



Company Report: Galaxy Entertainment (00027 HK)

公司报告: 银河娱乐 (00027 HK)

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19 November 2019

Continued Market Share Loss, Maintain "Neutral"

市场份额继续下降, 维持“中性”

- **GEG's normalized 3Q2019 adjusted EBITDA was HK\$3.928 bn, down 6.7% yoy, meeting our forecast as well as Bloomberg consensus forecast.** Overall VIP win rate was 3.89%, which is above the normal range and increased adjusted EBITDA by approximately HK\$184 mn. Adjusted EBITDA was HK\$4.112 bn, up 1.6% yoy and 4.6% above our forecast. 3Q2019 net revenue decreased 2.2% yoy to HK\$12,710 mn and was 2.3% below our forecast. GEG's 3Q2019 market share decreased by 1.3 ppt yoy and 0.5 ppt qoq to 20.1% as it underperformed in both the VIP and mass segments. GEG's total gaming revenue was HK\$13.8 bn, down 9.9% yoy, worse than the Macau sector GGR decline of 4.1% yoy.
- **We increase our 2019-2021 adjusted EBITDA forecasts by 1.2%, 4.2% and 11.7%, respectively.** We forecast 2019-2021 adjusted EBITDA of HK\$16.6 bn, HK\$16.7 bn and HK\$18.6 bn, respectively, representing growth of -1.7%, 0.7% and 11.8%. Since 4Q2018, GEG has consistently been able to control costs and maintain its adjusted EBITDA margin above 30% in each quarter, despite declining revenue, and so we now expect higher EBITDA margins. We forecast 2019-2021 fully diluted EPS of HK\$3.071, HK\$3.280 and HK\$3.573, respectively, equivalent to 4.7% CAGR.
- **We raise GEG's target price from HK\$48.00 to HK\$50.30 and maintain "Neutral" investment rating.** Our new target price is equivalent to 12.9x/12.7x 2019/2020 EV/adjusted EBITDA. Once completed in mid-2020, GEG's HK\$1.5 bn property enhancement program for Galaxy Macau, StarWorld and Broadway will help the Company defend market share. However, we don't see this as a major catalyst for the Company, since competitors are also making property enhancements and introducing new facilities. Near term, we expect that GEG will continue to lose market share.
- **银娱 2019 年第 3 季度赢率正常化下经调整 EBITDA 同比下降 6.7%至 39.28 亿港元, 符合我们的预期与彭博一致预期。** 总体贵宾业务赢率为 3.89%, 高于通常范围并令经调整 EBITDA 增加约 1.84 亿港元。经调整 EBITDA 为 41.12 亿港元, 同比上升 1.6%并高于我们的预期 4.6%。2019 年第 3 季度净收入同比下降 2.2%至 121.7 亿港元, 低于我们的预期 2.3%。由于银娱在贵宾分部与中场分部皆表现不佳, 2019 年第 3 季度银娱的市场份额为 20.1%, 同比减少 1.3 个百分点, 环比减少 0.5 个百分点。银娱博彩总收入为 138 亿港元, 同比下降 9.9%, 差于澳门博彩业毛收入同比下跌 4.1%的表现。
- **我们分别上调 2019 年至 2021 年经调整 EBITDA 预测 1.2%、4.2%和 11.7%。** 我们预测 2019 年至 2021 年经调整 EBITDA 分别为 166 亿港元、167 亿港元和 186 亿港元, 分别对应-1.7%、0.7%和 11.8%的增长率。自 2018 年第 4 季度以来, 尽管营收下降, 但银娱始终可以控制成本并将其每季度经调整 EBITDA 利润率保持在 30%以上, 因此我们预期银娱会有更高的 EBITDA 利润率。我们预测 2019 年至 2021 年每股摊薄收益分别为 3.071 港元、3.280 港元和 3.573 港元, 相当于 4.7%的复合年增长率。
- **我们将银娱的目标价由 48.00 港元上调至 50.30 港元, 并维持“中性”的投资评级。** 新的目标价相当于 12.9 倍/12.7 倍 2019 年/2020 年经调整 EV/EBITDA。银娱斥资 15 亿港元为澳门银河、星际酒店以及百老汇推出的物业改善计划在 2020 年中期完成后, 将有助于公司保住市场份额。然而, 因为竞争对手也在进行物业改善和引进新的设施, 我们并不认为这是公司发展的主要推动力。近期内, 我们预计银娱将继续失去市场份额。

Rating:

Neutral

Maintained

评级:

中性 (维持)

6-18m TP 目标价:

HK\$50.30

Revised from 原目标价:

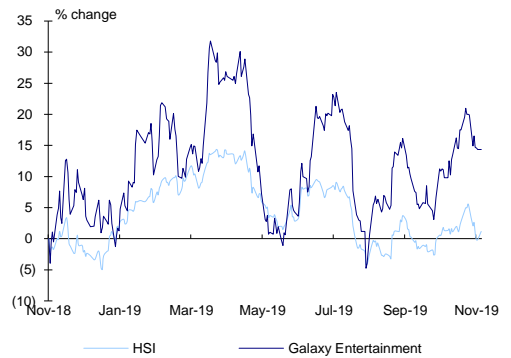
HK\$48.00

Share price 股价:

HK\$52.700

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	4.2	13.5	16.0
Rel. % to HS Index 相对恒指变动 %	4.3	9.9	14.1
Avg. share price (HK\$) 平均股价 (港元)	53.3	51.1	51.4

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2017A	48,640	10,504	2.451	66.4	21.5	12.878	4.1	0.589	1.1	20.7
2018A	55,211	13,507	3.128	27.6	16.8	14.400	3.7	0.910	1.7	23.0
2019F	51,749	13,359	3.076	(1.7)	17.1	16.005	3.3	0.923	1.8	20.3
2020F	54,889	14,289	3.285	6.8	16.0	18.197	2.9	1.151	2.2	19.2
2021F	61,194	15,626	3.578	8.9	14.7	20.583	2.6	1.253	2.4	18.5

Shares in issue (m) 总股数 (m)	4,332.9	Major shareholder 大股东	City Lion Profits 22.5%
Market cap. (HK\$ m) 市值 (HK\$ m)	228,346.4	Free float (%) 自由流通比率 (%)	46.1
3 month average vol. 3 个月平均成交股数 ('000)	9,489.6	FY19 Net gearing (%) FY19 净负债/股东资金 (%)	Net cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	61.529 / 43.447	FY19 Est. NAV (HK\$) FY19 每股估值 (港元)	62.1

Source: the Company, Guotai Junan International.

3Q2019 Results

Galaxy Entertainment's ("GEG" or the "Company") 3Q2019 net revenue decreased 2.2% yoy to HK\$12,710 million and was 2.3% below our forecast. GEG's 3Q2019 market share decreased by 1.3 ppt yoy and 0.5 ppt qoq to 20.1% as it underperformed in both the VIP and mass segments. GEG's total gaming revenue was HK\$13.8 billion, down 9.9% yoy, worse than the Macau sector GGR decline of 4.1% yoy. Total mass table and slots gaming revenue was HK\$7.5 billion, up 10.6% yoy and total VIP gaming revenue was HK\$6.4 billion, down 26.0% yoy.

GEG's normalized 3Q2019 adjusted EBITDA was HK\$3.928 billion, down 6.7% yoy, meeting our forecast as well as Bloomberg consensus forecast. GEG's overall VIP win rate was 3.89%, which is above the normal range and increased adjusted EBITDA by approximately HK\$184 million. Adjusted EBITDA was HK\$4.112 billion, up 1.6% yoy and 4.6% above our forecast. At the property level, Galaxy Macau's adjusted EBITDA was HK\$3.2 billion, up 7% yoy; StarWorld Macau's adjusted EBITDA was HK\$828 million, down 11% yoy; and Broadway Macau's adjusted EBITDA was HK\$2 million versus HK\$9 million in 3Q2018.

