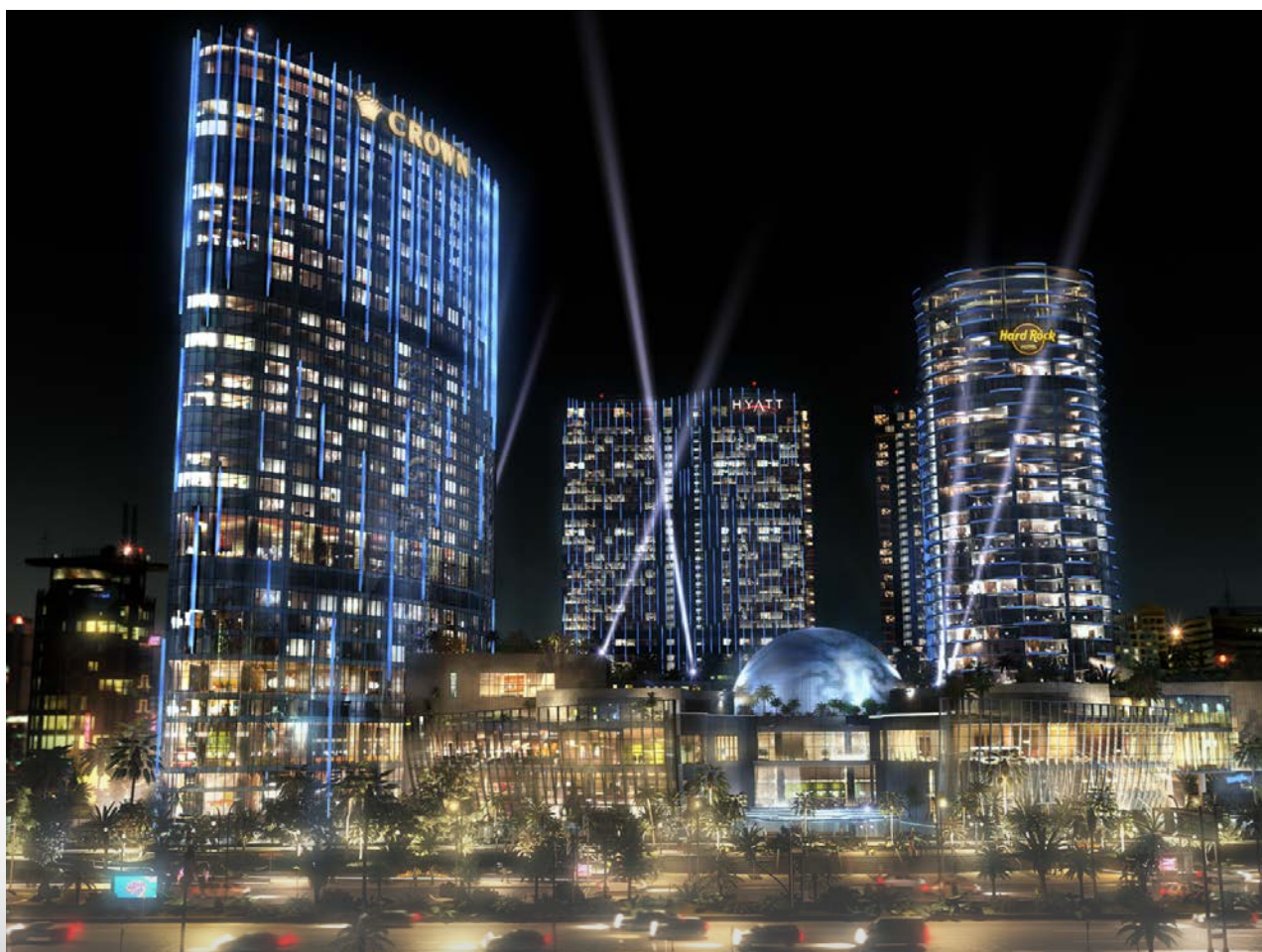


MACAU: NOVEMBER FIRST WEEK

NOVEMBER 11, 2014

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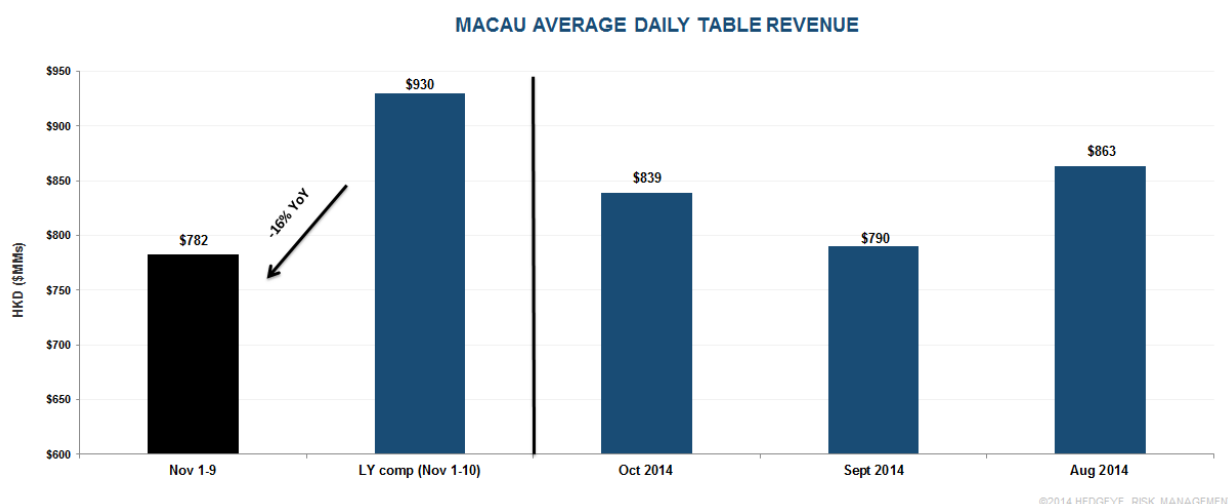


CALL TO ACTION

As expected, November is off to a “less bad” start than October. We project November GGR will fall 12-16% YoY, not as bad as October’s 23% decline, but not as good either. The first 9 days were in line with our expectation. We would caution investors that December is likely to look more like October. We would fade any relief rally based on “less bad” November results as we remain well below the Street on Q4 and 2015 EBITDA estimates for all the Macau operators.

