

Las Vegas Sands Corp. (LVS)

\$48.02 (As of 04/30/20)

Price Target (6-12 Months): **\$40.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 04/05/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: C

Growth: D

Momentum: F

Summary

Shares of Las Vegas Sands have declined significantly so far this year. The dismal performance can primarily be attributed to the coronavirus outbreak. The company reported first-quarter 2020 results, wherein both earnings and revenues surpassed the respective Zacks Consensus Estimate. However, both the metrics declined sharply year over year due to the coronavirus-induced shutdowns. The company has already closed its Venetian and Palazzo resorts in Las Vegas to contain the spread of the virus. Although most of the casinos in Macau have resumed operations after coronavirus-induced shutdown, casino tables are still empty. Moreover, slowdown in China, tighter visa policies and a smoking ban on mass market gaming floors have been weighing on performance. Notably, earning estimates for 2020 and 2021 have declined in the past 30 days.

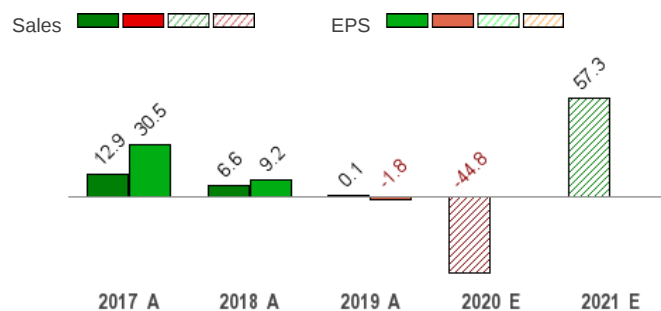
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$74.29 - \$33.30
20 Day Average Volume (sh)	10,427,569
Market Cap	\$37.3 B
YTD Price Change	-29.2%
Beta	1.68
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Gaming
Zacks Industry Rank	Top 20% (50 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	62.5%
Last Sales Surprise	13.5%
EPS F1 Est- 4 week change	-112.2%
Expected Report Date	07/22/2020
Earnings ESP	-63.5%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,271 E	3,275 E	3,372 E	3,496 E	11,928 E
2020	1,782 A	1,364 E	2,320 E	2,879 E	7,585 E
2019	3,646 A	3,334 A	3,250 A	3,509 A	13,739 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.75 E	\$0.68 E	\$0.76 E	\$0.83 E	\$2.29 E
2020	-\$0.03 A	-\$0.32 E	\$0.27 E	\$0.52 E	-\$0.27 E
2019	\$0.91 A	\$0.72 A	\$0.75 A	\$0.88 A	\$3.26 A

*Quarterly figures may not add up to annual.

P/E TTM	21.1
P/E F1	NA
PEG F1	NA
P/S TTM	3.1

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/30/2020. The reports text is as of 05/01/2020.

Overview

Based in Las Vegas, NV, Las Vegas Sands is a leading international developer of multi-use integrated resorts primarily operating in the U.S. and Asia.

U.S. Business: In the U.S., the company owns two resorts and casinos. These properties are:

Las Vegas Operations: The company has three properties in Las Vegas – The Venetian Casino, Las Vegas, The Palazzo, Las Vegas and an Expo and Convention Center.

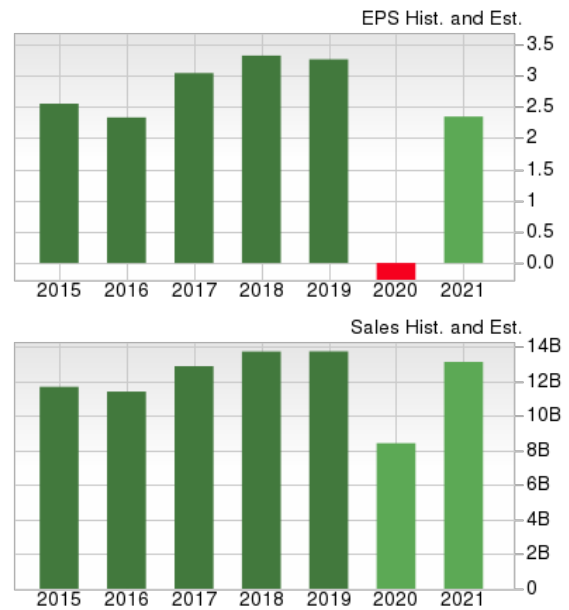
Asia Business: In Asia, the company owns and operates several properties in Macao, China and one in Singapore. These properties are as follows:

Macao Operations: Las Vegas Sands' integrated resort properties and other assets in Macao are owned and operated by Sands China Ltd., which is a majority-owned subsidiary of the company. The company's Macao business comprises the following resorts: Sands Macao, The Venetian Macao, Four Seasons Macao, The Parisian Macao and Sands Cotai Central (under development).

Sands Cotai Central is Las Vegas Sands' master-planned resort-casino project under development in the Cotai Strip, Macao. A part of the project has begun its operations while the other part is still under construction. Post completion, Sands Cotai Central will comprise an integrated resort complex featuring rooms, suites and apart-hotel units, approximately 800,000 square feet of retail, entertainment and dining space and more than 550,000 square feet of meeting facilities and a multipurpose theater.

Meanwhile, on Sep 13, 2016, the company opened The Parisian Macao, an integrated resort which includes a 253,000-square-foot casino, approximately 3,000 rooms and suites; roughly 340,000 square feet of retail and dining space; a meeting room complex of around 63,000 square feet; and a 1,200-seat theater.

Marina Bay Sands, Singapore: The resort was opened in Jun 2010.



Reasons To Sell:

▼ **Top & Bottom Lines Decline Sharply in Q1:** Las Vegas Sands' both earnings and revenues declined sharply in first-quarter 2020 due to the coronavirus related shutdown. In first-quarter 2020, the company reported adjusted loss per share of 3 cents against adjusted earnings per share of 91 cents. Net revenues totaled \$1,782 million, down 51.1% on a year-over-year basis. The Venetian Macao, Sands Cotai Central, The Parisian Macao, The Plaza Macao and Four Seasons Hotel Macao and Marina Bay Sands, Singapore were the worst performers during the quarter.

The coronavirus pandemic and stiff competition remain a concern for the company.

▼ **Coronavirus to Hurt Future Results:** The coronavirus pandemic will continue to hurt the company in the upcoming quarters. Earnings estimates for the current quarter and year have witnessed sharp downward revisions over the past 30 days. Due to the coronavirus pandemic, the company has already closed its Venetian and Palazzo resorts in Las Vegas from mid-March. Although casinos in Macau are now open, the company is witnessing low visitation. The company's announced that demand in Asia is likely to rebound more quickly than the United States as Asian countries have dealt with deadly diseases like SARS and swine flu in the past. Visitation in Asia is likely to rebound but in phases throughout the summer. Moreover, the company has also suspended its dividend program due to the ongoing crisis.

▼ **Macao/China Regulatory Issues:** A tough operating environment in Macao weighed on casino stocks from June 2014 to most part of 2016. In fact, the crackdown on corruption in China compelled Macao officials to impose restrictions on high rollers to stop billions of dollars from being siphoned off illegally from mainland China to Macao. Consequently, this lowered footfall at the local casinos, leading to a constant decline in gaming revenues. A slowdown in China, tighter visa policies, political unrest and a smoking ban on mass market gaming floors compounded the woes.