Table-1 : GEG's Financial Results

HK\$ million	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	qoq (% or ppt)	yoy (% or ppt)
Company VIP turnover	264,491	260,505	203,568	179,666	163,779	(8.8%)	(38.1%)
Company VIP gross win	8,604	9,034	7,429	7,325	6,369	(13.1%)	(26.0%)
Company VIP win rate (% of turnover)	3.25%	3.47%	3.65%	4.08%	3.89%	(0.19) ppt	0.64 ppt
Company mass tables & slots win	6,755	7,501	7,450	7,359	7,474	1.6%	10.6%
Company total gross gaming wins	15,359	16,535	14,879	14,684	13,843	(5.7%)	(9.9%)
Galaxy Macau (Phases I & II)	9,337	10,361	9,264	9,526	9,315	(2.2%)	(0.2%)
Broadway Macau	145	144	151	147	141	(4.1%)	(2.8%)
StarWorld Macau	2,916	2,973	2,987	2,756	2,521	(8.5%)	(13.5%)
City clubs	25	25	26	26	26	0.0%	5.0%
Construction materials & other	572	655	617	719	707	(1.7%)	23.6%
Total net revenue	12,995	14,158	13,045	13,174	12,710	(3.5%)	(2.2%)
Galaxy Macau VIP market share	16.3%	16.2%	14.6%	16.4%	15.9%	(0.4) ppt	(0.4) ppt
Broadway Macau VIP market share	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
StarWorld Macau VIP market share	5.6%	5.9%	6.0%	5.3%	4.6%	(0.7) ppt	(1.0) ppt
Company VIP market share	22.1%	22.2%	20.6%	21.8%	21.1%	(0.7) ppt	(1.0) ppt
Galaxy Macau mass market share	15.1%	16.1%	14.7%	14.6%	14.7%	0.0 ppt	(0.5) ppt
Broadway Macau mass market share	0.2%	0.2%	0.2%	0.2%	0.2%	(0.0) ppt	(0.0) ppt
StarWorld Macau mass market share	5.3%	4.7%	4.8%	4.7%	4.5%	(0.2) ppt	(0.7) ppt
Company mass market share	20.6%	21.0%	19.7%	19.6%	19.4%	(0.2) ppt	(1.2) ppt
Company total market share	21.4%	21.6%	20.1%	20.6%	20.1%	(0.5) ppt	(1.3) ppt
Adjusted EBITDA							
Galaxy Macau	2,957	3,433	3,023	3,235	3,172	(1.9%)	7.3%
Broadway Macau	9	8	15	6	2	(66.7%)	(77.8%)
StarWorld Macau	927	893	949	943	828	(12.2%)	(10.7%)
City clubs	28	29	27	29	33	13.8%	17.9%
Construction materials	197	205	200	364	321	(11.8%)	62.9%
Corporate cost (net)	(239)	(235)	(231)	(245)	(244)	(0.4%)	2.1%
Total adjusted EBITDA	3,879	4,333	3,983	4,332	4,112	(5.1%)	6.0%
Adjusted EBITDA margins							
Galaxy Macau	26.1%	27.8%	27.9%	29.4%	30.3%	0.9 ppt	4.2 ppt
Broadway Macau	12.3%	10.2%	17.6%	7.1%	2.7%	(4.4) ppt	(9.6) ppt
StarWorld Macau	23.7%	22.0%	24.0%	26.5%	26.3%	(0.2) ppt	2.6 ppt
Total adjusted EBITDA margin	29.8%	30.6%	30.5%	32.9%	32.4%	(0.5) ppt	2.5 ppt
Total normalized adj. EBITDA*	4,211	4,256	3,872	3,983	3,928	(1.4%)	(6.7%)
Total normalized adj. EBITDA margin*	32.4%	30.1%	29.7%	30.2%	30.9%	0.7 ppt	(1.5) ppt

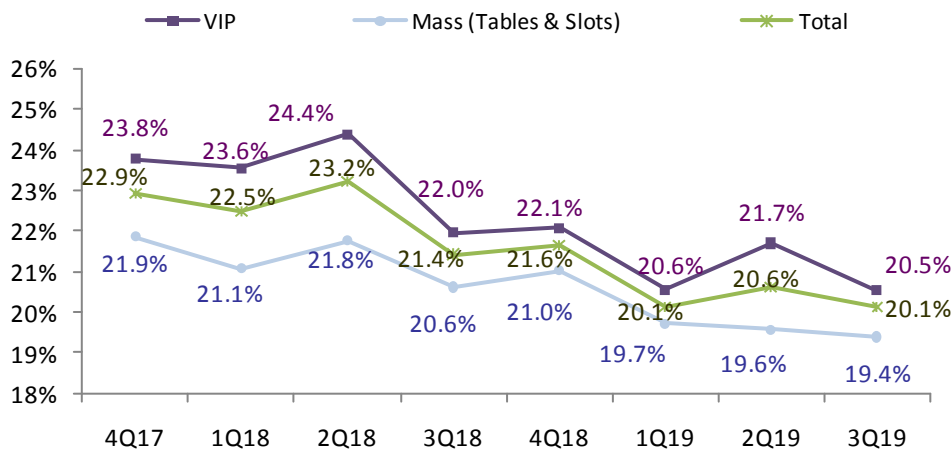
Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR, Guotai Junan International.

Note: * Normalized EBITDA adjust for quarterly fluctuations in "luck", i.e., the VIP win rate.

GEG's VIP turnover fell 38.1% yoy, underperforming the Macau sector-wide VIP gross gaming revenue (GGR) market decline of 22.5% yoy during 3Q2019. However, the large decrease in turnover was partially offset by GEG's higher-than-normal VIP win rate of 3.89%, and so GEG's VIP win decreased by 26.0% yoy. GEG remained the leader in the VIP segment with the largest market share of about 20.5%, down 1.0 ppt yoy and down 0.7 ppt qoq. GEG's yoy loss of VIP segment market share was gained by newer competitor properties, MGM China's (02282) MGM Cotai and Melco Entertainment's (MLCO US) Morpheus.

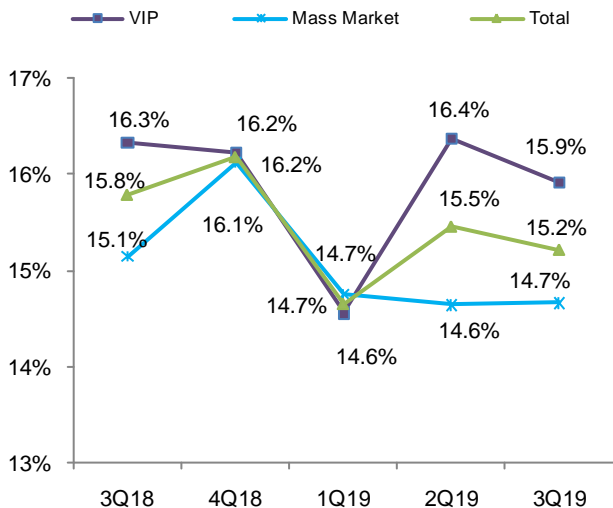
GEG's total mass market (tables & slots) GGR was HK\$7.47 billion, up 10.6% yoy, underperforming Macau sector mass market GGR growth of 17.7% yoy. GEG's mass tables win was HK\$7.3 billion, up 10.7% yoy, while mass table hold rate was 17.9%, up 2.1 ppt yoy. Mass market share (tables & slots) was down by 1.2 ppt yoy and down 0.2 ppt qoq to 19.4%.

