Macao Gaming
2024 Outlook
Odds Favor Further Recovery

S&P Global Ratings

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This report does not constitute a rating action
Key Takeaways

• **2024 Forecasts.** We expect Macao mass gross gaming revenue (GGR) in 2024 to be 5%-15% stronger than in the pre-COVID year of 2019. Our 2024 mass forecast implies a year-over-year increase of about 20%-30%, led by higher visitor numbers and expanded hotel capacity. Volumes for junket (also known as VIP) will likely stay near current low levels. Operators are unlikely to significantly expand junket VIP operations amid tightened regulations, in our view.

• **EBITDA recovery.** We estimate rated issuers’ EBITDA will be about 95% of their 2019 levels in 2024, on average. This is except for MGM China, which is outperforming the market largely due to incremental tables awarded under a new concession.

• **Development projects could delay deleveraging or add incremental leverage.** U.S. operators Las Vegas Sands Corp., Wynn Resorts Ltd., MGM Resorts International will likely bid for three full-scale casino licenses available in New York.

• **Refinancing.** Operators have sufficient liquidity to address 2024 maturities. Refinancing needs are higher in 2025.

• **Ratings outlook.**
  - Stable for Las Vegas Sands, Wynn Resorts and MGM Resorts
  - Positive for Melco Resorts (Macau) Ltd. and Studio City Co. Ltd.
We estimate Macao mass GGR will grow 20-30% in 2024... About 5%-15% stronger than 2019 levels

- We project the base mass market will grow during 2024, on the back of higher Macao visits, and the expanded hotel rooms capacity in Macao. This is slightly different from 2023, when the strong momentum in mass market was mainly driven by the premium segment. VIP volume will likely stay near current level due to tightened regulations on junkets.

- We see Chinese consumers being cautious with their spending going into 2024. They are saving more and shying away from big ticket items. But when they do splurge, they are more likely to do so on experiences as demonstrated by the strong trends in domestic travel.

- Furthermore, we expect Macao to gain share from other Asian gaming jurisdictions in terms of Chinese players, amid the depreciation of renminbi and government efforts to stimulate the weak economy by promoting domestic tourism.

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Note: The split of VIP/Mass GGR is based on DICJ reported numbers. MOP—Macanese pataca. f—Forecast. Source: Gaming Inspection and Coordination Bureau (Macao), S&P Global Ratings.

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MGM was the biggest mass market share gainer in 2023, thanks to solid performance at MGM Cotai (that was still ramping before the pandemic) and more mass tables under its new concession. While we expect MGM to maintain higher mass market share than before the pandemic, constraints in hotel room capacity, competition from new properties, and ongoing recovery for other operators could cause its share to drop a bit from its current high levels.

We forecast Sands and Melco to recover their mass market share losses in 2024. Ramp of Studio City Phase 2, which added 900 rooms, should help Melco to capture mass recovery in the Macao market. At the same time, Sands should be a major beneficiary from the return of base mass with its largest hotel portfolio in Macao.

Wynn could lose some share in 2024 with the absence of new capacity.

Sands will keep its market lead

Sources: Company disclosures, S&P Global Ratings estimates.
Further EBITDA Recovery Ahead

- MGM China’s cash flow is outperforming the market, largely due to incremental tables awarded to them under a new concession. These tables were deployed to capture the fast recovery in premium mass demand, supporting the ramp of MGM Cotai.

- Melco Resorts & Entertainment Ltd. (MLCO)’s Macao EBITDA recovery is moderately slower than that of rated peers. The company has increased its promotional efforts to reach more premium mass customers. This coincided with the opening of Studio City Phase 2, which added 900 rooms. Our current base case assumes MLCO will maintain the same level of promotional spending in 2024 and 2025. That said, such spending could decrease over time and eventually return to 2019 levels. We expect the pace of MLCO’s EBITDA recovery to gradually catch up with peers with incremental contributions from Studio City Phase 2.

- Sands China’s cash flow recovery should be supported by increased availability of hotel rooms in its portfolio. (In the first and second quarters of 2023, some of its rooms were out of service because of staffing challenges.)