Nevertheless, Macao's gambling revenues marked a turnaround and have been rising since the second half of 2016 with new resorts attracting high rollers as well as leisure gamblers. Meanwhile, efforts undertaken by Macao operators to revive revenues by wooing tourists and recreational gamblers with family-friendly resorts and more non-gaming facilities have also started yielding results. However, the Macao government has joined hands with the mainland authorities to tackle money laundering and terrorism financing, and beefed up its anti-money laundering framework with a much wider scope and stringent compliance measures. In sync with this, new security measures including facial recognition at ATM machines are also being rolled out. Earlier, the government had put withdrawal limit on each ATM transaction to stem the recent increase in overseas ATM withdrawals. While these policies might be helpful in the long run, they are likely to restrict gaming revenues in the near term. Moreover, Macao's Gaming Inspection and Coordination Bureau ("DICJ") is increasing its audits of the junket industry owing to worries of money laundering. Markedly, junkets are responsible for about half the gaming revenue in Macao. Thus, this latest crackdown may hamper Macao's revenue growth. This, in turn, may weigh down on the company's performance in the region.

▼ **Heightened Competition:** Increased hotel openings and promotional activities have made Las Vegas and Macao markets highly competitive. Thus, excess supply, especially in the Macao market, might reduce the company's market share. The company's recently opened The Parisian Macao along with other upcoming resorts at the Cotai Strip faces extreme peer pressure from several Chinese casino operators and other U.S.-based companies. Wynn Resorts opened a full-scale integrated resort, Wynn Palace, on the Cotai Strip for over \$4 billion in Aug 2016. Another U.S.-based casino giant, MGM Resorts International, has opened resort in Cotai in 2018. These openings might pose a huge threat to the company's business in the region.

Risks

- **A Strong Portfolio Acts as a Safeguard Against Economic Fluctuations:** Las Vegas Sands, one of the leading companies in the gaming and lodging industry, has a solid business model, extensive non-gaming revenue opportunities, high-quality assets and attractive property locations. The strong portfolio has somewhat aided the company in withstanding the economic downturn in China, which negatively impacted its Macao operations. Meanwhile, with the economy recovering in the United States, the company's business should continue to grow. Moreover, some entertainment offerings in the pipeline are expected to boost profitability across the company's properties. Las Vegas Sands is also in the process of building 1,200 suites for Londoner and the Four Seasons. By the end of 2020, the company's suite products will exceed most of its peers.
- **Macao Business to Spur Growth:** Las Vegas Sands generates significant portion of revenues from Macao. In 2019, the company's Macao operations reported revenue growth of 1.7%. Moreover, adjusted EBITDA for Macao improved 3.6% in 2019. Additionally, it reported robust mass market growth in Macao during the same period.

Las Vegas Sands has invested over \$13 billion in Macao since 2004, consistently contributing to Macao's diversification and appeal as a business and leisure tourism destination. Despite the current scenario, the company announced that it will progress with its \$2.2 billion investment in Macau. Management said investment will strengthen its position in Macau. At the moment, the company is investing in The Londoner Macao and The Grand Suites at Four Seasons to strengthen its portfolio. Backed by these investments, the company aims to capitalize on the likely structural growth in Macao in coming years to stay ahead of the curve in terms of quality and scale of its product and amenities.

We also believe these new products along with The Parisian Macao would significantly bolster its strategic position and competitiveness across multiple segments. The company would be able to significantly grow its retail business and meetings, incentive, convention and exhibitions (MICE) space. Both these areas of business would aid non-gaming revenues, which would appeal to middle-class travelers. These projects thus demonstrate the company's commitment toward diversifying its business as these are not solely meant for gaming.

- **Singapore to Drive Growth:** Las Vegas Sands is quite confident about growth opportunity in Singapore, which is one of the top spots for gambling. Despite the coronavirus pandemic, the company announced it will continue with its investment for the expansion of Marina Bay Sands, Singapore. The company expects demand in Singapore to be robust.
 - **Enough Liquidity to Tide Over Coronavirus Pandemic:** Las Vegas Sands has enough liquidity, which will help it survive in a zero revenue scenario. The company has \$2.6 billion in cash and \$3.9 billion in revolving credit. In a zero revenue scenario, it requires \$110 million, \$45 million and \$65 million in cash to run Macau, Marina Bay Sands in Singapore and Las Vegas, respectively. Including interest expenses, corporate costs, and minimal maintenance and growth capital expenditures, the company requires \$355 million per month to operate under this scenario. So, the company has enough liquidity to survive for 18 months.
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Last Earnings Report

Las Vegas Sands Q1 Earnings Beat, Down Y/Y on Coronavirus

Las Vegas Sands reported first-quarter 2020 results, wherein both earnings and revenues surpassed the respective Zacks Consensus Estimate after beating the same in preceding quarter. However, both the metrics declined sharply year over year on account of the coronavirus-induced shutdowns.