Figure-1: GEG Market Share, Quarterly



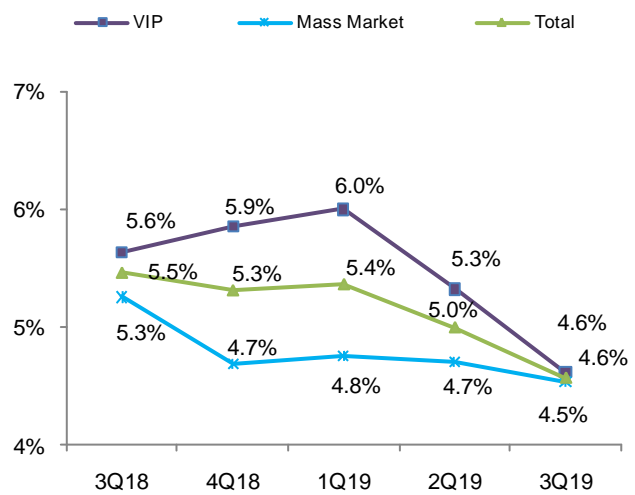
Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR.

Figure-2: Galaxy Macau Market Share, Quarterly



Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR.

Figure-3: StarWorld Market Share, Quarterly



Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR.

Outlook

In August 2019, GEG introduced Galaxy International Convention Center (GICC) and Galaxy Arena. The new world class event venue has total MICE space of 400,000 square feet and a 500,000 square feet 16,000-seat Galaxy Arena. The huge pillarless GICC Exhibition Hall is 100,000 square feet and can host 7,000 guests in a lecture room style arrangement, or 2,400 guests in banquet hall style arrangement; additionally there is a 650-seat Auditorium. GEG now also has Hyatt Hotel's first

Andaz Hotel in Macau which will have 700 high-end and family rooms.

No major news updates regarding development of GEG's Phase 3 and Phase 4 plan. GEG continues development works on Phase 3 and Phase 4 (also called "Cotai - The Next Chapter"), of which construction is already well under way. Phase 3 is planned to have a gaming component but will be mostly focused on MICE (meetings, incentives, conferences and exhibitions) and will include meeting space, around 1,500 hotel rooms, a 16,000-seat arena and other amenities. GEG has also started site preparation work and has completed most of the piling for Phase 4, which is planned to be a high-tech themed integrated resort with around 3,000 hotel rooms and gaming and non-gaming amenities.

Ongoing renovations, once completed in mid-2020, will help GEG defend market share and increase profitability. As previously announced at the end of February in GEG's 4Q2018 earnings call, GEG is implementing a HK\$1.5 billion property enhancement program for Galaxy Macau, StarWorld and Broadway. There is no major new project but just refurbishment and upgrades of the existing properties and amenities, including renovation of VIP rooms and other areas, which is causing some disruption to normal operations. Renovation of two VIP rooms has already been completed and has been well received by customers. The program continues on budget and the full program will be completed by mid-2020, according to GEG's management. While this will be good for GEG once the work is completed, we expect that further disruptions will continue, which will at least somewhat drag on revenue and profitability.

Forecast Updates

We change our 2019-2021 net revenue forecasts by -2.1%, 3.4% and 9.5%, respectively. We forecast 2019-2021 total net revenue of HK\$51.7 billion, HK\$54.9 billion and HK\$61.2 billion, respectively, representing growth of -6.3%, 6.1% and 11.5%. Even with a lucky overall VIP win rate of 3.89%, GEG's 3Q2019 net revenue was 2.3% below our forecast, and VIP turnover was 13.7% less than we had forecast, and so we lower our revenue forecast for 2019. However, we expect revenue growth to begin to recover next year as property enhancements and new facilities are rolled out across GEG properties, and so we raise our 2020 and 2021 revenue forecasts.

We increase our 2019-2021 adjusted EBITDA forecasts by 1.2%, 4.2% and 11.7%, respectively. We forecast 2019-2021 adjusted EBITDA of HK\$16.6 billion, HK\$16.7 billion and HK\$18.6 billion, representing growth of -1.7%, 0.7% and 11.8%, respectively. Since 4Q2018, GEG has consistently been able to control costs and maintain its adjusted EBITDA margin above 30% in each quarter, despite declining revenue, and so we now expect higher EBITDA margins. We forecast 2019-2021 net profit of HK\$13.4 billion, HK\$14.3 billion and HK\$15.6 billion, respectively, equivalent to 5.0% CAGR. We forecast 2019-2021 fully diluted EPS of HK\$3.071, HK\$3.280 and HK\$3.573, respectively, equivalent to 4.7% CAGR.

