



## EARNINGS

# Pent-Up Leisure Demand Drives MGM Resorts' Domestic Performance

Vaccinations, Easing Restrictions Help Return Travel to Las Vegas



MGM Resorts International's properties on the Las Vegas Strip brought in \$545 million in net revenue during the first quarter, a 14% increase compared to the fourth quarter of 2020. (Getty Images)

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A combination of vaccination pace, consumer sentiment and easing state restrictions has led to significant performance improvements for MGM Resorts International.

Speaking during the company's first quarter 2021 [earnings](#) call, MGM Resorts President and CEO Bill Hornbuckle said the company's domestic business has strengthened since the company's last call with analysts.

"The work we've done has allowed us to maximize the pace of our recovery while positioning us for long-term, sustainable growth," he said.

To achieve the long-term vision of becoming the premier gaming entertainment company in the world, the company is working on four strategic focus areas, he said.

MGM Resorts will invest in its people and the planet, he said. Those efforts include rehiring employees in the U.S. to meet heightened levels of demand as well as opening onsite vaccination clinics in Las Vegas and its regional properties for employees and their families.

"As the largest private employer in Nevada, these efforts are far-reaching in the local community, and I believe we're doing more than our part to help combat the virus with the ultimate goal of getting our city back open 100% by June 1," he said.

In a few months, MGM Resorts will also flip the switch at its 100-megawatt solar array that will provide up to 90% of the total daytime electricity needs of all its Las Vegas Strip properties.

The company is also dedicated to providing fun and inspiring experiences for guests, Hornbuckle said. To date, the company has opened eight shows across its portfolio while adhering to current health and safety restrictions. The company continues to work with local leaders to safely bring back large-scale events to Las Vegas and regional properties.

MGM Resorts refined its operating model in late 2019, increasing its span of control and simplifying its organization layers to accelerate decision making that ultimately reduces costs, he said. Because of these efforts, first-quarter domestic margins grew significantly over the fourth quarter.

“We are confident that these sustained changes will enable us to deliver our full target of \$450 million in cost savings when business demand returns to 2019 levels,” he said.

As disciplined allocators of capital, the MGM Resorts team always seeks to create value for shareholders, he said. The company has aligned its targeted growth opportunities with its long-term vision.

The company continues to invest in its online sports betting platform BetMGM, and is also investing in its digital journey to drive deeper customer loyalty and engagement.

## Domestic Performance

MGM Resort’s initial recovery at its Las Vegas Strip and regional properties has been strong, Hornbuckle said. Gross bookings in March made last month among the best in the company’s history thanks to pent-up leisure and casino demand. Booking trends are bound to normalize over time.

“As we look ahead, we expect robust leisure demand throughout the spring and summer months with hotel occupancies in the 90% range on the weekends,” he said. “Weekdays will increasingly be driven by meetings and conventions, and our group business remains solid in the back half of this year.”

As Nevada’s gathering guidelines become clearer, MGM Resorts is working to secure more in the year, for the year business, he said.

The regional properties delivered strong results in the first quarter despite some inclement weather, abated by easing statewide restrictions, Hornbuckle said.

“As statewide restrictions ease further and other payment alternatives begin to expand consumer options, we will monitor the broader top line environment,” he said.

Assuming COVID-19 trends remain stable, MGM Resorts is confident it can sustain full earnings before interest, taxes, depreciation and amortization recovery through cost discipline efforts and resulting structural marginal gains, he said.

Consolidated first-quarter 2021 revenues were \$1.6 billion, up from \$1.5 billion in the fourth quarter of 2020, Chief Financial Officer Jonathan Halkyard said. Net loss attributable to MGM Resorts was \$332 million. First quarter adjusted earnings before interest, taxes, depreciation, amortization and restructuring or rent costs improved sequentially to \$218 million, driven mainly by domestic operations.

Las Vegas Strip net revenues in the first quarter amounted to \$545 million, a 14% increase from last quarter, he said. Adjusted property EBITDAR was \$108 million, double that of fourth-quarter 2020. Margins sequentially improved 860 basis points to 20% due to the significant pickup in leisure and casino demand coupled with cost controls and the operating leverage inherent in the business.

First-quarter Las Vegas Strip occupancy was 46%, up from 38% in the fourth quarter. Each month during the quarter has improved, allowing properties to finish the quarter with March occupancy at 62%, breaking down to 85% on weekends and 52% on weekdays. April occupancy through last weekend was approximately 73%.

At the regional properties, net revenue grew sequentially 19% to \$711 million, Halkyard said. Adjusted property EBITDA increased 53% over the fourth quarter to \$242 million. First-quarter regional margins grew sequentially by 738 basis points to about 34%.

“Our domestic margin growth is a testament to all the great work that our teams have put into maximizing the effectiveness of our operating model and rethinking how we run our business,” he said.

## MGM China

MGM China once again outperformed the market’s pace of recovery, Hornbuckle said. The quarter’s gross gaming revenue recovered to approximately 40% of pre-pandemic fourth-quarter 2019 levels compared to the market’s recovery of 33%.

“The rate of Macau's recovery we believe will remain heavily dependent on broader sentiment, as well as the pace of vaccination rollouts throughout the region, which will ultimately lead to the easing of travel restrictions,” he said.

There are a number of bottlenecks affecting the marketplace, including nucleic acid testing requirements, he said. However, the opening of the Macau-Hong Kong border is an important variable in Macau's recovery. He's confident in the region's longer-term growth prospects believes the company's investments there will bear fruit.

The construction of additional suites in the south tower of MGM Cotai should be complete in the third quarter of this year, he said. Over time, MGM Resorts will be able to build another hotel tower on the property. The company is also remodeling the MGM Macau villas and gaming space on level 35.

MGM China's first quarter revenue was \$296 million, down 3% sequentially from the fourth quarter, Halkyard said. Adjusted property EBITDA was \$5 million, down sequentially from \$41 million in the fourth quarter. The \$23 million bonus accrual reversal from last quarter drove most of that decline.

As of press time, MGM Resorts stock was trading at \$42.02, up 33.4% year to date. The NYSE Composite Index was up 12.4% for the same time period.

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3. Sands To Sell Both Las Vegas Properties for \$6.25 Billion

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4. The US, Global Hotel Markets That Stand Out Through One Year of the Pandemic

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5. With Hotel Industry in 'Worst Dislocation' He's Seen, Former Holiday Inns CEO

5. ~~With Hotel Industry in Worst Position in 50 Years, Former Holiday Inn CEO~~

Looks To Buy

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6. Mack Real Estate Takes Over Control of Seven New York City Hotels

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7. Presenting the Bear Case for the US Hotel Industry

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8. Blackstone, Starwood Capital To Buy Extended Stay America for \$6 Billion

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9. Times Square, the 'Crossroads of the World,' Shows Signs of Rebound

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10. Omni Hotels & Resorts Sale of Five Suburban Properties Signals New Direction

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