

Company Report: Melco Resorts & Entertainment (MLCO US)

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公司报告: 新濠博亚 (MLCO US)

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23 November 2021

Overseas Operations Could Be Repressed Again in 2022

2022 年海外业务可能将再度承压

- **Melco's 3Q2021 revenue increased by 109.7% yoy to US\$446 mn and was 14.3% below our forecast.** Revenue at City of Dreams Manila increased 21.0% yoy to US\$52.5 mn, while revenue at Melco's Cyprus casinos decreased 1.5% yoy to US\$20.2 mn. Hold normalized adjusted property EBITDA decreased 64.8% qoq to US\$32 mn and missed our forecast, and shareholders' net loss was US\$233 mn.
- **We decrease Melco's 2021-2023 total revenue forecasts by 1.4%, 2.3% and 2.1%, respectively.** We now forecast 2021-2023 total revenue of US\$2.13 bn, US\$2.42 bn and US\$2.76 bn, reflecting growth of 23.5%, 13.2% and 14.1%, respectively. We decrease our 2021-2023 adjusted property EBITDA forecasts by 20.4%, 5.7% and 5.4%, respectively. We forecast 2021-2023 adjusted property EBITDA of US\$218 mn, US\$423 mn and US\$568 mn, respectively.
- **We decrease our target price from US\$11.00 to US\$10.50 and downgrade Melco's investment rating from "Neutral" to "Reduce".** In our view, Macau cross-border travel restrictions and special anti-pandemic measures are likely to persist for the foreseeable future. We expect that as a result, Macau gaming revenue growth will be tepid going forward. Our new target price is equivalent to 45.7x and 25.0x 2021 and 2022 EV/ adjusted property EBITDA and is a 17.3% discount to our DCF derived NAV per ADR of US\$12.69.
- **新濠博亚 2021 年第三季度收入同比增长 109.7% 至 4.46 亿美元, 较我们的预期低 14.3%。** 马尼拉新濠天地的收入同比增长 21.0% 至 5,250 万美元, 而新濠博亚塞浦路斯赌场的收入同比下降 1.5% 至 2,020 万美元。标准化赢率下经调整物业 EBITDA 环比下降 64.8% 至 3,200 万美元, 不及我们的预期。股东净亏损为 2.33 亿美元。
- **我们分别下调新濠博亚 2021-2023 年总收入预测 1.4%、2.3% 和 2.1%。** 我们现预计公司 2021-2023 年总收入分别为 21.3 亿美元、24.2 亿美元和 27.6 亿美元, 分别对应 23.5%、13.2% 和 14.1% 的增长。我们分别下调 2021-2023 年经调整物业 EBITDA 预测 20.4%、5.7% 和 5.4%。我们预计 2021-2023 年经调整物业 EBITDA 分别为 2.18 亿美元、4.23 亿美元和 5.68 亿美元。
- **我们将新濠博亚的目标价由 11.00 美元下调至 10.50 美元, 并将投资评级由“中性”下调至“减持”。** 我们认为澳门的跨境旅游限制和特殊的防疫措施在可预见的未来或将持续。因此我们预计未来澳门博彩业收入增长将乏力。我们的新目标价相当于 45.7 倍和 25.0 倍 2021 年和 2022 年经调整物业 EV/EBITDA, 且对我们运用折现现金流方法得出的每股 ADR 估值 12.69 美元有 17.3% 的折让。

Rating:

Reduce
Downgraded

评级:

减持 (下调)

6-18m TP 目标价:

US\$10.50

Revised from 原目标价:

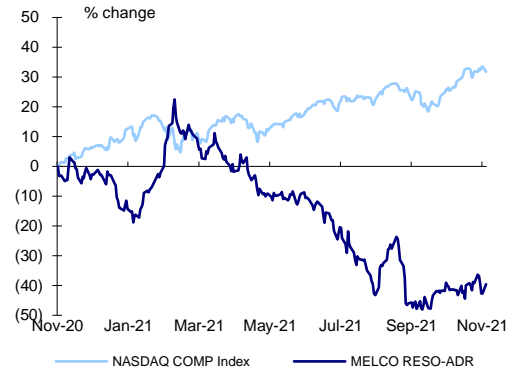
US\$11.00

ADR price ADR 价格:

US\$11.520

Stock performance

股价表现



Change in ADR Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	3.1	6.3	(38.7)
Rel. % to NASDAQ Index 相对纳指变动 %	(1.9)	(1.5)	(72.4)
Avg. ADR price(US\$) 平均股价 (美元)	11.3	11.5	16.1

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	Earnings/ADR	Earnings/ADR	PER	BV/ADR	PBR	DP ADR	Yield	ROE
年结	收入	股东净利	每份 ADR 净利	每份 ADR 净利变	市盈率	每股 ADR	市净率	每股 ADR	股息率	净资产收益率
12/31	(US\$ m)	(US\$ m)	(US\$)	(Δ %)	(x)	(US\$)	(x)	(US\$)	(%)	(%)
2019A	5,737	373	0.779	14.9	14.8	5.093	2.3	0.640	5.6	15.8
2020A	1,728	(1,263)	(2.647)	(439.8)	(4.4)	2.309	5.0	0.000	0.0	(71.3)
2021F	2,134	(808)	(1.686)	n.a.	(6.8)	1.277	9.0	0.155	1.3	(94.3)
2022F	2,417	(225)	(0.462)	n.a.	(24.9)	1.007	11.4	0.660	5.7	(40.8)
2023F	2,758	(105)	(0.211)	n.a.	(54.6)	0.786	14.7	0.660	5.7	(23.8)

ADR in issue (m) 总 ADR 数 (m)	477.2	Major shareholder 大股东	Melco Intl. Development Ltd. 51.3%
Market cap. (US\$ m) 市值 (US\$ m)	5,497.3	Free float(%) 自由流通比率(%)	37.5
3 month average vol. 3 个月平均成交股数 ('000)	4,228.3	FY21 Net gearing (%) FY21 净负债/股东资金 (%)	578.3
52 Weeks high/low (US\$) 52 周高/低 (US\$)	23.648 / 9.640	FY21 Est. NAV (US\$) FY21 每 ADR 估值 (美元)	12.7

Source: the Company, Guotai Junan International.

3Q2021 Results

Melco Resorts & Entertainment's ("Melco", or the "Company") 3Q2021 total revenue increased by 109.7% yoy to US\$446 million and was 14.3% below our forecast. Total revenue for the quarter decreased by 9.5% qoq. Casino net revenue increased 118.5% yoy to US\$373 million, missing our forecast by 14.2%. On a sequential basis, Melco's casino net revenue decreased by 22.0% qoq, which was better than the 26.1% qoq decrease in Macau's total GGR during the quarter. Melco's Macau operations have been impacted by on-and-off travel restrictions and quarantine requirements imposed by the governments of Macau, Hong Kong, and China in response to reported COVID-19 outbreaks. Reported COVID-19 cases in early August led to Macau city-wide mandatory testing, forced closure of most entertainment and leisure venues (not including casinos and gaming areas), and stricter travel restrictions and requirements to enter and exit Macau. Subsequently, in late September 2021, reports of additional COVID-19 outbreaks led to a repeat of testing, closure, and travel restrictions, which led to reduced Macau visitation during the October National Day Golden Week holiday period. Since 19 October, government authorities have eased pandemic prevention measures, and now travellers from Macau to Zhuhai no longer require a 14-day quarantine on arrival in Zhuhai, and the validity of negative nucleic acid tests were extended from 24 hours to 48 hours or seven days. As a result, Macau visitation has been gradually recovering compared to the large downturn during August through October.

Total 3Q2021 revenue at City of Dreams Manila increased 21.0% yoy (decreased 0.4% qoq) to US\$52.5 million. In the Philippines, City of Dreams Manila was operating at limited capacity since the beginning of 3Q2021 until 5 August, when Manila was put into lockdown on 6 August due to a surge in reported COVID-19 cases. On 17 September, City of Dreams Manila reopened operations but capacity was limited at 50% under the new Alert Level 4 classification. Hotels were not open to the general public, but indoor F&B operations were allowed to take customers who had been vaccinated. On 16 October, the Philippines government downgraded to Alert Level 3, allowing hotels to take vaccinated local guests. The alert status was further downgraded to Alert Level 2 on November 5, 2021 allowing hotels to take leisure guests. Moreover, City of Dreams Manila commenced operating online gaming, namely, live-dealer table games on 10 August and slot machines on 15 September. However, online gaming is only available to registered patrons of City of Dreams Manila inside the Philippines.

