

## Casino Stocks Are Coming Up Aces

Written by Administrator

Tuesday, 23 February 2016 08:14 -

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The possible comeback of the world's largest gambling market has helped sector investors hit the jackpot recently.

Late last month, **Las Vegas Sands Corp.** (NYSE: [LVS](#)) reported better-than-expected December quarter earnings for its Macau subsidiary, while it continues to shore up its profit stream with a late 2016 opening for its new flagship casino on the island, the **Parisian**

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The company said that property earnings before interest, taxes, depreciation and amortization at Sands China rose 7% from the previous quarter to \$575 million, ahead of the *Bloomberg* consensus of \$539 million. "The beat was driven by strong margins due to cost savings efforts, and also partially helped by beneficial hold mix in VIP," UBS noted in an analyst note cited by Barrons.com.

Cost savings totaled \$250 million in fiscal year 2015, ahead of the budgeted \$200 million.

Las Vegas Sands sees gross gaming revenue stabilizing, saying in its earnings report that the opening of the 400-room **St. Regis Tower** on December 17 is helping the casino operator to draw in premium-mass consumers, Barrons.com reported.

Goldman Sachs analysts took Sands' report, along with an earlier optimistic report from **Wynn Resorts, Limited**

(NASDAQ:

[WYNN](#)

), as a positive development.

"Following WYNN's announced preliminary range for Macau 4Q EBITDA that was only slightly below our expectations on January 15, LVS's solid results in Macau add to the impression that we may finally be approaching a bottom."

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Wynn [shares jumped](#) even more after the company officially released fourth-quarter earnings which beat analysts' estimates earlier this month, with revenue growth in Las Vegas partially offsetting a decline in the Macau business. <sup>2</sup>

Las Vegas Sands and Wynn Resorts comprise more than 32% of the weighting in the [Casino Gambling](#) motif, which has gained 9.2% in the past month. In that same time, the S&P 500 has increased 6.2%.

Over the past 12 months, the motif has lost 22.3%, while the S&P 500 is down 9.1%.

January was the Macau business's "best month in a long time," Wynn's billionaire founder Steve Wynn said in a post-earnings conference call.

Wynn Resorts, like other Macau casino operators, has suffered through a two-year slump in betting by high-rollers, and betting revenue in the Chinese enclave did fall 27% to \$6.8 in the fourth quarter. Still, that was smallest quarterly decline of 2015, leaving some analysts to suggest the area's operations may only improve from here.

The company is seeing some pickup in hotel occupancy and stabilization of some retailers as well as visits to its Macau casino, said Wynn President Matt Maddox.

Wynn said he expects the number of junket operators, which bring in high rollers to its Macau casino, will drop to as low as four - about half of the current number - because of weakness in some operators. Still, there's no shortage of wealthy gamblers in China, and he expects to draw them to his casino, *Bloomberg* cited Wynn as saying.

The company said it's working with its [contractor](#) in Macau and still hopes its new casino in the developing Cotai district will open on June 25. The \$4.1 billion Wynn Palace is one of three new casinos expected to open in 2016 from US based-companies operating there.

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Also adding to optimism in Macau was the first read on Lunar New Year visitation data. For the first three days of Chinese New Year, between February 8 and 10, Macau's total visitor arrival grew 4.7% from a year ago, according to *Barrons.com*.<sup>3</sup>

A recent analyst note by Union Gaming analyst Christopher Jones cited by *Barrons.com* noted that...

"on the [Macau] Peninsula, we are hearing that mass, premium mass and VIP are all trending at least in line with management's plan, with larger crowds and minimum bets than in recent months.

Over on Cotai, we heard roughly the same thing from management who were generally pleased with the first 1.5 days of results so far. Overall, it seems that things are moving in the right direction and we remain cautiously optimistic for a strong [Chinese New Year]."

Further signs that the Chinese holiday is helping a sustainable recovery in Macau may fuel a further rally in casino stocks.

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1. Shuli Ren, "Las Vegas Sands: Q4 Beat, May Partially Open Parisian Early; Macau Bottoming?" *Barrons.com*, January 27, 2016.
2. Christopher Palmeri, "Wynn Resorts Shares Surge on Vegas Growth, Macau Stabilization," *Bloomberg.com*, February 11, 2016, (accessed Feb. 21, 2016).
3. Shuli Ren, "Chinese New Year Visitation Solid," *Barrons.com*, February 14, 2016.

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