

2019年8月14日

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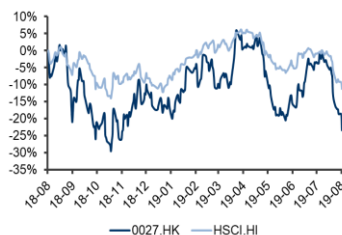
## 业绩符合预期，市占率回升

银河娱乐(00027:HK)

### Market Data: 13 Aug 2019

Closing Price (HK\$)	44.30
Price Target (HK\$)	60.4
HSCEI	9,847
HSCCI	4,000
52-week High/Low (HK\$)	62.10/39.96
Market Cap (USD Bn)	24.5
Market Cap (HK\$ Bn)	192.4
Shares Outstanding (Mn)	4,332
Exchange Rate (HKD/USD)	7.84

### Price Performance Chart:



Source: Bloomberg

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The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

### Financial summary and valuation

	2017	2018	2019E	2020E	2021E
Net revenue (HK\$m)	48,641	55,211	55,559	59,364	65,326
YoY (%)	-	13.51	0.63	6.85	10.04
Net income (HK\$m)	10,371	13,214	14,573	16,016	17,841
YoY (%)	67.4	27.4	10.2	9.9	11.4
EPS (HK\$)	2.42	3.06	3.37	3.71	4.13
Diluted EPS (HK\$)	2.41	3.05	3.36	3.69	4.11
ROE (%)	18.69	21.03	19.86	18.76	18.16
Debt/asset (%)	33.17	28.10	25.07	22.34	19.99
Dividend yield (%)	1.18	1.83	1.71	2.10	2.33
P/E (x)	18.4	14.5	13.2	12.0	10.8
P/B (x)	3.4	3.0	2.6	2.2	1.9
EV/EBITDA (x)	12.9	11.0	10.5	9.6	8.5

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

银河娱乐 2Q19 集团经调整 EBITDA 为 43 亿港币（环比增长 9%；同比持平），赢率偏高导致 EBITDA 提高 3.49 亿港币，赢率调整后 EBITDA 环比增长 3%，同比下滑 11%至 40 亿港币，符合我们的预期。我们维持盈利预测不变，维持目标价 60.4 港币不变，对应 36.3%的上升空间，评级由增持上调至买入。

**市占率回升。**二季度银河娱乐的贵宾转码数环比下滑 12%（同比下滑 38%），其中澳门银河环比下滑 8%（同比下滑 40%），星际酒店环比下滑 20%（同比下滑 32%）。贵宾毛收入环比下滑 2%，同比下滑 25%。根据我们的计算，公司二季度赢得约 1.6%的贵宾市占率，贵宾市占率 26%为行业第一。中场赌桌毛收入环比下滑 1%（同比增长 7%），其中澳门银河环比下滑 1%（同比增长 8%），星际酒店环比下滑 1%（同比增长 2%），百老汇环比增长 4%（同比增长 24%）。角子机毛收入环比持平，同比增长 6%，根据我们的计算，银河二季度赢回约 0.2%的中场市占率。

**未来项目进度。**澳门银河三期仍预计于 2020 年末或 2021 年初分阶段开业，但公司预计酒店的开业时间将从 2021 年末提前到 2021 年初，与会议会展的开业时间一致。澳门银河四期仍预计于 2022 年开业。三期四期的总面积与一期二期相同，总共 4500 间酒店房间，多于一二期的 3600 间房间。三期的重点是会议会展，拥有 16,000 个座位的多用途场馆和 40 万平方米的会议展览空间。四期着重科技和娱乐。

**高端业务承压，但核心及中级中场依然强劲。**业绩会上管理层强调核心及中级中场仍旧强劲，具备非周期性，但预计高端业务依然承压。

**上调评级至买入。**澳门博彩股的股价自 7 月中旬以来承压，主要由于宏观和外部因素，目前行业平均 EV/EBITDA 一致预期为 9.8 倍，低于历史平均减一倍标准差。银河娱乐的 EV/EBITDA 估值为 10.8 倍，接近历史平均减一倍标准差 10.5 倍。我们仍看好公司的长期增长潜力（路氹最大的土地储备，横琴项目以及日本机会），具备软硬件优势的丰富产品，以及强劲的净现金。我们维持目标价 60.4 港币不变，对应 36.3%的上升空间，评级由增持上调至买入。股价潜在的下行风险为监管风险，以及地缘政治对行业带来的负面影响超预期，尤其造成对中场博彩的影响。