We expect the improvement in EBITDA for rated issuers will accelerate over the next several quarters due to increased Macao visits and greater availability of hotel rooms in the market.
Development Projects In U.S. Could Weigh On Leverage

- We expect LVS, Wynn Resorts and MGM Resorts to bid for the three full-scale casino licenses available in New York. The scale of these projects could add leverage compared with our base-case forecasts. However, the leverage impacts could be 12-18 months away. We believe New York is unlikely to award licenses before the second half of 2024 and don’t anticipate winning bidders would initiate any material capital spending before 2025.

- Melco should have passed its peak investment cycle with the completion of Studio City Phase 2 and City of Dreams Mediterranean last year. We expect the issuer to prioritize ramping these properties and reducing leverage, over bidding major new projects.

Deleveraging pace varies among rated issuers due to levels of Macao exposure and development projects

Many operators have development projects underway in the U.S. and around the world including Singapore, the UAE and Japan

Note: The ratings on Melco’s operating subsidiaries Melco Resorts (Macau) Ltd. and Studio City Co. Ltd. are on positive outlook. We could revise our outlook to stable if Melco’s cash flow recovery in Macao no longer supports a reduction in the debt-to-EBITDA ratio to 3.5x or below. Source: S&P Global Ratings.

Note: Capex numbers for MGM Resorts and Wynn Resorts includes maintenance and development spend as well as equity investments in their Japan and UAE joint ventures, respectively. Las Vegas Sands capex numbers reflect the company’s public guidance as well as our assumptions around spend for the Singapore expansion in 2025. Source: S&P Global Ratings.
Refinancing Plan Is A Watch Point In 2024

- Rated issuers have 5% and 27% of their Macao maturities due in 2024 and 2025, respectively. Wynn and MGM have sufficient cash and revolver availability to repay 2024 maturities without refinancing.

- Issuers will likely push back refinancing plans as much as possible for 2025 maturities to lower the cost of debt, given the elevated U.S. dollar interest rates and improving free cash flow generation in Macao. Issuers could partially pay down these maturities with a common target to lower leverage.

- While some of these 2025 maturities will become current debt in the next two quarters, we believe issuers have sufficient cash resources to sustain their liquidity positions. We also expect issuers to get incremental support from their banks given the market’s strong recovery. These banks supported the issuers even through the difficult pandemic period.

Rated issuers’ Macao debt level has increased over the past three years, due to COVID disruptions and development projects

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All operators have a spread-out maturity profile


**Ratings Outlook**

- We upgraded Las Vegas Sands and Wynn Resorts in 2023. The rating outlooks are stable. Ongoing recovery the companies’ cash flow in Macao has aided improvement in leverage. It will also provide the two companies with financial cushion to absorb a potential large-scale, multi-year casino project if they secure one of the New York licenses.

- The ratings on Melco Resorts & Entertainment Ltd. (MLCO)’s operating subsidiaries, Melco Resorts (Macau) Ltd. and Studio City Co. Ltd. are currently on positive outlooks. We could raise the ratings if MLCO is on track to restore and maintain its adjusted debt to EBITDA leverage at less than 3.5x.

- MGM’s expected development spending, financial policy regarding share repurchases and leverage, and high lease obligations limit upside at this time.

**Rating actions in 2H23 were all positive**

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Source: S&P Global Ratings.

**Melco, Studio City EBITDA focused more on Macao vs. peers**

Note: Data shows property EBITDA, which excludes head-office expenses Source: Company disclosures; S&P Global Ratings
Related Research

- Industry Credit Outlook 2024: Hotels, Gaming and Leisure, Jan. 9, 2024
- Wynn Resorts Ltd. And Wynn Macau Ltd. Upgraded To 'BB-' On Macao Recovery And Strong Las Vegas Results, Outlook Stable, Nov. 15, 2023
- Melco Resorts And Studio City Outlooks Revised To Positive On Strong Macao Mass Gaming Market Recovery; Ratings Affirmed, Nov. 16, 2023
- Las Vegas Sands Corp. And Sands China Ltd. Raised to ‘BBB-' On Macao Recovery And Strong Singapore Performance, Jul. 26, 2023
- Macao Gaming's Post-COVID Recovery Takes Shape, May 25, 2023
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