

27 April 2015

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盈利或仍在下降通道

金沙中国(1928:HK)

Market Data: Apr,24

Closing Price (HK\$)	32.65
Price Target (HK\$)	29.06
HSCEI	14,478
HSCCI	5,519
52-week High/Low (HK\$)	61.65/29.50
Market Cap (USD Mn)	33,109
Market Cap (HK\$ Mn)	256,577
Shares Outstanding (Mn)	8,068
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

Analyst

Roger Gu, CFA

A0230514080007

BDE608

gurg@swsresearch.com

Related Reports

"Sands China (1928HK)-Losing streak"
Jan 20,2015

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (USD million)	8,908	9,505	8,116	8,360	9,881
YOY (%)	36%	7%	-15%	3%	18%
Net income (USD million)	2,215	2,548	1,873	1,658	2,035
YOY (%)	79%	15%	-26%	-11%	23%
EPS (USD)	0.27	0.32	0.23	0.21	0.25
Diluted EPS (USD)	0.27	0.32	0.23	0.21	0.25
ROE (%)	35%	40%	31%	29%	31%
Debt/asset (%)	28%	28%	30%	28%	19%
Dividend Yield (%)	8%	6%	5%	5%	6%
P/E (x)	15.1	13.2	17.8	19.1	16.7
P/B (x)	5.3	5.3	5.4	5.6	5.2
EV/EBITDA (x)	12.1	10.9	14.4	15.2	13.0

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

一季度收入和利润均弱于预期。金沙中国一季度收入录得 17 亿美元,同比下滑 35%,EBITDA 录得 9.38 亿美元,同比下滑 43%。EBITDA 利润率同比下降 4.7 个百分点,环比下降 3.7 个百分点至 30.2%。

利润率受收入下降和成本提升双重影响。贵宾业务同比下降 59%,使得低利润率的贵宾业务占比从一年前的 49%下降至 34%,而高利润率的中场业务占比提高至 58%。然而收入结构变化带来的利润率改善未能弥补由于收入下降和成本提升导致的利润率下滑。由于总收入同比下跌 35%,而大部分成本相对固定,人工成本还有所上升,因此利润率下降明显。我们预计利润率将在今后若干季度继续面临压力,尤其是二季度新增供给投入市场,竞争加剧后潜在的促销费用占比提升。我们对 2015/16/17 年 EBITDA 利润率的预测分别为 30.6%、28.8%、27.7%,而 2014 年的利润率为 33.4%。

需求疲弱或蔓延至中端市场。尽管贵宾业务和高端中场业务的下滑尚在预期中,普通中场在一季度的表现令人失望。一季度普通中场收入录得同比下滑 21%,而老虎机业务同比下滑 26%。而在去年第三季度和第四季度,普通中场业务实现同比增长 16%和下滑 2%。根据我们的调查,虽然赌场的访客客流量依然十分可观,但是平均赌注金额的下降直接导致了普通中场收入的下滑。随着高端客户减少来澳次数或被分流至亚洲其他地区赌场,访澳游客数量的增加将更多的来自于低端客户,导致人均消费的持续减少和高端和中端业务的持续收缩。当日访客数量占比的提升和酒店入住率的下滑都说明了增长更多地来自于低端客户。

估值水平仍高于历史平均。金沙中国目前对应的估值水平为 18 倍动态 PE (过去五年的历史平均为 16 倍),和 14.6 倍动态 EV/EBITDA (过去五年的历史平均为 13 倍)。我们维持减持的公司评级,进一步下调目标价从 31.9 元港币至 29.06 港币。新的目标价反映了对公司盈利预测的下调,但是我们对公司的估值水平有所提升,以反映当前整体港股市场的估值水平提升以及市场情绪好转。我们给予公司现有业务 11 倍的动态 EV/EBITDA 估值倍数,此前为 9 倍。我们新的盈利预测为 2015 年 US\$0.23,2016 年 US\$0.21,2017 年 US\$0.25。

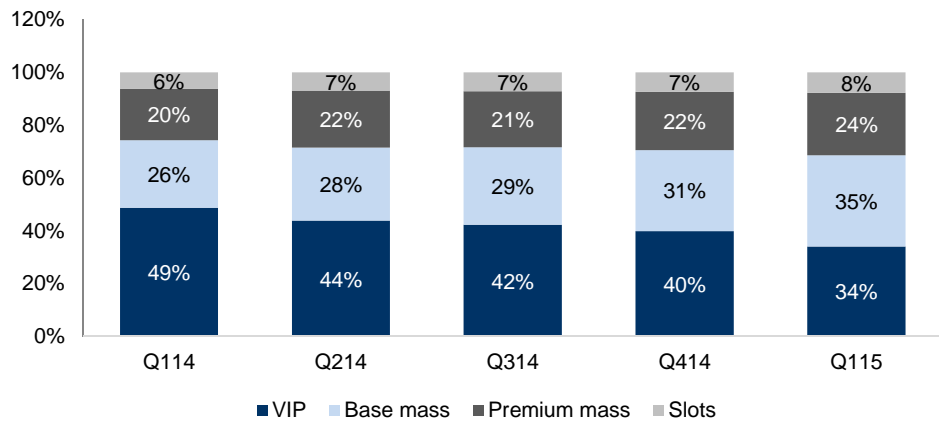
Weak results. Sand China reported a 1Q15 net revenue decline from US\$2.7bn to US\$1.7bn (-35% YoY), a drop in adjusted property Ebitda from US\$938m to US\$531m (-43% YoY) and an Ebitda margin decline to 30.2% (-3.7ppt QoQ and -4.7ppt YoY).

