

Las Vegas Sands Corp. Reports Record Fourth Quarter and Full Year 2006 Results

2007-02-06

Achieves Record Consolidated Adjusted Property EBITDAR of \$831.5 Million for the Full Year 2006 and \$244.3 Million for the Fourth Quarter of 2006

The Venetian Achieves Record Quarterly Adjusted Property EBITDAR of \$134.1 Million, the Highest Earned by Any Property in the History of Las Vegas

Las Vegas Sands Corp. (NYSE:LVS) , today reported financial results for the fourth quarter and full year ended December 31, 2006.

Financial Highlights:

œ Net revenues of \$2.24 billion, an increase of 28.5%

œ Consolidated full-year and fourth-quarter adjusted property EBITDAR of \$831.5 million and \$244.3 million, respectively

œ The Sands Macao generated full-year and fourth-quarter adjusted property EBITDAR of \$458.0 million and \$110.2 million, respectively

œ The Venetian generated full-year and fourth-quarter adjusted property EBITDAR of \$373.5 million and \$134.1 million, respectively

On a GAAP (Generally Accepted Accounting Principles) basis, consolidated operating income was \$574.1 million for the full-year 2006 and \$166.3 million for the fourth quarter of 2006. Operating income at The Sands Macao was \$413.0 million for the full-year 2006 and \$99.4 million for the fourth quarter of 2006. Operating income at The Venetian was \$289.9 million of the full-year 2006 and \$111.8 million for the fourth quarter of 2006.

"2006 was another outstanding year of execution for our company," began William P. Weidner, President and COO. "We delivered record operating results at both our Las Vegas and Macao properties, and made strong progress in the execution of our Cotai Strip(TM) development plans as we lead the historic effort to create Asia's Las Vegas(TM). In addition, to complement our developments on the Cotai Strip, we advanced our plans to develop a non-gaming leisure resort and convention destination on Hengqin Island, in the People's Republic of China. In Las Vegas, we continued the development of The Palazzo and our ongoing initiatives at The Venetian designed to increase that property's appeal to important high-end Asian gaming customers. Finally, we won the right to expand our successful business model to additional jurisdictions both domestically and internationally. We have now initiated the development process for properties in those two new jurisdictions, The Sands Bethworks in Bethlehem, Pennsylvania and The Marina Bay Sands in Singapore."

Company-Wide Operating Results

Net revenue for the fourth quarter of 2006 increased 27.1% to \$636.3 million compared to \$500.7 million in the fourth quarter of 2005. Adjusted net income (excluding loss on disposal of assets, pre-opening expense and development expense) increased 12.6% for the fourth quarter of 2006, improving to \$132.9 million, or adjusted earnings per diluted share of \$0.37, versus adjusted net income (excluding gain on disposal of assets, pre-opening expense, development expense and litigation settlement expense) of \$118.1 million, or adjusted earnings per diluted share of \$0.33, in the fourth quarter of 2005. On a GAAP basis, net income in the fourth quarter of 2006 was \$113.6 million, or \$0.32 per diluted share, compared to \$110.0 million, or \$0.31 per diluted share, in the fourth quarter of 2005.

Consolidated adjusted property EBITDAR in the fourth quarter of 2006 came in at \$244.3 million, an increase of 28.2% compared to \$190.5 million in the year-ago quarter. On a GAAP basis, operating income improved to \$166.3 million versus \$141.5 million in the fourth quarter of 2005.

Full-year 2006 net revenue increased 28.5% to \$2.24 billion compared to \$1.74 billion in 2005. Adjusted net income in 2006 was \$506.1 million, while adjusted earnings per diluted share was \$1.42. This compares to adjusted net income of \$415.6 million, or adjusted earnings per diluted share of \$1.17 in 2005. On a GAAP basis, net income was \$442.0 million or \$1.24 per diluted share in 2006. This compares to \$283.7 million or \$0.80 per diluted share in 2005.

