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**Ted Chan** *Melco Crown Entertainment Limited - COO Gaming and Non-Gaming*

## CONFERENCE CALL PARTICIPANTS

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**David Bain** *Sterne, Agee & Leach - Analyst*

**Anil Daswani** *Citigroup - Analyst*

**Billy Ng** *BofA Merrill Lynch - Analyst*

**Karen Tang** *Deutsche Bank - Analyst*

**Grant Govertsen** *Union Gaming Macau - Analyst*

**Praveen Choudhary** *Morgan Stanley - Analyst*

**Richard Yu** *CLSA - Analyst*

**Joe Greff** *JPMorgan - Analyst*

**Janet Lu** *Goldman Sachs - Analyst*

**Philip Chung** *Standard Chartered Bank - Analyst*

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## PRESENTATION

### Operator

Good morning. And thank you for participating in the Q3 2014 earnings conference call of Melco Crown Entertainment Limited. (Operator Instructions). Today's conference call is being recorded.

I would now like to turn the call over to Geoffrey Davis, Chief Financial Officer of Melco Crown Entertainment Limited.

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**Geoffrey Davis** - *Melco Crown Entertainment Limited - CFO*

Thank you for joining us today for our third-quarter 2014 earnings call. On the call with me today are Lawrence Ho, Ted Chan and Ross Dunwoody.

Before we get started, please note that today's discussion may contain forward-looking statements made under 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.

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

Thank you, Geoff. In the third quarter of 2014 our mass market business at City of Dreams continued to perform strongly, which in turn enabled our company to deliver a robust financial performance in a weaker rolling chip environment.



Our luck-adjusted EBITDA, property EBITDA margin expanded sequentially to over 28% in 3Q 2014, as a result of a shift of business towards the higher margin mass segment, together with a strong focus on cost control and a disciplined casino reinvestment program, which more than offset the increase in labor-related costs and the challenging of the VIP environment in Macau.

City of Dreams continues to be the leader at the premium end of the mass market in Macau, delivering leading mass table yields which are again significantly above all other integrated resorts in the region. Macau continues to be a highly competitive market with several of our peers doing a solid job of replicating some of the strategies which we have pioneered in the premium mass market.

However, illustrating City of Dreams' unique competitive position as a purpose-build premium-focused integrated resort with a vast array of non-gaming attractions and luxury amenities, we have once again taken share in the mass market segment in the third quarter of 2014.

We continue to make meaningful enhancements to City of Dreams Macau, as illustrated by the recent opening of Soho, our dining and entertainment precinct located on the second floor of the casino as well as the property's new luxury retail experience which is due to open in 2016.

The construction of the fifth and final hotel tower at City of Dreams is well underway, and will be a welcome addition of almost 800 rooms, suites, villas in the first half of 2017.

We are excited about the imminent opening of City of Dreams Manila. We are planning on opening the doors to customers in December for a sneak peek of what the property has to offer, before a grand opening prior to Chinese New Year in 2015.

The Philippines gaming market continues to grow strongly, and we believe the introduction of City of Dreams to Manila, with its collection of world-class brands and attractions, will significantly strengthen Manila's appeal to local and international customers who are seeking an exciting leisure and entertainment experience.

Studio City remains firmly on track to open in mid-2015. We have received all the necessary permits and approvals, and have secured all the labor quotas and blue cards required to complete all aspects of the development.

We have topped off the hotel and are now moving onto the fit-out stage of the hotel and podium areas of the integrated resort. This cinematically-themed resort will approximately double our room inventory as well as our gaming and entertainment GFA in Macau, delivering an entertainment and gaming experience not yet seen in this market.

In addition to pursuing our numerous development projects, we also remain committed to returning surplus capital to shareholders via our ordinary dividend policy and through our \$500m share repurchase program, through which we have repurchased approximately \$100m in the third quarter of 2014.

So with that, I'll turn the call back over to Geoff.