Table-1: Melco's Financial Results

US\$ mn (except for earnings per ADR)	3Q2020	4Q2020	1Q2021	2Q2021	3Q2021	qoq (% or ppt)	yoy (% or ppt)
Gaming Net Revenue	171	440	444	479	373	(22.0%)	118.5%
Total Net Revenue	213	528	519	566	446	(21.2%)	109.7%
Shareholders' Net Income / (loss)	(332)	(200)	(233)	(186)	(233)	(25.6%)	29.7%
Earnings per ADR, basic (US\$)	(0.695)	(0.419)	(0.488)	(0.387)	(0.487)	(25.8%)	30.0%
Earnings per ADR, diluted (US\$)	(0.696)	(0.419)	(0.488)	(0.387)	(0.487)	(25.8%)	30.0%
Adjusted Property EBITDA*							
City of Dreams	(49.2)	57.3	40.0	79.5	32.7	(58.9%)	n.a.
Altira Macau	(16.8)	(13.4)	(29.6)	(17.3)	(6.9)	59.9%	58.8%
Mocha Clubs	(0.5)	(0.5)	1.8	5.6	4.8	(13.2%)	n.a.
City of Dreams Manila	5.2	16.8	29.4	13.3	11.7	(11.7%)	125.2%
Studio City	(21.7)	(5.5)	(5.2)	(1.2)	(14.0)	(1093.9%)	35.6%
Cyprus Operation	6.3	(1.2)	(6.4)	(0.8)	3.6	n.a.	(42.3%)
Total Adjusted Property EBITDA*	(76.7)	53.4	30.1	79.1	31.9	(59.6%)	n.a.
Adjusted Property EBITDA Margin	(36.0%)	10.1%	5.8%	14.0%	7.2%	(6.8) ppt	43.2 ppt
Hold Normalized Adj. Property EBITDA**	(89.0)	49.0	54.0	91.0	32.0	(64.8%)	n.a.
Hold Normalized Adj. Property EBITDA Margin	(41.8%)	9.3%	10.4%	16.1%	7.2%	(8.9) ppt	49.0 ppt

Source: the Company, Guotai Junan International.

Note: *Adjusted Property EBITDA is earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine parties under the cooperative arrangement (the "Philippine Parties"), land rent to Belle Corporation and other non-operating income and expenses.

**Hold Normalized Adjusted Property EBITDA is an estimate from the Company. Melco calculates hold normalization using the normalized VIP win rate of 3.00%, which reflects the midpoint of the expected VIP rolling chip win rate of 2.85% and 3.15%.

Total 3Q2021 revenue at Melco's Cyprus casinos decreased 1.5% yoy (increased 102.0% qoq) to US\$20.2 million. In Cyprus, Melco currently operates a temporary casino, which is also Cyprus' first casino, and four satellite casinos. After City of Dreams Mediterranean opens, the Company will shut down the temporary casino but will continue to operate the satellite casinos. Melco's Cyprus casinos were fully open throughout 3Q2021 and the significant qoq improvement was thanks to progressively higher permitted capacities and increased visitation over the summer months, although with permitted capacity limited at 50%. Certain other COVID-19 restrictions continue to remain in force, such as smoking only in designated areas and wearing masks on the casino floor.

During 1-3Q2021, due to its lagging overseas operations, Melco's revenue growth was increased by just 27.7% yoy, significantly underperforming the 75.6% yoy increase in Macau sector GGR. For 1-3Q2021, Melco's revenue from Philippines increased by just 14.8% yoy, while revenue from its Cyprus operations decreased by 29.4% yoy. During 1Q2021, Melco's Cyprus casinos mostly non-operational thanks to COVID restrictions, and as a result revenue was insignificant.

3Q2021 operating income was US\$9.6 million, the first time operating income was positive since the start of the pandemic. The greatest expense was casino expense, which as a percentage of total net revenue was 66.7%, down 30.6 ppt yoy. The second largest expense was depreciation and amortization, which as a percentage of total revenue decreased by 34.1 ppt yoy to 28.6%. G&A expense, the third greatest expense, as a percentage of total net revenue was 25.1%, down 12.9 ppt yoy. Melco continued to enforce strong cost control discipline in respect to both operating expenses and capital expenditures.

