



Rating
Buy

Asia
Hong Kong

Consumer
Hotels / Leisure / Gaming

Company
Wynn Macau

Reuters	Bloomberg	Exchange	Ticker
1128.HK	1128 HK	HSI	1128

Date
12 June 2018

Company Update

Price at 8 Jun 2018 (HKD)	27.45
Price target - 12mth (HKD)	36.00
52-week range (HKD)	30.95 - 16.12
HANG SENG INDEX	30,958

Risks priced in; Buy for strong FCF generation

Buy for a margin expansion story

Over the past month, Wynn Macau's share price had pulled back over 10% (vs. MSCI HK +1%) as investors worried about World Cup and latest UnionPay restrictions. Our channel checks suggest the latest UnionPay restrictions had no impact on Macau's GGR. This echoes our on-the-ground checks where 7 of the 10 pawnshops we visited over the weekend were still able to act as funding sources to premium mass. As such, **we see the recent pullback as a good Buying opportunity for Wynn Macau** where margin expansion should help grow EBITDA by 40% in 2018, and where low leverage allows for the conversion of strong FCF into higher dividends. We think Wynn Macau can lift dividends to HK\$1.5/shr in 2018, implying 5% dividend yield at current share price. Reiterate Buy.

Wynn Palace's mass potential still under-appreciated

Wynn Palace has finally ramped up its mass table yield to US\$16.4k/table/day by 1Q18, highest in town and 17% above Wynn Peninsula's. But we feel Wynn Palace still has more potentials as its mass table drop was still 7% lower than Wynn Peninsula's. Since Wynn Palace has 70% more hotel rooms, we think Wynn Palace's mass table drop should surpass that of Wynn Peninsula's by 2019. Encouragingly, premium mass hosts told us that the new series of exclusive events, e.g. Canto pop concerts, wine & whisky dinners, are increasing the frequency of visits by premium mass players.

Strong free cash flow supports dividend growth

Until Phase 2 goes ahead, the company has very limited capex needs, likely only US\$100m to reinvigorate the West Casino at Wynn Peninsula to update VIP rooms and to remodel the Encore hotel. On the back of our 40% EBITDA growth forecast for 2018, we think free cashflows can grow to US\$1.2bn in 2018, implying a FCF yield of 6.7%. With end-2018 leverage likely below 2.5x, we think the company will hike 2018 dividends to HK\$1.5/shr, implying over 5% dividend yield at current share price.

Risks priced in; reiterate Buy

Wynn Macau is trading at 13.5x DB 2018F EBITDA, below its historical avg of 14.4x. We lift 2018/2019 EBITDA by 1%/5% and net profit by 0%/7%. Our target EV/EBITDA multiple is 17x, second highest in the sector, just below Sands China. We believe this is justified as Wynn Macau's dividend yield will likely catch up to a similar level as that of Sands China's. Downside risks include i) tighter capital controls from China impacting GGR momentum, ii) competition leading

Valuation & Risks

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Key changes

Sales (FYE)	44,409 to 43,612	↓	-1.8%
Op prof margin (FYE)	21.1 to 21.8	↑	3.1%
Net profit (FYE)	7,538.4 to 7,538.6	↑	0.0%

Source: Deutsche Bank

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-10.3	-2.5	52.7
HANG SENG INDEX	1.8	1.0	18.8

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	188.9
Net debt/equity (%)	384.6
Book value/share (HKD)	0.96
Price/book (x)	28.6
Net interest cover (x)	6.9
Operating profit margin (%)	21.8

Source: Deutsche Bank



to margin erosion, iii) less-than-expected market share gains; and iv) regulatory risks concerning the expiry of its gaming concession.

Forecasts and ratios

Year End Dec 31	2016A	2017A	2018E	2019E
Sales (HKDm)	22,099.5	36,040.6	43,611.9	48,815.1
EBITDA (HKDm)	5,105.4	8,497.5	12,266.2	14,070.0
Reported NPAT (HKDm)	1,435.5	3,713.1	7,538.6	9,322.9
Reported EPS FD(HKD)	0.28	0.72	1.45	1.79
DB EPS FD(HKD)	0.47	0.79	1.49	1.82
DB EPS growth (%)	-15.3	68.3	87.8	22.1
PER (x)	24.0	22.4	18.4	15.1
EV/EBITDA (x)	17.3	13.5	13.2	11.3
DPS (net) (HKD)	0.42	0.96	1.53	1.90
Yield (net) (%)	3.7	5.4	5.6	6.9

Source: Deutsche Bank estimates, company data



Figure 1: Macau Map

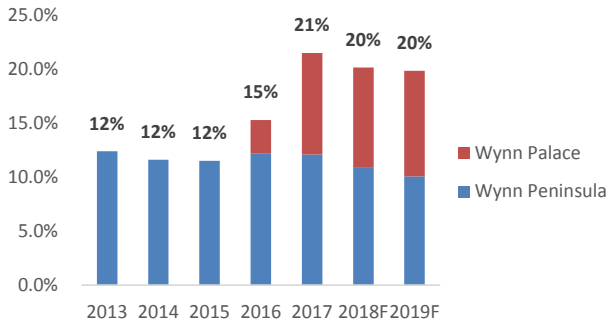


Source: Deutsche Bank, Graphic based on Macau Tourism Office data with permission to use

Wynn Macau in 6 charts

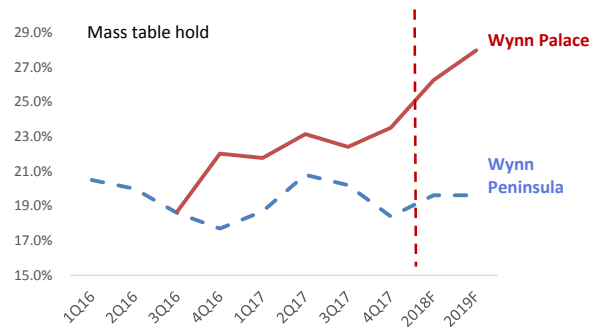


Figure 2: VIP GGR market share: Wynn is a preferred brand



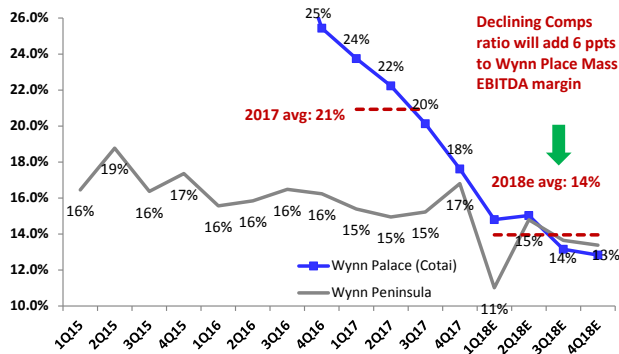
Source: Deutsche Bank forecasts, Company data

