

# Industry will recover but no more 'jackpots'

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"The probability of the gaming industry going back to its 'peak' is minimal," said Ben Lee, an analyst at IGamix consultants, defending that 'supernormal' profits are gone, referring to successive record revenues of casinos and the latest "new normal" term used to describe the recent economic environment of China.

Revenues began a downward curve in June 2014, after years of exponential growth. For the whole of 2014 they fell 2.6 per cent, in 2015 decreased by 34.3 per cent and, in the first five months of this year, have declined by 11.9 per cent when compared to the same period last year.

Ricardo Siu, a professor at the University of Macau specializing in the gaming industry, also estimates that the record monthly revenues of 38 billion patacas reached in February 2014 are "very unlikely" to be achieved "in the near future".

The large rises in gross gaming revenue between 2011 and 2013 are past, he states:

"It is true that the market may not return to this number" in the "next five years or even more."

In the newly presented mid-term review of the sector after liberalization commissioned by the local government - the first study of its kind, which closely examines the state of the territory's economy - it is said to be "unlikely" that the gross revenues will reach the monthly barrier of 30 billion patacas.

The monthly average for the first five months of 2016 is 18.38 billion patacas (US\$2.29 billion), less than half compared to the "peak".

"The good news is that the industry can return to profitability peak levels without having to reach peaks in terms of gross revenues. This is because the future of Macau is much more focused on the mass segment, which has significantly higher margins compared to the VIP market", pointed out Grant Govertsen, an analyst at Union Gaming, adding that "in the long-term, the outlook remains very bright for Macau".

According to Aaron Fischer of CLSA, revenues from mass market will see an average increase of 10 per cent in the period 2016-20, while the VIP gaming segment will see only 4 per cent in a scenario of an average annual revenue growth of casinos of 7 per cent.

Samuel Huang, a professor at Macao Polytechnic Institute, points out that current monthly revenue is still worth more than the whole year of 1999, for example, emphasising that one should not look at the current scenario "very pessimistically". While it is true that "in the long term it will continue to depend heavily on the gaming industry, Macau will be fine," he says.

Also for Ricardo Siu, "unless there are more new 'problems' identified in the industry - which seems unlikely - and the Government decides on other serious steps to respond to these 'problems', the gaming industry will have reached its worst time in November 2015" - when revenues fell to their lowest levels since November 2010.

Along the same lines, Ben Lee of Igamix believes that "there are still smaller structural issues to be resolved" and that "from a lower base, volatility of gross revenue has been exacerbated". But he anticipates a "positive change" by the end of the year.