Net Revenues, Operating Income Up for MGM in Q4

BY HOTEL BUSINESS ON FEBRUARY 15, 2019 BRANDS, FINANCE

LAS VEGAS—MGM Resorts International has reported results for the quarter and year ended Dec. 31, 2018. On Jan. 1, 2018, the company adopted the new revenue recognition accounting standard (ASC 606). As such, certain previously reported 2017 numbers have been retrospectively adjusted under the new standard to assist with comparability to the prior period.

Fourth Quarter 2018 Financial and Strategic Highlights:

Consolidated Results

- Consolidated net revenues increased 18% compared to the prior year quarter to $3.1 billion;
- Consolidated operating income increased 50% compared to the prior year quarter to $336 million;
- Net loss attributable to MGM Resorts of $23 million, compared to net income of $1.4 billion in the prior year quarter;
- Diluted loss per share of $0.06 in the current quarter compared to diluted earnings per share of $2.39 in the prior year quarter;
- The current quarter included a non-recurring, non-cash income tax expense of $92 million, $0.17 per share on a diluted basis, primarily resulting from recently issued guidance on certain international provisions of the U.S. Tax Cut and Jobs Act ("Tax Act"), including the treatment of foreign tax credits resulting from Global Intangible Low-Taxed Income and other provisions impacting foreign tax credit utilization. The prior year quarter included a non-recurring, non-cash income tax benefit of $2.50 per share on a diluted basis, due to enactment of the Tax Act at the end of 2017; and
- Consolidated adjusted Property EBITDA increased 21% compared to the prior year quarter to $821 million.

Las Vegas Strip Resorts

- Net revenues increased 6% to $1.4 billion compared to the prior year quarter;
  RevPAR (1) increased 8.2% compared to the prior year quarter; and
- Adjusted property EBITDA (2) of $401 million, a 15% increase compared to $349 million in the prior year quarter and adjusted property EBITDA margin of 29.1%, a 222 basis point increase compared to the prior year quarter. Excluding insurance proceeds of $24 million in the current year quarter, adjusted property EBITDA increased 8% and adjusted property EBITDA margin increased 51 basis points compared to the prior year quarter.

Regional Operations

- Net revenues increased 18% to $782 million including contributions from the opening of MGM Springfield on Aug. 24, 2018 of $78 million; and
- Adjusted property EBITDA of $195 million, a 32% increase compared the prior year quarter and Adjusted property EBITDA margin of 24.9% in the current quarter, a 277 basis point increase compared to the prior year quarter. The prior year quarter was negatively affected by a $15 million real estate transfer tax charge at MGM National Harbor.

MGM China

- Net revenues increased 33% to $687 million including contributions from the opening of MGM Cotai of $287 million; and
- Adjusted property EBITDA of $167 million, an 11% increase compared to the prior year quarter, reflecting the opening of MGM Cotai.

Strategic Highlights

- Distributed $63 million to shareholders via the company's quarterly dividend of $0.12 per share; and
- Repurchased $150 million of the company's common stock in the fourth quarter.

"We had a strong finish to the year, driving growth across all Las Vegas segments in the fourth quarter. Our fourth quarter consolidated net revenues grew by 18% and our consolidated adjusted EBITDA by 21%, before certain one-time benefits," said Jim Murren, chairman and CEO of MGM Resorts International. "Our Las Vegas Strip Resorts achieved the best fourth quarter adjusted property EBITDA since 2007. We also continued to gain share within our regional markets and realized record fourth quarter revenues and adjusted property EBITDA performance at MGM Grand Detroit, MGM National Harbor, Beau Rivage, and Gold Strike Tunica. Additionally, we closed out the year with the official openings of Park MGM and NoMad Las Vegas, both of which have received overwhelmingly positive responses.

Full Year 2018 Financial and Strategic Highlights:

- Consolidated net revenues for 2018 of $11.8 billion, an increase of 9% compared to the prior year; with Las Vegas Strip Resorts net revenues decreasing 1%, regional operations net revenues increasing 8%, and MGM China net revenues increasing 32%;
- Consolidated operating income of $1.5 billion in 2018 compared to $1.7 billion in 2017;
- Net income attributable to MGM Resorts of $467 million, compared to $2.0 billion in the prior year;
- The current year included non-recurring, non-cash income tax expense of $20 million for Tax Act adjustments, including the impact of recently issued guidance on certain international provisions mentioned above. The prior year included a non-recurring, non-cash income tax benefit of $1.4 billion due to enactment of the Tax Act;
- Consolidated adjusted property EBITDA increased 1% compared to the prior year to $3.3 billion;
  Las Vegas Strip Resorts adjusted property EBITDA of $1.7 billion, a 4% decrease compared to the prior year;
- Regional operations adjusted property EBITDA of $759 million, a 4% increase over the prior year;
  MGM China adjusted property EBITDA of $568 million, a 6% increase over the prior year;
  Distributed $261 million to shareholders during 2018 via the company's quarterly dividend of $0.12 per share; and
- Repurchased $1.3 billion of the company's common stock during 2018.

"Looking ahead, we remain highly focused on our strategic priorities, including maximizing the performance of our premier properties, driving consolidated free cash flow growth and successfully executing MGM 2020—our recently announced plan dedicated to improving efficiencies, reducing costs, and investing in key technologies to position the company for further profitability. Through MGM 2020, we are reinvesting in our business and we expect to begin to see the financial benefits in the back half of 2019," Murren said. "We also remain committed to targeted growth opportunities such as sports betting and the pursuit of an Integrated Resort in Japan. Importantly, we will continue to prudently allocate capital, with a focus of returning excess cash to shareholders."

MGM MGM International quarterly earnings

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