



Rating
Hold

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
4 March 2015

Company Update

Price at 3 Mar 2015 (HKD)	21.15
Price target - 12mth (HKD)	19.10
52-week range (HKD)	38.35 - 20.05
HANG SENG INDEX	24,703

Karen Tang

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

Special div not that special; though VIP share gain likely after ban lifted

High FY14 DPS not sustainable in our view

This afternoon, Wynn Macau's board declared a special DPS of HK\$1.05 (last year nil), replacing last year's final DPS of HK\$0.98 (this year nil). Together with the interim div, FY14 DPS comes to HK\$1.75, up 18% yoy (140% payout), implying 8.3% yield. Unfortunately, we don't think this year's DPS is sustainable as we forecast the company's EBITDA will fall 25%. Even if payout stays at 140%, FY15 div yield will be only 5% on our forecast. That said, we acknowledge that Wynn Macau's 18% div increase is already better than MGM China's 11% decline and SJM's 16% decline. Key upside risk is VIP market share gain in March-April as Macau's two largest junkets (Suncity and Neptune) opened two newly-renovated VIP rooms in late February. Downside risk is VIP smoking ban in 2016. **At the same time, Wynn seemed to have lifted its ban on phone betting, as long as the players sign a declaration form.** This may pose near-term upside risk to the stock. Other than this, although it may seem that the stock's current valuation of 20x 2015 EV/EBITDA and 25x PE is expensive we maintain Hold given near-term potential VIP share gain surprise.

Wynn previously banned phone betting in Nov; which was reversed last week

According to junkets, Wynn Macau had reversed the phone betting ban on VIP rooms last week. In early November, Wynn Macau banned phone betting in its VIP rooms, following similar ban by Sands China in late October. In phone betting arrangements, VIPs who cannot come to Macau send their associates to a junket VIP room to place bets on their behalf, often taking their betting advice over the phone or an app. We estimate this account for 8-10% of VIP revenue. As a result of the ban, Wynn's junket roll share fell from 11.9% in Oct to 9.8% in Jan.

FY14 results a non-event as data was pre-announced on Feb 4

Wynn Macau will release its FY14 results at the end of March. But that should be a non-event as almost all operating data had been pre-announced when the parentco released 4Q results early this month. Results are in-line with expectations as almost all data had been pre-announced on Feb 4 with parentco results. In 4Q, property EBITDA fell 26% qoq to HK\$1.9bn (-36% yoy) as margin slipped 286bps qoq to 31.7%. 4Q VIP roll fell 18% qoq (-40% yoy) after banning proxy betting, and some VIP tables on G/F was impacted by smoking ban. Mass drop was flat qoq (-8% yoy) and mass hold was 39.3% (vs. 3Q 51.0%).

Stock data

Market cap (HKDm)	109,716
Market cap (USDm)	14,148
Shares outstanding (m)	5,187.5
Major shareholders	Wynn Resort Ltd (72%)
Free float (%)	28
Avg daily value traded (USDm)	22.4

Source: Deutsche Bank

Key data

FYE 12/31	2013A	2014E	2015E
Sales (HKDm)	31,341	29,423	24,392
Net Profit (HKDm)	7,700.9	6,378.6	3,860.4
DB EPS (HKD)	1.46	1.25	0.82
PER (x)	16.6	16.9	25.8
Yield (net) (%)	6.1	7.0	6.3

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.

FOR OTHER IMPORTANT DISCLOSURES PLEASE VISIT
<http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=1128.HK> MCI (P) 148/04/2014.