Fourth Quarter Highlights

Weidner continued, "In Asia, we delivered another strong quarter at The Sands Macao, with our Mass Market, VIP and slots businesses all reflecting increases in gaming win compared to the quarter one year ago. For the fourth quarter in total, despite the addition of incremental capacity in the marketplace, we captured over 19% of the table game market in Macao. And in the month of December, our market share increased to over 21% of the Macao gaming market. Our visitation trends have also continued to increase, with visitation to The Sands increasing by over 8% in the fourth quarter compared to a year ago, by over 15% in December 2006 compared to last December. These trends both support and validate the strength of our service offering and clearly provide positive momentum as we prepare to open Macao's first true integrated destination resort, The Venetian Macao, which will be the largest gaming facility as measured by number of table games, in the world. In Las Vegas, we delivered strong results across the board, with gaming, hotel, and food and beverage revenues all reflecting healthy

increases compared to the quarter one year ago. Those revenue increases drove adjusted property EBITDAR at the Venetian to \$134.1 million, which we believe is the highest quarterly adjusted property EBITDAR of any property in Las Vegas history."

Weidner added, "We continued to execute our development plans for The Venetian Macao and The Cotai Strip, where we are now preparing The Venetian, the anchor of The Cotai Strip, for a Summer opening. In addition, we have advanced our construction or preconstruction work on each of our other six sites on the Cotai Strip. We have also made strong progress in the leasing of our retail space and the development of our convention, tour and travel, and corporate meetings businesses on The Cotai Strip. We have also advanced our master-plan to develop the complementary leisure and convention destination planned for Hengqin Island, in Zhuhai of the People's Republic of China (PRC) and adjacent to The Cotai Strip. In the U.S., we have begun renovations at The Venetian, made significant progress on the construction of The Palazzo, which is scheduled to open in Fall of this year, and begun the preconstruction process on The Sands Bethworks in Bethlehem, Pennsylvania."

Las Vegas Fourth Quarter Operating Results

In the fourth quarter of 2006 in Las Vegas, hotel revenues increased 9.8% to \$86.4 million versus \$78.7 million in the fourth quarter of 2005. The Venetian's average daily rate (ADR) increased 9.5% to \$243, compared to \$222 in the fourth quarter of 2005. The Venetian's occupancy of available guestrooms was 97.0% during the fourth quarter of 2006, which compares to 96.5% during the prior year period, generating revenue per available room (REVPAR) of \$235 in the 2006 period, an increase of 9.8% versus \$214 in the 2005 period.

Food and beverage revenues were \$37.8 million in the fourth quarter of 2006 compared to \$32.3 million in the 2005 period, an increase of 17.0%. Retail and other operating revenues were \$14.8 million in the quarter compared to \$11.1 million in the fourth quarter last year, an increase of 33.3%.

Table games drop increased to \$384.9 million in the fourth quarter of 2006 versus \$320.4 million during the fourth quarter of 2005. Slot machine handle (volume) increased to \$562.6 million in the fourth quarter of 2006 versus \$523.0 million during the fourth quarter of 2005. Casino revenues increased 46.5% to \$154.0 million in the fourth quarter of 2006 compared to \$105.1 million a year ago. Table games win percentage (calculated before discounts) was 36.9% in the 2006 quarter compared to 26.4% in the fourth quarter of last year. This compares to our expected range of 20% to 22%. Slot win percentage (calculated before promotional expenses) was 6.8% in the 2006 quarter compared to 6.4% in the fourth quarter last year.

On a GAAP basis, operating income for The Venetian increased 72.9% to \$111.8 million versus \$64.6 million in the 2005 period. Adjusted property EBITDAR for The Venetian increased 52.9%, to \$134.1 million, compared to \$87.7 million for the fourth quarter of 2005.

"We are beginning to see more of the benefits of our targeted capital investments flow through to cash flow at The Venetian," noted Weidner. "Our increased table drop and high-end baccarat play are directly related to the investments we have made in our high-end suite, gaming and hospitality product, and the success of our worldwide Paiza(TM) offering, which has been designed to directly serve the unique needs of this important customer set.