3Q2021 hold normalized adjusted property EBITDA decreased 64.8% qoq to US\$32 million, compared to loss of US\$89 million in 3Q2020, and missed our forecast. Adjusted property EBITDA was also US\$32 million, compared to loss of US\$76.7 million in 3Q2020 and down 59.6% qoq.

Shareholders' net loss was US\$233 million, compared to loss of US\$332 million in 3Q2020 and loss of US\$186 million in the previous quarter. Loss per ADS was US\$0.487. Total net non-operating expenses was US\$87.1 million, which mainly included interest expenses of US\$87.4 million, net of amounts capitalized. Depreciation and amortization was US\$148 million, of which US\$14.3 million was related to the amortization expense for Melco's gaming subconcession, and US\$5.7 million was related to the amortization expense for land use rights.

Outlook

In Macau, construction of Melco's Studio City Phase 2 is progressing and is on track for completion before 27 December 2022. This expansion will offer around 900 additional luxury hotel rooms and suites, an additional indoor/ outdoor water park which is expected to be one of the largest in the world, a Cineplex, multiple fine-dining restaurants, and state-of-the-art MICE space.

In Cyprus, Melco has pushed back its target opening date for City of Dreams Mediterranean from summer of 2022 to 2H2022, which is now in line with our previous expectation. Melco's new City of Dreams Mediterranean casino resort in Cyprus will be Europe's largest integrated resort, with about 500 luxury hotel rooms, an outdoor amphitheater, approximately 10,000 square meters of MICE space, a family adventure park, a variety of fine-dining outlets, and luxury retail. The Company's management had given guidance in Feb. 2020 that City of Dreams Mediterranean was expected to open in 2021. Subsequently, the Company reported that more time would be needed due to the impact of the reported COVID-19 pandemic. During its 2Q2021 earnings release, Melco gave a target opening date of summer of 2022. However, at that time we thought management was overly optimistic and we expected further delays and so in our 11 August Company Report we noted that we expected the opening to be delayed until 2H2022 or 2023. The Company's current updated guidance is now in line with our view.

In Macau, despite recent easing of some restrictions in Macau, we expect rolling on-and-off enhanced anti-pandemic measures will continue for the rest of 4Q2021 and going into 2022 as mainland China maintains its zero-tolerance COVID-19 policy. The South China Morning Post reported that starting this December, a limited daily quota of a few hundred people will be able to travel quarantine-free from Hong Kong to mainland China; the quota could be increased to a few

thousand people per day in the following months after any initial issues are identified and addressed, and after a system of testing and tracking comes in place. In addition, starting from 1 a.m. today (23 November), people going from Macau to Zhuhai only need a negative nucleic acid test certificate issued within seven days, a relaxation from the 48-hour validity rule that was in effect since 19 October. While both of these news items are positive, we think they are only marginally significant and will not have a significant impact on the underlying environment for Macau gaming. By now, it is admitted that the AstraZeneca, Janssen, Moderna and Pfizer-BioNTech COVID-19 injections do not prevent transmission (see our 5 November Sands China Company Report). We expect that the reported global pandemic will likely get worse this winter and spring 2022. We do not expect China and Macau to scrap their enhanced anti-pandemic measures and travel restrictions, especially considering that China will continue to maintain its zero-tolerance COVID-19 policy. We expect that in response to rolling outbreaks, China and Macau will continue to impose border and travel restrictions, leading to tepid gaming revenue growth for Macau in 4Q2021 and 2022.

Forecast Revisions

We decrease our Melco 2021-2023 total revenue forecasts by 1.4%, 2.3% and 2.1%, respectively. China is expected to continue to implement its model of COVID-19 preventative and control measures (zero-tolerance policy, regional lockdowns and travel restrictions, large-scale testing, etc.). We now forecast 2021-2023 total revenue of US\$2.13 billion, US\$2.42 billion and US\$2.76 billion, reflecting growth of 23.5%, 13.2% and 14.1%, and equivalent to 37.2%, 42.1% and 48.1% of the Company's total revenue in 2019, respectively. Due to government restrictions in response to reported COVID cases, operations at Melco's Cyprus and Philippines casinos were severely limited or closed for parts of 2021. We think that the chance of a similar scenario for 2022 is high.