Galaxy Entertainment reported 2Q19 adjusted Ebitda of HK\$4.3bn (+9% QoQ; flat YoY). The company played lucky which increased adjusted Ebitda by HK\$349m, and luck-adjusted Ebitda of HK\$4.0bn (+3% QoQ; -11% YoY) was in line with our expectation. We maintain diluted EPS of HK\$3.36 in 19E (+10.2% YoY), HK\$3.69 in 20E (+9.8% YoY), and HK\$4.11 in 21E (+11.4% YoY). We maintain our target price of HK\$60.40, and with 36.3% upside potential, we upgrade our rating from Outperform to BUY.

**Gaining market share.** Galaxy's VIP rolling chip volume declined 12% QoQ in 2Q19 (-38% YoY), with an 8% QoQ decline (-40% YoY) for Galaxy Macau and a 20% QoQ decline (-32% YoY) for StarWorld. VIP gross gaming revenue (GGR) fell 2% QoQ and 25% YoY. We calculate Galaxy's VIP market share rose 1.6% in 2Q19 and remained the largest VIP operator with a 26% market share. Mass table GGR declined by 1% QoQ (+7% YoY), with Galaxy Macau down 1% QoQ (+8% YoY), StarWorld down 1% QoQ (+2% YoY) and Boardway up 4% QoQ (+24% YoY). Slot GGR was flat QoQ (+6% YoY). We estimate Galaxy's mass market share rose c.0.2% in 2Q.

**Future project update.** The company still targets to open Galaxy Macau Phase 3 in multiple phases beginning in late 2020 or early 2021, but will accelerate the target opening of hotels from late 2021 to early 2021, which will coincide with the opening of the convention centre. The company targets to open Phase 4 in 2022. Phases 3 & 4 will double the gross floor area (GFA) of Galaxy Macau, and will have 4,500 rooms, even more than Galaxy Macau's current inventory (3,600 rooms in Phases 1&2). Phase 3 is a meetings, incentives, conferences and exhibitions (MICE)-centric property with a 16,000-seat arena and 400,000 square feet of convention and meeting space, and Phase 4 will have a tech and entertainment focus.

**Core and middle mass strong, while premium segment under pressure.** On the earnings call, management reiterated that the core and middle market segments are strong and non-cyclical, while the premium segment will continue to face pressure.

**Upgrade to BUY.** Macau gaming stocks declined since mid-July due to macro and geopolitical factors, and the sector is now trading at 9.8x 12-month forward consensus EV/Ebitda, one standard deviation below the historical average. Galaxy is trading at 10.8x, near one standard deviation below historical average of 10.5x. We continue to like Galaxy's long-term growth potential (largest undeveloped land reserve in Cotai, undeveloped land in Hengqin, and Japan opportunities), comprehensive product offerings, and solid net cash position of HK\$43.9bn as at 30 June 2019. We maintain our target price of HK\$60.40, and with 36.3% upside potential, we upgrade our rating from Outperform to BUY. Key downside risks to our call include worse-than-expected impact from geopolitical factors, especially on mass gaming business and regulatory risks.

## Appendix

### Consolidated Income Statement

HK\$ mn	2017	2018	2019E	2020E	2021E
<b>Net revenue</b>	48,641	55,211	55,559	59,364	65,326
Cost of Sales	(25,242)	(28,829)	(27,771)	(29,358)	(31,299)
Gross profit	23,399	26,382	27,788	30,006	34,027
Other cost	(1,884)	(1,740)	(3,011)	(3,585)	(5,575)
SG&A Cost	(7,369)	(7,785)	(7,666)	(7,820)	(7,976)
<b>Company EBITDA</b>	14,147	16,857	17,111	18,602	20,476
EBIT	9,954	12,597	13,303	14,747	16,574
Finance Costs	(64)	(139)	(73)	(70)	(66)
<b>Profit before tax</b>	10,628	13,614	14,687	16,142	17,982
Income tax expense	(113)	(43)	(47)	(52)	(57)
Minority interests	(23)	35	12	(11)	(63)
<b>Profit for the year</b>	10,371	13,214	14,573	16,016	17,841

