

Macau Casinos Drop as Golden Week Visitor Numbers Disappoint

By **Daniela Wei** and **Jeanny Yu**

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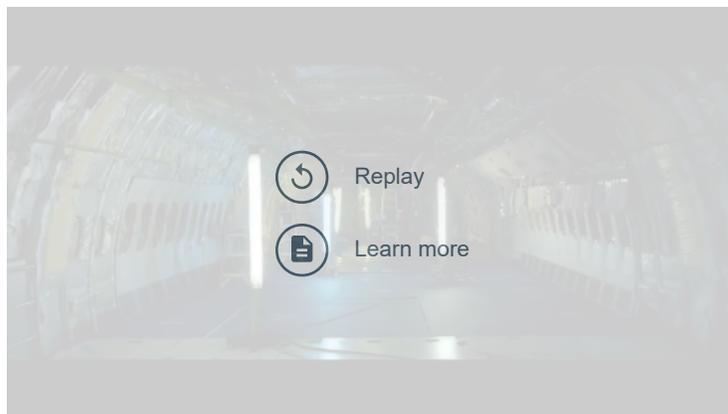
→ Tourists from mainland China declined 1.1% in first five days

→ Macau doesn't look Golden Week busy, IGamiX's Lee says

Macau casino shares slumped amid growing concern that business during Golden Week may not live up to optimistic projections due to fewer-than-expected tourists to the gambling hub.

Casino operators were the two worst performers on Hong Kong's Hang Seng Index as data on Friday showed tourist arrivals from mainland China fell 1.1 percent in the first five days. That compares with a 7.3 percent jump in the year-earlier period.

Galaxy Entertainment Group Ltd.'s <https://www.bloomberg.com/quote/27:HK> shares fell 1.9 percent, while Sands China Ltd. <https://www.bloomberg.com/quote/1928:HK> dropped 2.7 percent, the biggest decline since June 1, at the close in Hong Kong.



“Casinos, shops and restaurants inside the resorts were not crowded in the last few days. It’s just like a regular Saturday night performance, definitely not a ‘Golden Week’-type busy,” said Ben Lee, a Macau-based managing partner at Asian gaming consultancy IGamiX. “We are scrambling to find out what happened.”

The VIP betting volume is expected to decline slightly during Golden Week from a year ago, while mass gaming revenue may increase at low single-digits, based on the business performance in the first half of the holiday, he said.

Bookings at hotels, junkets flush with high rollers and brand-new entertainment options were seen to help make Golden Week the most lucrative in at least the past decade for the world's biggest gaming hub. The Macau Tourism Office had forecast the number of tourists this week to increase by as much as 5 percent from about 1.2 million visitors last year. So far, 603,559 visitors have arrived.

The weaker-than-expected data so far may be due to a longer Golden Week period this year that is spreading arrivals across more days, said Vitaly Umansky, analyst at Sanford C. Bernstein & Co.

Optimistic Outlook

Melco Resorts & Entertainment Ltd. <<https://www.bloomberg.com/quote/MLCO:US>> "is happy with" the gaming revenue for the first five days of the Golden Week, Chief Executive Officer Lawrence Ho said on Bloomberg TV on Friday. The numbers for this year compare with a higher base for 2016, he said.

There's expectation things will improve even though the number of tourists in the first few days shows it's not a good start. JPMorgan Chase & Co. analyst DS Kim said that he's maintaining his outlook for a growth of 25 percent to 30 percent in gaming revenue for the week.

"While the first four days' betting volume showed a slight drop, the performance from Oct. 5 is strong for Suncity," said Andrew Lo, executive director of Suncity Group Holdings Ltd., the listed vehicle of the city's biggest junket group. "And we expect our business will do better during the weekend."