Earnings & Revenues Discussion

The company reported adjusted loss per share of 3 cents, narrower than the Zacks Consensus Estimate of loss of 8 cents. In the prior-year quarter, the company had reported adjusted earnings per share of 91 cents. Earnings in the quarter were primarily impacted by the coronavirus outbreak. However, net interest expenses declined in the quarter. Interest expense, net of amounts capitalized, improved to \$131 million compared with \$141 million in the year-ago quarter.

Net revenues totaled \$1,782 million, which beat the consensus mark of \$1,570 million. However, the reported figure declined 51.1% on a year-over-year basis. The top line was impacted by the coronavirus-induced shutdown. The pandemic has compelled casino operators to take stringent measures.

Asian Operations

Las Vegas Sands' Asia business includes the following resorts:

The Venetian Macao

Net revenues declined 64.9% year over year to \$315 million. Casino and rooms revenues came in at \$251 and \$21 million, down 66.1% and 63.2%, respectively. Food and beverage, and convention, retail and other revenues declined 77.3% and 59.1% year over year to \$5 million and \$9 million, respectively. Mall revenues decreased 48.2% year over year to \$29 million.

Adjusted property EBITDA were down 86.4% year over year to \$49 million in the quarter under review.

While non-rolling chip drop declined 63.9%, rolling chip volume was down 69.7%.

Sands Cotai Central

Net revenues plunged 70.5% year over year to \$170 million owing to a decline 72.4%, 67.9% and 69.2% in casino revenues, rooms revenues, and food and beverage, respectively. Moreover, mall, and convention, retail and other revenues also declined 43.8% and 50% year over year, respectively.

Adjusted property EBITDA declined 100% year over year.

Both non-rolling chip drop and rolling chip volume declined 67.3% and 91.4%, respectively.

The Parisian Macao

Revenues amounted to \$141 million, reflecting year-over-year decrease of 68.9%. The downside can primarily be attributed to a decline of 70.3% in casino revenues and 59.4%, 72.2%, 50% and 60%, decline in rooms, food and beverage, mall, convention and other retail revenues, respectively.

Adjusted property EBITDA plunged 101.8% year over year to a negative \$3 million.

Non-rolling chip drop were down 65.8%, while rolling chip volume slumped 51.7%.

The Plaza Macao and Four Seasons Hotel Macao

Net revenues tanked 52.2% to \$107 million owing to 52%, 60%, 66.7%, 45.2% decline in casino, rooms, food and beverage and mall revenues, respectively.

Adjusted property EBITDA declined 59.4% to \$102 million.

While rolling chip volume decreased 63.8%, non-rolling chip drop fell 41%.

Sands Macao

Revenues were down 54.6% year over year to \$69 million owing to 54% decrease in casino revenues.

Adjusted property EBITDA were down 102.5%.

While rolling chip volume fell 57.8%, non-rolling chip drop declined 62.3%.

Marina Bay Sands, Singapore

Net revenues decreased 20.2% year over year to \$612 million owing to 19.3%, 27.5%, 22.6%, 2.3% and 36% in casino revenues, rooms, food and beverage, mall, and convention, retail and other revenues, respectively.

Quarter Ending 03/2020

Report Date	Apr 22, 2020
Sales Surprise	13.50%
EPS Surprise	62.50%
Quarterly EPS	-0.03
Annual EPS (TTM)	2.32

Adjusted property EBITDA of \$282 million in the first quarter was down 33.3%.