Table-2 : Forecast Revisions

HK\$ million (Except EPS)	Old			New			Change (% or ppt)		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Gross gaming revenue	58,006	56,314	59,187	56,872	58,558	65,719	(2.0%)	4.0%	11.0%
Total net revenue	52,880	53,062	55,867	51,749	54,889	61,194	(2.1%)	3.4%	9.5%
Operating profit	12,308	12,569	12,999	11,928	13,021	14,321	(3.1%)	3.6%	10.2%
Operating profit margin	23.3%	23.7%	23.3%	23.0%	23.7%	23.4%	(0.2) ppt	0.0 ppt	0.1 ppt
Adj. EBITDA	16,373	16,025	16,704	16,575	16,694	18,664	1.2%	4.2%	11.7%
Adj. EBITDA margin	31.0%	30.2%	29.9%	32.0%	30.4%	30.5%	1.1 ppt	0.2 ppt	0.6 ppt
Net profit	13,735	13,842	14,317	13,359	14,289	15,626	(2.7%)	3.2%	9.1%
Net profit margin	26.0%	26.1%	25.6%	25.8%	26.0%	25.5%	(0.2) ppt	(0.1) ppt	(0.1) ppt
EPS, basic (HK\$)	3.163	3.182	3.278	3.076	3.285	3.578	(2.7%)	3.2%	9.1%
EPS, diluted (HK\$)	3.157	3.177	3.274	3.071	3.280	3.573	(2.7%)	3.2%	9.1%

Source: Guotai Junan International.

Valuation

We raise GEG's target price from HK\$48.00 to HK\$50.30 and maintain "Neutral" investment rating. Our new target price is equivalent to 12.9x/ 12.7 2019/ 2020 EV/adjusted EBITDA, equivalent to 16.4x/ 15.3x 2019/ 2020 PER, and is an 18.6% discount to our DCF derived NAV per share of HK\$62.05. Once completed in mid-2020, GEG's HK\$1.5 billion property enhancement program for Galaxy Macau, StarWorld and Broadway will help the Company defend market share. However, we don't see this as a major catalyst for the Company, since competitors are also making property enhancements and introducing new facilities. Near term, we expect that GEG will continue to lose market share in an already challenging macro environment.

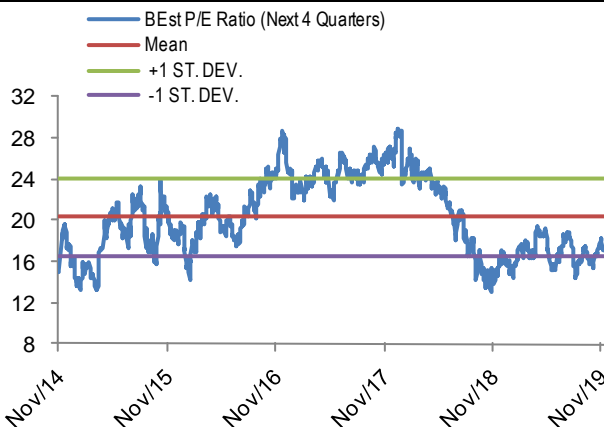
Table-3 : Gaming Sector Peers Comparison