Figure 3: Wynn Palace's mass table hold percentage has been consistently higher than Wynn Peninsula's



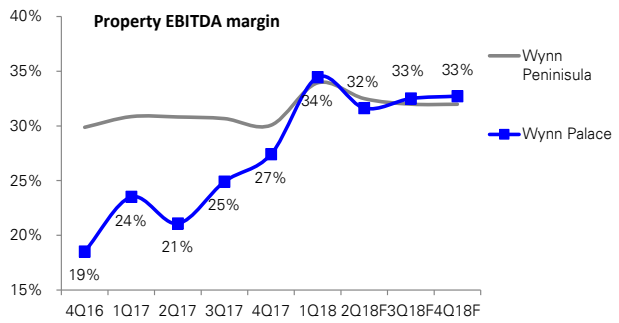
Source: Deutsche Bank forecasts, Company data

Figure 4: Promotional allowances as % of mass table GGR falling sharply at Wynn Palace



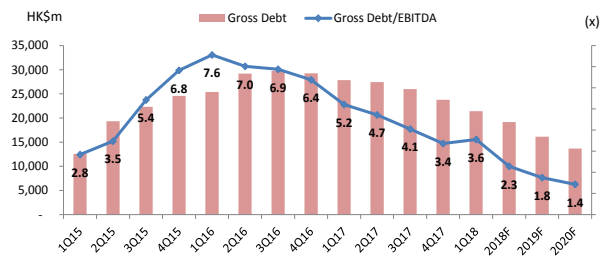
Source: Company data, Deutsche bank forecasts

Figure 5: Wynn Palace's EBITDA margin catching up of that of Wynn Peninsula



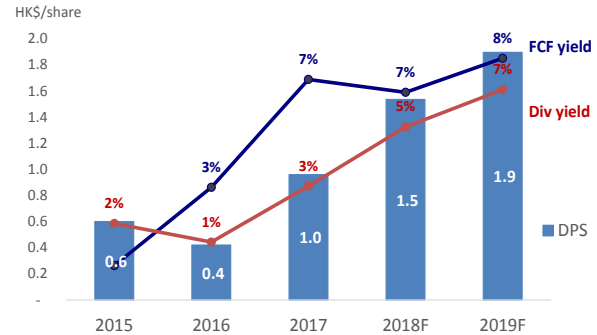
Source: Company data, Deutsche bank forecasts

Figure 6: Leverage is sharply declining...



Source: Company data, Deutsche bank forecasts

Figure 7: ... which allows a strong conversion from FCF to dividends



Source: Company data, Deutsche Bank forecasts

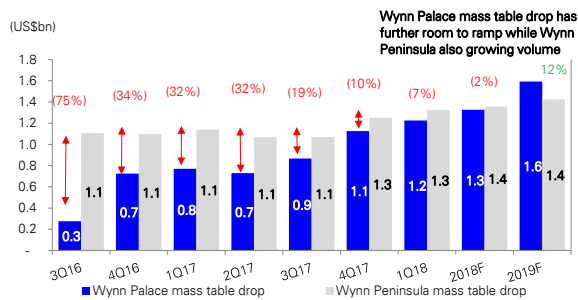


Wynn Palace: Recent gaming floor reconfiguration a positive

Based on our on-the-ground observations, Wynn Palace continues to ramp up both its premium mass and grind mass segments. This year, management has reconfigured the gaming floor to improve the gaming experience for different levels of players. The popular Red 8 noodle bar was relocated closer to the South Entrance where the grind mass players gather around after coming in from the shuttle bus entrance. A high-end café was recently added near the Diamond Club where premium mass players play at tables with minimum bets at HK\$2,000 or above after they come in from the taxi/limo drop-off at the North Entrance.

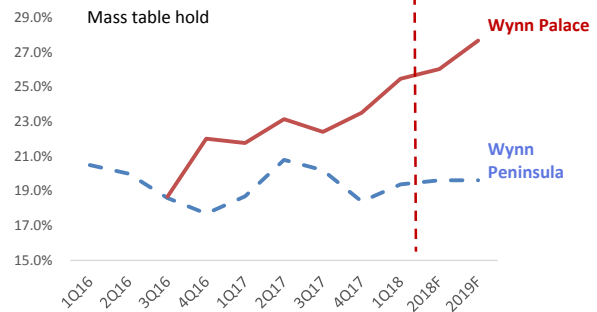
As a result, Wynn Palace's mass table hold percentage improved to 25.5% in 1Q18, indicating gamblers are staying longer at the tables. This boosted Wynn Palace's mass table yield to US\$16.4k/table/day in 1Q18, which was 17% above that of Wynn Peninsula's. We believe Wynn Palace still has further room to improve on both metric over the medium term.

Figure 8: Wynn Palace's mass table drop catching up with Wynn Peninsula's



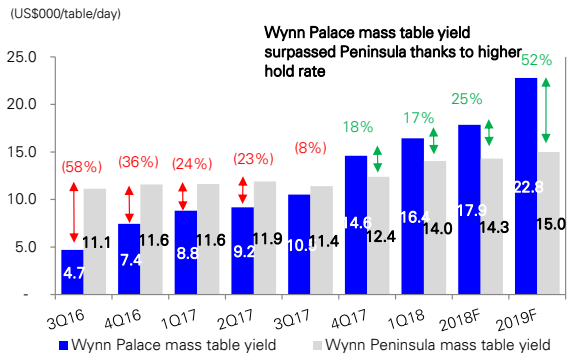
Source: Deutsche Bank forecast, Company data

Figure 9: Wynn Palace's mass table hold percentage consistently above Wynn Peninsula's as players tend to stay longer in Cotai



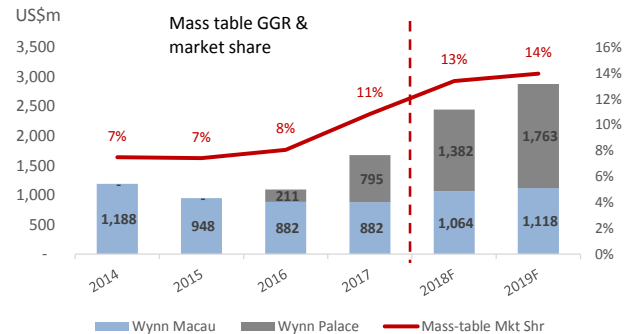
Source: Deutsche Bank forecast, Company data

