

MACAU WEEKLY ANALYSIS

LOW HOLD CONTRIBUTES TO AWFUL WEEK

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CALL TO ACTION

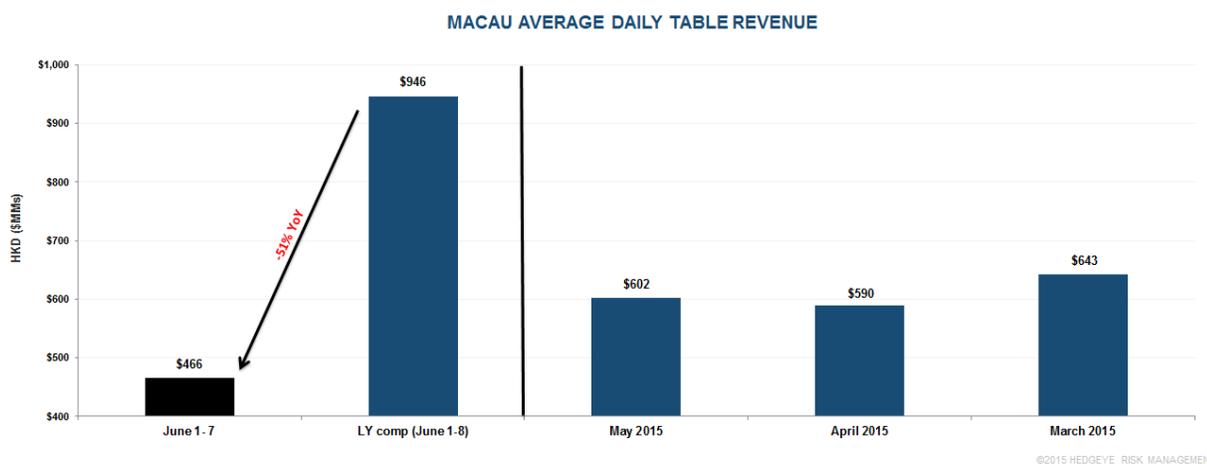
Yes, this past week's table revenues were awful. But that's not the reason we like the Macau stocks on the short side. Following last week's relief rally, which was totally predictable, valuations are full again and the most disconcerting issue – base mass trends are decidedly negative – is not well understood nor projected by the Street. Thus, even if GGR trends hold, the mix is unfavorable and Street estimated margins and EBITDA need to come down considerably for 2015 and especially 2016.

As we discussed in our Macau conference call/presentation on Friday, Sands China (LVS) looks most at risk: it maintains the most exposure to base mass segment – biggest negative delta to current expectations and most targeted segment by upcoming Cotai supply – and LVS's competitive positioning should outperform in good times and underperform in bad. It's clear what environment Macau is in now.

THE LATEST WEEKLY REVS

From June 1-7, 2015, table revenues averaged HK\$466 million per day (DTR), down 51% from the same period last year. This is the worst weekly table revenue since the 1st week of February 2011.

We are hearing reports of low VIP hold percentages (~1.5%) that is likely driving much of sequential softness from May. Customer traffic remains decent per our sources, however. With only a week and a half in the books, it's impossible at this time to determine the impact of Galaxy's Phase 2 expansion on market growth.



MARKET SHARES

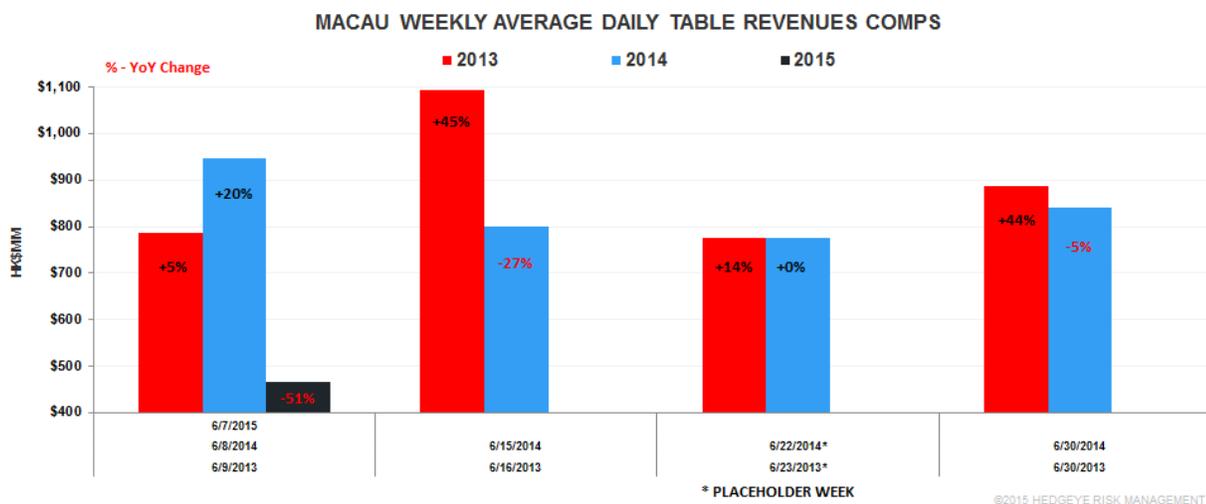
It's much easier to judge the market share impact of Phase 2. As expected, Phase 2 has boosted Galaxy's overall share. LVS's share came back to earth and we suspect its properties are most at risk to market share losses from the new supply on Cotai as we discussed in our conference call/presentation on Friday. MPEL's share is holding up nicely. Again though, market

