

Galaxy Entertainment Group

Delivering on expansion of Galaxy Macau

Company delivers on a solid opening

The US\$2.7bn Galaxy Macau phase 2 and Broadway Macau open today. Overall we are impressed by the quality of finish at GM phase 2, and the unique offering that Broadway brings to Cotai. The expansions' c1580 rooms and 150 incremental tables (+57%/+19% from company's existing base) are fully operational from day one. Most of the F&B and retail outlets have also opened. A detailed write-up and photos from our pre-opening visit to the properties are included in the full note below.

Differentiators of GM phase 2 and Broadway

We believe the quality of the 250 all-suites Ritz is one-notch above the best hotels in Cotai (e.g. Banyan Tree in phase 1), and could be a key attraction for high-end players. The expansions add international brands (Ritz Carlton and JW Marriott), and associated distribution platform of Marriott. We find the retail promenade and gaming area easy to navigate despite its size, with thematic similar to that of phase 1. A footbridge provides easy access to Broadway, which brings a value hotel option and unique street market style F&B. The 75k sqm Grand Resort Deck is expanded to include various water rides features, and remains one of the best attractions for family travellers into Macau.

Competitive landscape will likely intensify, particularly at the high end

Given difficult industry conditions, the new property by itself might not catalyse gross gaming revenue to pick up materially in the near term. With the quality of the rooms and F&B at GM phase 2, we see competition intensifying, especially in the junket VIP & premium mass segments. Better penetration into premium mass could take time, partly as a new, differentiated product (the Horizon Club) is not ready as yet. Junket operators SunCity and Tak Chun will be adding their third/second rooms at GM, and cannibalization of existing rooms is possible, in our view.

Valuation:

Our SOTP-derived price target is based on target 12.5x our 2016 EV/EBITDA estimate for existing business; we also value GM phase 3-4 at HK\$3.6/sh. We continue to expect sector volatility to increase over the coming weeks.

Equities

Hong Kong
Casinos

12-month rating **Neutral**

12m price target **HK\$40.00**

Price **HK\$38.80**

RIC: 0027.HK BBG: 27 HK

Trading data and key metrics

52-wk range	HK\$66.45-33.60
Market cap.	HK\$166bn/US\$21.4bn
Shares o/s	4,273m (ORD)
Free float	55%
Avg. daily volume ('000)	16,705
Avg. daily value (m)	HK\$627.3
Common s/h equity (12/15E)	HK\$44.4bn
P/BV (12/15E)	3.7x
Net debt / EBITDA (12/15E)	NM

EPS (UBS, diluted) (HK\$)

	UBS	Cons.
12/15E	1.90	1.92
12/16E	2.08	2.11
12/17E	2.20	2.13

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Highlights (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	56,746	66,033	71,752	60,257	64,426	63,952	64,907	65,845
EBIT (UBS)	8,009	10,590	11,176	7,846	8,444	8,535	8,684	8,822
Net earnings (UBS)	7,710	10,362	11,270	8,133	8,927	9,425	9,928	10,440
EPS (UBS, diluted) (HK\$)	1.81	2.42	2.63	1.90	2.08	2.20	2.31	2.43
DPS (HK\$)	0.00	0.70	0.73	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	4,947	9,717	8,052	10,356	21,238	32,577	44,443	56,821
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	14.1	16.0	15.6	13.0	13.1	13.3	13.4	13.4
ROIC (EBIT) %	49.9	55.8	43.4	25.1	26.4	28.7	31.6	35.0
EV/EBITDA (core) x	9.4	14.7	19.7	15.4	13.3	12.2	11.1	9.9
P/E (UBS, diluted) x	12.1	18.2	23.2	20.5	18.6	17.7	16.8	15.9
Equity FCF (UBS) yield %	8.8	4.6	1.4	3.0	6.6	6.9	7.2	7.5
Net dividend yield %	0.0	1.6	1.2	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK\$38.80 on 26 May 2015 22:39 HKT

www.ubs.com/investmentresearch

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Investment Thesis

Galaxy Entertainment Group

Investment case

Galaxy is scheduled to be the first to open a new property in 2015—the Galaxy Macau phase 2 on 27 May 2015. This should ensure the company has relatively better growth in 2015, and the upside risk to our Neutral rating is that there could be excitement in the stock around the property's opening. However, we believe there could be downside risks to consensus forecasts in the medium term (2016-17), as we believe GM phase 2 will face severe pressure from other project openings. We are also uncomfortable about the group's largest dependence on the VIP segment at 28% of 2015E EBITDA, versus the peer average of 20%: even though the group has been the best operator in the segment and outperformed the industry significantly during a VIP downturn, we are structurally more bearish on the segment.