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**Geoffrey Davis** - Melco Crown Entertainment Limited - CFO

Thanks, Lawrence. We reported property EBITDA of approximately \$306m in the third quarter of 2014, compared to approximately \$340m in the third quarter of last year. Our property EBITDA margin in the third quarter of 2014 was approximately 27.5% compared to 27.4% in the third quarter of 2013 and 26.4% in the second quarter of this year.

Our luck-adjusted property EBITDA was approximately \$325m while our luck-adjusted property EBITDA margin expanded to over 28.1% despite the impact of increased labor costs from the wage increase and retention programs announced earlier this year.

During the third quarter we were negatively impacted by a low blended win rate of 2.69% which impacted the EBITDA by approximately \$20m in the third quarter of 2014. The EBITDA contribution from our non-VIP segments represents over 85% of luck-adjusted EBITDA at both City of Dreams and on a Group-wide basis.



Our capital management program continues to evolve. We've opportunistically returned \$100m of capital as part of our \$500m share repurchased program and continue to distribute 30% of net income attributable to MCE in the form of ordinary dividends.

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 \$95m to \$100m, corporate expense is expected to come in at approximately \$30m and consolidated net interest expense is expected to be approximately \$40m which includes finance lease interest of \$11m relating to City of Dream Manila, net of approximately \$27m of total capitalized interest.

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

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Cameron McKnight, Wells Fargo.

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### Cameron McKnight - Wells Fargo Securities - Analyst

Good evening. Thanks. Question for Lawrence or for Geoff, could you comment on market-wide mass market revenue growth in October? There was commentary yesterday that was suggesting mass revenues were down 8% year on year in October. What's your sense of the true underlying rate of mass market growth? And how big an influence do you think has been the reallocation of tables from mass to VIP if that has happened. Thanks.

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

Hi, Cameron. It's Lawrence here. I'll pass on the in-depth part for Ted to answer, but I think ultimately the downturn in the market has also affected the premium mass segment. I think we are -- there are a lot of uncertainties in the market and I think a lot of people, including ourselves, are concerned.

As we have said previously before, our premium customers are no less sophisticated or affluent than most of the VIP customers. And what has been going on with the Chinese economy and the -- that bulk of the issue is the anti-corruption drive, and the fear that has really been driven into the hearts of most of the middle to upper class has also affected the premium segment. So, I'm not surprised to see a year on year decline in October.

But in terms of reclassification maybe I'll leave that to Ted or Geoff to --.

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### Ted Chan - Melco Crown Entertainment Limited - COO Gaming and Non-Gaming

Hi, Cameron. It's Ted here. Yes, we actually in this -- sometime in the second half of October we converted most of our premium mass tables into VIP and that's part of the reclassification that you might notice in October. In actual fact if we convert back to the normal number that we report in October our COD year on year grows at slightly positive compared to the market negative.

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### Geoffrey Davis - Melco Crown Entertainment Limited - CFO

Cameron, it's Geoff. Given that there is some speculation that there's been widespread reclassification that's difficult or impossible for us to verify, we couldn't really estimate the overall impact to the market. But as Ted said, we were slightly up on a like for like basis.



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

Right, okay. Got it. And then a follow on Lawrence, and again then perhaps for Geoff, what are your thoughts on the optimal capital structure for the Company. Studio City is going to open next year, City of Dreams Manila is open in the next few months, Japan seems to change day by day. The US-listed casinos or the US-based casino companies all operate with a few turns of debt. What's your thought on buying back more stock and taking on a bit of additional leverage?

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**Geoffrey Davis** - Melco Crown Entertainment Limited - CFO

Well, as -- for example in the third quarter, Cameron, we've already accelerated our return of capital programs with the share repurchase of \$100m and we'll continue to consider further purchases going forward.

