

Las Vegas Sands Corp. (LVS)

\$68.07 (As of 02/14/20)

Price Target (6-12 Months): **\$71.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/03/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: C

Growth: C

Momentum: F

Summary

Shares of Las Vegas Sands have outperformed the industry in the past year. The company recently reported fourth-quarter 2019 results, wherein both earnings and revenues surpassed the respective Zacks Consensus Estimate after missing the same in the trailing two quarters. Results benefited from casino, food and beverage and mall revenues. Revenue diversification efforts, planned investment in new capital projects in Macao and higher revenues from The Parisian Macao bode well. Notably, the EBITDA margins have been expanding consistently courtesy of the company's focus on mass and non-gaming segments that carry higher margins. However, the US-China trade war and high debt remain concerns. A slowdown in China, outbreak of Coronavirus, tighter visa policies, political unrest and a smoking ban on mass market gaming floors added to woes.

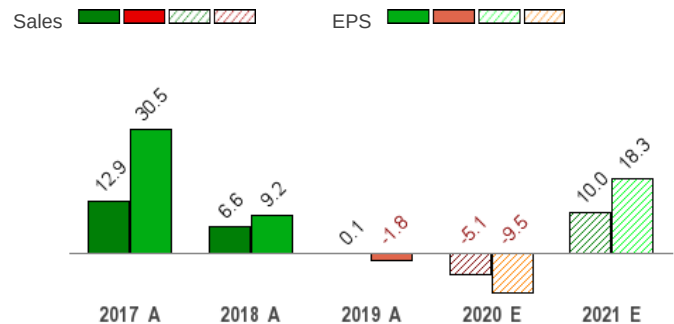
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$74.29 - \$51.17
20 Day Average Volume (sh)	5,693,599
Market Cap	\$52.0 B
YTD Price Change	-1.4%
Beta	1.61
Dividend / Div Yld	\$3.16 / 4.5%
Industry	Gaming
Zacks Industry Rank	Bottom 36% (164 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	11.4%
Last Sales Surprise	3.9%
EPS F1 Est- 4 week change	-11.5%
Expected Report Date	NA
Earnings ESP	0.0%
P/E TTM	20.9
P/E F1	23.1
PEG F1	9.6
P/S TTM	3.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,479 E	3,485 E	3,469 E	3,587 E	14,347 E
2020	2,519 E	3,223 E	3,486 E	3,644 E	13,037 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	\$0.84 E	\$0.80 E	\$0.84 E	\$0.89 E	\$3.49 E
2020	\$0.52 E	\$0.74 E	\$0.82 E	\$0.88 E	\$2.95 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.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/14/2020. The reports text is as of 02/17/2020.

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.

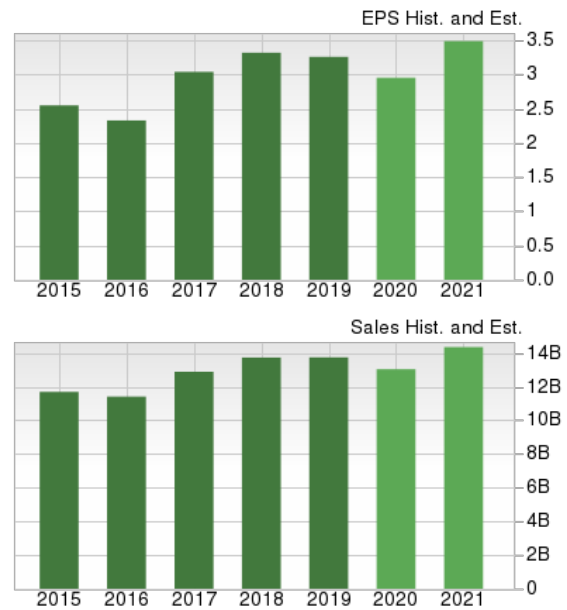
Asia Business: In Asia, the company owns and operates several properties in Macao, China and one in Singapore. These properties are as follows:

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 Buy:

▲ **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.

Revenue diversification efforts, planned investment in new capital projects in Macao and higher revenues from The Parisian Macao will drive growth

▲ **Macao Business to Spur Growth Over the Long Term:** 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% 2019. Additionally, it reported robust mass market growth in Macao during the same period.

