

1 November 2017

Asia Research

Macau GGR +22.1%, to MOP26.6bn (USD3.3bn)

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October's GGR was at the highest absolute in three years

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On a YTD basis, GGR is now +19.2%

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The calendar was unfavorable with one fewer Saturday

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But for a host of negative factors, GGR could have approached high 20% growth again

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We are now forecasting 18% GGR growth for 4Q17

# Global Gaming Operators

Industry Update

## Macau October GGR +22% smashes consensus despite numerous headwinds

**Macau October GGR.** GGR grew 22.1% to MOP26.6bn (USD3.3bn). This handily beat Bloomberg consensus of +14.5% (range of +11% to +16%), as the market reached the highest absolute dollar level since October 2014. The beat was even more impressive than the headline suggests given:

1. The calendar was unfavorable with one fewer Saturday this year
2. Yet another T8 typhoon signal was hoisted (Sunday Oct 15th), which would have impaired ingress and egress to Macau
3. The comp was tough at +8.8% (the toughest comp in 3 1/2 years)
4. The traditional October Golden Week holiday was interrupted by the family-oriented Mid-Autumn Festival
5. The very high-level political meetings in mainland China (19th National Congress) typically would have resulted in more modest trends in Macau during the 6-day meeting schedule. Absent these headwinds the October growth story likely would have been in the mid to high 20% range. Regardless, we would expect most of the Macau names to continue to work on the GGR upside delivered in the first month of 4Q17.

**A better-quality customer is coming to Macau.** Clearly the strongest performing segment remains VIP, with growth maintaining around 30%+ and mass likely in the low teens. Within mass, we believe the higher tiers are still outperforming the lower tiers. Our on-the-ground observations continue to see a higher quality customer coming to Macau, which, to some extent, is replacing a lower-quality day trip customer from years past. We continue to believe a big driver of this customer is the availability of hotel rooms (both from a marketing / comping perspective as it relates to higher net worth individuals and from a value perspective as it relates to cash paying FIT customers).

**Outlook on 4Q17.** While the comps do begin to get tough in 4Q (the 4Q16 average comp is +10.4%), the current momentum of the market suggests growth in mid to high teens remains very achievable, and suggests consensus expectations remain light. Based on our conversations with junket operators we expect the momentum seen in October to continue over the coming months, although returning to pre-holiday levels. We expect November and December to reach or exceed MOP22bn, or growth in the mid to high teens. All in, we think the 4Q17 growth rate will be approximately 18%. This would result in total GGR growth of 18.5% for the full year 2017.

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\*Please see analyst certification and required disclosures starting on page 2 of this report.

## Important Disclosure

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**Buy** – the total forecasted return is expected to be greater than 15% within the next 12 months

**Hold** – the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 15%

**Sell** – whose shares exhibit downside potential of at least 15% within the next 12 months

**Suspended** – the company rating, target price and earnings estimates have been temporarily suspended.

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Coverage Universe			Investment Banking Services / Past 12 Months		
Ratings	Count	Pct.	Rating	Count	Pct.
BUY	18	78%	BUY	3	17%
HOLD	5	22%	HOLD	0	0%
SELL	0	0%	SELL	0	0%

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