Company	Stock Code	Crncy	Price	M-Cap Billion (HK\$)	PE				EV/ Adjusted EBITDA				PB 19F	ROE 19F (%)
					Hist Avg.				Hist Avg.					
						Fwd*	Fwd*	19F		20F	Fwd*	Fwd*		
Macau Operators														
Galaxy Entertain	00027 HK	HKD	52.700	228.3	19.1	17.1	17.1	16.5	13.9	13.4	13.4	12.5	3.2	19.9
Melco Resorts	MLCO US	USD	21.860	83.1	21.3	18.2	22.2	17.5	9.1	8.5	9.2	8.4	4.2	18.8
Mgm China	02282 HK	HKD	11.880	45.1	25.5	18.8	18.8	14.8	14.2	9.5	9.5	8.2	4.2	23.3
Sands China Ltd	01928 HK	HKD	38.450	311.0	19.4	18.9	18.9	17.0	14.6	13.7	13.7	12.5	8.7	47.7
Sjm Holdings Ltd	00880 HK	HKD	8.330	47.2	19.5	15.9	15.9	17.7	13.3	12.3	12.3	11.1	1.6	10.6
Wynn Macau Ltd	01128 HK	HKD	17.120	89.0	18.2	16.5	16.5	14.5	12.5	11.3	11.3	10.4	87.3	419.6
Simple Average					20.3	18.2	18.8	16.3	12.1	10.8	10.9	9.8	15.9	78.3
Weighted Average					19.7	17.9	18.3	16.5	13.5	12.5	12.6	11.5	14.7	74.4
USA Operators														
Las Vegas Sands	LVS US	USD	62.670	376.8	19.3	19.3	20.0	18.7	11.7	11.5	11.7	11.4	9.0	41.4
Mgm Resorts Inte	MGM US	USD	31.180	125.7	21.9	21.9	47.4	20.8	10.4	9.6	10.5	9.5	2.2	6.0
Penn Natl Gaming	PENN US	USD	21.950	19.9	16.2	11.2	14.4	10.5	6.9	7.3	7.3	6.8	1.1	11.5
Wynn Resorts Ltd	WYNN US	USD	117.700	98.9	19.9	22.6	26.7	19.5	11.2	10.8	12.0	10.0	7.0	20.9
Simple Average					19.3	18.8	27.1	17.4	10.1	9.8	10.4	9.4	4.8	20.0
Weighted Average					19.6	18.9	27.5	18.1	10.5	10.2	10.6	10.1	5.7	25.6
Other Operators														
Bloomberry Res	BLOOM PM	PHP	11.280	19.2	15.9	15.1	15.1	13.8	9.2	8.6	8.6	8.0	2.8	21.2
Belle Corp	BEL PM	PHP	2.010	3.0	10.0	7.1	7.1	6.0	10.7	6.7	6.7	5.5	0.6	n.a.
Simple Average					13.0	11.1	11.1	9.9	9.9	7.7	7.7	6.8	1.7	21.2
Weighted Average					15.9	15.1	15.1	13.8	9.2	8.6	8.6	8.0	2.8	21.2

Source: Bloomberg, Guotai Junan International.

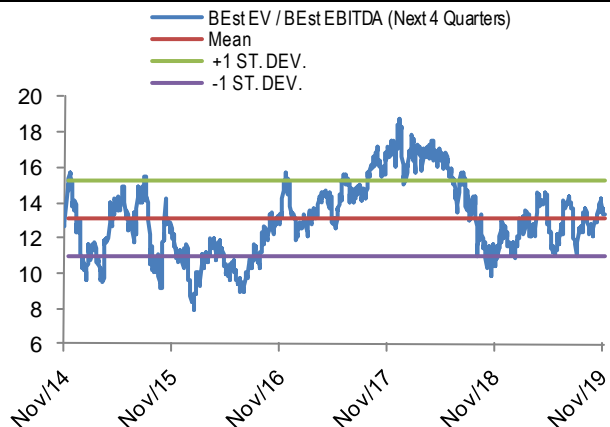
Note*: "Fwd" valuations are based on the next four quarters, next two semi-annuals or next fiscal year.

Figure-4: GEG Historical Forward PE



Source: Bloomberg, Guotai Junan International.

Figure-5: GEG Historical Forward EV/Adjusted EBITDA



Source: Bloomberg, Guotai Junan International.

Table-4 : Galaxy Entertainment Target Price Based on Valuation and Multiples

	FY18A	Next 4 Quarters	FY19F	FY20F	FY21F
Target Price	HK\$50.30				
Shares Outstanding, Period End, Fully Diluted (mn)	4,311	4,349	4,339	4,353	4,360
TP Based Market Cap (HK\$ mn)	216,850	218,770	218,230	218,950	219,329
+ Period End Minority Interest (HK\$ mn)	551	559	568	585	602
+ Period End Borrowings (HK\$ mn)	9,055	9,358	9,512	9,307	9,433
- Period End Cash & Equivalents (HK\$ mn)	14,505	16,751	14,216	17,597	23,264
Year End Enterprise Value (HK\$ mn)	211,951	211,937	214,094	211,246	206,101
Adjusted EBITDA (HK\$ mn)	16,857	16,585	16,575	16,694	18,664
TP Based EV/Adjusted EBITDA	12.6	12.8	12.9	12.7	11.0
EPS (HK\$), Diluted	3.11	3.227	3.07	3.28	3.57
Target Price Based PER	16.2	15.6	16.4	15.3	14.1

Source: Bloomberg, Guotai Junan International.

Table-5 : GEG DCF Valuation

Risk free rate	1.81%	Sum of PV FCFF (HK\$ mn)	117,797
Market return	11.15%	+ PV terminal value (HK\$ mn)	120,966
Market risk premium	9.34%	Enterprise value (HK\$ mn)	238,764
Adj. beta	1.1	- Net debt/(cash) (HK\$ mn)	(31,344)
Equity discount rate	12.1%	Equity value (HK\$ mn)	270,108
		Shares outstanding (mn)	4,353
After tax cost of debt	1.1%	NAV per share (HK\$)	62.05
D/(D+E)	13.7%		
E/(D+E)	86.3%		
WACC	10.6%		
Long-term growth rate	3.0%		

Source: Bloomberg, the Company, Guotai Junan International.