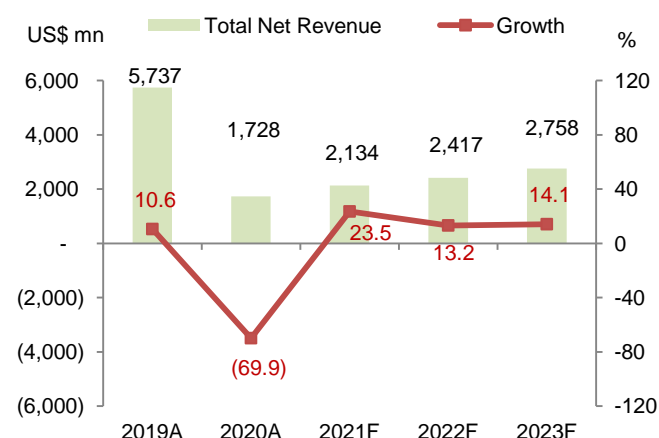
We decrease our 2021-2023 adjusted property EBITDA forecasts by 20.4%, 5.7% and 5.4%, respectively. Melco's 3Q2021 hold-normalized adjusted property EBITDA was less than our last forecast as operating expenses were higher than expected. We forecast 2021-2023 adjusted property EBITDA of US\$218 million, US\$423 million and US\$568 million, equivalent to 12.9%, 25.0% and 33.6% of the Company's adjusted property EBITDA amount in 2019, respectively. Our forecasts reflect 2021-2023 adjusted property EBITDA margins of 10.2%, 17.5% and 20.6%, respectively, compared to 10.1% in 1H2021 and 7.2% in 3Q2021. The Company's highest ever annual margin was 29.4%, achieved in 2019.

We forecast 2021-2023 net loss of US\$808 million, US\$225 million and US\$105 million, respectively. We forecast 2021-2023 fully diluted loss per ADS (EPADS) of US\$1.686, US\$0.462 and US\$0.211, respectively. Depreciation and finance costs will weigh down profitability in the next few years even as the sector continues to recover.

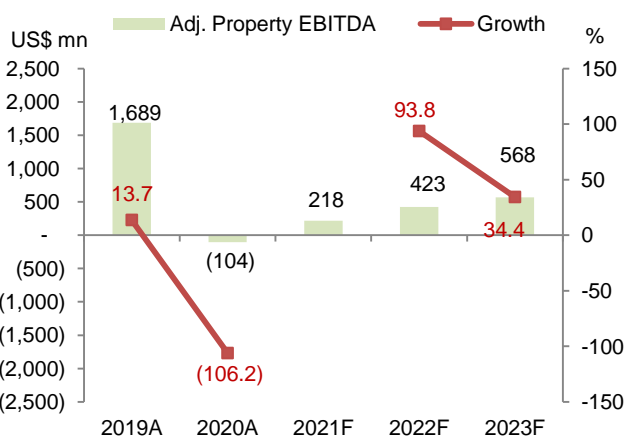
Table-2: Melco Forecast Revisions

US\$ mn (Except EPADS)	Old			New			% Change		
	2021F	2022F	2023F	2021F	2022F	2023F	2021F	2022F	2023F
Total net revenue	2,769	3,942	4,318	2,364	3,329	4,010	(14.6%)	(15.6%)	(7.1%)
Operating profit	(178)	176	259	(282)	156	249	(58.5%)	(11.2%)	(4.1%)
<i>Adj. property EBITDA margin</i>	(6.4%)	4.5%	6.0%	(11.9%)	4.7%	6.2%	(5.5) ppt	0.2 ppt	0.2 ppt
Adjusted property EBITDA	689	1,111	1,228	314	672	940	(54.4%)	(39.5%)	(23.5%)
<i>Adj. property EBITDA margin</i>	24.9%	28.2%	28.5%	13.3%	20.2%	23.4%	(11.6) ppt	(8.0) ppt	(5.0) ppt
Net profit	(396)	(11)	102	(524)	(69)	32	(32.4%)	(534.2%)	(69.3%)
<i>Net profit margin</i>	(14.3%)	(0.3%)	2.4%	(22.2%)	(2.1%)	0.8%	(7.9) ppt	(1.8) ppt	(1.6) ppt
EPADS, basic (US\$)	(0.830)	(0.023)	0.215	(1.096)	(0.144)	0.067	(32.1%)	(537.0%)	(68.9%)
EPADS, diluted (US\$)	(0.830)	(0.023)	0.215	(1.096)	(0.144)	0.067	(32.1%)	(537.0%)	(68.9%)