Operating deleverage impacts Ebitda margin. Due to the 59% YoY decline in VIP revenue, the proportion of Sands China's low margin VIP business accounted for just 34% of its total gaming revenue, down from 49% in 1Q14. High margin mass revenue accounted for 58% of total gaming revenue. However, the improving margin, which derived from its shift in revenue mix, cannot offset the margin drop given the significant decline in total revenue on the back of fixed operating costs. We expect the Ebitda margin to further contract over the next few quarters due to increase of competition. We forecast an Ebitda margin of 30.6% in 15E (-2.8ppt YoY), 28.8% in 16E (-1.8ppt YoY) and 27.7% in 17E (-1.1ppt YoY), down from 33.4% in 2014.

Weak demand may spread to the mid-end market. Although a decline in VIP and premium mass revenue was expected, Sands China reported disappointing base mass revenue growth of -21% YoY and slot revenue growth of -26% in 1Q15. In 3Q14, base mass revenue increased by 16% YoY and dropped by 2% YoY in 4Q14. According to our channel check, the decline of base mass segment was a direct result of reduced minimum bets, though the traffic in Sands China's casino remained strong. With high-end visitation growth decelerating on the back of China's anti-corruption campaigns, and diversion to other more appealing destinations in Asia, visitation growth is largely made up of low-end customers, leading to less spending per capita and revenue in all three segments. We also witnessed a declining hotel occupancy rate for all of Sands China's properties and a rise in same-day visitation.

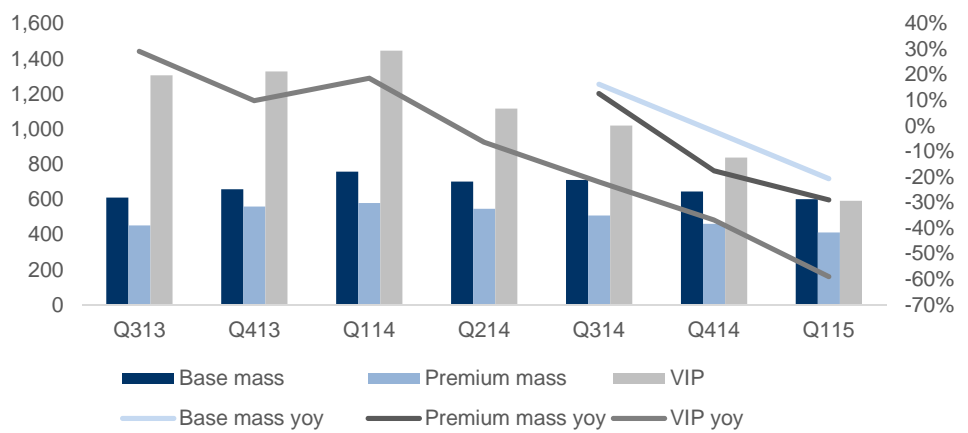
Valuation remains above the historical average. Sands China is trading at 18x forward PE (vs the five-year average of 16x) and 14.6x forward EV/Ebitda (vs five-year average of 13x). We revise down our target price from HK\$31.90 to HK\$29.06. Our new target price reflects the declining earnings but is partially offset by higher target multiples given the better sentiment of the overall Hong Kong market and relatively low gaming sector valuation. We target an 11x forward EV/Ebitda for its existing business, up from 9x. We lower our EPS forecasts from US\$0.29 to US\$0.23 in 15E (-26% YoY), from US\$0.30 to US\$0.21 in 16E (-11% YoY) and introduce our new forecast of US\$0.25 in 17E (+23% YoY). With 11% downside, we maintain our Underperform rating.