"The increased scale of our carpeted meeting space continues to fuel increases in group business and related food and beverage revenues. Our results this quarter also reflect our success in driving operating efficiencies in this portion of our business over the last few quarters, so these top line enhancements are now increasingly flowing through to enhance our EBITDAR at the property.

"Looking further ahead, construction of The Palazzo continues to progress. Later this year, The Venetian and newly opened Palazzo complex will represent the largest integrated destination resort in the world, with over 7,000 all-suite hotel rooms, and 2.25 million square feet of exhibition and meeting space. Our experience in Asia has influenced our design for this integrated property, which is specifically aimed to provide all the amenities needed to provide superior service to the burgeoning Asian VIP market. We believe this property will provide an excellent platform for profitable growth in Las Vegas for years to come."

Macao Fourth Quarter Operating Results

In Macao, fourth quarter casino revenues increased 27.1% to a record \$343.3 million versus \$270.0 million in the 2005 period. Adjusted property EBITDAR was \$110.2 million for the fourth quarter of 2006, compared to \$102.8 million in the fourth quarter of 2005, an increase of 7.2%. On a GAAP basis, operating income for The Sands Macao was \$99.4 million for the fourth quarter of 2006, an increase of 6.5% compared to \$93.3 million in last year's fourth quarter. Table games drop (the Non-Rolling Chip segment) was \$1.03 billion in the fourth quarter of 2006. Fourth quarter 2006 Rolling Chip volume increased 43.4% to an all-time quarterly record \$5.65 billion, compared to \$3.94 billion in the fourth quarter of 2005.

Non-Rolling Chip table games win percentage (calculated before discounts and incentives) came in at 18.5% in the fourth quarter of 2006, while Rolling Chip table games win percentage (calculated before discounts and commissions) was 3.1%. These results compare to our expected Non-Rolling Chip table games win percentage (calculated before discounts and commissions) of 18% to 20% and Rolling Chip table games win percentage (calculated before discounts and commissions) of 2.7% to 3.0%.

Slot handle (volume) for the fourth quarter of 2006 was a record \$273.2 million, representing a 22.1% increase versus \$223.8 million in the fourth quarter of 2005.

Weidner stated, "We remain extremely pleased with our performance at The Sands. Despite the introduction of significant high-quality, competitive product in the Macao marketplace, both our VIP and mass businesses remain extremely healthy, our visitation statistics continue to increase, and our operating performance remains strong."

Other Factors Affecting Earnings

Interest expense, net of amounts capitalized, was \$45.4 million for the fourth quarter of 2006 compared to \$20.6 million during the fourth quarter of 2005. The increase is primarily the result of borrowings related to the \$2.5 billion credit facility to support our developments in Macao, as well as the \$1.4 billion credit facility to support the development of The Marina Bay Sands in Singapore. Capitalized interest was \$36.9 million during the fourth quarter of 2006 compared to \$7.2 million during the fourth quarter of 2005.

Interest income was \$19.9 million for the fourth quarter of 2006, compared to \$9.9 million for the fourth quarter of 2005, due principally to higher cash balances driven by required draws on the \$2.5 billion Macao credit facility.

Depreciation and amortization expense was \$34.6 million for the fourth quarter of 2006, compared to \$26.5 million for the fourth quarter of 2005.

Stock-based compensation expense was \$4.5 million in the fourth quarter of 2006. There was no stock-based compensation expense in the fourth quarter of 2005.

Preopening expenses related principally to the opening of The Venetian Macao and The Marina Bay Sands, were \$16.5 million in the fourth quarter of 2006, compared to \$2.4 million in the fourth quarter of 2005.

Development expenses relating to our efforts in Zhuhai (Hengqin Island, in the People's Republic of China), Pennsylvania, Europe, Japan and elsewhere were \$3.1 million in the fourth quarter of 2006, compared to \$5.6 million in the fourth quarter of 2005.