shares this early in the month are not that relevant given the outsized impact hold % swings can have on share.

| MACAU JUNE 2015 TABLE MARKET SHARE | | | | | | |
|------------------------------------|--------------|-------|----------|-------|-------|-------|
| (in HK\$ millions) | | JUNE | Trailing | | | |
| | HK\$s | MTD | 3-months | MAY | APR | MAR |
| SJM | 688 | 21.1% | 22.9% | 22.6% | 22.2% | 23.9% |
| LVS | 659 | 20.2% | 23.7% | 26.2% | 23.9% | 21.0% |
| WYNN | 368 | 11.3% | 10.8% | 9.6% | 11.8% | 11.1% |
| MPEL | 520 | 15.9% | 13.4% | 14.1% | 12.4% | 13.7% |
| GALAXY | 778 | 23.9% | 19.9% | 18.7% | 20.6% | 20.3% |
| MGM | 248 | 7.6% | 9.3% | 8.8% | 9.2% | 10.0% |
| TOTAL | 3,261 | | | | | |

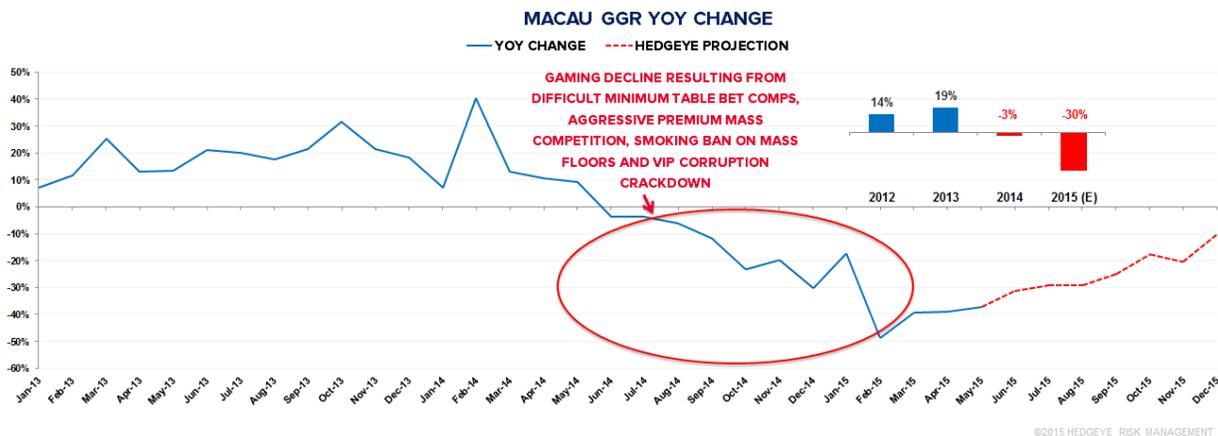
UPCOMING COMPS

The first week comparison was the easiest on a 1 yr basis but on a 2 year basis, the comps are more consistent with week 3 the easiest and week 4 the most difficult. The current week faces the easiest 1 yr comp of the month.



2015 GGR FORECAST

We do not expect to see positive growth for the rest of 2015, absent any big hold months. Our June GGR forecast is lowered to -30%-33% and our FY 2015 GGR forecast is -30% YoY.



CONCLUSION

We like to see a trend before reacting too much to the weekly results. In this case, the timing is starting to look better on the short side but not just because the weekly numbers were awful. Valuations are full again following the big relief rally last week and 2015 and 2016 estimates are headed lower due to declining trends in the high margin base mass segment. A long term bull story exists for LVS I'm sure. However, over the intermediate term, that company's properties look most at risk given the high exposure to base mass, the overflow nature of its properties, and the specific targeting of the upcoming new properties – right in LVS's sweet spot.

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