

## CONVERSATIONS WITH MIKE MILKEN



**Matt Maddox**

CEO, Wynn Resorts

*June 2, 2020*

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**Mike Milken: Matt, thank you for joining me today.**

Matt Maddox: Thanks Mike. It's nice to be here

**You today are running a company that has been among the world's leading resorts in both Las Vegas and Macau. Since you have now become one of the world's leading experts on many of these matters – on how to open a hotel, how to protect your employees, how to make your customers feel safe – I look forward to sharing the lessons learned from your properties around the world, particularly in China. And how the culture at Wynn Resorts drives your relationship with customers and, most important, your employees.**

**Let's start with Wynn Macau. Tell us a little bit about your facilities and tell us what happened in Macau.**

Macau is a special administrative region connected to Guangdong about 19 miles from Hong Kong, connected by bridge. We've invested \$7 billion there. We have two hotels: between them 2,700 hotel rooms, a couple of hundred thousand square feet of retail,

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This interview has been lightly edited for clarity and readability.

large gaming and entertainment facilities. We have 14,000 employees there. The vast majority are local or from the PRC [People's Republic of China].

We've been the leading luxury resort in Macau. That city had over \$50 billion invested in it in the last 10 years with new resorts, and it's really the gaming capital of the world. In Macau, what we noticed was in late December, early January of this year, there began to be quite a bit of fear about what was going on in Wuhan. What I realized on January 23rd when the lockdown happened, was my leaders over there literally feared for their lives and that made me realize how serious this was.

We went out and at that point engaged the team of experts from Georgetown and John Hopkins to begin studying this disease in the event that it would come to the United States. We closed our facilities in Macau early February for two weeks. As we reopened those around February 20<sup>th</sup>, we began to see our business come back quite rapidly, almost 30% of our volume was back. But then they had a second wave of cases. Macau, Hong Kong and Guangdong all instituted 14-day quarantines if you're going to travel between them, which effectively shut down tourism again.

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**14,000 employees are fearful for their lives. They had lived through SARS1. Now what do you do, Matt?**

That's before it was really a conversation in the United States. What we did after we hired our experts, was worked very carefully with the government in closing down the facility. Then we began immediately putting together a plan that, as we would reopen, it would be one of the safest places that people could go. Everything from thermal cameras to measure temperature and entrances. Every employee has PPE. Every customer's given a mask. Standardization in every area, every hour. UV technology in public bathrooms. Electro-mist spray throughout the facility. And lots of training for our people so that they could feel comfortable coming back to work. I would say the training, the daily training about hand standardization and why what we're doing creates a safe

environment, has made our employees there now feel very safe and happy to come to work.

That lesson learned is exactly what we then implemented here in the United States. Be early, put out a very detailed plan, which we did well over a month ago, and begin training your people in advance about why it will be safe to be at Wynn.

**You made the decision to keep all of your employees on your payroll – 14,000 employees in Macau. How many employees in Las Vegas?**

Between Las Vegas and our new facility in Massachusetts, it's 15,000; roughly 12,000 in Las Vegas and a little over 3,000 in Massachusetts.

**One of the things you and I have talked about is having the right capital structure for a company. One of the things I commend you and the team for is that you had built the right capital structure: not knowing anything about a coronavirus, but creating liquidity for the companies, pushing out your maturities on your debt, which has allowed you to weather this storm. Why did you make the decision in the United States to keep the 15,000 employees on your payroll?**

I believe that an investment in culture right now is going to pay over the long-term. To tell 15,000 hourly workers that there's a pandemic coming, you need to stay home and you've been furloughed – I felt was the wrong thing to do. And the wrong thing for our shareholders. What we've done by keeping our employees engaged, is we were able to move quickly and continue to train on what the new normal would be like. We've created a culture where people feel like it is family, and in the end, it's our employees that make our customers happy. It's not the building. I wanted to invest in our people for as long as we could. It can't go on forever, but continue to invest in them because I do think that they will provide a significantly better experience for our corporate clients and our customers as we begin to reopen.

**Matt, when did the hotel Encore close in Massachusetts?**

In the middle of March, I believe, March 13<sup>th</sup>.