The effective tax rate for the fourth quarter of 2006 of 19.5% is lower than the United States Federal statutory rate due primarily to a zero effective tax rate on our Macao gaming income as a result of an income tax holiday on gaming operations, which is currently set to expire at the end of 2008.

Balance Sheet Items

Unrestricted cash balances at December 31, 2006 stood at \$468.1 million while restricted cash balances were \$953.9 million. Of the restricted cash balances, \$465.4 million is restricted for Macao related construction, and \$396.3 million is restricted for construction of The Palazzo, the company's second resort hotel casino property in Las Vegas.

As of December 31, 2006, total debt outstanding, including the current portion, was \$4.14 billion.

Capital Expenditures and Other Activities

Capital expenditures during the fourth quarter of 2006 totaled \$638.4 million. This includes \$412.3 million for construction and development activities in Macao, \$184.6 million for construction and development activities at The Palazzo, \$29.1 million for improvements and maintenance capital expenditures at The Venetian and The Sands Expo and Convention Center in Las Vegas, \$7.7 million for corporate activities and \$4.7 million for construction and development activities in Singapore.

Concluding Comments

Weidner concluded, "While we have delivered superior financial and operating results, the opportunities that lie ahead, in both the short and long term, remain significant. We believe that successful execution of our first mover advantage in Macao will create opportunities for outstanding returns. In Las Vegas, the market is now as robust, and competitive, as it has ever been. Our experience in Asia, which has influenced both the retrofitting of The Venetian and the final design of The Palazzo, in combination with our prime location on the Las Vegas Strip and unique convention-centric model, will give us a distinct competitive advantage in this marketplace for the foreseeable future. Finally, our track record of execution in the development and operation of convention-based integrated destination resorts clearly positions us well to continue to execute on our currently announced projects and to develop, identify and utilize our market-leading position to win additional growth opportunities worldwide.

"We remain particularly pleased with the progress we are making in developing 'Asia's Las Vegas' on the Cotai Strip. We have now begun construction or preconstruction activities on all seven sites on the Cotai Strip. The Venetian Macao, the anchor property of The Cotai Strip, remains on track for a summer 2007 opening.

"Looking further ahead in the Macao region, we made important progress in the advancement of our plans to develop a leisure and convention destination resort on Hengqin Island, which is in Guangdong Province of the PRC and just a few hundred yards from the Cotai Strip in Macao. In January, we received an official letter from the Office of the Zhuhai Municipal People's Government, informing the company that the Zhuhai Government had established a Project Coordination Committee specifically related to our proposed development of The Venetian Hengqin International Convention and Resort Project in Zhuhai. The function of the Project Coordination Committee is to act as the government liaison empowered to work directly with us to advance the development of our master-plan. While the formation of the Project Coordination Committee is a positive step forward, the project remains subject to governmental approvals customary for projects of this scale in China.

"In Singapore, we remain on track to open The Marina Bay Sands in 2009. The property will feature 2,500 hotel rooms, 1.2 million square feet of flexible meetings, incentive, convention, food and beverage, and exhibition space, one million square feet of retail space, three large entertainment venues, and gaming space which will include our high end Paiza Club.

"Additionally, we have now begun pre-construction activities on an integrated destination resort on the site of the former Bethlehem Steel plant in Bethlehem, Pennsylvania, about a 90 minute drive away from Midtown Manhattan, and less than one hour from many of the most prosperous suburbs of Northern New Jersey. In its first phase, the 126-acre development will feature a 300-room hotel, 200,000 square feet of retail space, 3,000 slot machines, and a variety of dining and entertainment options. The property will also be home to the National Museum of Industrial History, an affiliate of The Smithsonian Institute, as well as additional arts and cultural attractions and the broadcast home of the local PBS affiliate."

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article26124.html>

© 1998 - 2007 Nevistas and the author.

Brought to you by Hotel News Resource

Distribute your news on our Network

See what all the buzz is about at:

http://www.hotelnewsresource.com/Info-news_account_info.html