Source: Guotai Junan International.

Figure-1: Melco's Net Revenue


Source: the Company, Guotai Junan International.

Figure-2: Melco's Adj. Property EBITDA


Source: the Company, Guotai Junan International.

Valuation

We decrease our target price from US\$11.00 to US\$10.50 and downgrade Melco's investment rating from "Neutral" to "Reduce". In our view, Macau cross-border travel restrictions and special anti-pandemic measures are likely to persist for the foreseeable future. We expect that as a result, there will not be a strong sector turnaround. Instead, we expect that Macau gaming revenue growth will be tepid going forward. Our new target price is equivalent to 45.7x and 25.0x 2021 and 2022 EV/adjusted property EBITDA and is a 17.3% discount to our DCF derived NAV per ADR of US\$12.69.

Table-3: Gaming Sector Peers Comparison

Company	Stock Code	Crncy	Price	M-Cap Bn (HK\$)	PE		EV/Adjusted Property EBITDA			ROE (%)	PBR	Yield (%)		
					20A	21F	Hist Avg.	Fwd ¹	Fwd ¹				20A	21F
Macau														
Galaxy Entertain	00027 HK	HKD	47.85	208.4	n.a.	220.5	27.8	19.0	49.4	n.a.	49.4	15.7	1.4	3.1
Melco Reso-Adr	MLCO US	USD	11.52	42.8	n.a.	n.a.	n.a.	12.9	12.1	n.a.	40.0	11.3	(98.1)	10.8
Mgm China	02282 HK	HKD	5.90	22.4	n.a.	n.a.	n.a.	15.3	137.9	n.a.	137.9	12.2	(103.6)	16.5
Sands China Ltd	01928 HK	HKD	20.35	164.7	n.a.	n.a.	36.3	17.9	82.8	n.a.	82.8	15.5	(54.3)	19.4
Sjm Holdings Ltd	00880 HK	HKD	6.35	36.1	n.a.	n.a.	96.2	19.3	n.a.	n.a.	n.a.	15.7	(14.7)	1.7
Wynn Macau Ltd	01128 HK	HKD	7.63	39.7	n.a.	n.a.	n.a.	16.1	82.6	n.a.	82.6	13.8	58.1	(4.3)
Simple Avg.					n.a.	220.5	53.4	16.7	73.0	n.a.	78.5	14.0	(35.2)	7.9
Weighted Avg.					n.a.	220.5	37.2	17.7	64.5	n.a.	67.0	14.9	(26.1)	8.9
USA														
Boyd Gaming	BYD US	USD	60.39	52.9	n.a.	12.3	12.1	11.4	7.3	20.2	7.4	7.0	39.2	4.2
Caesars Entertai	CZR US	USD	94.37	157.2	n.a.	n.a.	70.2	13.6	10.0	143.9	11.7	9.2	(14.2)	4.3
Las Vegas Sands	LVS US	USD	40.63	241.8	n.a.	n.a.	39.3	19.6	25.4	n.a.	84.3	14.9	(19.8)	7.3
Mgm Resorts Inte	MGM US	USD	44.54	162.7	n.a.	n.a.	69.2	23.1	10.3	27.4	14.5	8.4	(2.7)	2.7
Penn Natl Gaming	PENN US	USD	53.12	70.2	n.a.	19.0	21.3	10.5	7.6	14.9	7.6	7.2	16.3	2.9
Wynn Resorts Ltd	WYNN US	USD	94.34	85.0	n.a.	n.a.	n.a.	20.9	19.3	n.a.	35.9	15.1	(3.7)	n.a.
Simple Avg.					n.a.	15.6	42.4	16.5	13.3	51.6	26.9	10.3	2.5	4.3
Weighted Avg.					n.a.	16.1	49.6	17.9	15.5	65.9	37.1	11.1	(5.9)	4.8
Other														
Bloomerry Res	BLOOM PM	PHP	7.66	12.8	n.a.	n.a.	21.9	19.6	25.2	380.2	25.2	10.6	(13.3)	2.7
Belle Corp	BEL PM	PHP	1.37	2.1	12.9	12.5	7.2	9.2	33.7	14.8	33.7	5.8	n.a.	0.4
Simple Avg.					12.9	n.a.	14.6	14.4	29.4	197.5	29.4	8.2	(13.3)	1.6
Weighted Avg.					12.9	n.a.	19.9	18.2	26.4	329.6	26.4	10.0	(13.3)	2.4

