

# Adelson pushes casino vision beyond Macau

In 1950, the teenage Sheldon Adelson ran a business stocking Boston shoe-factory vending machines. As plants closed in the summer, he headed to the beach, outfitting delivery trucks with freezers to sell ice cream.

A half-century later, Adelson recalls, he was drawn to another chance to turn a profit when Chinese officials took him to a planned landfill site in the South China Sea off Macau. The chairman of Las Vegas Sands Corp., the world's fastest-growing casino company, envisioned the biggest gambling resort ever.

Adelson's company is spending as much as USD 11 billion in Macau to build the Venetian Macao casino and recreate the heart of Las Vegas on a stretch of landfill called the Cotai Strip.

The project might be viewed as the capstone of a six-decade career seizing opportunities to make money. Yet at age 73, Adelson gives little hint that he's easing into retirement. If anything, Adelson wants more.

„When he gets into a business, he sees potential that most people don't," says Irwin Chafetz, a life-long friend and business partner who's on the Las Vegas Sands board. „Whatever business he's in, it's only a stepping stone to making that business larger, better, more profitable.“

From his Las Vegas board room, Adelson says the Venetian Macao, set to open later this year, is part of his philosophy of going into new markets, such as winning in May 2006 the rights to build a casino in Singapore, the nation's first.

**,Having a vision'**

„It’s simply a matter of having a vision, coming up with a conviction and following through on that conviction,” Adelson says. He complains his seafood stew is too cold as body guards remind him to take pills for plexitis, a nerve condition that requires him to use a walker.

He fields calls from lawyers, business associates and a member of Congress.

„This is what entrepreneurs do,” he says, between calls and bites. „You come up with a vision, and figure out what the upside is and what the downside is.”

Las Vegas Sands is lobbying to introduce casinos in Japan and is mulling a development along the Mediterranean Sea, he says.

„I’d like to do another Las Vegas in Europe,” he says, adding that it needs to be in a warm climate. „We’ll look aggressively for opportunities.”

Investors have so far followed where Adelson leads. The shares of Las Vegas Sands, based in Las Vegas, tripled to \$ 86.10 as of Thursday from USD 29 when the company began trading publicly on December 14, 2004. Adelson’s stake, about 70% of the stock based on data compiled by Bloomberg, was valued at USD 21.43 billion. The company’s stock has outpaced the 46 % climb in the Bloomberg Las Vegas Index since the public offering, as well as the 50% gain in Wynn Resorts Ltd. and a doubling in MGM Mirage.

## **No successor**

Adelson has yet to designate a successor, saying he’s „very vibrant.”

Las Vegas Sands President William Weidner may be the logical choice, says Brian Summers, an associate fund manager at Thornburg Investment Management Inc. in Santa Fe, New Mexico, the holder of USD 257m. in Las Vegas Sands stock as of

December.

„Bill Weidner’s an amazing manager,“ he says.

Adelson has established a development team to handle the company’s multiple projects, and to survive his departure, says Robert LaFleur, an analyst with Susquehanna Financial Group in Stamford, Connecticut, who has a „buy“ recommendation on the stock and doesn’t hold any casino shares.

LaFleur says: „Sheldon’s one man. The one man is very important to the show. But there’s a deep enough bench.“

### **Skeptical analysts**

Any successor will either reap the benefits or the fallout from the new Macau development. In a March 21 research note, UBS analyst Robin Farley called the addition of retail space „aggressive“ and noted that Las Vegas Sands is lowering its rents to fully lease its malls. She lowered her forecast for the company’s share price on March 16, 2008, to USD 100 from USD 110.

Summers is concerned that the growth may outpace the local services needed to accommodate all the visitors.

„What makes me nervous is whether all this infrastructure to service the new capacity is there,“ he says. „There’s over a billion people within a three-hour flight. It’s going to be substantially larger than Vegas just based on demographics.“

The Venetian Macao will anchor a re-creation of the Las Vegas Strip in China with 20,000 hotel rooms that will cost at least USD 9b.

Three years ago, Las Vegas Sands became the first US casino company in Macau, the only region in China to allow gambling, with the Sands Macao. When the Venetian Macao opens, it will be the first phase of a complex with 2.8 million square feet of retail space and more than 350 stores.

Susquehanna Financial Group's LaFleur also questions whether the development is proceeding too quickly for Macau to handle millions of additional tourists.