Where we are as a company in our growth profile I think at this point the primary consideration is having the optimality to pursue transformational growth. To the extent that we become a more mature company with fewer transformational growth opportunities, then target leverage ratio will be more of a driving factor for us going forward. But to the extent if we were to see large opportunities such as Japan fall away that would meaningfully change our view and our policy on capital allocation and share repurchase and dividend.

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

Perfect, thanks very much.

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**Operator**

David Bain, Sterne.

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**David Bain** - Sterne, Agee & Leach - Analyst

Great, thank you. Just to follow up on Cameron's question on a clarification, when a game is reclassified in a clubroom to VIP the margins outside of a small reclassification fee to the government. That doesn't change just because of that reclassification or title of the table correct, the margins for you?

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**Geoffrey Davis** - Melco Crown Entertainment Limited - CFO

Correct.

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**David Bain** - Sterne, Agee & Leach - Analyst

Okay, great. And then one on -- Lawrence I guess a couple of competitors have commented on their earnings call now on premium mass and mass margins. One was vocal it's going lower due to its promotions, another was kind of opaque and then yet another saw no reason to promote more aggressively given the premium player is more interested in services and hardware, which is something you've cited in the past. Has the landscape changed a little bit on the promotion front?

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

Well, let me -- I'll let Ted elaborate. From the high level our company philosophy remains the same, we want to complete based on product and services and we believe that we are one of the top companies with the hardware to really back up the premium business. And I think that's why you see on top of our market-leading analytic team, the product that was really built for the premium business.

But at the same time, given how uncertain the environment is, and all of this is very current because if you look at the decline in October, by far this is the biggest decline of the year in many -- the biggest declining month in many years.

We have heard one of our competitors potentially becoming more promotional, making use their extremely large room base. I think that is a concern. But at the same time we are confident with the product that we have and ultimately I think our product is more sticky than just being overly promotional. But maybe I'll let Ted elaborate further.

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**Ted Chan** - *Melco Crown Entertainment Limited - COO Gaming and Non-Gaming*

Yes, Lawrence. So our approach to customer or player management has never changed in the last two years, and it's more about strategic approach in those players' management. And also more importantly it's all about the premium product, aligned with the premium customers. And so in a Q-on-Q basis, I would say overall margin will stay intact in these two quarters.

Having said that, we did see some promotional impact and also intent in the premium mass segment as well. So this is what's happening very recently and we see this as a little bit of a concern on the going forward basis.

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**David Bain** - *Sterne, Agee & Leach - Analyst*

Okay, great. And just one last big picture one, I guess for Lawrence or anyone really, but there seems to be an investor perception that the President coming to Macau may cause revenue to struggle in December just due to tightened visas and so forth. But do you believe his visit could actually benefit the market heading into 2015, particularly with the psychological mindset of the VIP or any substantive gifts to mark the handover or anything like that?

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

Yes, I think, Dave, I think longer term I think the Macau story for us structurally and fundamentally is very strong long term. And I think the President's visit in -- again in the long term will be great because I think ultimately there's been speculation that he might bring along a gift bag and the gift bag would include a 24 hour border crossing between Hong Kong and -- I mean between Macau and China, something that Hong Kong has had for many years. I think that would be a clear catalyst going forward when there are more hotel rooms and also when infrastructure improves on the Macau side.

But in the short term at the same time this has happened two times in the past already, when the President does come, Macau generally is more quiet during those few days and that week. But again I think we've just got to bite the bullet and enjoy the long-term benefits of that.

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**David Bain** - *Sterne, Agee & Leach - Analyst*

Okay, great. Thank you, guys.

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

Thank you.



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**Operator**

Anil Daswani, Citigroup.

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**Anil Daswani - Citigroup - Analyst**

Good evening guys. I've got a few questions, the first one is we saw a very promising turnaround at Altira. Can you tell us if that really being driven by Sun City? And how far along in the ramp do you feel that Sun City got to? I know it's just started but is that really what drove Altira in the third quarter?

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

Ted, do you want to --?