Figure 1: Revenue proportion of four segments



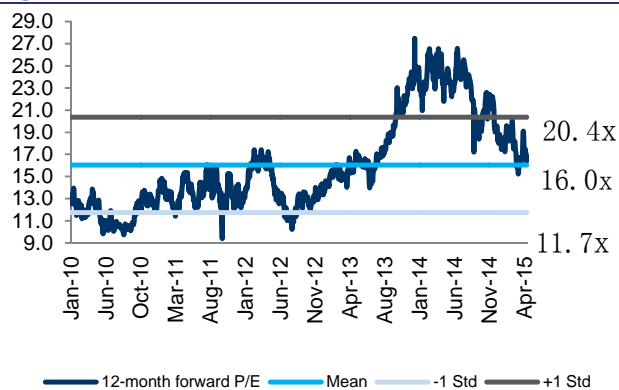
Source: Company data, SWS Research

Figure 2: Revenue and growth breakdown (US\$ mn)



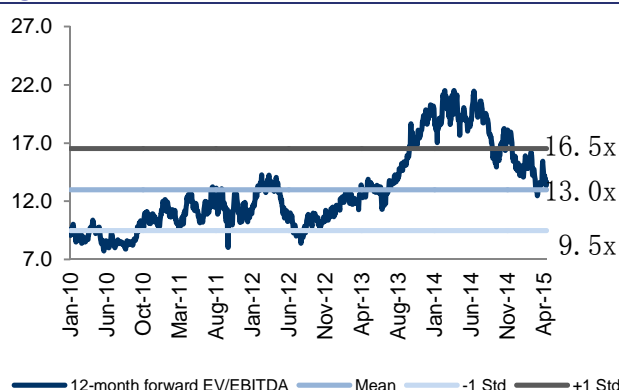
Source: Company data, SWS Research

Fig 1: 12-month forward PE band



Source: Company data, SWS Research

Fig 2: 12-month forward EV/EBITDA band



Source: Company data, SWS Research

Figure 8: Comparable company valuation sheet

Company	Price (LC)	Mkt cap (LC)	EV/EBITDA		P/E		Div yield		Average 2014-16 EPS growth
			2015E	2016E	2015E	2016E	2015E	2016E	
Sands China	32.65	263,435	14.4	15.2	17.8	19.1	5.2%	4.6%	-19.0%
Galaxy Entertainment	38.90	165,517	12.0	12.8	15.9	17.7	3.7%	1.7%	0.8%
Wynn Macau	17.88	92,896	15.2	12.6	20.3	17.5	4.4%	4.5%	26.9%
SJM	10.20	57,694	5.8	6.1	11.8	12.8	6.0%	5.2%	-19.7%
MPEL	21.92	15,623	14.1	10.9	26.5	19.0	1.1%	1.6%	19.2%
MGM China	14.92	56,696	11.1	10.1	14.1	14.4	4.3%	4.0%	7.9%
Macau average			12.1	11.3	17.7	16.7	4.1%	3.6%	2.7%
Las Vegas Sands	55.12	44,014	12.0	11.3	18.8	17.3	4.7%	4.8%	7.6%
Wynn Resorts	128.08	13,003	13.1	10.6	22.5	19.1	4.7%	4.9%	27.9%
MGM International	22.08	10,849	11.9	10.9	53.6	36.1	0.0%	0.0%	50.6%
Caesars	9.65	1,396	11.1	10.4	-1.6	-1.4	NA	NA	3.2%
Pinnacle Entertainment	36.28	2,191	9.8	9.6	23.8	19.4	0.0%	0.0%	27.8%
BOYD Gaming	13.40	1,475	8.7	8.4	52.1	31.5	0.0%	0.0%	49.2%
US average			11.1	10.2	28.2	20.3	1.9%	1.9%	27.7%

Source: Bloomberg, SWS Research

Figure 8: SOTP valuation

	US\$m	HK\$/sh	Notes
2015 EBITDA	2,481		
EV/EBITDA	11.0		11-15x target range for the industry
EV of existing business	27,292	26.2	
End 2015 NPV of Parisian	3,766	3.6	10x 2017E EV/EBITDA, then discount at 12% WACC
Four Seasons serviced apartments	1,016	1.0	Assume HK\$8k / sqf
Total EV	32,073	30.8	
Consolidated net cash / (debt)	-1,808	-1.7	
Total equity value (US\$m)	30,265	29.1	
Total equity value (HK\$m)	234,553		
No of shares (m)	8,070		
Equity value per share (HK\$)	29.06		

Source: Company data, SWS Research

Appendix

Table 1: Consolidated Income Statement

US million	2013	2014	2015E	2016E	2017E
Revenue	8,908	9,505	8,116	8,360	9,881
Gaming revenue	7,905	8,362	6,927	7,073	8,366
Non-gaming revenue	1,003	1,144	1,189	1,287	1,515
Cost of Sales	(4,345)	(4,474)	(3,716)	(3,845)	(4,470)
Gaming tax	(3,846)	(3,950)	(3,183)	(3,230)	(3,760)
D&A	(499)	(523)	(533)	(615)	(710)
Gross profit					
Other cost	(25)	(6)	0	0	0
SG&A Cost	(2,235)	(2,377)	(2,452)	(2,723)	(3,383)
EBITDA	2,827	3,178	2,481	2,407	2,738
EBIT	2,290	2,624	1,908	1,672	2,028
Finance Costs	(73)	(68)	(32)	(11)	10
Profit before tax	2,217	2,556	1,876	1,661	2,038
Income tax expense	(2)	(8)	(3)	(3)	(3)
Minority interests	0	0	0	0	1
Profit for the year	2,215	2,548	1,873	1,658	2,035