### **Newspapers, bagels**

„The most realistic near-term challenges are all going to be logistical,“ says LaFleur. „It's getting people to and from Macau, getting people to stay in a construction site. Those are the places where the thesis can come off the rails.“ Adelson says his record as a businessman should allay any concerns.

The son of a Lithuanian immigrant cab driver, Adelson grew up in the Dorchester neighborhood of Boston. As a boy and teenager, he sold newspapers and strung together bagels by the dozen at a bakery. He later ran the vending machine business and became a court reporter, a job he performed in the military.

„He loved buying something cheap and selling it for a few more dollars, or even pennies,“ says Chafetz, 70. „He always had ambition.“

### **Comdex founder**

Adelson says he has no natural attraction to gambling.

After attending City College of New York, he worked as an ad salesman, investment adviser, real estate investor and magazine publisher. Then, he discovered the convention business and in 1979 founded Comdex, a computer expo that became the world's largest trade show.

To accommodate his growing trade-show business, Adelson agreed to buy the Sands Hotel & Casino from Kirk Kerkorian in 1988 to build his own convention center. He sold the Comdex show in 1995 to Japan's Softbank Corp. for USD 800m. and used the money to build the Venetian Resort Hotel Casino in Las Vegas.

With construction under way, a friend, Steve Grossman, former chairman of the Democratic National Committee, asked Adelson for a USD 1m. donation for a synagogue.

Adelson offered USD 250,000 and asked for patience for the rest, Grossman recalls. „He said, ‚Steve, I’m telling you right now, all my money is tied up in this investment, but within a few years, this business will be worth USD 5b.’“

### **Aiming for Gates**

Adelson ended up donating more than twice his pledge, USD 2.5m., to Temple Emanuel in the Boston suburb of Newton, Massachusetts, Grossman says. Las Vegas Sands became the world’s most valuable casino company, with a current market value of USD 31.05b.

Now, Adelson says his goal is to pass Microsoft founder Bill Gates as the world’s richest man. Gates’s stake in Microsoft was valued at USD 26.06b. last Tuesday, about USD 4.6b. more than Adelson’s stake in Las Vegas Sands.

Adelson doesn’t let his condition prevent him from traveling the world in his Boeing jet from homes in Las Vegas, Boston, Tel Aviv and Malibu, California, to casino projects in Macau and Singapore. Like Gates, he’s also giving away his money.

Foundation Adelson started a foundation in the past year to speed the funding of medical research. He’s donated USD 25m. to the Adelson School, a Jewish academy in Las Vegas; USD 25m. to the Yad Vashem holocaust memorial in Jerusalem and USD 15m. to Hebrew SeniorLife, a retirement home in the Boston suburb of Dedham, Massachusetts.

Adelson has made donations to Republican candidates and causes, including USD 1m. in January 2007 to American Solutions for Winning the Future, former House Speaker Newt Gingrich’s political group.

Jason Chudnofsky, the former president of Comdex, says working with Adelson wasn't always pleasant. One day, he recalls, Adelson stopped Chudnofsky as he was on his way to exercise.

„Do you know what a waste of time playing racquetball is?“ Chudnofsky says Adelson asked him. „Do you know how much money you could be making right now?“

A long-time opponent of organized labor, Adelson has sparred with the Culinary Workers' Union in Las Vegas over efforts to unionize the Venetian. The Culinary Workers Union Local 226 has contracts with most of Adelson's competitors' casinos.

### **Lawsuit on picketing**

„He's the most litigious person I've ever encountered,“ says D. Taylor, secretary-treasurer of the union's Las Vegas local. „Anyone who checks his absolute authority or voice, he wants to try and run over.“

Adelson sued the union in 1997 for picketing on the sidewalk in front of the Venetian. He pursued the case to the US Supreme Court, which declined to overturn an appellate court decision that the private sidewalk constituted a public forum.

Las Vegas Sands spokesman Ron Reese says the union is frustrated that it's been unsuccessful in organizing 6,300 Venetian employees.

„Our employees have a legal right to unionize but after nearly nine years there's been absolutely no desire for that to take place,“ he says.

Now, as he builds the world's largest casino company by market value, Adelson bristles at doubters who express skepticism about some of his visions for Macau.

„I don't understand why people don't see what I do,“ he says. „Why should anyone have any questions? My track record is pretty good.“