While non-rolling chip drop decreased 19.8%, rolling chip volume fell 6.9%.

Domestic Operations

Las Vegas

Net revenues from Las Vegas operations, which comprise The Venetian Las Vegas and The Palazzo including the Sands Expo and Convention Center, dropped 15.1% to \$400 million owing to decline of 9.7% and 16.7% in casino, and food and beverage revenues, respectively. Rooms revenues also decreased 19.1%. Moreover, convention, retail and other revenues declined 13.5% year over year.

Adjusted property EBITDA in the reported quarter totaled \$88 million, declining 36.2% on a year-over-year basis.

Table games drop were up 6.4%, while slot handle fell 9.7%.

Operating Results

On a consolidated basis, adjusted property EBITDA came in at \$437 million in the first quarter, down 69.9% year over year. Las Vegas operating properties, Sands Macao, The Plaza Macao and Four Seasons Hotel Macao, Venetian Macao, Sands Cotai Central, The Parisian Macao and Marina Bay Sands, all witnessed decline in adjusted EBITDA.

Balance Sheet

As of Mar 31, 2020, unrestricted cash balances amounted to \$2.6 billion. Total debt outstanding (excluding finance leases) totaled \$12.3 billion.

In the reported quarter, capital expenditures totaled \$320 million. This can primarily be attributed to construction, development and maintenance activities of \$241 million in Macao, \$46 million at Marina Bay Sands and \$33 million in Las Vegas.

Quarterly dividend of 79 cents per share was paid out by the company. The company has suspended its quarterly dividend program citing the coronavirus-induced crisis.

Recent News

Las Vegas Sands Temporarily Shut Down Operation – Mar 17, 2020

Due to coronavirus, the company has already closed its Venetian and Palazzo resorts in Las Vegas. The company also announced that it will continue to pay its employee during lockdown.

Valuation

Las Vegas Sands' shares are down by 29.2% in the year-to-date period and 28% over the trailing 12-month period. Stocks in the Zacks sub-industry is down by 30.1% and the Zacks Consumer Discretionary sector is down by 18.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector were down by 29% and 14.8%, respectively.

The S&P 500 index is down by 8.8% in the year-to-date period, but up 0.2% in the past year.

The stock is currently trading at 63.43x trailing 12-month forward earnings, which compares to 73.44x for the Zacks sub-industry, 23.8x for the Zacks sector and 20.16x for the S&P 500 index.

Over the past five years, the stock has traded as high as 63.43x and as low as 13.78x, with a 5-year median of 20.28x. Our Underperform recommendation indicates that the stock will perform worse-than the market. Our \$40 price target reflects 81.08x forward 12-month earnings.

The table below shows summary valuation data for LVS.

Valuation Multiples - LVS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	63.43	73.44	23.8	20.16
	5-Year High	63.43	73.44	23.8	20.16
	5-Year Low	13.78	15.41	16.15	15.19
	5-Year Median	20.28	21.46	19.88	17.44
P/S F12M	Current	4.07	2.03	1.98	3.3
	5-Year High	4.7	2.82	3.19	3.44
	5-Year Low	2.21	1.43	1.67	2.54
	5-Year Median	3.48	2.23	2.52	3.01
EV/EBITDA TTM	Current	14.25	10.05	9.88	10.76
	5-Year High	20.62	24.45	17.6	12.87
	5-Year Low	8.96	7.72	8.27	8.27
	5-Year Median	13.87	13.01	12.24	10.78

As of 04/29/2020

Industry Analysis Zacks Industry Rank: Top 20% (50 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Boyd Gaming Corporation (BYD)	Neutral	3
Churchill Downs, Incorporated (CHDN)	Neutral	4
Century Casinos, Inc. (CNTY)	Neutral	3
Full House Resorts, Inc. (FLL)	Neutral	NA
MGM Resorts International (MGM)	Neutral	4
Melco Resorts & Entertainment Limited (MLCO)	Neutral	3
Wynn Resorts, Limited (WYNN)	Neutral	3
Penn National Gaming, Inc. (PENN)	Underperform	3

