

MACAU WEEKLY: SEQUENTIALLY BETTER

DECEMBER 7-13

DECEMBER 14, 2015

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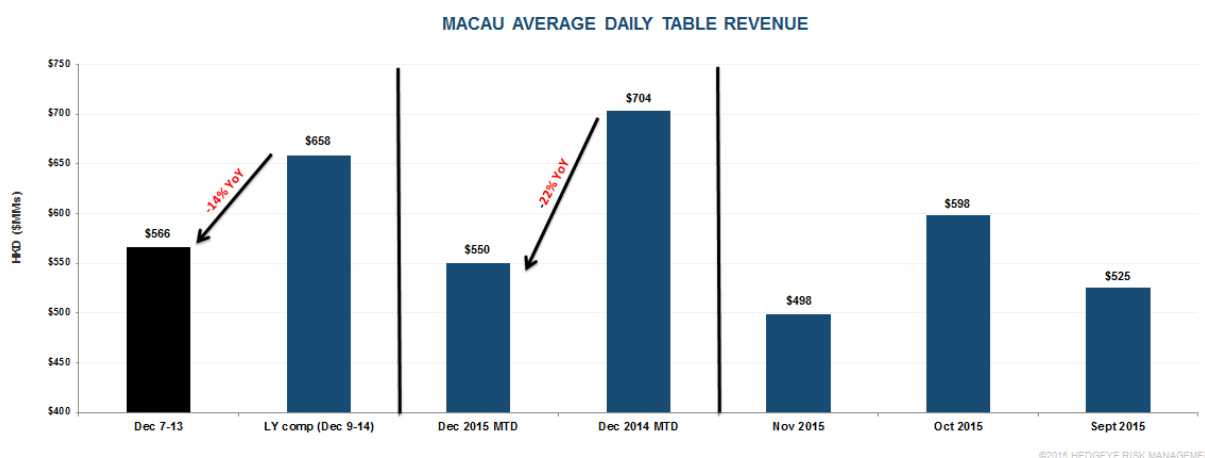


CALL TO ACTION

A much needed shot in the arm, Macau table revenues jumped sequentially last week, causing us to raise our December forecast. However, while any improvement is welcome, let's put things into perspective. It's only one data point, table revenues still fell double digits YoY, and the comparison was easier than week 1. Looking ahead, more government constraints may be on the way in the form of real-time Union Pay monitoring and sell side estimates are already not bearish enough for 2016. While maintaining our negative view of the Macau stocks, we didn't feel that December GGR was necessarily a negative catalyst and we still feel that way. We do, however, remain on the bearish side and are looking for re-entry points on the short side.

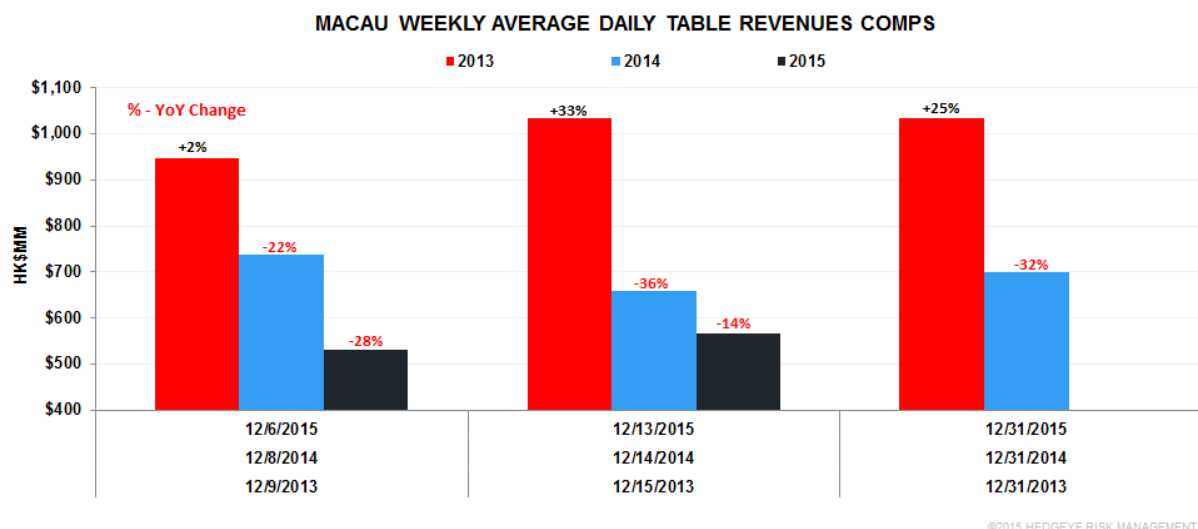
THE LATEST WEEKLY REVS

Table revenues (DTR) likely averaged an estimated HK\$566 million per day last week, down 14% YoY. This was the highest weekly revenue since Golden Week. It's only one week of data but the performance was certainly better than expected.