Meanwhile, its industry-leading Cotai Strip property portfolio in Macao is witnessing strong visitation and higher hotel occupancy rates buoyed by the addition of The Parisian Macao. In fact, strong visitation at The Parisian Macao has now established it as a 'must-see' destination for visitors to the Cotai Strip. In fact, management is positive about Las Vegas Sands' entire Cotai Strip portfolio of properties. It expects these properties to continue providing the economic benefits of diversification to Macao, help lure greater numbers of business and leisure travelers as well as provide both Macao and the company with a superior platform for growth in the future. The company also sees huge potential in the redevelopment of Sands Cotai Central into The Londoner Macao that will add the third iconic must-see destination to the Cotai Strip.

Markedly, 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. In the next couple of years, the company is likely to spend \$2 billion. At the moment, the company is focusing on expanding the Four Seasons Tower Suites Macao, St. Regis Tower Suites Macao and the Londoner Macao to strengthen resort portfolio. Backed by these investments, the company aims to benefit from the likely structural growth in Macao in coming years and stay ahead of the curve in terms of the 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.

▲ **Expansion Efforts in Las Vegas:** Las Vegas Sands is concentrating on renovation and promotion of its Las Vegas properties in order to drive segmental performance. In fact, the Las Vegas Strip has been recording high occupancy rates over the past year. The improvement in employment rate and rise in tourism numbers in the region has been increasing demand at the company's properties in Las Vegas. Further, the diversification of its resort portfolio and non-gaming options would contribute highly to revenues. In fact, Las Vegas Sands, in collaboration with The Madison Square Garden, Live Nation Entertainment and Oak View Group, plans to create a large-scale music and entertainment venue in Las Vegas for concerts and events.

▲ **Consistent Improvement in EBITDA Margins:** EBITDA margins have been expanding consistently courtesy of the company's focus on mass and non-gaming segments that carry higher margins. This apart, Las Vegas Sands expects to continue delivering growth in the non-gaming segment. Notably, it has reported margin growth of more than 30% since the beginning of 2012. In 2018, the company reported adjusted EBITDA margin of 39.2%, up 70 basis points year over year. While most companies in the leisure industry are still grappling with margin pressure, Las Vegas Sands' performance has set it apart from the rest.

Reasons To Sell:

- ▼ **Trade War & Coronavirus Woes Linger:** The trade war between China and the United States has been hurting gambling stocks for a while, and Las Vegas Sands is no exception to the trend. Moreover, the flagging China property price has adversely impacted the high-end VIP segment. Las Vegas Sands business in China is likely to be impacted by the coronavirus outbreak.
 - ▼ **Debt Burden:** Las Vegas Sands' heavy reliance on debt financing remains a concern. As of Dec 31, 2019, unrestricted cash balances amounted to \$4.23 billion. Total debt outstanding (excluding finance leases) totaled \$12.48 billion. Owing to a higher debt burden, the company might fail to finance upcoming projects. Moreover, any downturn in macroeconomic and credit market conditions would make it difficult for Las Vegas Sands to pay or refinance debt in the days ahead.
 - ▼ **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.
-

Fears of another corruption crackdown by the authorities and high-debt burden remain potent headwinds for the company

Last Earnings Report

Las Vegas Sands Q4 Earnings & Revenues Beat Estimates

Las Vegas Sands reported fourth-quarter 2019 results, wherein both earnings and revenues surpassed the respective Zacks Consensus Estimate after missing the same in the trailing two quarters. Moreover, both the metrics also improved year over year.

Adjusted earnings came in at 88 cents per share, which surpassed the Zacks Consensus Estimate of 79 cents and also improved 14.3% year over year. The company's earnings benefited from non-recurring non-cash income tax items owing to the implementation of U.S. tax reform in 2018. Earnings also benefited from decline in interest expenses. In the reported quarter, interest expense, net of amounts capitalized, improved to \$134 million compared with \$138 million in the year-ago quarter.

Net revenues totaled \$3,509 million, which beat the consensus mark of \$3,379 million and increased 1% on a year-over-year basis. The top line was driven by rise in casino, food and beverage and mall revenues.

Asian Operations

Las Vegas Sands' Asia business includes the following resorts:

The Venetian Macao

Net revenues declined 1.2% year over year to \$908 million. Casino and rooms revenues came in at \$748 and \$54 million, up 0.1% and down 3.6%, respectively. Food and beverage, and convention, retail and other revenues declined 10.5% and 43.8% year over year to \$17 million and \$18 million, respectively. Mall revenues improved 9.2% year over year to \$71 million.