Appendix

Table-6 : Galaxy Macau (Phases I & II) Operating Results

HK\$ million	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	qoq (% or ppt)	yoy (% or ppt)
GALAXY MACAU							
VIP turnover	189,607	172,378	135,344	125,051	110,279	(11.8%)	(41.8%)
VIP gross win	6,354	6,612	5,253	5,501	4,805	(12.7%)	(24.4%)
VIP win rate (% of turnover)	3.40%	3.80%	3.90%	4.40%	4.40%	0.00 ppt	1.00 ppt
Mass tables gross win	4,434	5,178	5,068	4,993	5,129	2.7%	15.7%
Slot machine handle	13,026	12,851	11,106	11,235	11,359	1.1%	(12.8%)
Slot machine gross win	527	573	502	512	523	2.1%	(0.8%)
Slots win rate (% of turnover)	4.0%	4.5%	4.5%	4.6%	4.6%	0.0 ppt	0.6 ppt
Casino revenue (gross)	8,181	9,201	8,130	8,405	8,108	(3.5%)	(0.9%)
Non-casino revenue	1,156	1,160	1,134	1,121	1,207	7.7%	4.4%
Property total revenue	9,337	10,361	9,264	9,526	9,315	(2.2%)	(0.2%)
Average occupancy rate	100%	100%	100%	100%	100%	0.0 ppt	0.0 ppt
VIP market share	16.3%	16.2%	14.6%	16.4%	15.9%	(0.4) ppt	(0.4) ppt
Mass market share	15.1%	16.1%	14.7%	14.6%	14.7%	0.0 ppt	(0.5) ppt

Source: the Company, Guotai Junan International.

Table-7 : Broadway Operating Results

HK\$ million	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	qoq (% or ppt)	yoy (% or ppt)
BROADWAY MACAU							
Mass tables gross win	62	65	70	73	63	(13.7%)	1.6%
Slot machine handle	509	574	554	444	454	2.3%	(10.8%)
Slot machine gross win	11	13	15	11	10	(9.1%)	(9.1%)
Slots win rate (% of turnover)	2.1%	2.3%	2.7%	2.4%	2.3%	(0.1) ppt	0.2 ppt
Casino revenue (gross)	65	69	76	76	65	(14.5%)	0.0%
Non-casino revenue	80	75	75	71	76	7.0%	(5.0%)
Property total revenue	145	144	151	147	141	(4.1%)	(2.8%)
Average occupancy rate	0%	98%	95%	100%	100%	0.0 ppt	100.0 ppt
VIP market share	0.0%	0.0%	0.0%	0.0%	0.0%	0.0 ppt	0.0 ppt
Mass market share	0.2%	0.2%	0.2%	0.2%	0.2%	(0.0) ppt	(0.0) ppt

Source: the Company, Guotai Junan International.

Table-8 : StarWorld Macau Operating Results

HK\$ million	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	qoq (% or ppt)	yoy (% or ppt)
STARWORLD MACAU							
VIP turnover	73,750	87,317	67,580	53,905	49,990	(7.3%)	(32.2%)
VIP gross win	2,191	2,386	2,165	1,789	1,394	(22.1%)	(36.4%)
VIP win rate (% of turnover)	3.00%	2.70%	3.20%	3.30%	2.80%	(0.50) ppt	(0.20) ppt
Mass tables gross win	1,680	1,630	1,749	1,730	1,694	(2.1%)	0.8%
Slot machine handle	1,945	2,010	2,018	1,967	2,226	13.2%	14.4%
Slot machine gross win	41	42	46	40	55	37.5%	34.1%
Slots win rate (% of turnover)	2.1%	2.1%	2.3%	2.0%	2.5%	0.5 ppt	0.4 ppt
Casino revenue (gross)	2,794	2,839	2,858	2,633	2,397	(9.0%)	(14.2%)
Non-casino revenue	122	134	129	123	124	0.8%	1.6%
Property total revenue	2,916	2,973	2,987	2,756	2,521	(8.5%)	(13.5%)
Average occupancy rate	100%	100%	100%	100%	100%	0.0 ppt	0.0 ppt
VIP market share	5.6%	5.9%	6.0%	5.3%	4.6%	(0.7) ppt	(1.0) ppt
Mass market share	5.3%	4.7%	4.8%	4.7%	4.5%	(0.2) ppt	(0.7) ppt

