

## Company Report

China Merchants Securities (HK) Co., Ltd.  
Hong Kong Equity Research

## Summit Ascent (102 HK)

## CMS Conference takeaways – ramp-up on track

■ During our Shenzhen Conference with Summit Ascent this week, management reiterated its positive view on the ramp-up of Tigre de Cristal Casino (grand opening in Nov 11, 2015)

■ After operating for a month, the VIP gaming area was enlarged on robust demand. Meanwhile, mass tables and slots were downsized

■ Mgmt said ramp-up is on track and expected FY15E EBITDA to turn positive, thanks to low tax and opex environment

## Daily traffic in upward trend

Tigre de Cristal now welcomes 400-600 daily visits in weekdays and 600-800 in weekends, implying stable ramp-up after 121 hotel rooms are in operation from early November. Weekend foot traffic was strong due to high rollers' visit arranged by casual junkets (c.130 VIP players last weekend). Hotel rooms were running at full occupancy during weekend at average daily rate of US\$200-400, which is relatively high for a 4-star hotel. Majority of mass players were local residents (50%). For VIP segment, 70% of VIP players were from the PRC, mostly from North-eastern provinces, while the remaining 30% were from South Korea.

## Strong VIP business; local mass market still needs time

According to mgmt, the property's performance was broadly in line with its expectation, while 1) demand for VIP was strong but 2) demand from low-end local players were weaker than expected, especially for slots. Therefore, mgmt has recently made adjustment in the mix of gaming facilities: 1) increased VIP tables from 25 to 33, 2) withdrew 5 mass tables to 37, 3) halved number of slots from 650 to 350.

## Favorable cost environment

Summit Ascent is currently trading at 8.0x FY16E P/E and 8.7x EV/EBITDA, based on consensus forecasts, 30% discount to its gaming peers in terms of EV/EBITDA multiples. Potential re-rating catalysts: 1) solid demand from North-eastern China continues driving up VIP table yield and hotel occupancy rate, 2) monthly opex (US\$3-4mn) is far lower than Macau which market has not fully realized, and 3) low gaming tax (c.2% of GGR).

## Financials

HK\$ mn	FY10	FY11	FY12	FY13	FY14
Revenue	89.0	72.3	9.8	8	22
Net profit	1.4	2.3	(6.0)	-80	-79
Growth (%)	n.a.	n.a.	n.a.	n.a.	n.a.
EPS (HK\$)	0.01	0.01	(0.01)	(0.06)	(0.06)
DPS (HK\$)	-	-	-	-	-
P/E (x)	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBITDA (x)	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
ROE (%)	0.6%	6.9%	-20.5%	-12.9%	-7.9%

Source: Company data

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## WHAT'S NEW

N.A.

## NON RATED

Previous	NON RATED
Price	HK\$3.38
12-month Target Price (Potential up/downside)	N.A.
Previous	N.A.

## Price Performance



Source: Bigdata

%	1m	6m	12m
102 HK	(15.5)	(32.4)	(17.7)
HSI	(4.1)	(19.2)	(7.2)

## Industry: Macau Gaming

Hang Seng Index	21705
HSCEI	9450

## Key Data

52-week range (HK\$)	2.88 / 6.00
Market cap (US\$ mn)	648
Avg. daily volume (mn shares)	1.4
BVPS (HK\$)	0.7

## Shareholdings Structure

Ho Lawrence, Yau Lung	28%
Wang John Peter Ben	11%
No. of shrs outstanding (shr)	1,485mn
Others	61%

## Related Research

1. Summit Ascent (102 HK) - Tigre de Cristal opening takeaways (NON RATED) 2015/11/13

## The integrated entertainment zone ("IEZ") of the Primorsky Krai in the Russian Far East



Source: Company data, CMS (HK)

## Company's projects in the integrated entertainment zone ("IEZ") of the Primorsky Krai

	Tigre de Cristal	Phase 2
<b>Soft opening date</b>	October 8, 2015	-
<b>Grand opening date</b>	November 11, 2015	2018
<b>Gross land area</b>	90,455sqm	154,400sqm
<b>Gross floor area</b>	31,630sqm	TBC
<b>Hotel rooms</b>	121	500 --4-star hotel with 300 rooms --5-star hotel with 200 rooms
<b>F&amp;B outlets</b>	7	TBC
<b>VIP gaming tables</b>	33	100
<b>Mass market tables</b>	37	70
<b>Slot machines</b>	371	500
<b>Project cost</b>	US\$172mn	US\$500mn

Source: Company data, CMS (HK)