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**Ted Chan - Melco Crown Entertainment Limited - COO Gaming and Non-Gaming**

Yes, Anil, yes, you're right. Sun City has just started operation in September, middle of September. And I think it's just started to ramp up. And I would say that it is not full speed ahead yet and we see some potential.

In terms of Altira, I think our strategy about looking to more larger and quality junket operators getting into Altira whereby we've already optimized some of the table, VIP table in Altira already. So the next step is really about invitation of those big and quality junket operators in there, so this is our fundamental strategy in Altira. And you'll see some of the improvement going forward.

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**Anil Daswani - Citigroup - Analyst**

Thank you. The second question I had is you guys reported 100% occupancy in the third quarter COD. Can you just give us a sense, either Lawrence or Ted, of how many customers you're having to turn away in this environment, because obviously when you're running at 100% for the quarter you're obviously giving up some business right?

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**Ted Chan - Melco Crown Entertainment Limited - COO Gaming and Non-Gaming**

Yes, no, you're right. Just to give you a sense of the magnitudes or as a percentage I think back a year ago we basically had to turn away those qualified customers in a matter of perhaps -- in a matter of 40%, to 45% of the qualified customer. But now I think over the year the number has actually reduced to somewhere close to 30%, which means we have few of -- have a lot of quality customers but substantially improved in terms of the percentage.

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**Anil Daswani - Citigroup - Analyst**

Okay. And my final question is what does sneak peek at COD Manila mean in December. Can you give us an idea of what will be open in December and what changes will come to that product by the grand opening in Chinese New Year?

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

Anil, it's Lawrence here. As you know we inherited the Manila product from our Philippine partner and so we inherited a lot of the base build and also the MEP systems. And we just want to be extra safe.



I think given that we want a best possible first impression that sneak peek we want to run more like full on stress test simulation, but at the same time pretty much everything will be open. But at the same time I guess we don't want to hold the grand opening until sometime in the first quarter.

It's the first time we are in that market. It's a new jurisdiction. And given that we didn't really build up this property from the ground up, I think this is the safest approach. But I think the sneak peek is a way for us to give back to the local people as well, and at the same time we have 5,000 very enthusiastic employees who are ready to get started.

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**Anil Daswani** - Citigroup - Analyst

Fantastic, thank you, Lawrence.

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

Thanks, Anil.

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**Operator**

Billy Ng, Bank of America Merrill Lynch.

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**Billy Ng** - BofA Merrill Lynch - Analyst

Hi, good evening, team. I just have very quick questions on two things. One is for the mass market margin. I just want to confirm that if the margin trend is going up, flat or down for the mass market margin and for the overall margin.

And then my second question is for the reclassifications you guys mentioned that there is some tables being reclassified during October from mass market to VIP tables. Just want to clarify one thing. The comment you guys made is the mass market revenue for October for you guys should be up year on year and month on month as well. If we undo the reclassification can we confirm that?

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**Geoffrey Davis** - Melco Crown Entertainment Limited - CFO

Just to clarify that's a year-on-year comment without the reclassification.

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**Billy Ng** - BofA Merrill Lynch - Analyst

That's year on year. That's year on year, okay, not month on month.

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**Ted Chan** - Melco Crown Entertainment Limited - COO Gaming and Non-Gaming

In respect of (multiple speakers) mass market. Yes, in terms of overall mass market margin it's essentially flat Q-on-Q.

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**Billy Ng** - BofA Merrill Lynch - Analyst

Okay, thanks. Thanks a lot. That's all I had, thanks.





**Ted Chan** - *Melco Crown Entertainment Limited - COO Gaming and Non-Gaming*

Thanks, Billy.

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**Operator**

Karen Tang, Deutsche Bank.

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**Karen Tang** - *Deutsche Bank - Analyst*

Hi, yes. My question is with regards to Studio City and at what stage roughly do you start planning on the mass hiring or have you started hiring the senior managers?

