's pretty much all we can do. City of Dreams is fully built-out; it's maxed out in terms of gross floor area as well.

For Studio City, like I said earlier on, there's probably another 1.5 million square feet to develop, the remaining one-third of the land. Over time, we've had numerous plans to talk about what we can do there, and we've gone through quite a few iterations of it, but I think we'll be very sensible

with the market conditions. At the same time, it's no secret that Studio City, we don't own that asset 100%, so if we do want to develop it, we would have to get the endorsement and support of our minority shareholders.

I think, given the slower than expected ramp-up, I think our sole focus and attention is really on operational excellence and getting the property up to speed as quickly as possible. So I think, in the meantime, the main focus is on operations and also on just building out City of Dreams. And in terms of Studio City, we'll really see what happens in a little bit longer.

Aaron Fischer - *CLSA - Analyst*

Thanks, Lawrence. What about anything at Altira; is there any potential to try and redevelop that property?

Lawrence Ho - *Melco Crown Entertainment Limited - Co-Chairman & CEO*

Well, we're very proud of Altira, it's really our first property; it continues to be one of the four to five star properties in Macau. As you know the location, it's always been a VIP property, given its location, the exclusiveness, but at the same time, I think given the structural change in the VIP business, that has changed.

So I think we've taken a lot of fat out of Altira over the years. I think we've gone from over 5,500 people at its peak, to just around 2,000 people, less than 2,000 people now. I think we continue to look for ways to make it more efficient, and I think the beauty of Altira as well as, of course, we did take a big provision this quarter for one of the last remaining big junkets from the previous era, but we're holding tables there where we can better deploy in our other properties, going forward, as well.

Aaron Fischer - *CLSA - Analyst*

Okay. Thanks, Lawrence.

Operator

At this time, we would like to hand the call back to your speakers for today for any closing remarks. Thank you.

Geoff Davis - *Melco Crown Entertainment Limited - CFO*

Thanks, operator, and for everyone joining the call tonight.

Operator

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



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