Figure 10: Wynn Palace mass table yield surpassed that of Wynn Peninsula's since 4Q17



Source: Deutsche Bank forecast, Company data

Figure 11: Wynn Macau's mass market share on the rise



Source: Deutsche Bank forecast, Company data

Exclusive events improve frequency of visits by premium mass players



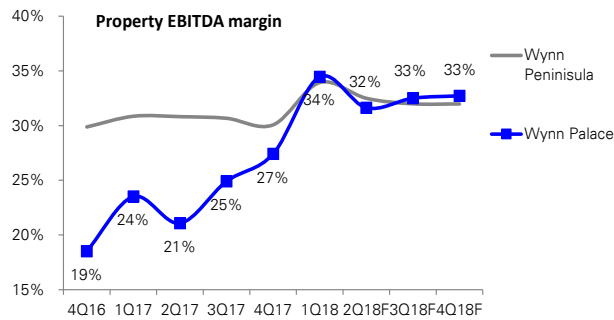
So far this year, Wynn had already hosted many special events and high-profile concerts at both properties, all exclusive to its premium mass and VIP players. Although events at Wynn's are not as large-scale as those at Venetian's, these smaller-scale events are often more intimate for the audience. Premium mass hosts said that these events are key hooks for them to entice players to stay at Wynn's properties in Macau, and good for improving the frequency of player visits.

Figure 12: Exclusive events for premium mass & VIPs

	Property	Event
01-Jun-18	Forum de Macau	Suncity Boxing Game
07-Apr-18	Wynn Palace	Pop singer (Jam Hsiao)
06-Apr-18	Wynn Peninsula	Pop singer (Jam Hsiao)
31-Mar-18	Wynn Palace	Pop singer (Leehom Wang)
30-Mar-18	Wynn Peninsula	Pop singer (Leehom Wang)
24-30 Mar 2018	Both properties	Award winning chefs pop-up dinners
15-25 Feb 2018	Wynn Palace	One-of-a-kind port wine at WingLei Bar
13-Jan-18	Wynn Palace	90's Chinese pop singer
09-Dec-17	Wynn Palace	90s' Chinese band
21-Nov-17	Wynn Peninsula	90s' Top Canto-pop Singer
11-Nov-17	Wynn Palace	80s' Top Canto-pop singer
14-Oct-17	Wynn Palace	Top mainland Chinese singer
13-Oct-17	Wynn Palace	Douro Boys Portuguese Wine Dinner
30-Sep-17	Wynn Palace	Mizumi Matsunotsukasa Sake Dinner
09-Sep-17	Wynn Palace	70s' Top Canto-pop singer
05-Aug-17	Wynn Palace	SW Steakhouse Wine Dinner
03-Aug-17	Wynn Peninsula	Bvlgari watch exhibition
28-Jul-17	Wynn Peninsula	Suntory Japanese Whisky Tasting

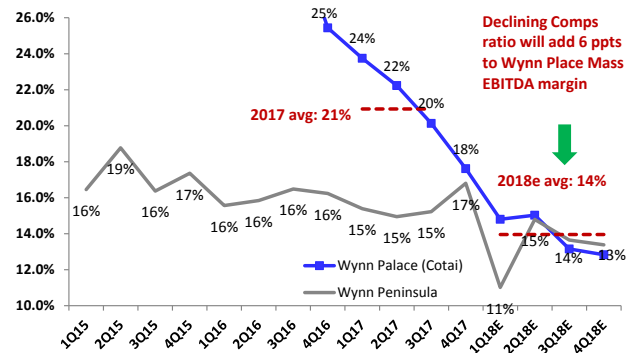
Source: Company data

Figure 14: Higher table yields translate into better margins for Wynn Palace



Source: Company data, Deutsche bank forecasts

Figure 15: Promotional allowances as % of mass table GGR at Wynn Palace falling



Source: Company data, Deutsche bank forecasts

Wynn - The preferred brand by VIPs

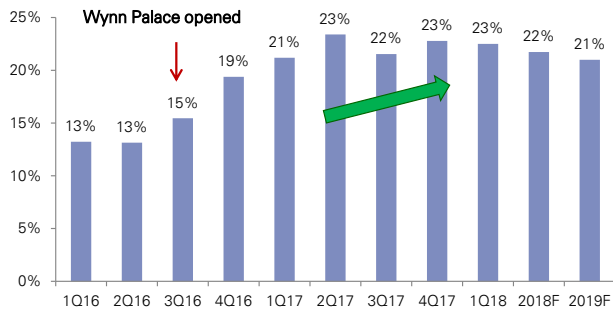
Wynn Macau is a key beneficiary of Macau's VIP resurgence. Big and small junket operators alike, are keen to bring players to the company's two properties.



Management believe it is benefiting more than competitors because Wynn's products & services are very attractive to high-end customers.

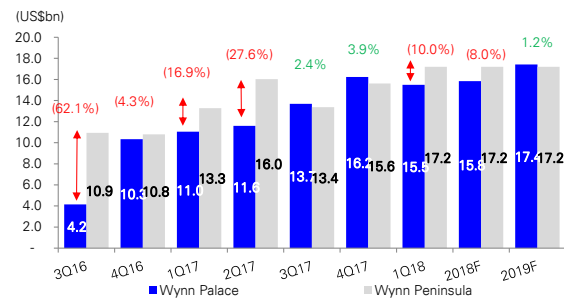
From our communications with various junket operators, most of them target 20% growth or more in 2018. In 1Q18, DICJ reported that VIP GGR grew 22% yoy. Junkets are still confident at the credit situations and continue to see active players returning to Macau.