And my second question is with regards to Hengqin Island, a couple of your competitors have talked about potential opportunities in Hengqin particularly with the President coming in December. Can you walk is through your thoughts there? Thank you.

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

Hi, Karen, it's Lawrence. As we talked about the prepared remarks Studio City we've topped out and we are onto the fit-out which is usually the more difficult portion of the property. But so far we are on track and on target to open in the middle of 2015.

Usually when we do mass recruitment that's five to six months before the actual opening and so we haven't started yet. And I think we are actively watching out for our competitor Galaxy which should be opening earlier than us to start their mass recruitment drive.

But I guess there is going to be an early mover advantage in terms of recruitment as well, because I do think that both Galaxy and ourselves will be able to fill the necessary positions.

And in terms of Hengqin Island and the President's visit we have -- I think we've talked about this previously, we are predominantly an integrated resort developer with a keen interest in gaming. So I think although as you can see with our properties, entertainment and attractions are part of our core values and DNA, we do believe that the gaming component is necessary to -- in order for us to do all the fun and crazy things that we do.

With Hengqin Island I think that could potentially be a great area for a lot of our supporting functions and supporting dormitories. We haven't actively looked into Hengqin Island because as you can tell we've had a very full slate already with Manila and Studio City and then the expansion at City of Dreams. But I think at a later stage we will take a look at it and see if we could have more supporting functions there.

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**Karen Tang** - *Deutsche Bank - Analyst*

Okay, cool. And I guess I'll ask you the same question with regards to hiring in the next conference call. Thank you.

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

Thanks, Karen.

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**Operator**

Grant Govertsen, Union Gaming Macau.



**Grant Govertsen** - *Union Gaming Macau - Analyst*

Great, thanks. Good evening, guys. Question for in the Philippines in the context of what we are seeing with the Macau VIP market being weighed down by anticorruption and seemingly some other regional markets experiencing VIP growth, have your thoughts changed or have your conversations changed with the junkets as you look at the outlook for VIP play once you open COD Manila.

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

Well, Grant, it's Lawrence here I think we've talked about in the past, we have more demand than available rooms and tables for junket partners in the Philippines. That remains to be the same. Philippines is going to be the fastest growing gaming market in the world this year by default, so we are encouraged about it.

But at the same time I think the anticorruption campaign it doesn't just relate to Macau, because this effectively anybody travelling or spending money abroad whether it be in Macau, Korea, Philippines, Korea, Las Vegas are all being hit. So I think that that strategy remains the same. The product looks great down there. It's unfortunate that it's taking a bit longer to finish it. But at the same time we are -- we will be very proud of it.

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**Grant Govertsen** - *Union Gaming Macau - Analyst*

Great, great thanks for that. And I don't know if you have it in front of you, Ted, but do you have the mass versus the VIP table counts at the properties? And to the extent you can, post-October that number as well with the reclassification.

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**Geoffrey Davis** - *Melco Crown Entertainment Limited - CFO*

Grant, it's Geoff, I can give you the numbers through the third quarter. So at Altira we had about 95 tables in VIP, 30 tables in mass. At City of Dreams 185 VIP tables and 310 mass market tables.

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**Grant Govertsen** - *Union Gaming Macau - Analyst*

Got it, okay thank you.

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**Operator**

Praveen Choudhary, Morgan Stanley

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**Praveen Choudhary** - *Morgan Stanley - Analyst*

Thank you. Hi, Lawrence, hi, Geoff, hi, everyone else. Two simple questions, the first one is about premium mass and grind mass. Second one is about smoking. First question I'm trying to understand is you are more focused on premium mass obviously. It sounds like this anticorruption campaign is impacting both VIP and premium mass and less to the grand mass. So if you would help us understand how you are able to grow faster than the market with the reclassification you just mentioned that would help.