Upside scenario

In our upside scenario, we assume high-end demand will stop contracting further from Q2 onwards. This results in 2015E VIP declining 25% versus our base case of -31%; and mass declining 5% versus our base case of -8%. The resulting 2015E EBITDA for the existing business is 7% higher than our base case. We also assume value in Galaxy Macau phase 3/4 increases to HK\$4.0/sh. Our upside valuation is HK\$43.7/sh.

Downside scenario

In our downside scenario, we assume further deterioration in high-end demand, and that new supply fails to boost base mass demand: this results in 2015E VIP declining 42% versus our base case of -31%; and mass declining 20% versus our base case of -8%. The resulting 2015E EBITDA for the existing business is 19% lower than our base case. We also assume zero value for Galaxy Macau phase 3/4. Our downside valuation is HK\$28.8/sh.

Upcoming catalysts

Catalysts include: table allocation decision for Galaxy Macau phase 2; opening and initial operating results from GM phase 2 (from 27th May); Macau sector GGR trends; and market share performance of existing properties.

12-month rating

Neutral

12m price target

HK\$40.00

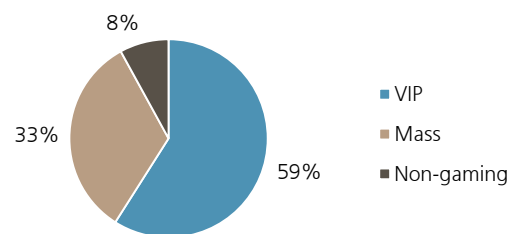
Business description

Galaxy Entertainment Group (Galaxy) is a leading developer and operator of casino resorts in Macau. It operates StarWorld, Galaxy Macau and four CityClubs (casinos on leased premises). Galaxy is also developing Galaxy Macau phase 2, 3 and 4 in Cotai. It is the second-most profitable Macau casino operator as measured by EBITDA in 2013E.

Industry outlook

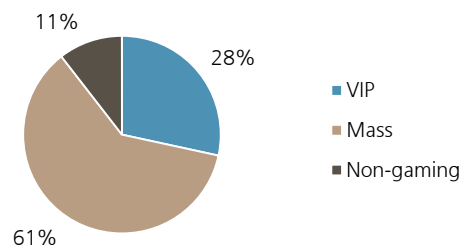
We assume a resumption of sequential growth in Q3, with high-end demand stabilising, and a pick-up in base mass demand driven by new supply. We also assume a full smoking ban in VIP rooms in Jan 2016. We forecast industry GGR growth of -21%/+8%/+11% in 2015/16/17, with mass forecast at -8%/17%/17% and VIP forecast at -31%/0%/6%. Faster growth in the mass segment should be beneficial to sector margins, but unit yields could decline as growth is driven by lower value customers. We believe any recovery in GGR is unlikely to be large, as the government is looking for 'controlled growth', better controls in junket VIP and more serious diversification. We expect base mass demand to remain robust and that new supply from Galaxy and MPEL in H2 will help drive that segment. We forecast room supply to increase 5% YoY in H1, 16% in H2 and 22% in 2016, compared with 1% in 2014. But new supply is no guarantee for a recovery in high-end demand—that remains highly macro, policy and politically driven.

Revenues by business segment, 2015E



Source: UBS estimates

EBITDA by business segment, 2015E



Source: UBS estimates

Mass floor: There are 120+ mass tables in phase two. The general mass floor has 90+ tables, while a new Pavilion Club premium mass area has 27 tables. The thematic of the mass floor is very similar to phase 1 itself, but with lower ceilings to create a more intimate atmosphere. Management commented that the majority of phase 2 mass tables are "premium mass", although the differentiation seems more in bet limits, rather than in any special access to a secluded area (e.g. City of Dream's Signature Club).