NOV WEEKLY TABLE REVENUES AND TRENDS

The first week of November generally followed the trends seen in the 2nd half of October. Table revenues averaged \$782 million per day through the first 9 days of November, down 16% YoY. We are currently projecting a YoY decline of 12-16% for the full month of November – less bad than October’s 23% decline. However, we would caution that YoY declines are likely to accelerate again in December.



MASS RECLASSIFICATION

The reclassification of Premium Mass tables into direct VIP to circumvent the smoking ban likely contributed to the October’s Mass revenue decline of 8% in Macau. Our sources suggest that all of the operators have applied to the Macau government to reclass some Premium Mass tables but MPEL is the only one to receive DICJ approval thus far. We estimate that the reported 8% YoY Mass decline in Macau would’ve been 3-5% had MPEL’s reclassification not taken place – still an awful performance. It should be noted that the Mass reclass has no impact on profitability.

Going forward, the reclassifications will have a bigger impact on the VIP/Mass split, making apples to apples comparisons very difficult.

MARKET SHARES

MGM and MPEL led the way in sequential share gain, both likely benefitting from higher than normal hold. Wynn continues to disappoint with share below recent trend. Wynn was hurt in October from low hold and may be experiencing the same here in November. However, VIP volumes also appear to be off as well as some of the junket tables, including MegaStars – Wynn’s largest junket – are located in an area where smoking is required to be banned. We’re pretty sure Wynn is requesting relief from the DICJ.

SJM, LVS, and Galaxy also gave up some share early on in November as can be seen below:

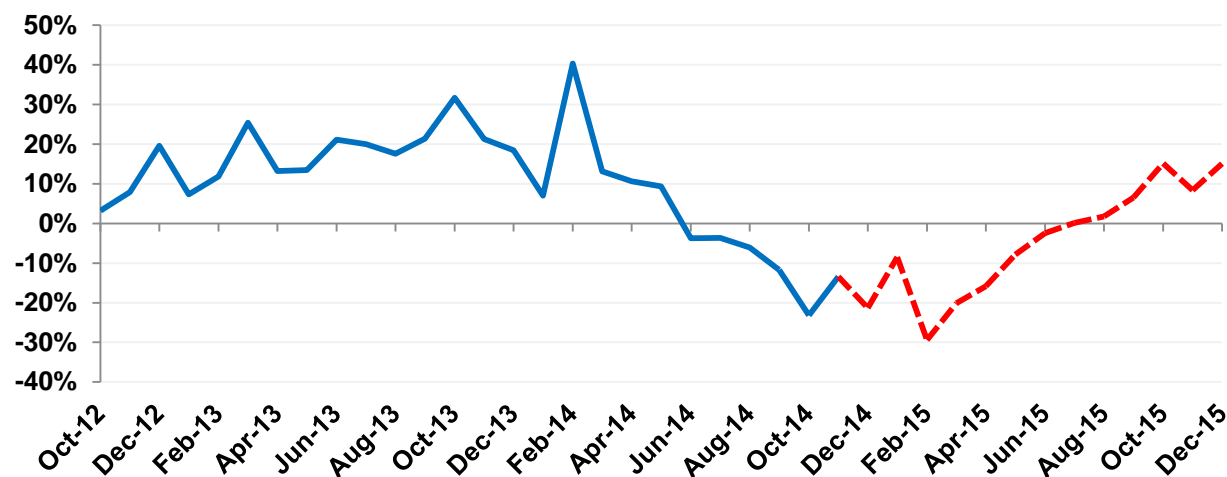
| MACAU NOV 2014 TABLE MARKET SHARE | | | | | | |
|--|--------------|------------|-----------------|------------|-------------|------------|
| (in HK\$ millions) | | NOV | Trailing | | | |
| | HK\$s | MTD | 3-months | OCT | SEPT | AUG |
| SJM | 1,444 | 20.5% | 22.8% | 24.0% | 21.3% | 23.0% |
| LVS | 1,535 | 21.8% | 23.0% | 23.4% | 21.2% | 24.3% |
| WYNN | 570 | 8.1% | 9.7% | 8.7% | 10.6% | 10.0% |
| MPEL | 1,063 | 15.1% | 13.1% | 14.1% | 12.4% | 12.8% |
| GALAXY | 1,479 | 21.0% | 22.1% | 21.9% | 23.4% | 21.3% |
| MGM | 951 | 13.5% | 9.2% | 8.0% | 11.1% | 8.6% |
| TOTAL | 7,042 | | | | | |

HEDGEYE MONTHLY PROJECTIONS

As seen in the following chart, we don't expect to see positive growth in GGR until July, absent any big hold months and December should show sequential deceleration from November:

MACAU GGR YOY CHANGE

— YOY CHANGE - - - HEDGEYE PROJECTION



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CONCLUSION

November is performing in line with our expectations so we continue to forecast a YoY GGR decline of 12-16%. While “less bad” than October’s 23% decline, we expect another turn for the worse in December. Overall, we remain negative on the Macau stocks and see sentiment potentially bottoming in mid-December.

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