**And when did Wynn Resorts Encore close in Las Vegas?**

Just a couple of days later. In fact, Mike, I encouraged the regulators almost two weeks in advance that I anticipated we would be closing, which seemed sort of foreign to everybody then. But I'd lived through the fear that occurs as the virus begins to spread in China. So we actually closed our facilities in advance of the regulators or the state asking us to close, which then did quickly lead to everyone else closing. We did it because it

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was the right thing to do and we had to keep our people safe and begin the process of planning for the new future.

One of the things you and I talked about years ago was this theory I had in financing beginning in the late sixties that the most important asset a company has was not on the balance sheet and that was its employees. You

have some of the most unique, exciting properties in the world that you operate. You've set a different standard in the creation of those properties and the investment in those properties. Anyone can come in and see what your properties look like and duplicate them. It might take two years. It might take four years. But what you cannot duplicate is service and the unique relationship the employees have with the guests. This strategy of yours, how much has it cost per day to maintain your teams over the past two months?

It costs approximately \$3 million a day in North America to maintain all 15,000 people at their current levels. It's a large investment in our culture, but it has allowed us to prepare a plan in advance and it has allowed our employees to be excited to come back to work. They want to come back. This idea that it's better to be furloughed or stay home: our people – we've surveyed them – 85% are excited to come back to work when we can reopen. I think the investment will definitely pay off.

**Three million a day in the United States. And what does it cost you in China per day?**

Roughly two million.

**Five million a day. \$150 million a month. Talk to us a little bit about how you build your capital structure to be able to withstand that.**

Our capital structure has always been based on making sure that you have debt with long maturities. You're not in the business of bank deals with covenants for these events. And lots of liquidity at the parent company. We have debt on our facilities, but our

parent company is always debt free and keeps the cash, which allows us to be much more flexible. That's something I learned from you 15 years ago. You told me that balance sheets allow you to keep your culture and to keep your brand in place. It's true. In the end, this is what's allowing us to be who we are.

**Your employees are on your payroll; they have a relationship and your training. What you've learned in China you've been able to apply [in the U.S.]. You've put out a more-than-20-page report on how to reopen. Let's go look at China. For our listeners here, what have we learned in China about the potential for reopening. If I remember correctly, 15 minutes from your hotels in China, there's a major amusement park that has reopened. What have you learned from that experience?**

The Guangdong province, which is in Southern China and Macau is actually connected to, has seen rapid activity over the recent weeks. We've noticed that restaurants in the Guangdong province are full. The Chimelong Paradise park is a mixture of SeaWorld and Disneyland, and its capacity is typically 50,000 people a day. The parks, just like Disney and Shanghai, were restricted to 30% capacity and over the May holiday they had 15,000 people each day. Zhuhai, which is the bordering city to Macau, had 850,000 tourists over the three days and 164,000 people staying overnight because Guangdong has re-instituted travel packages within the province. We've seen a real appetite for people to want to be together, to want to be out and to want to be active. We're actually quite optimistic that as Hong Kong and Macau fold into the greater Bay area travel plans, that our business will come back quite fast.

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**When are you preparing to open these luxury hotels in Macau?**

We've actually reopened them. There are just no customers. It's the ultimate play days or training, because we want to make sure our employees are out of their house. They want to be there. They were tired of being at home. We're doing lots of things that we could never do when we had customers. The hope is that later this month the individual visa schemes will begin to open up for China travel into Macau.

**What have you done since you've been open for employees? Theoretically, a person could come into the hotel today, they just can't travel from any other place in China. Does that mean 50, a 100 people are coming in a day for dinner or lunch or breakfast? What is happening?**

We're seeing probably 3,000 meals with lots of locals coming in and eating on a daily basis. In terms of our casino, you're exactly right. It's a couple hundred, which are people that went through the quarantine or never left and went back to China, at most. In the past, we would see 16,000 or 17,000 people a day at each of our properties in our casinos, and we're now down to a couple hundred who are just there and staying.

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When we reopen, we will not be at full capacity. There will be restrictions and social distancing. I see us gradually building from a couple of hundred people a day to a few thousand, and then sort of building into the summer, assuming that the benchmarks on the disease stay in line. We do anticipate that just based on what we're seeing in

Guangdong, people's mentality of getting back together and being compliant, but getting back together and resuming their lives, is clearly happening in that part of the world.