Figure 16: Wynn Macau's VIP roll market share



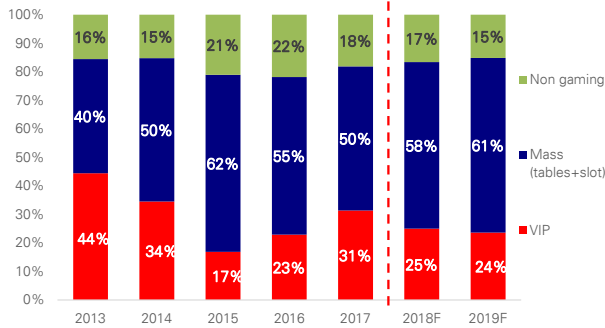
Source: Deutsche Bank forecasts, Company data

Figure 17: Wynn Palace's rolling vs Wynn Peninsula's



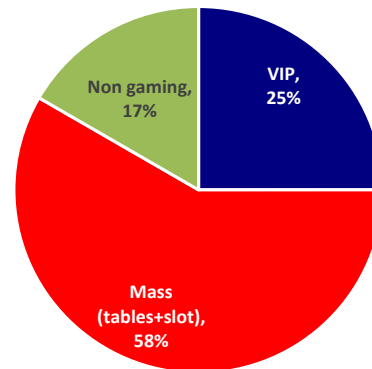
Source: Deutsche Bank forecasts, Company data

Figure 18: Wynn Macau - EBITDA mix by segment over time



Source: Deutsche Bank forecasts, Company data

Figure 19: 2018F EBITDA mix



Source: Deutsche Bank forecasts, Company data

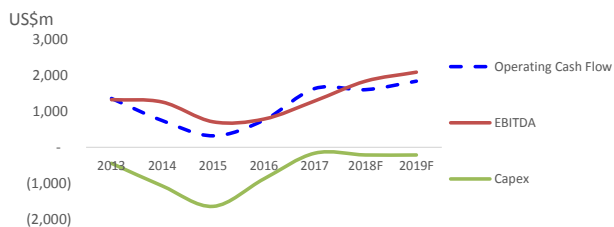
Strong FCF allows for potential dividend hike

On the back of our forecast that EBITDA can grow 40% in 2018, we estimate that Wynn Macau's free cashflows can be as high as US\$1.2bn in 2018, implying an attractive 6.7% FCF yield. The company has limited expansion capex in plan - it will spend US\$100m to reinvigorate the West Casino at Wynn Peninsula to update the VIP gaming rooms and to remodel the Encore hotel tower. But aside from this, capex will be limited until construction for Phase 2 of Wynn Palace starts. At this stage, Phase 2 is only at a conceptual stage.

We estimate that the company's gross debt to EBITDA should fall below 2.5x by end-2018. This should allow the company to lift dividends to HK\$1.5/shr in 2018, implying an attractive 5% dividend yield at current share price.

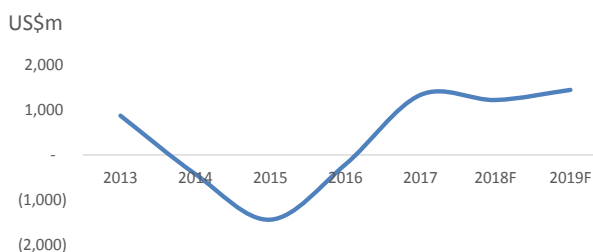


Figure 20: Operating cash flow continues to rise



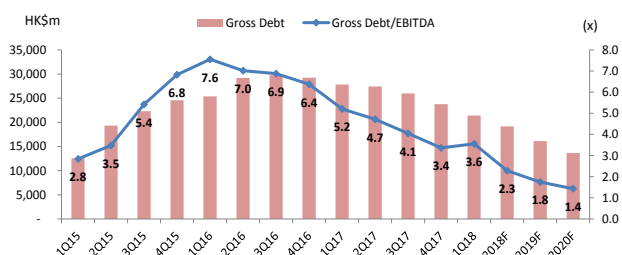
Source: Company data, Deutsche Bank forecasts

Figure 21: Free cashflows very strong



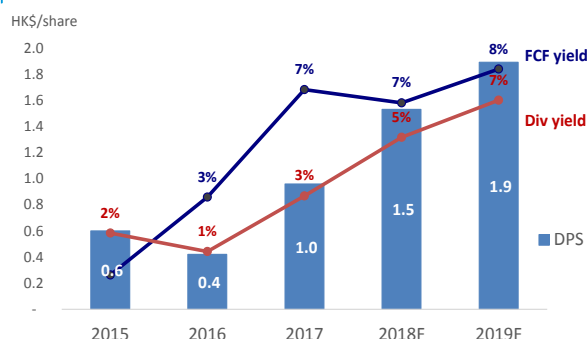
Source: Company data, Deutsche Bank forecasts
Note: FCF figure is before paying for dividend

Figure 22: Company leverage quickly declining



Source: Company data, Deutsche Bank forecasts

Figure 23: Attractive yield, and growing



Source: Company data, Deutsche Bank forecasts as of 11 Jun 2018
Free cash flow is after paying for interest expense, before dividend

Figure 24: Wynn Macau is trading at over 5% div yield on our forecasts

HK\$/share	2016	2017	2018F	2019F	2020F
Interim	-	0.21	0.32	0.32	0.32
Final	0.42	-	0.32	0.32	0.32
Special	-	0.75	0.89	1.26	1.50
DPS	0.42	0.96	1.53	1.90	2.14
yoy	(30%)	129%	60%	24%	13%
Dividend yield	1.5%	3.4%	5.5%	6.7%	7.6%
Dividend / EBITDA	43%	59%	65%	70%	75%
Dividend / Net Income	89%	122%	103%	104%	107%

Source: Company data, Deutsche Bank forecasts, as of 11 Jun 2018

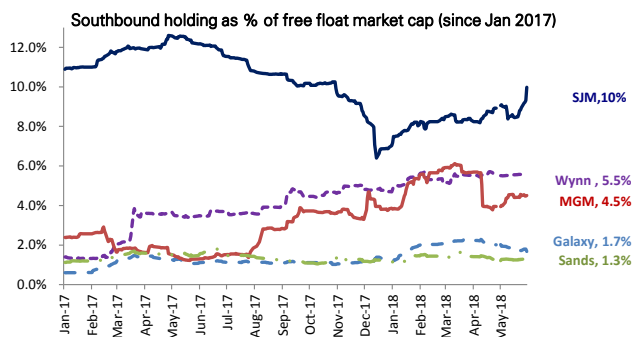
Note: DB net income after adjusting for non recurring items is used for payout calculation

Southbound interests in Wynn Macau remains solid

Southbound investors are mainland Chinese investors in HK-listed stocks not covered by the "Qualified Domestic Institutional Investor (QDII) scheme". These include retail mainland Chinese investors and some domestic Chinese mutual funds. Wynn Macau's holding by Southbound investors increased from 1.4% in early 2017 to 5.5% in March 2018 and have stayed at c.5.5% since.



