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#BUSINESS NEWS

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Philippines' booming casino sector at risk of oversupply

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FILE PICTURE: Enrique Razon, businessman and owner of casino operator Bloomberry Resorts, answers a question during a stockholders' meeting in Manila June 24, 2013. REUTERS/Romeo Ranoco

HONG KONG (Reuters) - Overinvestment in the Philippines' thriving casino sector could become a reality as investors chase lucrative returns in Asia's fastest-growing gaming hub, casino-to-ports magnate Enrique Razon Jr told Reuters on Tuesday.

Business is also at risk of being cannibalized when casinos operated by the state are privatized next year, said Razon, who is the chairman of Bloomberry Resorts ([BLOOM.PS](#)) and International Container Terminal Services ([ICT.PS](#)).

“Cannibalization – it is always possible, over investment. With liquidity nowadays and (low) interest rates, people are making investments that 10 years ago (they) wouldn't even think about, those kinds of returns.”

The Philippines is one of the fastest-growing casino hubs in Asia after Macau and Singapore.

The government has said it hopes to draw millions of foreigners to casino resorts in 'Entertainment City', a 100-hectare area that aims to mimic Las Vegas and Macau.

Ranked as the Philippines' third-richest person with a net worth of \$4.4 billion according to Forbes, Razon opened the \$1.2 billion Solaire by the azure waters of Manila Bay in 2013.

Other projects now open include casinos owned by Macau magnate Lawrence Ho and Philippine billionaire Henry Sy, and a company founded by Japanese billionaire Kazuo Okada.

Gross gaming revenue has boomed over the past year, up 27 percent in the year to August, Morgan Stanley said, due to robust demand for proxy betting via video streaming, strong visitor arrivals and a solid domestic market.

The government said this month it wants to start privatizing the casino assets of the Philippine Amusement and Gaming Corp (PAGCOR) from next year. The state-run organization is presently both a regulator and operator of more than 40 casinos across the country.

Razon said Bloomberry would be interested in PAGCOR's casinos in the provinces but said further details were needed to understand how any sale would work.

On foreign competition for the licenses, Razon said Bloomberry had the advantage of being already well established.

“We are not the ones coming in creating the oversupply. It is tougher for the entrant...if Macau companies came to try to buy the licenses, we would try to compete with them to buy the licenses.”

Industry analysts are waiting to assess the impact of the privatization but some expect more gambling venues.

Ben Lee, managing partner at gaming consultancy IGamiX said the move would “create a whole lot of mini casinos all over the place and I expect that to increase.”

Razon said competition inside Entertainment City was already strong and expected Okada’s new property to ramp up further.

The company is finalizing plans to build a smaller casino in Quezon city, located in Metro Manila, he said, which would mainly cater to the dense population in the area. Construction is expected to begin in the second half of next year.

Editing by Jacqueline Wong

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