Source: the Company, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (HKD m)	2017A	2018A	2019F	2020F	2021F	Year end 31 Dec (HKD m)	2017A	2018A	2019F	2020F	2021F
Total revenue	48,640	55,211	51,749	54,889	61,194	PP&E	31,802	31,359	37,485	43,066	48,151
Special gaming taxes	(21,999)	(25,620)	(22,380)	(23,043)	(25,861)	Leasehold land use rights	5,013	4,921	4,829	4,737	4,645
Raw materials & consumable used	(1,262)	(1,199)	(975)	(1,034)	(1,153)	Intangible assets	921	722	524	325	126
Amortisation & depreciation	(3,349)	(3,316)	(3,507)	(4,045)	(4,534)	Joint ventures	1,518	1,631	1,744	1,856	1,969
Employee benefit expense	(7,369)	(7,785)	(8,176)	(8,672)	(9,669)	Held-to-maturity financial assets	23,688	25,779	27,869	29,960	32,050
Other operating expenses	(4,811)	(5,073)	(4,783)	(5,073)	(5,656)	Others	771	4,658	4,685	4,711	4,737
Operating profit	9,850	12,219	11,928	13,021	14,321	Total non-current assets	63,713	69,071	77,135	84,654	91,678
Other income/gains, net	598	1,146	1,166	857	746	Cash & cash equivalents	15,702	13,778	15,512	18,583	24,393
Finance costs	(64)	(139)	(136)	(137)	(137)	Inventories	171	190	155	165	184
Joint ventures	244	388	550	713	875	Debtors and prepayments	1,962	1,860	1,744	1,850	2,062
Associated companies						Amounts due from joint ventures	205	179	153	127	101
Profit before tax	10,628	13,614	13,508	14,453	15,805	Others	2,061	2,306	(489)	(563)	(894)
Income tax	(113)	(43)	(142)	(152)	(166)	Total current assets	20,101	18,313	17,091	20,161	25,845
Profit after tax	10,516	13,570	13,366	14,301	15,639	Total assets	83,815	87,384	94,225	104,816	117,523
Non-controlling interest	(11)	(63)	(7)	(12)	(13)	Creditors & accruals	17,237	14,828	13,898	14,741	16,434
Shareholders' profit / loss	10,504	13,507	13,359	14,289	15,626	Borrowings & short-term bank loans	9,685	8,804	9,244	9,024	9,134
Basic EPS	2.451	3.128	3.076	3.285	3.578	Others	113	107	108	116	128
Diluted EPS	2.437	3.113	3.071	3.280	3.573	Total current liabilities	27,035	23,739	23,250	23,881	25,696
						Borrowings	259	251	267	283	299
						Deferred taxation liabilities	268	195	193	207	226
						Other non-current payable	236	368	456	544	635
						Total non-current liabilities	764	814	917	1,034	1,161
						Total liabilities	27,799	24,553	24,167	24,915	26,857
						Total shareholders' equity	55,482	62,280	69,490	79,316	90,064
						Minority interest	534	551	568	585	602
						Total equity	56,016	62,831	70,058	79,901	90,666
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (HKD m)	2017A	2018A	2019F	2020F	2021F		2017A	2018A	2019F	2020F	2021F
Profit before tax	10,628	13,614	13,508	14,453	15,805	Margins					
Finance costs	64	139	136	137	137	Effective gaming tax rate	39.4%	39.4%	39.4%	39.4%	39.4%
Depreciation & amortisation	3,349	3,316	3,507	4,045	4,534	Operating margin	20.3%	22.1%	23.0%	23.7%	23.4%
Changes in working capital	5,066	(1,769)	(756)	757	1,495	Net profit margin	21.6%	24.5%	25.8%	26.0%	25.5%
Total taxes paid	(94)	(128)	(139)	(134)	(142)	Adj. EBITDA margin	29.1%	30.5%	32.0%	30.4%	30.5%
Others	(493)	(1,388)	(267)	(283)	(12)	Return ratios					
Cash from operating activities	18,520	13,784	15,988	18,976	21,817	ROA	14.0%	15.9%	14.7%	14.4%	14.1%
Purchase of PP&E	(2,008)	(3,009)	(9,633)	(9,626)	(9,619)	ROE	20.7%	23.0%	20.3%	19.2%	18.5%
Decrease/(increase) in pledged & bank deposits	11,277	1,156	(61)	(61)	(61)	Return on capital invested	16.7%	17.9%	15.9%	15.5%	15.2%
Others	(20,385)	(9,385)	(1,873)	(1,859)	(1,818)	Liquidity & leverage					
Cash from investing activities	(11,117)	(11,238)	(11,567)	(11,546)	(11,498)	Leverage (i.e., gearing)	19.5%	15.4%	14.4%	12.5%	11.1%
Issue of new shares	348	382	888	888	888	Net gearing	Net cash	Net cash	Net cash	Net cash	Net cash
Change in bank loans, net	3,715	(864)	457	(204)	126	Interest coverage ratio (x)	14.3	10.8	44.7	46.0	44.3
Dividends paid to shareholders	(2,526)	(3,930)	(4,010)	(5,005)	(5,474)	Current ratio (x)	0.7	0.8	0.7	0.8	1.0
Others	(57)	(50)	(15)	(29)	(41)						
Cash from financing activities	1,480	(4,462)	(2,680)	(4,350)	(4,501)						
Cash at beg of year	6,803	15,702	13,778	15,512	18,583						
Net changes in cash	8,884	(1,916)	1,742	3,079	5,818						
Effect of foreign exchanges	15	(8)	(8)	(8)	(8)						
Cash at end of year	15,702	13,778	15,512	18,583	24,393						

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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