Figure 26: Southbound interest now makes up 5.5% of Wynn Macau's free float



Source: Hong Kong Central Clearing and Settlement System, as of 31 May 2018
Note: Southbound holding as % of company free float market cap

Figure 27: Wynn Macau received Southbound inflows in May

Net buying (US\$m)	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Galaxy	139.3	11.5	43.6	(41.0)	(66.4)
Wynn Macau	37.1	(19.0)	21.7	(36.1)	13.3
Sands China	41.0	(6.8)	20.9	(21.2)	7.6
Other	25.1	(2.3)	3.0	10.5	27.7
SJM	20.4	5.0	1.0	1.3	(1.2)
Shun Tak	(0.2)	(0.7)	(1.0)	(0.2)	(0.0)
MGM China	37.9	13.6	(4.6)	9.1	(14.1)
Total southbound flow	300.7	1.3	84.5	(77.6)	(33.2)

Source: Hong Kong Central Clearing and Settlement System, as of 31 May 2018

Earnings vs consensus

We raise Wynn Macau 2018/19 EBITDA by 1%/5%. Our 2018/19 EBITDA forecasts for Wynn Macau are 5%/10% higher than consensus. We estimate that Wynn Macau properties will generate US\$5.0m property EBITDA per day, vs. 3M18 US\$4.7m EBITDA per day and US\$4.7m forecasted by consensus. We think consensus reflects the Street's lack of confidence of the company's margin expansion capacity.

Figure 28: DB Forecast vs. FactSet consensus

	2018F			2019F		
	Consensus	DB	DB vs. Consensus	Consensus	DB	DB vs. Consensus
Revenue (HK\$m)	43,162	43,612	1%	47,064	48,815	4%
EBITDA (HK\$m)	11,638	12,266	5%	12,827	14,070	10%
EPS (HK\$)	1.40	1.49	6%	1.63	1.82	11%
DPS (HK\$)	1.38	1.53	11%	1.49	1.90	27%

Source: Deutsche Bank estimates, Factset

Reiterate Buy, TP HK\$36

Wynn Macau is trading at 13.5x DB 2018F EBITDA, below its historical avg of 14.4x. We lift 2018/2019 EBITDA by 1%/5% and net profit by 0%/7%. Our target EV/EBITDA multiple is 17x, second highest in the sector, just below Sands China. We believe this is justified as i) GGR growth momentum supports higher valuation and ii) Wynn Macau's dividend yield will catch up to a similar level as Sands China. Downside risks include i) tighter capital controls from China impacting GGR momentum, and ii) competition leading to margin erosion iii) less-than-expected market share gains.

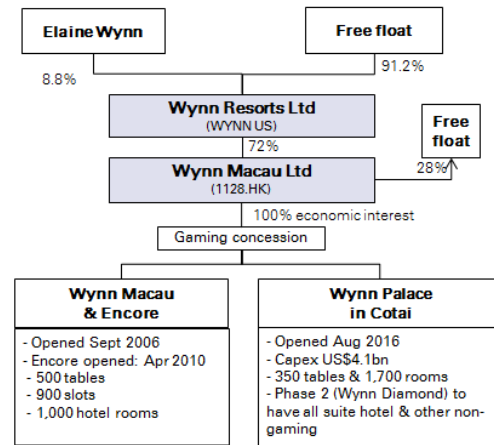


Figure 29: Wynn Macau SOTP: HK\$36

HK\$m	2018F		Valuation		
	EBITDA		HK\$m	HK\$/shr	
Wynn Macau & Encore	6,742	x	17 =	113,465	21.8
Wynn Palace	7,322	x	17 =	123,226	23.7
Corporate expenses	(1,798)	x	17 =	(30,252)	(5.8)
Net debt				(19,155)	(3.7)
		End-2018			
Target price	12,266			187,285	36.0
No of Shares (m)					5,196

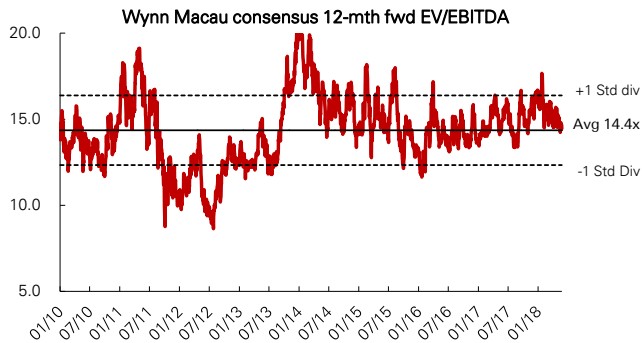
Source: Deutsche bank estimates

Figure 30: Wynn Macau shareholding structure



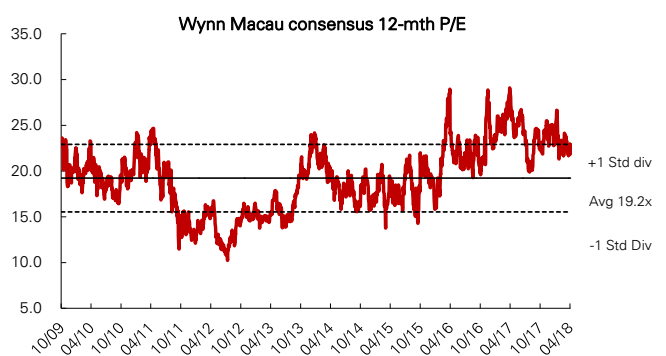
Source: company data

Figure 31: Wynn Macau consensus 12m fwd EV/EBITDA



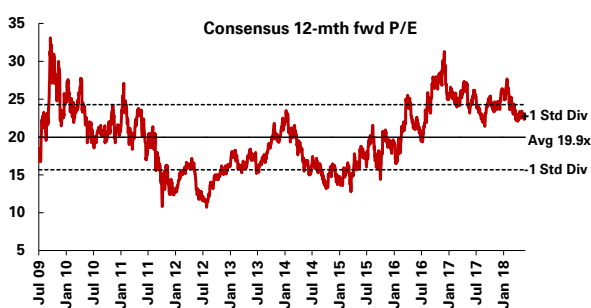
Source: Deutsche Bank, Bloomberg Finance LP

Figure 32: Wynn Macau consensus 12m fwd P/E



Source: Deutsche Bank, Bloomberg Finance LP

Figure 33: Macau sector multiple has pulled back



Source: Factset, Bloomberg Finance LP



Figure 34: Macau sector valuation

Shr price as: 8-Jun-18	Ticker	Rec	Price local cur	Mkt cap US\$m	EV/EBITDA			P/E			EBITDA growth			EPS Growth		EPS CAGR	Div Yield		FCF Yield Pre-capex	
					2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	17-19E	2018E	2019E	2018E	2019E
Macau																				
Galaxy	0027.HK	Buy	64.40	35,363	15.7	14.8	12.2	20.3	18.8	16.7	24%	8%	16%	27%	8%	17%	1.5%	1.6%	6.1%	6.5%
MGM China	2282.HK	Buy	20.80	10,075	16.8	12.7	11.4	27.8	19.0	15.5	29%	28%	8%	28%	46%	37%	1.5%	3.3%	6.7%	6.6%
Sands China	1928.HK	Buy	44.75	46,033	15.1	13.1	12.3	20.1	16.8	15.9	25%	15%	5%	40%	20%	30%	4.9%	4.9%	5.9%	6.8%
SJM	0880.HK	Hold	10.24	7,385	15.4	15.6	9.3	21.2	26.8	17.7	28%	3%	56%	29%	-21%	1%	2.0%	2.0%	4.3%	2.8%
Wynn Macau	1128.HK	Buy	27.45	18,178	13.3	11.8	10.4	18.8	16.3	13.5	43%	10%	12%	84%	15%	46%	4.8%	5.6%	6.9%	8.1%
Average					14.2	12.8	10.8	22.3	20.3	16.8	25%	11%	11%	42%	12%	26%	2.7%	3.5%	6.0%	6.2%