Table 2: Consolidated Cash Flow Statement

US\$ mn	2013	2014	2015E	2016E	2017E
Pre-exceptional EBIT	2,327	2,654	1,948	1,792	2,028
Plus : Depr. and amortisation	499	523	533	615	710
Provision for doubtful debts	57	17	60	60	60
Pre-opening costs	(12)	(25)	(40)	(120)	0
Change in working capital	130	52	6	21	135
Others	77	2	35	35	35
CF from operating activities	3,079	3,224	2,542	2,403	2,968
CAPEX	(610)	(937)	(1,473)	(1,233)	(373)
Other CF from investing activities	12	21	16	19	26
CF from investing activities	(598)	(916)	(1,457)	(1,214)	(346)
Equity financing	19	11	0	0	0
Net change in liabilities	(63)	(119)	(120)	(86)	(75)
Dividend and interest paid	(1,392)	(2,599)	(2,071)	(1,770)	(1,563)
Other CF from financing activities	(46)	56	2	(34)	(11)
CF from financing activities	(1,481)	(2,651)	(2,190)	(1,890)	(1,649)
Net cash flow	1,000	(344)	(1,104)	(702)	973
FCFF	2,308	2,254	972	1,072	2,497
FCFE	2,245	2,135	851	985	2,422

Source : SWS Research

Table 3: Consolidated Balance Sheet

US\$ mn	2013	2014	2015E	2016E	2017E
Current Assets	3,783	3,195	2,062	1,010	1,079
Bank balances and cash	2,949	2,542	1,516	500	493
Trade and other receivables	821	639	520	481	553
Inventories	13	14	26	29	34
Other current assets	0	(0)	0	0	0
Long-term investment	891	1,143	1,143	1,143	1,143
PP&E	6,723	6,913	7,941	8,627	8,359
Intangible and other assets	68	96	96	96	96
Total Assets	11,466	11,348	11,242	10,877	10,678
Current liability					
Borrowing	323	320	332	302	204
Trade and otherpayable	1,726	1,614	1,573	1,618	1,890
Other current liabilities					
Long term liabilities	2,966	2,984	3,106	2,838	1,994
Total Liabilities	5,016	4,918	5,011	4,758	4,088
Minority Interests	1	2	3	4	5
Shareholder Equity	6,450	6,429	6,231	6,118	6,591
Share Capital	81	81	81	81	81
Reserves	6,369	6,349	6,150	6,038	6,510
Equity attributable	6,450	6,429	6,231	6,118	6,591
Total Liabilities and equity	11,466	11,348	11,242	10,877	10,678

Source: SWS Research

Table 4: Key Financial Ratios

	2013	2014	2015E	2016E	2017E
Ratios per share (US\$)					
EPS reported	0.27	0.32	0.23	0.21	0.25
Diluted EPS	0.27	0.32	0.23	0.21	0.25
Operating CF per share					
Dividend per share	0.32	0.26	0.22	0.19	0.23
Net assets per share	0.80	0.80	0.77	0.76	0.82
Key Operating Ratios(%)					
ROIC	33.17	35.85	23.46	20.30	24.53
ROE	34.92	40.10	30.70	29.05	30.88
Gross profit margin	46.73	47.38	46.27	43.05	44.44
EBITDA Margin	31.73	33.43	30.57	28.79	27.71
EBIT Margin	25.71	27.61	23.51	20.00	20.52
Growth rate of Revenue(YoY)	36.48	6.71	-14.62	3.01	18.19
Growth rate of Profit(YoY)	48.76	14.47	-25.80	-7.07	14.48
Debt-to-asset ratio	28.17	28.20	29.57	27.73	19.09
Turnover rate of net assets	148.02	147.61	128.21	135.39	155.50
Turnover rate of total assets	81.53	83.33	71.85	75.59	91.68

Effective gaming tax rate (%)	39.41	39.41	39.30	39.30	39.30
Dividend yield (%)	7.67	6.10	5.21	4.60	5.52
Valuation Ratios (X)					
P/E	15.1	13.2	17.8	19.1	16.7
P/B	5.3	5.3	5.4	5.6	5.2
EV/Sale	3.8	3.6	4.4	4.4	3.6

Source: SWS Research

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