**What you've learned in China, how are you applying it in Vegas. And how are you going to apply it to Massachusetts (Encore Boston Harbor Resort) in terms of reopening and what do you think your timing is?**

We took all of our learnings in China, and then we used our experts from Georgetown and John Hopkins to develop what would be an appropriate United States plan. We posted that plan over a month ago for everyone to see. It includes department by department, area by area, exactly how we're going to operate in a very safe way.

Clearly we won't be opening mass gathering places like nightclubs or conventions. That wouldn't work. But the benchmarks here in Nevada from disease growth, ICU capacity and testing positivity are looking very good. In fact, we were actually the first to go to the university medical center and say, we would like to test all of our employees and we'll pay for it. Just last week we were able to get through over 6,000 of our employees. We had eight positives, all mildly or asymptomatic. That has started a trend. Other

employers have joined us, and in fact the university medical center is going to perform 60,000 tests of casino employees. Those types of public-private partnerships allowed our state to get moving in a faster way. We also gave the Southern Nevada Health District 110 of our call-center operators to do contact tracing. Working together with the state has allowed Las Vegas to move faster. Boston's clearly been very hard hit by the disease and so they just announced a phased opening; we would be in phase three which feels like it's a month to two months away.

**Are you going to have the same tracing of customers? If I come into a hotel, I know that all the employees have been tested. What about other customers in the hotel?**

The university medical center is setting up an onsite clinic in our hotel for anyone to get a test – any customer. If someone is not feeling well or has a temperature and we scan it, we will ask them to get a test and then they will need to be quarantined until that test result comes back. We've prepared a place for that in the hotel. In the event it's a customer that just walks in from off the street, we will direct them to facilities throughout Las Vegas for them to get a test. We have very specific protocols in place to ensure that if there could be a person that is feeling sick or has a fever, that they're quickly quarantined and tested immediately. Then we contact the Southern Nevada Health District to ensure that contact tracing can begin. We're also keeping all of our surveillance footage for two weeks longer than normal in the event that a customer goes back home and we need to just look through what their contact or places that they would have been. I think other companies are not doing this, like the large grocery stores, etc. We're trying to prepare for any question or anything that we may need to do.

**Are you going to take the temperature of every single person that comes into these facilities?**

When we open, we are. Technology's moving very fast. We will all see where we are in a couple of months, but we have these cameras installed at every entrance and we've actually linked it to our security system. If someone registers a fever and they walk past, we can still pick them up. We have a pretty sophisticated system in place, and we're going to do that when we open and we're going to work with the Southern Nevada Health District and we'll see what'll happen. What's interesting is talking to people in China, and I talked to a very large amusement park just yesterday in China that are doing temperature checks. They're getting less than 1% of the people coming in registering with a fever. It goes down to less than half a percent on the second reading. So I think that it's the right thing to do. I think it'll make customers feel safe and it'll make our employees feel safe that we are doing everything we can to create an environment that's fun, but safe.

**You are part of a microcosm. Most of the people in your facilities don't necessarily live in Las Vegas. How are you going about attracting visitors? What are your expectations? Do you expect more people to come by car? My guess is you'll have substantial number of local people coming into the restaurants. What have you done with the airlines?**

I'm in constant contact with the airlines about what they're doing and how they're going to help people feel safe traveling again. One of the largest carriers into Las Vegas, we're going to be partnering with them with a Stay-at-Wynn program. But clearly when we open, there will be no convention business – and that's 30% of our base – and it will be drive-in. We're focused on the Arizona market, the Southern California market, which typically makes up about 30% of our business. I think that that's the way we will have to get started given the dramatic reduction in air capacity – over 65% reduction in air capacity into Las Vegas. We just want to get started, get our people moving. We will be the only property that will be opening all of our restaurants and all of our facilities; when a customer comes, I want them to have choice.

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**When you reopen, will your employees be wearing masks?**

They will. Every employee is required to wear a mask and we're providing them.

**And what about your customers? Will you require them to wear a mask?**

Currently in Nevada, it's strongly encouraged and that's where we are now. We will be handing every hotel guest their own mask and hand sanitizer. As you're coming into the facility as a non-hotel guest, we will also be providing masks throughout the property. We're going to be encouraging people to wear their masks. I think this is a big issue around the country right now. We're going to have masks everywhere and strongly encouraging people to wear them.