In phase 1 we estimate there are around 30-40 fewer mass tables from before, but reduction in gaming position is less, given the company introduced a number of 12-position large tables. These tables offer more betting positions, but need two dealers to operate which might not be cost efficient when level of play is low.

One main floor junket in phase 1 (AG Group) will move to phase 2 junket area imminently, creating space in phase 1 for a new premium mass area called "Horizon Club" that will open in 6-8 weeks' time. There is a large increase in slots and ETGs from 1700 to 2900 in phase 1 and 2 combined.

Figure 1: Entrance to main floor casino from retail area



Source: UBS

Figure 2: Main floor has similar thematic to phase 1...



Source: UBS

Figure 3: New Pavilion Club area in phase 2



Source: UBS

Figure 4: ... but with lower ceilings across the floor



Source: UBS

Hotel rooms: The hotel tower has a similar thematic to the two towers in phase 1. The top floors of hotel tower are the 250 rooms all-suite Ritz Carlton, with the bottom floors occupied by the world's largest JW Marriott at 1000+ rooms. We believe the Ritz Carlton rooms' quality is at least on par or up a notch from the top rooms in Cotai (i.e. Banyan Tree in phase 1 and Crown Towers at City of Dreams) and also from those in Peninsula (i.e. Wynn Encore rooms). This could be a key differentiator for top-end players.

JW Marriott offers good quality 5-star standard rooms, targeting premium mass and mass customers - just a notch below Banyan Tree in phase 1, in our view. The addition of two big international brands means Galaxy/Macau can also tap the Marriott Rewards database, similar to how Sands tapped the SPG database when Sheraton opened at Sands Cotai Central in 2012-2013.

Figure 5: New hotel tower has a similar look to phase 1



Source: UBS

Figure 6: Ritz Carlton standard suite



Source:

Figure 7: Ritz Carlton standard suite



Source: UBS

Figure 8: Ritz Carlton standard suite



Source: UBS

Figure 9: High-end F&B offering at Ritz Carlton



Source: UBS

Figure 10: High-end F&B offering at Ritz Carlton



Source: UBS

VIP areas: Phase 2 has four junket rooms available with three rooms being taken up. Two rooms are new ones occupied by SunCity and Tak Chun (SunCity has 2 rooms now in phase 1, and Tak Chun has one room in phase 1). We estimate there are around 30-35 tables between the two rooms. As mentioned above, AG Group will also move from phase 1 main floor to phase 2 new junket area, occupying the third new junket room. We think new junkets would have been confident to generate a certain minimum roll amount in committing to the tables. Although with weak market conditions the incremental volumes might come from other existing rooms, rather than bringing any new business to Macau.

Galaxy's direct VIP club, Jinmen, adds a new room in phase 2. There are around 25 tables in the new Jinmen area, pushing direct VIP tables to closer to ~50 in phase 1 and 2 combined. A key sky casino product called Sky 88 will open in a few weeks' time.

