

MPEL: Q3 2014 EARNINGS PREP

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HEDGEYE Q3 2014 ESTIMATES

- Revenues: \$1.11 billion
- EBITDA: \$281 million
- EPS: \$0.29

Q3 2014 CONSENSUS ESTIMATES

- Revenues: \$1.17 million
- EBITDA: \$292 million
- EPS: \$0.30

QUESTIONS FOR MANAGEMENT

1. Is CoD Manila opening in December?
2. Premium mass market promotional pressures?
3. Is Macau's weakness impacting the Philippines market as well?
4. How should we think about margins for 2015 in the face of declining top-line, stifling mass competition and increased wage pressures?
5. Is MSC still on track for 2H 2015? What about table allocation estimates?
6. Is Japan gaming legislation a bust for the foreseeable future?
7. How many tables were converted from Premium Mass to Direct VIP to circumvent the smoking ban?
8. How much of an impact did the table conversion have on the October market Mass decline of 8%?
9. The operators have been consistent in claiming they don't envision any impact from the smoking ban yet many have converted Premium Mass tables to Direct VIP. Thoughts?
10. Some or all of the American operators have discontinued proxy phone betting. Do you anticipate following suit and if so what would be the negative impact? If you don't follow, would you pick up meaningful junket share?

RECENT FORWARD LOOKING COMMENTARY

MASS MARKET SHARE

- Expanded mass table game segment share and expect that to continue in 2014, given unique premium focused assets, ongoing proactive table and room optimization process, together with product enhancements, particularly at City of Dreams.

COD REDEVELOPMENT

- Will meaningfully expand the integrated resorts' luxury retail offering. Luxury precinct to be operational by 2016.

CoD 5TH TOWER

- Proceeding as planned. Anticipate opening 1H 2017.

ALTIRA

- Repositioning Altira to focus more exclusively on larger junkets who are better positioned to compete in this evolving market.

CoD MANILA/ MSC

- CoD Manila opening 4Q 2014.
- MSC opening mid-2015. Got all of our construction permits. Studio City can accommodate a capacity of 500 tables. Confident MSC will receive fair share of tables from government - always guided to get 400 tables or more.

LABOR COSTS

- Anticipate an additional quarterly labor expense of approximately \$10 million in both third and fourth quarters of 2014

CAPITAL STRUCTURE

- Drew down on our \$1.3 billion Studio City term loan in July of this year.
- The Board has authorized a \$500 million stock repurchase program, which complements MPEL's existing dividend program

PROMOTIONAL ENVIRONMENT

- Current market is quite healthy. Hasn't been overly promotional

MARGINS

- Margin is within the range that has been, and will continue on that basis.

TAIWAN

- Taiwan branch has been indicted for banking act and foreign exchange related offenses. Have not received a formal documentation at this point but will defend vigorously any indictment brought against MPEL. MPEL has been operating in compliance with Taiwan law.

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