And second thing we all want to understand is do you see, to the extent that you are looking at the market as well as your own business, that the slowdown that we have seen in VIP and premium mass is creeping slowly into grind mass. That would be very helpful to understand. I'll follow up with the smoking question later.

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

All right, Praveen, let me get Ted to fill you in.

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**Ted Chan** - *Melco Crown Entertainment Limited - COO Gaming and Non-Gaming*

Right, so how do we outperform the market in terms of premium mass or mass. I think as I said earlier in the other question, so it's really about the combination of our player management system and also the quality of product and services we offer.

And that's actually -- you can witness that stickiness in the hold percentage that we've performed in the last few years. In particular, in the last few quarters you're looking at COD's hold percentage has improved to somewhere close to 37%, 38% which means the fundamental key aspects of the services is really paying off in our area.

We do not really go to market and buy business. It's all about quality property aligned with the customer. In that sense if you were the same customer COD is easier for us to market to those customers compared to a lower quality of property. I think that's quite fundamental and is also suggested in numbers which is hold percentage. I hope that answers your question.

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**Operator**

Richard Yu, CLSA.

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**Richard Yu** - *CLSA - Analyst*

Yes, just two questions. The first one is just trying to follow up on Praveen's earlier question. Do you see any major impact from the implementation of the smoking ban on the gaming floor?

And the second is that with the recent development in both the slowdown in the VIP and the mass gaming segment is there any changes that you've made to how you want to probably position Studio City in the next upcoming project or maybe adjust the -- potentially the opening time of the Studio City project given the recent market softness. Thank you.

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

Hi, it's Lawrence here. I think for Studio City we -- I think we care more about ultimately how well we open ourselves. And I think judging from history you couldn't have opened the property at a worse time than we opened City of Dreams at the tail end of the global financial crisis. But we've made that work over time.

And so I think ultimately when we are ready to open we will open. And I do still believe that the early openings in Cotai, the second wave of the early openings will have a relative competitive advantage being first movers.

And in terms of the design of Studio City, we've had three years to design it. Given its location being right next to the Lotus Bridge border, and if that border really becomes 24 hour border crossing it will really help our investment thesis back in the day, which is to have a -- it's still a premium mass property, it's still mass property focused more on mid-tier mass. But I think having had a look at it and compared to some of the other products being brought to the market I think we will still be above it.

But at the same time, as we talked about on the call early on, we are doubling our room inventory supply. So I think we can make use of a lot of our customer database, people that we've been turning away who are on the borderline of being turned away, there is going to be a new experience there.



And Studio City is a great -- it will also be a great day trip product given all the attractions and amenities that we have created for families as well. So I don't think we will have any major change. But in terms of your question about smoking maybe I'll let -- hand it off to Ted.

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**Ted Chan** - *Melco Crown Entertainment Limited - COO Gaming and Non-Gaming*

Yes, implementing the smoking ban on the mass casino floor, first of all, I think it's well understood that smokers really play longer hours when they can smoke, so this is well understood. And definitely there will be some negative impact on the casino floor when they cannot smoke.

So during the October time we did add a couple of smoking rooms in the mass casino floor area in both COD and Altira. I think it's quite well received. I think the overall situation is contained, but effectively we see of course some negative impact or disruption in terms of smoking ban in those mass casino floors.

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**Richard Yu** - *CLSA - Analyst*

Thank you. That's very helpful, thank you.

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**Operator**

Joe Greff, JPMorgan.

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**Joe Greff** - *JPMorgan - Analyst*

Hello, all. In the most recent quarter can you give us a breakout of the mass revenues between premium mass and base mass? And if you can help us understand where margins are in each.

And then my second question relates to some of the shifts of games from the premium mass area to the VIP area. My understanding is that I guess the DICJ for the lack of a better term is still negotiating with Macau's health department on those shifting tables. Can you talk about that a little bit and where you are in that process if I understand that correctly. Thank you.