Source: Deutsche Bank, FactSet

Figure 35: Absolute share price performance

8-Jun-18	Ticker	Mkt Cap US\$m	local cur	Absolute perf			2015			2016				2017				2018				L3M US\$m	Beta
				YTD	2w	1m	2015	2016	2017	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	TD	% from L3M hi.	% from 3M low		
Macau																							
Galaxy	0027.HK	35,363	64.40	3%	-6%	-6%	-44%	38%	86%	19%	-21%	27%	16%	26%	11%	16%	14%	14%	-10%	-12%	0%	93.3	1.2
MGM China	2282.HK	10,075	20.80	-12%	-7%	-10%	-51%	66%	47%	22%	-15%	34%	19%	1%	7%	8%	26%	-14%	3%	-11%	4%	22.7	0.9
Sands China	1928.HK	46,033	44.75	11%	-5%	-3%	-30%	27%	20%	19%	-18%	30%	0%	7%	-1%	14%	-1%	5%	6%	-7%	9%	69.0	1.0
SJM	0880.HK	7,385	10.24	46%	7%	14%	-55%	10%	15%	0%	-15%	21%	7%	4%	30%	-13%	-2%	-3%	50%	-9%	54%	17.7	0.9
Wynn Macau	1128.HK	18,178	27.45	11%	-7%	-10%	-59%	36%	101%	32%	-7%	15%	-4%	28%	15%	15%	18%	15%	-4%	-11%	0%	37.4	1.3
Macau Average				10%	-4%	-4%	-46%	29%	61%	14%	-17%	26%	6%	15%	14%	8%	13%	3%	8%	-10%	13%	50.9	1.0
MSCI HK			17,648	2%	0%	1%	-3%	-1%	33%	-1%	-1%	11%	-9%	13%	6%	4%	6%	-1%	3%	-2%	4%		

Source: Deutsche Bank, FactSet

Appendix



Figure 36: Wynn Macau financial summary

HK\$m	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18F	3Q18F	4Q18F	2018F	2019E
Market share by segment	15%	16%	16%	17%	17%	16%	17%	17%	18%	17%	17%
VIP market share	12%	15%	11%	10%	20%	10%	10%	10%	10%	20%	20%
Mass market share	6%	6%	6%	5%	13%	7%	6%	6%	6%	13%	14%
Slot market share	9%	9%	8%	8%	21%	8%	8%	8%	8%	21%	21%
Operating Statistics											
VIP rolling	188,517	214,115	209,772	246,881	859,284	253,292	250,626	258,251	267,088	1,029,257	1,078,353
yoy	81%	133%	79%	51%	80%	34%	17%	23%	8%	20%	5%
qoq	15%	-55%	11%	15%		3%	-71%	2%	7%		
VIP hold	3.2%	3.0%	3.2%	3.0%	3.1%	2.6%	2.8%	2.9%	2.9%	2.8%	2.9%
Mass table drop	14,803	13,925	15,010	18,412	62,149	19,746	20,126	21,128	22,179	83,179	93,508
yoy	58%	53%	40%	30%	44%	33%	45%	41%	20%	34%	12%
qoq	5%	-6%	8%	23%		7%	2%	5%	5%		
Mass hold	19.9%	21.8%	21.2%	20.8%	20.9%	22.3%	22.6%	22.9%	23.3%	22.8%	23.9%
Slot handle	11,736	11,824	13,036	14,401	50,997	16,037	17,292	18,255	19,455	71,039	75,021
Slot hold	5%	5%	5%	5%	4.8%	5%	5%	5%	5%	4.7%	4.8%
No. of tables (avg)	593	610	609	613	606	643	643	643	643	643	643
- VIP tables	178	203	202	214	199	229	229	229	229	229	229
- Mass tables	415	407	407	399	407	414	414	414	414	414	414
No. of slots	1,883	1,942	2,018	1,917	1,940	2,001	2,001	2,001	2,001	2,001	2,001
No. of hotel rooms	2,714	2,714	2,714	2,714	2,714	2,714	2,714	2,714	2,714	2,714	2,714
Table win (US\$/table/day)											
- Blended VIP & mass	21,716	21,872	22,770	25,548	24,541	24,560	25,537	26,752	28,272	28,144	31,237
- VIP tables	48,261	44,295	46,294	47,803	46,929	41,129	43,259	45,234	47,556	44,315	47,496
- Mass tables	10,196	10,552	10,962	13,476	11,297	15,261	15,601	16,398	17,474	16,190	19,065
Slot win (US\$/slot/day)	428	421	417	543	451	544	580	607	648	595	630
RevPAR (US\$)	240	224	212	239	236	260	260	260	261	260	268
Revenues by segment											
- VIP gross revenues	5,992	6,341	6,667	7,294	26,451	6,569	6,986	7,386	7,765	28,706	30,767
- Mass revenues	2,951	3,029	3,181	3,834	13,007	4,407	4,555	4,840	5,158	18,960	22,327
- Slot revenues	562	576	601	743	2,473	759	818	866	925	3,369	3,568
- Poker revenues	39	39	38	38	155	39	39	39	0	155	155
Gross gaming revenues	9,544	9,986	10,487	11,909	42,086	11,774	12,399	13,131	13,848	51,190	56,817
yoy	81%	73%	70%	50%	68%	23%	24%	25%	17%	22%	11%
qoq	20%	5%	5%	14%		-1%	5%	6%	6%		
Junket comm rebated	(1,911)	(2,027)	(2,100)	(2,365)	(8,454)	(3,114)	(3,126)	(3,211)	(3,344)	(12,795)	(13,405)
Gross non-gaming revenue	1,166	1,094	1,104	1,285	4,650	1,368	1,278	1,288	1,292	5,217	5,404
Non-gaming comps	(563)	(548)	(558)	(661)	(2,243)	-	-	-	-	-	-
Net revenues (US GAAP)	8,237	8,505	8,933	10,168	36,039	9,951	10,551	11,208	11,835	43,612	48,815
yoy	74%	72%	69%	43%	63%	21%	24%	25%	16%	21%	12%
qoq	16%	3%	5%	14%		-2%	6%	6%	6%		
EBITDA											
Property EBITDA	2,270	2,308	2,491	2,915	9,990	3,268	3,381	3,596	3,812	14,064	15,971
yoy	53%	56%	82%	66%	64%	44%	46%	44%	31%	41%	14%
qoq	29%	2%	8%	17%		12%	3%	6%	6%		
Corp overhead (mainly royalty)	(375)	(380)	(423)	(473)	(1,492)	(416)	(438)	(464)	(490)	(1,798)	(1,901)
Company EBITDA	1,895	1,927	2,068	2,442	8,498	2,853	2,943	3,132	3,322	12,266	14,070
yoy	51%	55%	89%	75%	66%	51%	53%	51%	36%	44%	15%
qoq	36%	2%	7%	18%		17%	3%	6%	6%		
EBITDA Margin (US GAAP)	23.0%	22.7%	23.2%	24.0%	23.6%	28.7%	27.9%	27.9%	28.1%	28.1%	28.8%
EBITDA Margin (% of GGR)	19.9%	19.3%	19.7%	20.5%	20.2%	24.2%	23.7%	23.9%	23.9%	24.0%	24.8%
Headline net profit	803	795	697	1,389	3,700	1,771	1,841	2,030	2,207	7,539	9,323
Exceptionals	53	95	142	110	402	72	48	48	32	200	125
DB Net Profit	856	890	839	1,499	4,102	1,843	1,890	2,079	2,238	7,739	9,448
Headline EPS (HK\$)	0.15	0.15	0.13	0.27	0.71	0.34	0.36	0.39	0.43	1.45	1.79
yoy	86%	298%	-221%	296%	158%	121%	132%	191%	59%	103%	425%
DB EPS (HK\$)	0.17	0.17	0.16	0.29	0.79	0.36	0.36	0.40	0.43	1.49	1.82
yoy	31%	70%	-1115%	338%	68%	115%	112%	148%	49%	88%	411%
DPS (HK\$)	-	-	-	-	0.96	-	-	-	-	1.53	1.90