Figure 11: SunCity adds another room in phase 2



Source: UBS

Figure 12: New Jinmen direct VIP area in phase 2



Source: UBS

Figure 13: Junket VIP area



Source: UBS

Figure 14: One of three junket VIP rooms in phase 2



Source: UBS

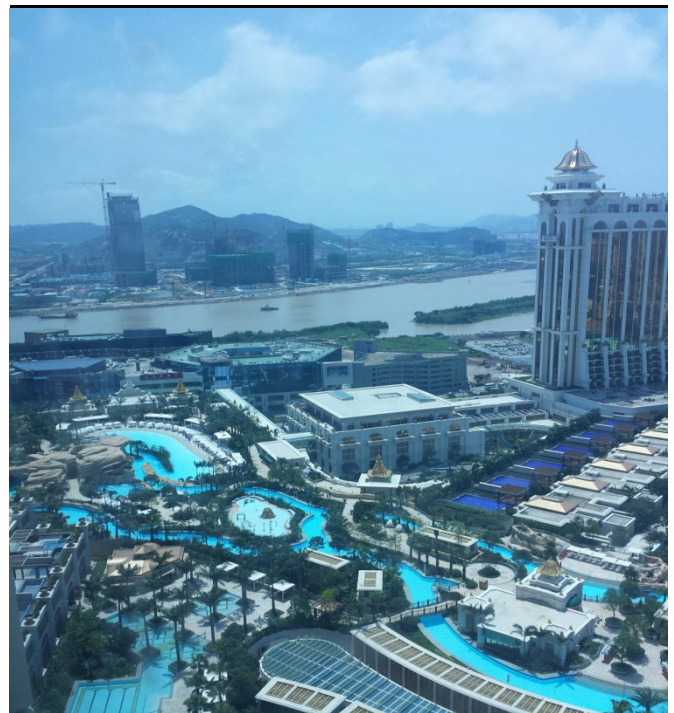
Retail and other non-gaming: Phase 1 and phase 2 combined will offer 100k sqm of gross retail area with 200 shops. Incrementally phase 2 more than doubles the size of the small retail foot print in phase 1. We find that there is a good range of lifestyle brands with some selective luxury brands (ranges from H&M to Longchamp to Louis Vuitton). Management stresses that the positioning of the mall is of a "lifestyle mall", not a luxury mall. Phase 2 also adds some famous high-end F&B offerings like Otto e Mezzo and Fook Lam Moon. The 75k sqm Grand Resort Desk is expanded to include various water rides features, and remains one of the best attractions for family travellers into Macau.

Figure 15: Ariel view of the Grand Resort Deck



Source: UBS

Figure 16: Various new water rides features in phase 2; Hengqin Island is in the background



Source: UBS

Figure 17: Retail mall area of phase 2



Source: UBS

Figure 18: Retail mall area of phase 2



Source: UBS

Broadway Macau: The property will have 38 mass tables, which were shifted to GM phase 1 when it was under renovation, and now shifted back. The 320 Broadway hotel rooms are in 4-star category and offer a value option (~US\$100) in Cotai. There is a 3000 seat theatre in Broadway with some concerts to be held imminently. The Broadway market consists of over 40 F&B outlets in a street-style open air market.

Figure 19: Footbridge linking phase 2 to Broadway



Source: UBS

Figure 20: Broadway Macau



Source: UBS

Figure 21: Broadway mass gaming floor



Source: UBS

Figure 22: Broadway mass gaming floor



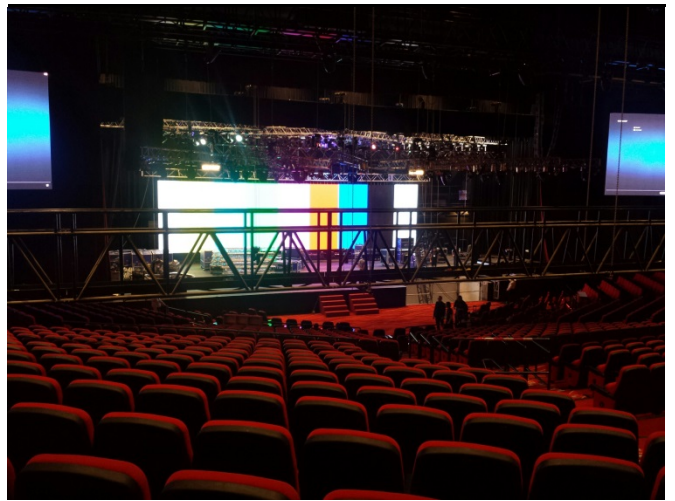
Source: UBS

Figure 23: Broadway standard hotel room



Source: UBS

Figure 24: Broadway's 3000-seat theatre



Source: UBS

Figure 25: Broadway street market



Source: UBS

Figure 26: Broadway street market



Source: UBS

Galaxy Entertainment Group (0027.HK)