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**Geoffrey Davis** - *Melco Crown Entertainment Limited - CFO*

Joe, on the first question, this is Geoff, our -- the percentage of our overall City of Dreams mass business that is represented by premium mass ranges between 50% to 60%.

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

And I think, Joe, it's Lawrence here, in terms of the smoking and the government department VIPJ and health bureau all we have to say is we are -- we have always been utmost respectful of the rules and laws of Macau and we believe that we are in complete total utter compliance with the law as specified by the government with regards to smoking regulations.

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**Joe Greff** - *JPMorgan - Analyst*

Great, and the margins question, Geoff? If you don't want to give a specific number would you say they are materially different than what the folks at LVS have disclosed?

**Geoffrey Davis** - *Melco Crown Entertainment Limited - CFO*

We haven't really done much margin disclosure on any aspect of our premium mass business. But it's safe to say that the margin differential between premium mass and mass is de minimis.

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**Joe Greff** - *JPMorgan - Analyst*

Thank you.

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**Operator**

Janet Lu, Goldman Sachs

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**Janet Lu** - *Goldman Sachs - Analyst*

Good morning -- good evening, thanks for taking my question. My first question is on Macau Studio City. Given the soft market conditions, how do you think about the potential return for Studio City. And if the market continues to be weak would you consider to delay its opening.

I will follow up with another question.

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

Hi Janet. I think again I think I mentioned -- I might have answered that earlier on, but I think when we are ready to open I do believe that -- things do change very quickly in China and could change. Although I don't believe similar to the global financial crisis where there was a light switch event, this time around I do not think there is a light switch event.

But at the same time the anticorruption crackdown -- the way that has scared people and scared consumers, it's very much a physiological thing. So I think if you look at the European debt crisis or other crisis in the past I think the moment people get used to the concept of this being with us going forward I think people will spend again.

So, we will have no plans to delay the opening of it. When we are ready to open we will open, because ultimately we believe that a negative consumer sentiment on the market that the additional rooms should drive incremental revenue.

But on your other question, sorry it was a bit -- in the early part of your question I didn't really get that.

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**Janet Lu** - *Goldman Sachs - Analyst*

Exactly how would you think about a potential return given the soft market conditions.

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

Oh on returns, so maybe, Geoff, you can talk about our -- based on soft market conditions. Because we have a hurdle rate, but we --

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**Geoffrey Davis** - *Melco Crown Entertainment Limited - CFO*

we still maintain a 20% cash on cash return. Even with a downturn in the market that should be achievable.



**Janet Lu** - *Goldman Sachs - Analyst*

Thank you. My second question is on the dividend payout. So given the current market conditions and your ongoing CapEx requirement for Studio City and also Manila, how would you think about a dividend payout fourth quarter and also going into 2015?

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**Geoffrey Davis** - *Melco Crown Entertainment Limited - CFO*

Well if I understand the question, the dividend payout ratio is set at 30%. And we anticipate retaining or maintaining that dividend payout ratio going out forward. No anticipation of changing it at this time.

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**Janet Lu** - *Goldman Sachs - Analyst*

Thank you. My final question is a follow-up question on Altira. So I think I heard earlier mentioned in the call that there is still some upside in Altira given the new junkets added earlier this quarter. So what would be your expectation for a normalized EBITDA run rate for Altira going forward? Thanks.

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**Ted Chan** - *Melco Crown Entertainment Limited - COO Gaming and Non-Gaming*

We normally do not give the EBITDA forecast on those numbers. But as you know the productivity per table in Altira is actually substantially lower than COD level. And I think our goal is actually by inviting more larger and quality junket operators in here. After our optimization of tables almost finished in the last few quarters you will see a substantial improvement in the next few quarters in terms of the productivity per table in rolling basis in the coming quarters.

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**Janet Lu** - *Goldman Sachs - Analyst*

Thank you. That's very helpful.

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**Operator**

Philip Chung, Standard Chartered Bank.