## Peer valuation table

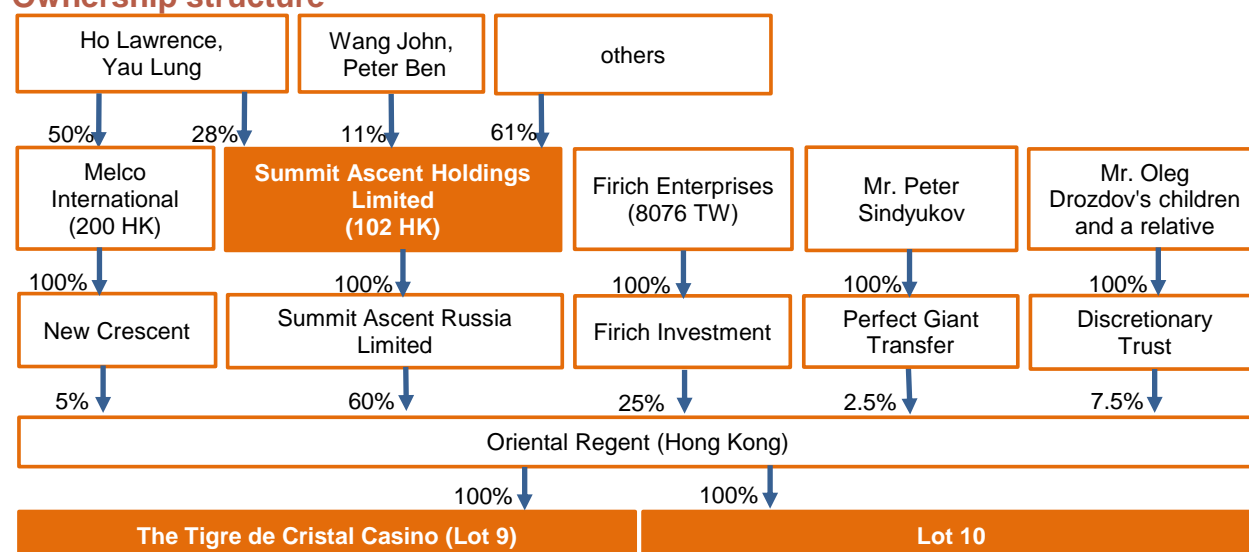
Company	Ticker	Rating	Target Price (lcl crncy)	Current Price (lcl crncy)	+/-side	Mkt Cap (US\$ mn)	52-Wk Price (lcl crncy)	Avg T/O (US\$ mn)	FY16E PEG/ FY16E-18E CAGR (x)	P/E (x)	FY14	FY15E	FY16E
<b>Summit Ascent*</b>	<b>102 HK</b>	<b>NR</b>	<b>n.a.</b>	<b>3.38</b>	<b>n.a.</b>	<b>648</b>	<b>2.88 / 6.00</b>	<b>0.7</b>	<b>1.2</b>	<b>n.a.</b>	<b>56.4</b>	<b>8.0</b>	
<b>Peers</b>													
Macau Legend*	1680 HK	NR	n.a.	1.05	n.a.	863	0.92 / 3.42	2.8	4.3	14.0	(65.6)	1,050.0	
NagaCorp*	3918 HK	NR	n.a.	4.97	n.a.	1,463	4.33 / 6.48	1.6	0.8	10.8	8.5	9.8	
Galaxy	27 HK	BUY	31.80	23.20	37%	12,750	19.02 / 47.65	69.8	1.1	9.5	21.8	15.6	
SJM	880 HK	SELL	4.00	5.65	-29%	4,124	5.23 / 13.50	11.1	(0.9)	4.7	10.6	17.0	
Wynn Macau	1128 HK	BUY	12.90	9.34	38%	6,261	8.45 / 22.79	18.0	0.6	7.5	27.2	20.1	
Sands China	1928 HK	BUY	30.00	26.25	14%	27,331	22.85 / 41.30	70.0	0.9	10.7	18.6	18.0	
MGM China	2282 HK	NETRL	11.30	9.83	15%	4,820	8.73 / 20.36	8.0	0.6	6.6	11.2	13.5	
Melco Crown	MPEL US	NETRL	21.00	16.05	31%	8,740	12.80 / 28.17	65.2	0.7	14.5	56.9	26.6	
<b>Simple Avg</b>									<b>1.0</b>	<b>9.8</b>	<b>11.1</b>	<b>146.3</b>	
<b>Mkt Cap Avg</b>									<b>0.8</b>	<b>10.0</b>	<b>22.7</b>	<b>31.7</b>	

Company	Ticker	EV/EBITDA (x)			Dividend Yield (%)			ROE (%)			ND/E (%)	
		FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E
<b>Summit Ascent*</b>	<b>102 HK</b>	<b>n.a.</b>	<b>31.7</b>	<b>8.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9.7)</b>	<b>(1.2)</b>	<b>41.1</b>	<b>NetCash</b>	
<b>Peers</b>												
Macau Legend*	1680 HK	8.2	27.2	22.9	-	-	-	7.3	(1.4)	(1.2)	10.1	
NagaCorp*	3918 HK	7.3	3.8	3.2	6.5	7.6	6.0	22.2	26.5	21.9	NetCash	
Galaxy	27 HK	6.8	11.4	9.4	3.1	2.2	2.2	27.4	11.3	14.3	NetCash	
SJM	880 HK	3.0	8.5	12.9	14.9	6.6	4.1	27.2	12.6	7.9	11.7	
Wynn Macau	1128 HK	6.7	15.8	12.6	18.7	3.1	3.5	91.5	64.3	67.0	751.6	
Sands China	1928 HK	8.7	13.9	14.0	7.6	7.6	7.6	39.6	25.3	28.7	39.8	
MGM China	2282 HK	5.3	10.3	12.2	13.6	6.2	5.2	90.0	65.9	49.6	205.7	
Melco Crown	MPEL US	9.5	15.2	11.7	2.1	0.5	1.1	14.2	3.5	7.0	76.6	
<b>Simple Avg</b>		<b>6.9</b>	<b>13.3</b>	<b>12.4</b>	<b>9.5</b>	<b>4.8</b>	<b>4.3</b>	<b>34.4</b>	<b>23.0</b>	<b>26.3</b>		
<b>Mkt Cap Avg</b>		<b>7.6</b>	<b>13.1</b>	<b>12.4</b>	<b>7.8</b>	<b>4.9</b>	<b>4.8</b>	<b>40.9</b>	<b>25.2</b>	<b>26.4</b>		

Note: \* are based on market estimates

Source: Company data, Bloomberg, CMS (HK) estimates

## Ownership structure



Source: Company data, CMS (HK)

## Investment Ratings

Industry Rating	Definition
OVERWEIGHT	Expect sector to outperform the market over the next 12 months
NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
NEUTRAL	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

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