Income statement (HK\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Revenues	56,746	66,033	71,752	60,257	-16.0	64,426	6.9	63,952	64,907	65,845
Gross profit	-	-	-	-	-	-	-	-	-	-
EBITDA (UBS)	9,738	12,434	13,060	10,408	-20.3	11,529	10.8	11,620	11,769	11,907
Depreciation & amortisation	(1,729)	(1,843)	(1,884)	(2,562)	36.0	(3,085)	20.4	(3,085)	(3,085)	(3,085)
EBIT (UBS)	8,009	10,590	11,176	7,846	-29.8	8,444	7.6	8,535	8,684	8,822
Associates & investment income	109	141	163	163	0.0	163	0.0	163	163	163
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(360)	(384)	156	213	37.0	409	91.4	815	1,169	1,544
Exceptionals (incl goodwill)	(333)	(311)	(930)	(886)	4.7	(156)	82.4	(156)	(156)	(156)
Profit before tax	7,426	10,037	10,564	7,336	-30.6	8,859	20.8	9,357	9,860	10,372
Tax	(46)	18	(202)	(78)	61.2	(78)	0.0	(78)	(78)	(78)
Profit after tax	7,380	10,055	10,363	7,257	-30.0	8,780	21.0	9,278	9,782	10,294
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(3)	(3)	(23)	(10)	56.0	(10)	0.0	(10)	(10)	(10)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	7,377	10,052	10,340	7,247	-29.9	8,770	21.0	9,268	9,772	10,284
Net earnings (UBS)	7,710	10,362	11,270	8,133	-27.8	8,927	9.8	9,425	9,928	10,440
Tax rate (%)	0.6	0.0	1.9	1.1	-44.1	0.9	-17.2	0.8	0.8	0.8
Per share (HK\$)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EPS (UBS, diluted)	1.81	2.42	2.63	1.90	-27.8	2.08	9.8	2.20	2.31	2.43
EPS (local GAAP, diluted)	1.73	2.35	2.41	1.69	-29.9	2.04	21.0	2.16	2.28	2.40
EPS (UBS, basic)	1.84	2.46	2.66	1.92	-27.9	2.10	9.8	2.22	2.34	2.46
Net DPS (HK\$)	0.00	0.70	0.73	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted) ¹	2.22	2.85	3.07	2.49	-18.7	2.80	12.3	2.92	3.03	3.15
Book value per share	5.24	7.59	8.98	10.47	16.6	12.53	19.7	14.72	17.02	19.44
Average shares (diluted)	4,254.55	4,281.12	4,289.40	4,289.40	0.0	4,289.40	0.0	4,289.40	4,289.40	4,289.40
Balance sheet (HK\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Cash and equivalents	15,609	10,360	9,040	11,148	23.3	22,030	97.6	33,369	45,235	56,821
Other current assets	3,200	3,851	3,766	2,245	-40.4	2,322	3.4	2,230	2,223	2,216
Total current assets	18,809	14,211	12,807	13,393	4.6	24,352	81.8	35,599	47,458	59,037
Net tangible fixed assets	22,737	28,422	35,662	40,449	13.4	38,303	-5.3	36,157	34,011	31,865
Net intangible fixed assets	1,104	1,715	1,516	1,410	-7.0	1,304	-7.5	1,197	1,091	985
Investments / other assets	1,725	1,890	1,834	1,996	8.9	2,159	8.1	2,322	2,484	2,647
Total assets	44,374	46,238	51,818	57,248	10.5	66,117	15.5	75,275	85,044	94,533
Trade payables & other ST liabilities	10,451	12,254	11,552	11,109	-3.8	11,198	0.8	11,077	11,065	11,052
Short term debt	0	0	0	0	-	0	-	0	0	0
Total current liabilities	10,451	12,254	11,552	11,109	-3.8	11,198	0.8	11,077	11,065	11,052
Long term debt	10,661	643	988	792	-19.9	792	0.0	792	792	0
Other long term liabilities	968	287	289	289	0.0	289	0.0	289	289	289
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	22,080	13,184	12,829	12,190	-5.0	12,279	0.7	12,159	12,146	11,342
Common s/h equity	21,854	32,441	38,369	44,428	15.8	53,198	19.7	62,466	72,238	82,522
Minority interests	441	613	620	630	1.6	640	1.6	650	660	670
Total liabilities & equity	44,374	46,238	51,818	57,248	10.5	66,117	15.5	75,275	85,044	94,533
Cash flow (HK\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Net income (before pref divs)	7,377	10,052	10,340	7,247	-29.9	8,770	21.0	9,268	9,772	10,284
Depreciation & amortisation	1,729	1,843	1,884	2,562	36.0	3,085	20.4	3,085	3,085	3,085
Net change in working capital	835	1,340	(186)	1,728	-	12	-99.3	(29)	(5)	(5)
Other operating	342	441	928	617	-33.5	(103)	-	(104)	(104)	(104)
Operating cash flow	10,389	13,782	13,073	12,261	-6.2	11,871	-3.2	12,327	12,854	13,366
Tangible capital expenditure	(2,314)	(5,189)	(9,389)	(7,339)	21.8	(939)	87.2	(939)	(939)	(939)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	(401)	(596)	0	0	-	0	-	0	0	0
Other investing	0	(5,200)	0	(1,300)	-	0	-	0	0	0
Investing cash flow	(2,715)	(10,985)	(9,389)	(8,639)	8.0	(939)	89.1	(939)	(939)	(939)
Equity dividends paid	0	0	(4,879)	(1,189)	75.6	0	-	0	0	0
Share issues / (buybacks)	104	135	256	0	-	0	-	0	0	0
Other financing	346	(541)	141	0	-	0	-	0	0	0
Change in debt & pref shares	-	(10,018)	345	(196)	-	0	-	0	0	(792)
Financing cash flow	-	(10,424)	(4,137)	(1,385)	66.5	0	-	0	0	(792)
Cash flow inc/(dec) in cash	-	(7,627)	(453)	2,238	-	10,932	388.6	11,388	11,915	11,635
FX / non cash items	-	2,379	(867)	(130)	85.0	(50)	61.5	(49)	(49)	(49)
Balance sheet inc/(dec) in cash	7,894	(5,248)	(1,320)	2,108	-	10,882	NM	11,339	11,866	11,586