Source: Company data, Deutsche bank forecasts



Model updated: 11 June 2018

Running the numbers

Asia

Hong Kong

Hotels / Leisure / Gaming

Wynn Macau

Reuters: 1128.HK

Bloomberg: 1128 HK

Buy

Price (8 Jun 18) HKD 27.45

Target Price HKD 36.00

52 Week range HKD 16.12 - 30.95

Market cap (m) HKDm 142,617
USDm 18,178

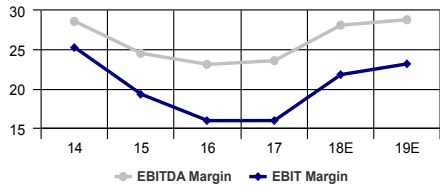
Company Profile

Wynn Macau is one of the six gaming operators in Macau. It has two casinos: Wynn Macau in Peninsula and Wynn Palace in Cotai (opened in 2016). The two properties operate over 600 gaming tables, 1,900 slot machines and 160,000 square feet of high-end retail space. Wynn Resorts (WYNN.OQ) owns 72% of the company.

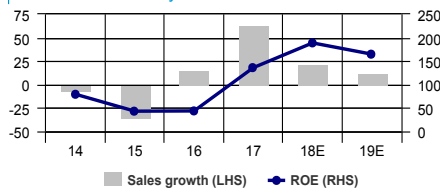
Price Performance



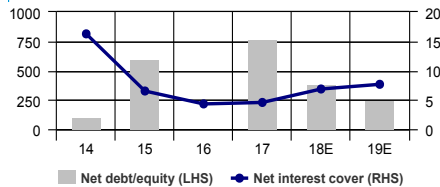
Margin Trends



Growth & Profitability



Solvency



Karen Tang

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Fiscal year end 31-Dec

Financial Summary

	2014	2015	2016	2017	2018E	2019E
DB EPS (HKD)	1.30	0.56	0.47	0.79	1.49	1.82
Reported EPS (HKD)	1.24	0.46	0.28	0.72	1.45	1.79
DPS (HKD)	1.75	0.60	0.42	0.96	1.53	1.90
BVPS (HKD)	1.4	0.8	0.5	0.6	1.0	1.2
Weighted average shares (m)	5,188	5,187	5,180	5,181	5,196	5,196
Average market cap (HKDm)	156,580	76,922	58,576	92,222	142,617	142,617
Enterprise value (HKDm)	164,392	101,509		115,095	161,772	158,757

Valuation Metrics

P/E (DB) (x)	23.2	26.7	24.0	22.4	18.4	15.1
P/E (Reported) (x)	24.3	31.9	40.8	24.9	18.9	15.3
P/BV (x)	16.12	11.47	26.14	42.85	28.64	22.53
FCF Yield (%)	nm	nm	nm	12.4	7.4	8.7
Dividend Yield (%)	5.8	4.0	3.7	5.4	5.6	6.9
EV/Sales (x)	5.6	5.3	4.0	3.2	3.7	3.3
EV/EBITDA (x)	19.5	21.7	17.3	13.5	13.2	11.3
EV/EBIT (x)	22.1	27.6	25.1	20.1	17.0	14.0

Income Statement (HKDm)

Sales revenue	29,445	19,096	22,099	36,041	43,612	48,815
Gross profit	8,423	4,681	5,105	8,498	12,266	14,070
EBITDA	8,423	4,681	5,105	8,498	12,266	14,070
Depreciation	891	905	1,496	2,668	2,666	2,663
Amortisation	95	95	95	95	95	95
EBIT	7,437	3,681	3,514	5,734	9,505	11,311
Net interest income/(expense)	-457	-564	-814	-1,255	-1,385	-1,475
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinary	-306	-476	-1,006	-402	-200	-125
Other pre-tax income/(expense)	-205	-224	-246	-352	-369	-375
Profit before tax	6,469	2,417	1,448	3,726	7,551	9,335
Income tax expense	24	6	12	12	12	12
Minorities	0	0	0	0	0	0
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	6,445	2,410	1,436	3,713	7,539	9,323
DB adjustments (including dilution)	306	476	1,006	402	200	125
DB Net profit	6,752	2,886	2,442	4,115	7,739	9,448

Cash Flow (HKDm)