Source: SWS Research

### Consolidated Cash Flow Statement

HK\$ mn	2017	2018	2019E	2020E	2021E
<b>Profit before tax</b>	10,628	13,614	14,687	16,142	17,982
Plus: Depr. and amortisation	3,349	3,316	2,959	3,006	3,053
Change in working capital	5,066	(1,769)	(841)	(184)	(285)
Others	(523)	(1,377)	(442)	(455)	(469)
<b>CF from operating activities</b>	18,520	13,784	16,363	18,508	20,280
CAPEX	(2,022)	(3,033)	(2,949)	(2,949)	(2,949)
Other CF from investing activities	(9,095)	(8,205)	(4,000)	(9,000)	(9,000)
<b>CF from investing activities</b>	(11,117)	(11,238)	(6,949)	(11,949)	(11,949)
Equity financing	330	358	0	0	0
Net change in liabilities	3,699	(864)	0	0	0
Dividend and interest paid	(2,548)	(3,956)	(4,093)	(4,112)	(5,036)
Other CF from financing activities	0	0	0	0	0
<b>CF from financing activities</b>	1,480	(4,462)	(4,093)	(4,112)	(5,036)
<b>Net cash flow</b>	8,884	(1,916)	5,321	2,447	3,295
FCFF	16,241	11,071	12,430	14,572	16,340
FCFE	19,940	10,207	12,430	14,572	16,340

Source: SWS Research

### Consolidated Balance Sheet

HK\$ mn	2017	2018	2019E	2020E	2021E
<b>Current Assets</b>	20,101	18,313	24,475	27,107	30,687
Bank balances and cash	17,600	14,505	19,826	22,273	25,568
Trade and other receivables	2,166	2,039	2,780	2,949	3,208
Inventories	171	190	290	305	331
Other current assets	163	1,579	1,579	1,579	1,579
Long-term investment	25,977	32,068	36,463	45,867	55,278
PP&E	36,815	36,280	36,281	36,234	36,141
Intangible and other assets	921	722	712	702	692
<b>Total Assets</b>	83,815	87,384	97,932	109,909	122,797
<b>Current liability</b>	27,035	23,739	23,739	23,739	23,739
Borrowing	9,685	8,804	8,804	8,804	8,804
Trade and otherpayable	17,303	14,887	14,887	14,887	14,887
Other current liabilities	47	48	48	48	48
Long term liabilities	764	814	814	814	814
<b>Total Liabilities</b>	27,799	24,553	24,553	24,553	24,553
Minority Interests	534	551	619	693	776
<b>Shareholder Equity</b>	55,482	62,831	73,379	85,357	98,245
Share Capital	21,469	22,017	22,017	22,017	22,017
Reserves	34,013	40,263	50,743	62,646	75,451
<b>Total Liabilities and equity</b>	83,815	87,384	97,932	109,909	122,797

Source: SWS Research

### Key Financial Ratios

	2017	2018	2019E	2020E	2021E
<b>Ratios per share (HK\$)</b>					
EPS reported	2.42	3.06	3.37	3.71	4.13
Diluted EPS	2.41	3.05	3.36	3.69	4.11
Operating CF per share	4.32	3.19	3.79	4.29	4.70
Dividend per share	0.74	0.91	0.91	1.11	1.24
Net assets per share	12.95	14.55	16.99	19.77	22.75
<b>Performance ratios (%)</b>					
ROE	18.69	21.03	19.86	18.76	18.16
Gross Margin	48.11	47.78	50.02	50.55	52.09
Ebitda Margin	29.08	30.53	30.80	31.33	31.34
Growth rate of Profit(YoY)	67.4	27.4	10.2	9.9	11.4
Debt To Asset Ratio	33.17	28.10	25.07	22.34	19.99
Turnover Rate Of Net Assets	0.88	0.88	0.76	0.70	0.66
Turnover Rate Of Total Assets	0.58	0.63	0.57	0.54	0.53
Effective tax rate (%)	39.41	39.35	39.50	39.50	39.50
Dividend Yield	1.18	1.83	1.71	2.10	2.33
<b>Valuation Ratios (X)</b>					
PE	18.4	14.5	13.2	12.0	10.8
PB	3.4	3.0	2.6	2.2	1.9
EV/Sales	3.7	3.4	3.2	3.0	2.7
EV/Ebitda	12.9	11.0	10.5	9.6	8.5

Source: SWS Research

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**Hold:** Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

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