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Macau seeing resurgence of smaller junket operators

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Macau is seeing a resurgence in VIP gaming businesses run by small- and mid-sized junket operators. These firms have opened at least five VIP clubs at the city's casino resorts between May and July, industry insiders told GGRAsia.

Macau junket investor firm David Group is running VIP gaming at the newly opened Macau Roosevelt Hotel under an agreement with the casino licence holder for the venue, SJM Holdings Ltd, the latter firm's chief executive Ambrose So Shu Fai confirmed to GGRAsia on July 26. David Group has also launched VIP gaming operations at Studio City in May, and a trial operation at Galaxy Macau late last month, according to the group's promotion materials.

David Group – once described as one of Macau's [top-six VIP gaming promoters](#) – had scaled back its [Macau operations](#) in January 2015.

In June, a new VIP gaming operation run by "Qian Jin" VIP club was launched at L'Arc casino hotel, industry sources confirmed to GGRAsia. Another local junket operator – Benny Club - has also started VIP gaming operators at casino hotel Legend Palace on July 27, according to our floor check.

"Currently, the business conditions [for VIP gaming in Macau] has improved a lot, hence some of the junket operators have resumed their businesses in the city," said the president of the Association of Gaming and Entertainment Promoters Kwok Chi Chung. He added that the better-than-expected performance of mainland China's economy has been positive for the city's junket business – as these operators largely rely on Chinese high rollers.

"Many junket operators now have changed for a better business strategy – now they no longer only aim for the very rich clients, which in turn helps to reduce debt collection risk and stabilise their businesses," Mr Kwok told GGRAsia.

Casino industry consultant Ben Lee of IGamiX Management and Consulting Ltd noted that despite the increase in the number of VIP gaming rooms run, their rolling-chip volumes have not continued to increase.

"There was an increase [in the number of VIP rooms] but ... apart from the initial burst of interest generated, we believe their levels of rolling activities declined in the succeeding months thereafter," Mr Lee said in an email reply to GGRAsia.

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Brokerage JP Morgan Securities (Asia Pacific) Ltd had said in a note in May that what it termed some “mid-sized” junkets seemed to have been [gaining market share](#) in the Macau market. But it added “sustainability is something to be mindful of ... as smaller junkets tend to carry higher credit/collection risks given their relatively loose credit policy,” compared to the bigger gaming promoters.

Growing business

Macau’s casino gross gaming revenue (GGR) in VIP baccarat segment in the April to June period was approximately MOP35.86 billion (US\$4.46 billion), [up by 34.8 percent](#) year-on-year.

“We believe short of any intervention, the VIP growth will continue as profit begets profit,” Mr Lee said.

“The junket operators will continue to reinvest their earnings in the business. Some of the leading junket operators are projecting a 15 percent half-on-half sequential growth for the rest of this year,” he added, noting that the issue of debt collection will continue to separate the strong operators from the weaker ones.

Japanese brokerage Nomura suggested in a note earlier this month the recent VIP strength could eventually lead to [government action](#) to control the growth in the high-roller segment.

“Thus far, there has been zero government pushback to much stronger than-expected VIP growth, and any potential policy response likely depends on the extent of the strength in year-on-year growth as well as its sustainability,” said the Nomura team.

Wang Changbin – a scholar at the Gaming Teaching and Research Centre, a unit of Macao Polytechnic Institute – believes that the recovery of the VIP gaming business is “good news” for the city’s gaming industry. But he warns that the government should consider raising the capital deposit for any junket operator newly-registered in Macau.

“I think the previously discussed direction of raising the deposit threshold to MOP10 million for newly-registered junkets is the right direction; a good risk control measure in order to allow only the financially solid firms to enter the market,” Mr Wang told GGRAsia.

“Nonetheless, Macau’s VIP gaming is a very capital-intensive business, and it is inevitable for the junket operators to provide capital [to players],” Mr Wang said. “I think one direction that the government should consider when revising legislation related to junkets is to set a certain level for loans to have to be reported [by junkets], in order to strengthen oversight of the industry,” he added.


Paulo Martins Chan, the director of Macau’s Gaming Inspection and Coordination Bureau, said in May that the regulator was [being cautious](#) in the way it approves licences for junket operators. “We are approving [licences] on a case-by-case basis. We want to keep those [junkets] that are financially healthy and capable,” he stated.

At the time, Mr Chan also confirmed that the regulator had already started auditing the credit issuance records for the city’s 126 licensed VIP gaming promoters. “We have audited about 40 junkets,” he said, adding that some of these operators had been told to “improve their accounting system”.

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