Cash flow from operations	5,758	2,480	5,843	12,667	12,254	14,058
Net Capex	-8,329	-12,448	-6,660	-1,255	-1,649	-1,649
Free cash flow	-2,572	-9,968	-817	11,412	10,605	12,409
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-8,721	-5,455	-3,109	-3,272	-5,559	-7,973
Net inc/(dec) in borrowings	6,888	12,713	773	4,118	-111	-3,388
Other investing/financing cash flows	-484	-1,351	-975	-1,453	-1,328	-1,421
Net cash flow	-4,888	-4,061	-4,128	2,569	3,607	-372
Change in working capital	-1,396	-1,509	2,115	3,642	0	0

Balance Sheet (HKDm)

Cash and other liquid assets	10,792	6,731	2,604	5,251	8,857	8,485
Tangible fixed assets	21,170	32,951	37,641	35,191	34,078	32,968
Goodwill/intangible assets	398	398	398	398	398	398
Associates/investments	0	0	0	0	0	0
Other assets	1,789	2,201	2,303	2,156	2,156	2,156
Total assets	34,150	42,282	42,945	42,996	45,490	44,008
Interest bearing debt	18,605	31,318	32,170	28,123	28,012	24,625
Other liabilities	8,501	6,861	8,323	11,872	12,498	13,053
Total liabilities	27,106	38,179	40,493	39,995	40,510	37,678
Shareholders' equity	7,044	4,102	2,453	3,001	4,980	6,330
Minorities	0	0	0	0	0	0
Total shareholders' equity	7,044	4,102	2,453	3,001	4,980	6,330
Net debt	7,812	24,587	29,566	22,873	19,155	16,139

Key Company Metrics

Sales growth (%)	-6.0	-35.1	15.7	63.1	21.0	11.9
DB EPS growth (%)	-11.1	-57.2	-15.3	68.3	87.8	22.1
EBITDA Margin (%)	28.6	24.5	23.1	23.6	28.1	28.8
EBIT Margin (%)	25.3	19.3	15.9	15.9	21.8	23.2
Payout ratio (%)	140.9	129.1	151.6	134.0	105.8	105.6
ROE (%)	79.3	43.3	43.8	136.2	188.9	164.9
Capex/sales (%)	28.3	65.2	30.2	3.5	3.8	3.4
Capex/depreciation (x)	8.4	12.5	4.2	0.5	0.6	0.6
Net debt/equity (%)	110.9	599.3	nm	762.2	384.6	255.0
Net interest cover (x)	16.3	6.5	4.3	4.6	6.9	7.7

Source: Company data, Deutsche Bank estimates



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Wynn Macau	1128.HK	28.10 (HKD) 11 Jun 2018	1, 2, 7, 8, 14, 15

*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. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/CompanySearch>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Topics/Equities?topicId=RB0002>. Investors are strongly encouraged to review this information before investing.

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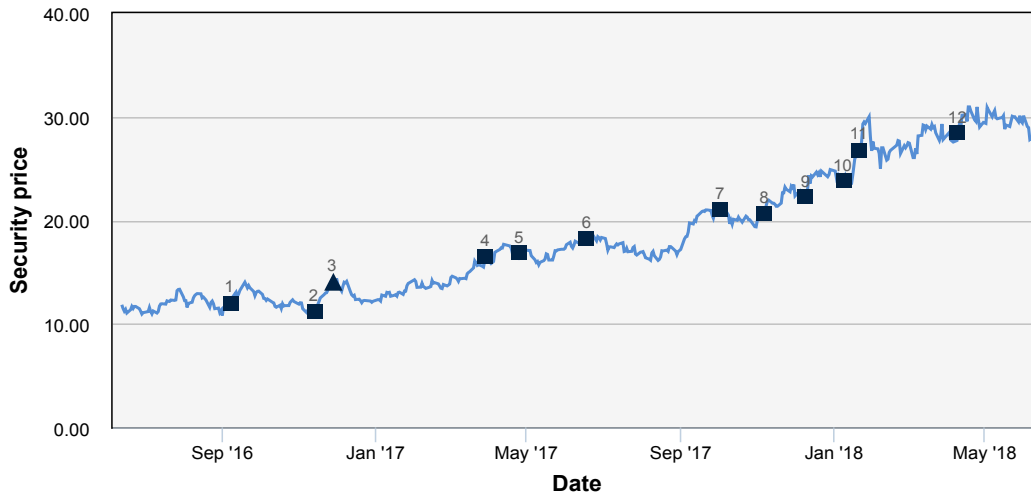
Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Karen Tang



Historical recommendations and target price. Wynn Macau (1128.HK)

(as of 06/08/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	09/08/2016	Hold, Target Price Change HKD 13.00 Karen Tang	7.	10/03/2017	Buy, Target Price Change HKD 25.00 Karen Tang
2.	11/14/2016	Hold, Target Price Change HKD 11.50 Karen Tang	8.	11/07/2017	Buy, Target Price Change HKD 25.70 Karen Tang
3.	11/29/2016	Upgraded to Buy, Target Price Change HKD 16.50 Karen Tang	9.	12/10/2017	Buy, Target Price Change HKD 28.00 Karen Tang
4.	03/30/2017	Buy, Target Price Change HKD 18.70 Karen Tang	10.	01/09/2018	Buy, Target Price Change HKD 30.00 Karen Tang
5.	04/26/2017	Buy, Target Price Change HKD 20.00 Karen Tang	11.	01/22/2018	Buy, Target Price Change HKD 32.00 Karen Tang
6.	06/19/2017	Buy, Target Price Change HKD 22.00 Karen Tang	12.	04/10/2018	Buy, Target Price Change HKD 36.00 Karen Tang

Equity Rating Key

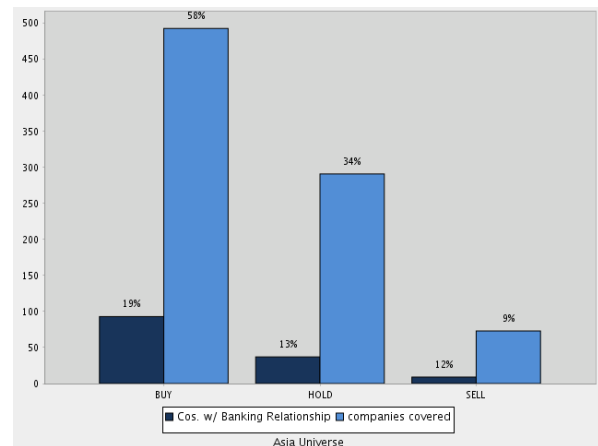
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships





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