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.¹Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Galaxy Entertainment Group (0027.HK)

Valuation (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	12.6	18.8	25.3	23.0	19.0	18.0	17.0	16.2
P/E (UBS, diluted)	12.1	18.2	23.2	20.5	18.6	17.7	16.8	15.9
P/CEPS	9.7	15.2	19.6	15.4	13.7	13.2	12.7	12.2
Equity FCF (UBS) yield %	8.8	4.6	1.4	3.0	6.6	6.9	7.2	7.5
Net dividend yield (%)	0.0	1.6	1.2	0.0	0.0	0.0	0.0	0.0
P/BV x	4.2	5.8	6.8	3.7	3.1	2.6	2.3	2.0
EV/revenues (core)	1.6	2.8	3.6	2.6	2.4	2.2	2.0	1.8
EV/EBITDA (core)	9.4	14.7	19.7	15.4	13.3	12.2	11.1	9.9
EV/EBIT (core)	11.4	17.2	23.2	20.8	18.4	16.8	15.3	13.6
EV/OpFCF (core)	9.9	15.2	20.4	16.5	14.4	13.1	11.9	10.6
EV/op. invested capital	5.4	9.2	9.6	4.9	4.6	4.6	4.6	4.5
Enterprise value (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	91,313	185,907	260,184	165,792	165,792	165,792	165,792	165,792
Net debt (cash)	(993)	(7,332)	(8,885)	(9,204)	(15,797)	(26,908)	(38,510)	(50,632)
Buy out of minorities	441	613	620	630	640	650	660	670
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	90,760	179,187	251,919	157,218	150,635	139,535	127,942	115,830
Non core assets	(3,672)	(3,904)	(3,720)	(3,585)	(3,585)	(3,585)	(2,081)	(2,264)
Core enterprise value	87,088	175,283	248,199	153,633	147,050	135,950	125,861	113,566
Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	37.8	16.4	8.7	-16.0	6.9	-0.7	1.5	1.4
EBITDA (UBS)	74.5	27.7	5.0	-20.3	10.8	0.8	1.3	1.2
EBIT (UBS)	80.5	32.2	5.5	-29.8	7.6	1.1	1.7	1.6
EPS (UBS, diluted)	81.1	33.6	8.5	-27.8	9.8	5.6	5.3	5.2
Net DPS	-	-	4.3	-	-	-	-	-
Margins & Profitability (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	-	-	-	-	-	-	-	-
EBITDA margin	17.2	18.8	18.2	17.3	17.9	18.2	18.1	18.1
EBIT margin	14.1	16.0	15.6	13.0	13.1	13.3	13.4	13.4
Net earnings (UBS) margin	13.6	15.7	15.7	13.5	13.9	14.7	15.3	15.9
ROIC (EBIT)	49.9	55.8	43.4	25.1	26.4	28.7	31.6	35.0
ROIC post tax	49.6	55.8	42.7	24.8	26.2	28.5	31.4	34.7
ROE (UBS)	42.7	38.2	31.8	19.6	18.3	16.3	14.7	13.5
Capital structure & Coverage (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	(0.5)	(0.8)	(0.6)	(1.0)	(1.8)	(2.8)	(3.8)	(4.8)
Net debt / total equity %	(22.2)	(29.4)	(20.7)	(23.0)	(39.4)	(51.6)	(61.0)	(68.3)
Net debt / (net debt + total equity) %	(28.5)	(41.6)	(26.0)	(29.8)	(65.1)	NM	NM	NM
Net debt/EV %	(5.7)	(5.5)	(3.2)	(6.7)	(14.4)	(24.0)	(35.3)	(50.0)
Capex / depreciation %	133.9	NM	NM	NM	30.4	30.4	30.4	30.4
Capex / revenue %	4.1	7.9	13.1	12.2	1.5	1.5	1.4	1.4
EBIT / net interest	22.3	27.6	NM	NM	NM	NM	NM	NM
Dividend cover (UBS)	-	3.5	3.6	-	-	-	-	-
Div. payout ratio (UBS) %	-	28.5	27.5	-	-	-	-	-
Revenues by division (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	56,746	66,033	71,752	60,257	64,426	63,952	64,907	65,845
Total	56,746	66,033	71,752	60,257	64,426	63,952	64,907	65,845
EBIT (UBS) by division (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	8,009	10,590	11,176	7,846	8,444	8,535	8,684	8,822
Total	8,009	10,590	11,176	7,846	8,444	8,535	8,684	8,822