Industry Comparison Industry: Gaming				Industry Peers		
	LVS	X Industry	S&P 500	MGM	PENN	WYNN
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	F	-	-	F	F	F
Market Cap	37.34 B	1.30 B	20.82 B	8.60 B	2.18 B	9.57 B
# of Analysts	5	4	14	8	7	7
Dividend Yield	0.00%	0.00%	2.07%	3.44%	0.00%	4.49%
Value Score	C	-	-	B	C	D
Cash/Price	0.13	0.18	0.06	0.34	0.27	0.29
EV/EBITDA	8.17	8.65	12.12	4.31	12.31	11.22
PEG Ratio	NA	0.93	2.51	NA	NA	NA
Price/Book (P/B)	5.77	1.85	2.74	0.72	1.16	6.20
Price/Cash Flow (P/CF)	9.99	8.23	11.23	5.20	4.63	10.24
P/E (F1)	NA	28.17	19.26	NA	NA	NA
Price/Sales (P/S)	3.14	1.05	2.16	0.67	0.41	1.45
Earnings Yield	-0.55%	-0.28%	5.03%	-5.38%	-1.45%	-2.67%
Debt/Equity	1.91	1.51	0.72	1.22	5.99	6.64
Cash Flow (\$/share)	4.89	1.36	7.01	3.36	4.02	8.69
Growth Score	D	-	-	F	D	F
Hist. EPS Growth (3-5 yrs)	5.16%	5.38%	10.88%	11.64%	-15.41%	5.42%
Proj. EPS Growth (F1/F0)	-108.16%	-79.41%	-6.94%	-124.16%	-172.97%	-191.13%
Curr. Cash Flow Growth	-0.77%	3.52%	5.92%	-1.74%	26.26%	-27.48%
Hist. Cash Flow Growth (3-5 yrs)	-1.30%	9.64%	8.55%	9.93%	10.03%	-3.64%
Current Ratio	1.65	1.24	1.23	1.26	0.71	1.44
Debt/Capital	65.62%	65.62%	43.90%	55.12%	85.70%	86.92%
Net Margin	17.81%	0.83%	11.15%	15.89%	0.83%	1.86%
Return on Equity	27.32%	2.75%	16.47%	3.50%	2.33%	16.03%
Sales/Assets	0.52	0.45	0.54	0.41	0.38	0.49
Proj. Sales Growth (F1/F0)	-44.79%	0.00%	-1.52%	-21.46%	-15.41%	-19.11%
Momentum Score	F	-	-	F	F	D
Daily Price Chg	4.96%	2.99%	2.91%	10.44%	16.97%	8.36%
1 Week Price Chg	-6.87%	-0.83%	-1.74%	-0.99%	0.21%	-2.36%
4 Week Price Chg	21.32%	25.62%	21.33%	48.34%	83.53%	64.87%
12 Week Price Chg	-27.99%	-25.45%	-16.28%	-46.06%	-42.33%	-32.70%
52 Week Price Chg	-27.97%	-33.81%	-7.57%	-32.43%	-11.55%	-39.08%
20 Day Average Volume	10,427,569	158,950	2,658,107	26,464,546	8,952,590	7,085,822
(F1) EPS Est 1 week change	-25.18%	0.00%	0.00%	14.48%	0.00%	0.00%
(F1) EPS Est 4 week change	-112.23%	-24.27%	-6.32%	-1,186.96%	-112.19%	-458.06%
(F1) EPS Est 12 week change	-108.85%	-98.39%	-12.93%	-168.12%	-112.49%	-145.22%
(Q1) EPS Est Mthly Chg	-160.69%	-111.59%	-11.84%	-1,508.70%	-168.89%	-1,024.59%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	D
Momentum Score	F
VGM Score	F

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

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