

Sands sees Macau gambling doubling by 2010

Los Angeles (Reuters) – Chinese gambling revenue in Macau has topped that of the Las Vegas Strip and will more than double again by 2010, the president and chief operating officer of Las Vegas Sands Corp. predicted on Monday.

Sands this year is opening a „Venetian“ resort that shares the name of its Vegas casino and will be one of the first examples of a project that duplicates the glitz of the U.S. gambling capital in the only place to allow casinos in China.

Speaking at the Reuters Hotels and Casinos Summit, Sands COO William Weidner said the Venetian will be Macau's first mega-resort, featuring shopping and entertainment attractions that will draw mainland Chinese visitors who now frequent Hong Kong for those pursuits.

Wall Street expects Macau casino revenue, which hit USD 7 billion in 2006, to grow to anywhere from USD 10 billion to USD 15 billion in 2010, Weidner said. „I'm more in the USD 15 billion-plus camp,“ he added. The Vegas strip of mega-resorts generated USD 6.69 billion in gambling revenue last year.

Sands is investing USD 11 billion in a string of casino resorts in a part of Macau dubbed the Cotai Strip. Essentially, Sands aims to reproduce in Macau the Las Vegas Strip of today, complete with the condominiums, shopping malls and entertainment that have blossomed in the last few years.

Weidner estimated that some 3 million square feet of malls to be built in Macau would be worth at least USD 8.4 billion to Sands if it sold out, from as early as 2008. Residential units could fetch another USD 3 billion to USD 5 billion, he added.

Macau has had gambling for more than a century but only

recently allowed foreigners to invest, sparking a building rush.

„In the last five years there has been a dramatic change in Las Vegas, and we're taking that change and we're bringing Macau from its 1850s to today," Weidner said. „And if we do it right, we'll actually build the infrastructure, pay for the infrastructure, and end up with cash flow from the ongoing operations for no cost.“

Expecting an earnings boom to follow the Macau buildout, investors have pushed the value of Sands to USD 33 billion, nearly equal to the combined market capitalization of its two largest U.S. rivals, MGM Mirage and Harrah's Entertainment Inc..

Sands shares trade at about 55 times projected year-ahead earnings, compared with about 35 for MGM and 24 for Harrah's.

The company's existing Macau casino, called the Sands, has done great business since its opening in 2004, but the pace of revenue growth slowed in the fourth quarter and margins fell.

Some analysts have attributed the slowdown to new competition from companies such as Wynn Resorts LLC, which opened its Macau casino last September.

Weidner, however, said margins were affected by costs incurred as Sands gets ready to open the Venetian Macau and by a shift in business toward lower-margin VIP gamblers. He saw margins improving when the Venetian opened, as overhead costs were shared across a larger operation.

Progress at times has been slow as the Western firm learned to work in China, Weidner said. Sands is awaiting approval from the Chinese government for a planned resort and convention complex on Hengqin Island, off China's southern coast.

Amid efforts to build its economy, China has not been

enforcing a real estate tax of 30 percent to 60 percent, and profits at Sands would be affected if it did, Weidner said.

He said the Chinese were understandably wary of how brutal Western practices could be, joking: „To them we are rapacious capitalists that want to rape, pillage and plunder and drag profit out of everything.

„Which is reasonably accurate,“ he added with a laugh.