



Rating
Sell

Asia
Hong Kong

Consumer
Hotels / Leisure /
Gaming

Company
Wynn Macau Alert

Reuters 1128.HK	Bloomberg 1128 HK	Exchange HSI	Ticker 1128
ADR Ticker WYNYMY	ISIN US98313R1068		

Date
26 May 2015

Company Update

Price at 26 May 2015 (HKD)	15.52
Price target - 12mth (HKD)	15.00
52-week range (HKD)	33.25 - 15.06
HANG SENG INDEX	27,993

Karen Tang

Research Analyst
(+852) 2203 6141
karen.tang@db.com

dbAccess Asia Conference 2015 highlights

We hosted Wynn Macau at our conference

Investor questions centered on (i) dividend cut by parent company, (ii) Wynn Palace, (iii) premium mass revenue trends, and (iv) policy risks. We emerged from the meeting more concerned that the market is still too optimistic in believing Macau GGR will recover in 2016. We disagree with the consensus view on "Supply drives Demand". We think Macau GGR will fall another 10% in 2016, after falling 30% in 2015. While acknowledging liquidity in the HK stock market poses upside risks, we maintain our Underweight sector call.

Key takeaways:

- **Wynn Palace construction status:** The hotel tower had already topped out, and the external walls are going up. The building should be water-tight by June/July. The retail podium should be ready for hand over by autumn. Management remained optimistic for an opening in March/April 2016 but highlighted construction quota as a risk for delay. Currently, Wynn Macau is carrying some excess staff considering the sharp fall in GGR since early 2014. Upon Wynn Palace's opening in Cotai, the company can move some of its existing staff to the new property, which should help margins.
- **Dividend risk:** In late April, parentco Wynn Resorts cut DPS from US\$1.5/quarter to US\$0.5/quarter. Mgmt explained that they expected peak leverage to be in 1Q2016. We think Wynn Macau's FY15 DPS can be as low as HK\$0.42, implying a dividend yield of only 2.7%.
- **Focus shifted towards mid-tier premium mass:** Sequentially, Wynn Macau was one of the only two operators who gained mass market share in 1Q15. Mgmt explained that it had allocated 100 more hotel rooms from VIP to mid-tier premium mass segment. This shows that, even in a shrinking market, there is always demand for a Wynn product. This makes mgmt confident that, upon Wynn Palace opening, there will be high-end mass demand for the new property. While we agree with this, we also noted that comps as % of GGR rose to 5.7% (vs 5.4% in 4Q14, or 3.7% in 1Q14).
- **Policy risk - Full smoking ban:** Early this month, Macau govt said it would submit a bill on full smoking ban to the Legislative Assembly in June. The bill would propose to extend the smoking ban from currently only on the mass gaming floors to the entire casino, including VIP rooms. While the law may not be passed till end-2015 as the Legislative Assembly needs time to debate, the company believes the upcoming Wynn Palace is the best designed casino in Cotai for smokers because all its VIP and premium mass rooms have balconies (for smoking).

Stock data

Market cap (HKDm)	80,510
Market cap (USDm)	10,386
Shares outstanding (m)	5,187.5
Major shareholders	Wynn Resort Ltd (72%)
Free float (%)	28
Avg daily value traded (USDm)	41.0

Source: Deutsche Bank

Key data

FYE 12/31	2014A	2015E	2016E
Sales (HKDm)	29,445	21,002	28,392
Net Profit (HKDm)	6,445.4	3,081.5	3,153.2
DB EPS (HKD)	1.30	0.63	0.65
PER (x)	23.2	24.8	24.0
Yield (net) (%)	5.8	3.1	3.1

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Deutsche Bank does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. FOR OTHER **IMPORTANT** DISCLOSURES PLEASE VISIT <http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=1128.HK> MCI (P) 124/04/2015.