**Matt, I know you have interacted with a number of large employers in the United States and in China on best practices to reopen. You've become a fixture on the digital**



**lecture circuit, with many companies reaching out to you and your team because of your experience. What have you learned over the past four to five months about reopening, about safety that you did not know, or were surprised to find out?**

I think the speed at which people can go from 'this is not that big of a deal to fear.' What I was surprised by is when the fear hit, especially in the United States, a lot of people froze. There's a lot of talk about waiting for a vaccine. There's either nothing to see here, or wait forever. That's where we stepped in and said, neither of those options are right. We've learned from China that you can reopen. You just have to be really thoughtful about it and go department by department and focus on health and safety. Once you can start that conversation, everything starts to change. What I found is people love information during these times; they love to hear about what everyone else is doing. There's no pride in authorship. We're learning every day from our competitors and from other people about different things that we can be doing. What surprised me is that openness and collaboration between airlines, hotels, theme parks, Las Vegas – there's this sense that we're all in it together. We realize now that fear can't rule, but we have to be really smart about what we're doing.

**You and I have spoken about the benefits of open communications and the fact that you as the CEO are talking to employees in almost every department at almost every level. What have you learned, and how have people reacted when the CEO calls them at home and asks how they're doing?**

I began that shortly after we closed. I get a list of a couple of hundred employees a week and their cell phones, and I just call to check on them. At first, 20% of the calls were trying to figure out if it was a joke until I talked to them a little bit. They didn't think it was me. And they immediately began talking about what's going on in their lives. Everyone's missing that human-to-human interaction. We would talk about their kids, their family, how hard it is to do online school, how hard it is to stay home. But they knew that they needed to that. There was an occasion when I'd call someone and she said to me, I guess you heard, and I hadn't, but her husband had passed away from COVID-19 the day before. Then you really get to feel the first-hand effect of having dangerous this is. What I've learned is the human-to-human contact is irreplaceable in a time when people are really scared and they don't know what to do. I also think that employees are looking to their employers more now than ever for truth and facts. More than they're looking at the media, more than they're looking necessarily to politicians. They're listening to them, but they really want to hear from their employer as well. I've found that engagement to be deep and very personal.

One of the things you've done at your company that really impressed me over the years has been telling the stories of employees that have done something exceptional, Let's talk about some of the things you've done to serve. You turned your group that's taking

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telephone calls over to try to track people in the community. What are some of the other things that have occurred when you have more than 10,000 employees that aren't necessarily coming to work? How have you been able to deploy their skill sets?

It's literally every week. We supplied over one and a half million dollars worth of medical PPE. We were the first company to do it through our purchasing network, and that was much needed here. We cook meals for first responders and for the homeless. We did 14,000

meals last week that we deliver in box lunches. For Florence Nightingale's birthday, we delivered cookies to all of our hospitals and all of our nurses.

Each week we're doing new programs to help in our community and our people want to do it. They love coming in in a socially distanced way. This is in the back of the house. We're working with our schools to feed our children with three square [meals]. We're continuing to use our production kitchens. We're continuing to use our people to help when we can. We've had blood drives. The list goes on and on. It's one of the things that we rolled out on March 15<sup>th</sup>; each week, what are we going to do to help our community? That's been something that has been really uplifting for our employees. They absolutely love the feeling of giving back. I think everyone does. Seeing the impact – that just continues to create the family environment that we're looking to achieve and I think have achieved in our company over the decades.

Matt, I want to thank you for joining me today. For me, a lot of these companies such as yours, are like part of my family. I've been to most of the openings over the years, not just of Wynn, but Mirage, Golden Nugget and the previous companies that were related. One of the keys was the preparation of the employees for that event and the customer service. As you know, the predecessor company, Mirage Resorts, in the late eighties was the most admired company in the world in service, and I think that has carried over to the Wynn. I look forward to seeing your success in opening these hotels in Massachusetts and Las Vegas and in Macau. And when we see what the bioscience community has been willing to do, it only makes us more and more optimistic than in a

matter of months we will bring this under control. So once again, Matt, thank you for joining us today and I look forward to visit you in person.

Thanks, Mike. I really enjoyed it and thanks for everything you're doing.

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