Adjusted property EBITDA were up 3.7% year over year to \$368 million in the quarter under review.

While non-rolling chip drop declined 3.3%, rolling chip volume declined 37.4%.

Sands Cotai Central

Net revenues decreased 9.5% year over year to \$505 million owing to a decline 9.3%, 9.3% and 8% in casino revenues, rooms revenues, and food and beverage, respectively. Moreover, mall, and convention, retail and other revenues also declined 4.8% and 37.5% year over year, respectively.

Adjusted property EBITDA was \$180 million, down 7.2% year over year.

Both non-rolling chip drop and rolling chip volume declined 1.7% and 63.8%, respectively.

The Parisian Macao

Revenues amounted to \$401 million, reflecting year-over-year decrease of 3.1%. The downside can primarily be attributed to a decline of 3.2% in casino revenues. However, rooms and food and beverage revenues were flat, respectively.

Adjusted property EBITDA decreased 7.6% year over year to \$122 million.

Non-rolling chip drop were down 1%, while rolling chip volume declined 13.2%.

The Plaza Macao and Four Seasons Hotel Macao

Net revenues surged 40.6% to \$246 million driven by an improvement of 56.5% and 10% in casino and rooms, respectively. Food and beverage revenues were flat in the reported quarter.

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

While rolling chip volume decreased 10%, non-rolling chip drop advanced 25.5%.

Sands Macao

Revenues were down 3.8% year over year to \$150 million owing to 4.9% decrease in casino revenues.

Adjusted property EBITDA rose 5.3% to \$40 million.

While rolling chip volume declined 35.8%, non-rolling chip drop declined 2.9%.

Marina Bay Sands, Singapore

Net revenues rose 17.5% year over year to \$853 million due to an improvement of 20.4%, 6.4%, 25.5%, 5.9% and 7.7% in casino revenues, rooms, food and beverage, mall, and convention, retail and other revenues, respectively.

Adjusted property EBITDA of \$457 million in the fourth quarter increased 26.2%.

While non-rolling chip drop decreased 2.2%, rolling chip volume improved 16%.

Quarter Ending **12/2019**

Report Date	Jan 29, 2020
Sales Surprise	3.85%
EPS Surprise	11.39%
Quarterly EPS	0.88
Annual EPS (TTM)	3.26

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, improved 12% to \$475 million on a rise of 30.3% and 18.8% in casino, and food and beverage revenues, respectively. Rooms revenues also increased 4.1%. Moreover, convention, retail and other revenues increased 1.9% year over year.

Adjusted property EBITDA in the reported quarter totaled \$120 million, surging 20% on a year-over-year basis.

Table games drop were up 2.7%, while slot handle advanced 5.9%.

Operating Results

On a consolidated basis, adjusted property EBITDA came in at \$1.38 billion in the fourth quarter, up 9.1% year over year. Las Vegas operating properties, Sands Macao and The Plaza Macao and Four Seasons Hotel Macao and Venetian Macao adjusted EBITDA improved in the quarter, while Sands Cotai Central and The Parisian Macao witnessed decline in adjusted EBITDA.

Balance Sheet

As of Dec 31, 2019, unrestricted cash balances amounted to \$4.23 billion. Total debt outstanding (excluding finance leases) totaled \$12.48 billion.

In the reported quarter, capital expenditures totaled \$460 million. This can primarily be attributed to construction, development and maintenance activities of \$352 million in Macao, \$61 million at Marina Bay Sands and \$47 million in Las Vegas.

Quarterly dividend of 77 cents per share was paid out by the company, while it repurchased \$300 million of its common stock.

Valuation

Las Vegas Sands' shares are up 12.8% over the trailing 12-month period. Over the past year, the Zacks sub-industry and sector are up 6.9% and 13.4%, respectively.

The S&P 500 index is up 20.9% in the past year.

The stock is currently trading at 14.58x trailing 12-month EV/EBITDA, which compares to 12.85x for the Zacks sub-industry, 12.45x for the Zacks sector and 12.31x for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.44x and as low as 9.7x, with a 5-year median of 13.78x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$71 price target reflects 23.5x forward 12-month Price to Earnings value.

The table below shows summary valuation data for LVS.