Source: Bloomberg, the Company, Guotai Junan International.

Note: 1. "Hist Avg. Fwd" is the average forward valuation ratio over the past five years, taken from Bloomberg. Forward valuations are the Bloomberg consensus forward valuations which are based on the next four quarters, next two semi-annuals or next fiscal year.

Table-4: Melco DCF Valuation

Risk Free Rate	1.55%	Sum of PV FCFF (US\$ mn)	5,622
Market Return	9.65%	+ PV Terminal Value (US\$ mn)	5,409
Market Risk Premium	8.10%	Enterprise Value (US\$ mn)	11,030
Adj. Beta	1.0	- Net Debt/(cash) (US\$ mn)	4,955
Equity Discount Rate	9.65%	Total NAV (US\$ mn)	6,075
		ADR Outstanding (mn)	479
After Tax Cost of Debt	6.35%	NAV per ADR (US\$)	12.69
D/(D+E)	60.0%		
E/(D+E)	40.0%		
WACC	7.7%		
Long term growth rate	3.0%		

Source: Bloomberg, the Company, Guotai Junan International.

Table-5: Melco Valuation and Target Price Based Multiples

	2020A	2021F	Next 4 Quarters	2022F	2023F
Target price	US\$10.50				
Shares outstanding, period end, fully diluted (mn)	477	479	485	487	496
TP based market cap (US\$ mn)	5,012	5,027	5,094	5,116	5,213
+ Period end minority interest (US\$ mn)	736	603	503	470	337
+ Period end borrowings (US\$ mn)	6,023	6,284	6,176	6,140	6,155
- Period end cash & equivalents (US\$ mn)	1,755	1,329	857	700	632
Year end enterprise value (US\$ mn)	10,015	10,586	10,916	11,027	11,073
Adjusted property EBITDA (US\$ mn)	(104)	218	394	423	568
TP Based EV/Adjusted Property EBITDA	n.a.	48.5	27.7	26.1	19.5
EPS (US\$), diluted	(2.652)	(1.686)	(0.768)	(0.462)	(0.211)
Target Price Based PER	n.a.	n.a.	n.a.	n.a.	n.a.

