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Galaxy to buy Wynn stake in move that could reshape Macau

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Galaxy Entertainment Group agreed to buy a stake in Wynn Resorts, in a surprise move linking two of the biggest operators in Macau and Las Vegas that could reshape the gaming landscape in the Chinese territory. PHOTO: REUTERS

[LOS ANGELES] Galaxy Entertainment Group agreed to buy a stake in Wynn Resorts, in a surprise move linking two of the biggest operators in Macau and Las Vegas that could reshape the gaming landscape in the Chinese territory.

The investment comes as Steve Wynn separately sold his remaining eight million shares in Wynn Resorts, eliminating one of his last ties to the casino company he founded after quitting last month amid sexual harassment allegations. Wynn Resorts sold 5.3 million newly issued shares of common stock to Galaxy, giving the competing Macau casino operator an estimated 5 per cent stake in the company, according to a statement on Thursday. The new shares were sold at close to market price at US\$175 each, for a total of about US\$927.5 million.

"This is a unique opportunity to acquire an investment in a globally recognized entertainment corporation with exceptionally high quality assets and a significant development pipeline," said Galaxy Entertainment Group vice-chairman Francis Lui.

The agreement, linking the largest Macau operator with a major Las Vegas pioneer, could shake up Macau's gaming industry at a pivotal time as the world's biggest gaming hub unveils plans in coming months on how it will review and give out operating licences. The tie-up could be an opening for a local operator to win more of the US\$33 billion gaming industry that's been overshadowed by US operators.

The sale of new shares to Galaxy, controlled by Hong Kong billionaire Lui Che-Woo, positions the company as a potential suitor if Wynn Resorts were up for sale.

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"Over the longer run, Galaxy may be a potential acquirer of Wynn Macau, and the initial purchase gives Galaxy a first bite at the company," according to a Sanford C Bernstein & Co note by analysts led by Vitaly Umansky. While he said Galaxy may not want to buy all of Wynn Resorts, "a Galaxy acquisition of Wynn Macau assets would create the leading Macau gaming company".

The swiftly moving developments at Wynn Resorts were sparked by Mr Wynn's departure in February following allegations of sexual misconduct. While the Las Vegas-based company is also under investigation by casino regulators in Nevada and Massachusetts, its Macau unit, along with other operators in Macau, is facing uncertainties as the territory plans to lay out rebidding details of casino concession licenses that will start to expire from 2020.

"The risk of potentially not regaining the Macau gaming concession specifically due to allegations against Steve Wynn are too great not to be immediately dealt with," said David Bonnet, partner at Delta State Holdings Ltd.

"With Galaxy now as a major shareholder, it reduces the potential uncomfortable questions that any gaming regulators, specifically Macau regulators, will have in the upcoming license rebidding."

The investment also comes as some analysts speculate Beijing is seeking to reduce foreign interests in Macau's gaming industry.

"This Wynn saga may represent an unforeseen opportunity," said Ben Lee, a Macau-based managing partner at Asian gaming consultancy IGamiX.

"The theory is that the word may have been passed down from Beijing to do so now ahead of the concession process."

Galaxy's investment in Wynn follows its expansion plans beyond Macau. It received a casino licence with a local partner in the Philippines this month to build a US\$500 million resort, and is also looking at a potential opportunity to enter the Japanese market after the country legalised casino gambling.

The investment in Wynn Resorts will give Galaxy more exposure to Macau's VIP gaming segment and also put the company on a global stage through its connection to a US-based gaming giant, said Bloomberg Intelligence analyst Margaret Huang.

Wynn Resorts plans to use the proceeds to repay an US\$800 million loan it took out to settle a longstanding feud with Universal Entertainment Corp, one of its original investors.

Mr Wynn sold his remaining shares to two institutional investors who already hold Wynn Resorts stock, a spokesman said. His shares also went for US\$175 each, or US\$1.4 billion. The transaction followed the earlier sale of 4.1 million shares, also announced on Thursday.

Since stepping down, Mr Wynn settled a six-year fight with his ex-wife Elaine Wynn, giving her the right to vote and sell her roughly 9 per cent stake in the company. The company also settled its battle with Universal, agreeing to consult with that company's casino in the Philippines. Under new CEO Matt Maddox, several long-serving members of Wynn Resorts' board have left the company.

Wynn Macau shares dropped as much as 5.8 per cent in Hong Kong trading Friday amid a global equities selloff. Galaxy stock tumbled as much as 5.4 per cent.

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