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**Philip Chung** - *Standard Chartered Bank - Analyst*

Thanks, guys, for taking my question. Still on the premium mass reclassified business, I just want to confirm that is -- that's rebate business and that's credit business that's exactly like your in-house premium direct VIP? Or is that (multiple speakers) is that a cash rolling type of thing?

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**Ted Chan** - *Melco Crown Entertainment Limited - COO Gaming and Non-Gaming*

That's all cash non-rebate, non-program business, it's all cash business. It's no different to our previous premium mass segment. And the margin remains intact.

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**Philip Chung** - *Standard Chartered Bank - Analyst*

Okay, thanks, Ted, appreciate that.

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**Operator**

Bryan Maher, Craig-Hallum Capital.

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**Bryan Maher** - *Craig-Hallum Capital - Analyst*

Yes, just real quick and I apologize if I missed this earlier on but on Studio City I just want to clarify that the budget has not changed. And can you also talk about your view on number of tables at that property when it initially opens and what you would expect it to ramp up to ultimately?

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**Geoffrey Davis** - *Melco Crown Entertainment Limited - CFO*

This is Geoff. I can confirm no change to the budget at Studio City.

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

Hi, it's Lawrence here. In terms of number of tables I think like all of our competitors building properties on Cotai the truth of the matter is we honestly don't know because the government have not -- the government is kind of in transition. As you know there will be a new government that will be sworn in, in December under the same Chief Executive but a lot of the Ministers will probably be different. And at this stage they have not communicated to us what the table allocations are.

I think ultimately they might be saying the same stuff to all of us, be saying that our requested allocation seems fair and reasonable but to be honest we are concerned.

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**Bryan Maher** - *Craig-Hallum Capital - Analyst*

And if you are concerned and you don't get the number of tables that you initially would like to open the property, I'm assuming that you would possibly do some table moving from maybe Altira and City of Dreams to make sure that you have what you need at that property, or how do you think about that?

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

In our case it's a bit complicated.

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**Bryan Maher** - *Craig-Hallum Capital - Analyst*

Okay. All right, thank you.

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

Thank you.

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**Operator**

Praveen Choudhary, Morgan Stanley.

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**Praveen Choudhary** - *Morgan Stanley - Analyst*

Sorry I didn't realize I asked such a difficult question that I was cut off and didn't -- was not allowed to come back in for the second question. But that's great. I think someone already asked the smoking -- I wanted to ask the same thing, about how do you see the impact apart from how much time longer they play that you had to take this drastic action of changing premium mass rooms and paying higher taxes to the VIP side.

And what happens to 50% remaining business at least whatever you've seen in October three weeks? If you have to extrapolate it do you think it's a 2% impact, 3% impact or is there any way to quantify that? Thank you.

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**Ted Chan** - *Melco Crown Entertainment Limited - COO Gaming and Non-Gaming*

Hi, Praveen. In terms of impact we all believe that when we look at the players profile I think we have a large portion of our players really enjoy smoking. And that's -- we also understand that it's important and essential for them. So that's why we think that it's important that we provide every important aspect of the customer's life.

Smoking is one of the important elements, so that's why we would seriously implement what we think is all compliant with government and we do it. In actual fact, we actually did whatever the government advised us to improve those areas, including that we heavily invest into the ventilation system and also a tailor-made air curtain on tables to protect our employees.

So to answer the question, yes, negative impact observed and that's some negative impact but we couldn't quantify the number. But in terms of the customer profile we have a large portion of customers as smokers. I hope that I answered your questions Praveen.

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**Praveen Choudhary** - *Morgan Stanley - Analyst*

Yes, absolutely. Thank you so much.

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**Operator**

As there are no further questions, I would now like to hand the call back to speakers your of today.

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**Geoffrey Davis** - *Melco Crown Entertainment Limited - CFO*

Great, thanks, operator. And thanks, everyone, for joining us today. We'll be back with you in three months. Thanks.

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**Operator**

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

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