Source: the Company, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (USD m)	2019A	2020A	2021F	2022F	2023F	Year end 31 Dec (USD m)	2019A	2020A	2021F	2022F	2023F
Total revenue	5,737	1,728	2,134	2,417	2,758	Property & equipment	5,724	5,681	5,759	5,711	5,668
Operating expenses:						Intangible assets	173	143	95	204	233
Casino	(3,267)	(1,350)	(1,425)	(1,432)	(1,803)	Goodwill	96	82	82	80	79
Rooms	(90)	(47)	(41)	106	346	Prepayments & other	180	291	194	200	195
Food & beverage	(181)	(86)	(92)	(94)	(108)	Investment securities	569	0	0	0	0
Entertainment, retail & others	(100)	(55)	(33)	(48)	(122)	Right-of-use assets	111	92	75	57	39
General and administrative	(559)	(424)	(420)	(314)	(332)	Land use rights	741	722	702	683	663
Philippine parties payments	(57)	(13)	(25)	(19)	(22)	Total non-current assets	7,594	7,012	6,907	6,935	6,877
1Pre-opening	(5)	(1)	(3)	(2)	(2)	Cash & cash equivalents	1,395	1,755	1,329	700	632
Development	(57)	(26)	(57)	(18)	(18)	Restricted Cash	37	0	0	0	0
D&A	(651)	(619)	(588)	(607)	(603)	Investment Securities	49	0	0	0	0
Property charges and other	(21)	(47)	(33)	(35)	(40)	Accounts receivable	284	130	85	120	137
Operating profit	748	(941)	(582)	(48)	55	Inventories	44	37	37	40	43
Interest income	9	5	7	4	3	Prepaid expense & other	85	87	123	127	131
Interest expenses, net	(310)	(341)	(349)	(330)	(328)	Total current assets	1,895	2,009	1,574	986	942
Other expenses	(44)	(181)	(36)	(10)	(10)	Total assets	9,488	9,021	8,481	7,921	7,820
Profit before tax	403	(1,458)	(960)	(385)	(281)	Payables & accruals	1,451	1,008	942	773	883
Income tax	(8)	3	1	5	5	ST debt	73	107	63	52	61
Profit after tax	394	(1,455)	(959)	(380)	(276)	Other ST liabilities	2	2	2	2	2
Non-controlling interest	(21)	191	151	155	171	Total current liabilities	1,525	1,116	1,007	827	946
Shareholders' profit / loss	373	(1,263)	(808)	(225)	(105)	LT borrowings	4,394	5,645	5,780	5,631	5,621
Adjusted Property EBITDA	1,689	(104)	218	423	568	Others	426	421	479	502	525
Basic EPS	0.779	(2.647)	(1.686)	(0.462)	(0.211)	Total non-current liabilities	4,820	6,067	6,259	6,133	6,146
Diluted EPS	0.775	(2.652)	(1.686)	(0.462)	(0.211)	Total liabilities	6,345	7,183	7,266	6,960	7,092
						Total shareholders' equity	2,439	1,102	611	491	390
						Minority interest	704	736	603	470	337
						Total equity	3,143	1,838	1,214	961	727
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (USD m)	2019A	2020A	2021F	2022F	2023F		2019A	2020A	2021F	2022F	2023F
Net income	394	(1,455)	(808)	(225)	(105)	Margins					
D&A	651	619	508	527	523	Operating margin (%)	13.0	(54.4)	(27.2)	(2.0)	2.0
Other non-cash adjustments	157	451	138	154	173	Net profit margin (%)	6.5	(73.1)	(37.8)	(9.3)	(3.8)
Changes in working capital	(366)	(476)	77	(211)	96	Adj. EBITDA margin (%)	29.4	(6.0)	10.2	17.5	20.6
Cash from operating activities	836	(861)	(86)	246	687	Return Ratios					
Capex	(447)	(437)	(585)	(480)	(480)	ROA (%)	4.0	(13.7)	(9.2)	(2.7)	(1.3)
Other investing	(584)	383	(5)	(2)	(2)	ROE (%)	15.8	(71.4)	(94.3)	(40.8)	(23.8)
Cash from investing activities	(1,032)	(53)	(590)	(482)	(482)	Return on capital invested (%)	7.2	(15.0)	(10.7)	(5.9)	(4.3)
Cash from (repayment) debt	341	1,252	262	(144)	15	Liquidity & leverage					
Dividends paid	(301)	(79)	(74)	(322)	(328)	Leverage (i.e., gearing) (%)	199.7	340.2	733.5	1,114.2	1,397.4
Repurchase of shares	0	(45)	(56)	(69)	(86)	Net gearing (%)	139.2	241.0	578.3	987.2	1,253.9
Issuance (buyback) of equity	83	218	118	99	83	Interest coverage ratio (x)	246.3	(273.7)	(163.5)	(14.2)	16.3
Other financing activities	(26)	(83)	0	43	42	Current ratio (x)	124.2	180.0	156.3	119.2	99.6
Cash from financing activities	97	1,264	250	(393)	(273)						
Cash at beg of year	1,472	1,395	1,755	1,329	700						
Net changes in cash	(99)	349	(427)	(629)	(68)						
Effect of foreign exchanges	10	0	0	0	0						
Changes in restricted cash	11	11	0	0	0						
Cash at end of year	1,395	1,755	1,329	700	632						

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: NASDAQ Composite 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: NASDAQ Composite 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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