Valuation Multiples - LVS					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	14.58	12.85	12.45	12.31
	5-Year High	20.44	24.16	17.67	12.85
	5-Year Low	9.7	10.53	10.77	8.47
	5-Year Median	13.78	13.11	12.4	10.7
P/S F12M	Current	3.94	2.43	2.32	3.58
	5-Year High	4.7	2.82	3.19	3.58
	5-Year Low	2.43	1.77	1.81	2.54
	5-Year Median	3.46	2.29	2.54	3
P/E F12M	Current	22.52	23.2	20.32	19.35
	5-Year High	25.34	29.8	23.34	19.35
	5-Year Low	13.78	15.41	16.15	15.18
	5-Year Median	20	21.6	20.06	17.47

As of 02/14/2020

Industry Analysis Zacks Industry Rank: Bottom 36% (164 out of 255)



Top Peers

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

Industry Comparison Industry: Gaming				Industry Peers		
	LVS Neutral	X Industry	S&P 500	MGM Neutral	PENN Neutral	WYNN Underperform
VGM Score	D	-	-	D	B	F
Market Cap	51.98 B	2.84 B	24.61 B	16.44 B	4.27 B	14.19 B
# of Analysts	7	4	13	6	7	7
Dividend Yield	4.52%	0.00%	1.78%	1.65%	0.00%	3.03%
Value Score	C	-	-	B	B	F
Cash/Price	0.07	0.09	0.04	0.08	0.10	0.12
EV/EBITDA	12.24	12.17	14.06	11.69	16.61	17.32
PEG Ratio	9.61	1.75	2.09	2.55	0.50	3.91
Price/Book (P/B)	7.99	3.02	3.29	1.56	2.20	8.54
Price/Cash Flow (P/CF)	13.91	12.16	13.65	9.32	9.33	15.69
P/E (F1)	23.07	23.67	19.21	25.73	16.60	39.10
Price/Sales (P/S)	3.78	1.66	2.70	1.27	0.81	2.15
Earnings Yield	4.33%	4.11%	5.19%	3.90%	6.02%	2.56%
Debt/Equity	1.91	0.89	0.71	1.47	5.75	5.75
Cash Flow (\$/share)	4.89	1.79	6.92	3.38	3.95	8.42
Growth Score	C	-	-	F	C	F
Hist. EPS Growth (3-5 yrs)	5.65%	6.02%	10.85%	16.44%	-15.41%	5.42%
Proj. EPS Growth (F1/F0)	-9.38%	18.93%	7.17%	-68.43%	500.38%	29.50%
Curr. Cash Flow Growth	-0.77%	14.34%	8.56%	8.87%	24.17%	-29.73%
Hist. Cash Flow Growth (3-5 yrs)	-1.45%	6.88%	8.36%	12.21%	9.66%	-4.24%
Current Ratio	1.65	1.09	1.23	0.87	0.72	1.09
Debt/Capital	65.62%	55.94%	42.91%	59.67%	85.19%	85.18%
Net Margin	19.64%	0.90%	11.81%	15.89%	0.83%	1.86%
Return on Equity	38.61%	2.32%	16.86%	3.64%	2.32%	15.43%
Sales/Assets	0.61	0.47	0.54	0.42	0.38	0.50
Proj. Sales Growth (F1/F0)	-5.11%	2.68%	3.85%	2.58%	4.21%	-3.06%
Momentum Score	F	-	-	F	B	F
Daily Price Chg	-1.79%	0.00%	0.06%	-0.88%	-3.68%	-1.11%
1 Week Price Chg	2.28%	0.97%	2.47%	0.97%	15.05%	0.59%
4 Week Price Chg	-7.26%	1.76%	0.59%	-7.35%	40.35%	-13.19%
12 Week Price Chg	12.79%	4.41%	6.98%	-0.57%	67.29%	11.65%
52 Week Price Chg	14.65%	7.06%	16.62%	15.16%	50.61%	7.06%
20 Day Average Volume	5,693,599	74,535	2,020,569	6,894,807	3,407,719	3,353,036
(F1) EPS Est 1 week change	-1.71%	0.00%	0.00%	0.01%	3.60%	-28.77%
(F1) EPS Est 4 week change	-11.55%	0.00%	-0.05%	8.76%	4.37%	-36.63%
(F1) EPS Est 12 week change	-11.62%	-0.28%	-0.17%	-3.24%	3.97%	-39.87%
(Q1) EPS Est Mthly Chg	-39.68%	0.00%	-0.24%	6.06%	3.79%	-100.38%

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	C
Momentum Score	F
VGM Score	D

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

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

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.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.