DECEMBER COMPS

While comps will not be as easy as week 2, they're pretty easy in 2H as shown below.



DEC TABLE MARKET SHARE

We don't have hard market share data but based on our sources we've gleaned the following:

- MGM: market share likely in the ~10%s thus far in December due to good volumes and decent luck (3-month avg GGR share: 9.5%)
- Wynn: share likely suffering again and could be as low as the high 8%s/low 9s due in part to bad luck (3-month avg GGR share: 9.4%)
- MPEL: mid-16s%— in-line with share since opening of MSC
- LVS: in line with 3-month trend of 21.6%
- Galaxy: low 22%s for market share – in line with 3-month avg
- SJM: share likely below 3-month avg

REGULATORY UPDATE

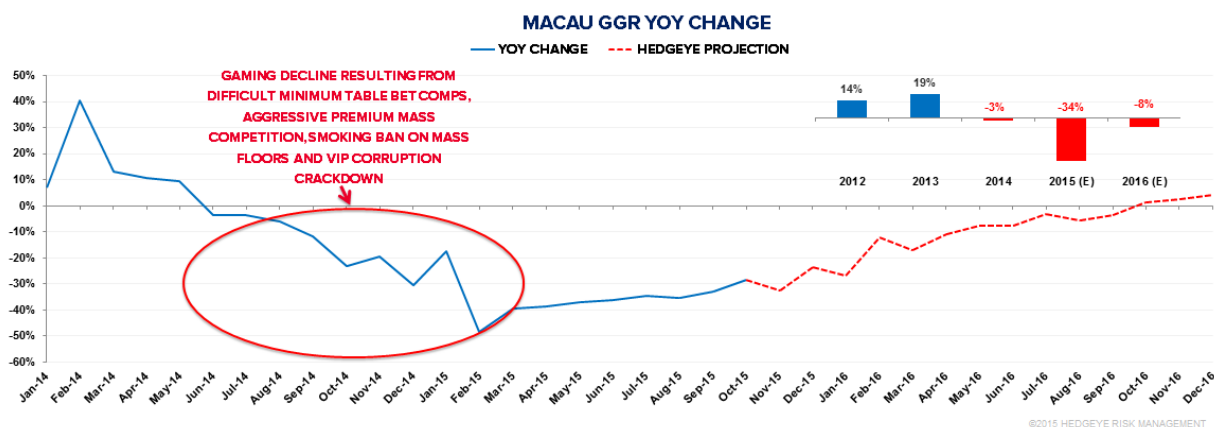
The Chinese government is not letting up, most recently announcing more scrutiny regarding UnionPay (UP). The Monetary Authority of Macao said today that it will launch a 2-phase “real-time monitoring system to be implemented on high-risk merchants (including jewelry and watches merchants).” In addition, China’s financial regulators last week ordered UnionPay to crack down on illegally modified point of sale (POS) units.

These new policies may have an immediate impact on the Premium Mass segments in Macau. A common method of circumventing the Union Pay withdrawal caps is to utilize UP to buy goods

at pawn shops and immediately sell the goods back for cash at a discount. Look out if this cash spigot gets turned off.

GGR FORECAST

For the full month of December, we're raising our forecast to a YoY GGR decline of 22-24% to reflect the better performance last week. For 2015 and 2016, we're raising our GGR forecast by 1% point to -34% and -8%, respectively.



CONCLUSION

A better table revenue figure last week should not take away from the bigger picture. Macau faces significant hurdles, it's not clear that the fundamentals are stabilizing, never mind improving, and Street GGR and EBITDA estimates remain too high. Following the recent big downturn in the stocks, we've moved to the sideline looking for a better entry point on the short side.

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