

FINANCIAL RESULTS

While **Pagcor** has attributed a near 10 percent growth in its gaming revenues to improved Chinese ties, market experts suggest that proxy betting remains the real driver. Meanwhile, executives from Melco and Entertainment Gaming Asia have met with president Duterte to discuss future investments in the country.



What's on the cards for the Philippines' casino industry

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he Philippine Amusement and Gaming Corp (Pagcor) has announced that its revenue increased by almost ten percent in 2017 with improved links to neighbouring countries, most notably with China, boosting arrivals in the country and driving the rise.

Speaking in January, Pagcor's chair and CEO, Andrea Domingo, announced that the state regulator had taken "close to PHP60bn (\$1.19bn)" in 2017.

While last year's results were slightly below Pagcor's target of 11 percent, nevertheless, the figure was still a nine percent rise on the PHP55.06bn (\$1.09bn) the regulator-cum-operator posted in 2016.

While Pagcor has reportedly attributed this growth to improved ties with China, Eric Coskun, senior associ-

ate at IGamiX Management and Consulting, contends that proxy betting remains the primary growth driver in the Philippine gaming industry.

"Chinese tourism to Philippines has increased from 491,000 in 2015 to 676,000 in 2016 and is anticipated to jump to 900,000 for 2017, however we do not believe this increase in tourism has had any significant impact on gaming revenues," he explained.

"Most of the Premium players and VIPs still consider Manila to be a dangerous place and refrain from visiting there.

"The primary driver of this growth is still proxy betting and online gaming. Some of the top junkies have reported over 80 percent of their revenue comes from proxy betting."

It is not surprising that Pagcor might want to keep the proxy betting boom under its hat, but despite this the casino regulator continues to permit phone betting, even while other gambling hubs have chosen to ban it outright.

Proxy betting has always been a risky proposition because of the inability of casinos to perform any normal due diligence or vetting and the subsequent concerns surrounding money laundering.

Overall, the Philippine gaming industry's GGR for 2017 - a different measure from Pagcor revenues - reached "over P170bn," Domingo stated, speaking to local media, although she did not provide a more detailed breakdown of this figure.

Domingo also confirmed

that Melco executives, led by Lawrence Ho, and Entertainment Gaming Asia officials, led by CEO Clarence Chung, met with president Rodrigo Duterte on 11 January to discuss future investments in the country.

Back in September 2017, Ho expressed interest in investing in the 17 Pagcor-owned casinos to be sold off in the first round of disposals.

However, the casino executive said Melco's plan to increase its stake in the Philippines would still depend on the price and opportunity.

Pagcor directly operates its own state-run casinos under the Casino Filipino brand, and also oversees a number of private-sector ones.

Carlos Dominguez, the Philippines' Finance Secre-

tary reaffirmed in January, that the first round of disposals would include 17 out of 46 venues, but emphasised that the process would not be simple as it involved "a lot of complicated contracts".

"We believe that Duterte will gladly welcome Lawrence Ho's investment, however we have heard chatter that the 17 Pagcor properties will be sold to the current onsite hotel/landlord at each property, with negotiations currently ongoing," Coskun continued.

"Pagcor will then most likely set a significantly higher gaming tax for these properties as they have already done for a couple of other properties in Metro Manila, thus, in an indirect way, maintain similar revenue flows from these 17 properties.

"Ho will then have to look at developing a brand new property."

Meanwhile, Pagcor has launched a second auction for two parcels of land occupied by Bloomberry's Solaire Resort and Casino.

The regulator put the two plots of land, which covers some 160,359 sqm, on auction in late November.

Pagcor also did not offer an explanation of the reasons behind the second bidding process for the land, due to conclude on 26 January, but Coskun suggests that the structure of the auction favours only one outcome.

"The lack of interest is due to the knowledge that no matter what bid is submitted, Solaire has the final option to match any bid and become the preferred bidder," he clarified.



PHILIPPINES