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+3.1%
Forecast dividend yield	0.0%
Forecast stock return	+3.1%
Market return assumption	6.5%
Forecast excess return	-3.4%

Statement of Risk

Risks include: increasing competition: oversupply of gaming tables and hotel rooms in Macau; upward pressure on junket commissions; regulatory and political environment; external events that impact tourism, such as avian flu or terrorism.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	45%	37%
Neutral	FSR is between -6% and 6% of the MRA.	43%	33%
Sell	FSR is > 6% below the MRA.	12%	20%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 March 2015.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS AG Hong Kong Branch: Anthony Wong, CFA; Angus Chan.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Galaxy Entertainment Group¹⁶	0027.HK	Neutral	N/A	HK\$38.80	26 May 2015

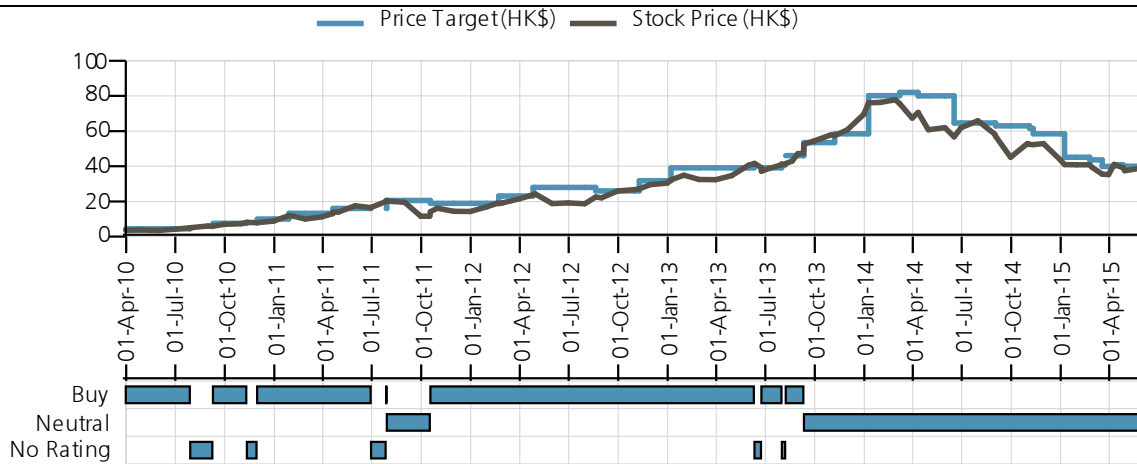
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Galaxy Entertainment Group (HK\$)



Source: UBS; as of 26 May 2015

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