

Macau Casino Concession Clarity Still Not In The Cards

Written by Administrator

Sunday, 23 December 2018 04:10 -

Macau authorities have not clarified what will happen with the casino concession for Grand Lisboa operator SJM Holdings that expires in March 2020. (Photo credit: Getty Images)Getty

Here's the report card on my predictions for 2018.

Macau concession extension: I predicted that Macau's government would extend the casino concession for SJM Holdings and its subconcession sold to MGM and Pansy Ho, both expiring in March 2020, to 2022, aligning them the expiration of the other concessions. I thought the authorities would want to give clarity and assurance to investors and operators; after all, SJM's US\$4.6 billion Grand Lisboa Palace may not even open by March 2020. I thought wrong.

Investors and concessionaires spending billions aren't the constituencies that most concern Macau authorities. Welcome to the old Macau at its worst, where operating behind closed doors in the least transparent way possible is the default preference – even when logic dictates otherwise – where seating arrangements and cryptic quotes from second rank officials at third rank functions become critical policy rubrics. Macau's government can, and should, do much better.

The breathtaking drop in Macau casino shares this year is partly due to uncertainty over concession expiration. The [opening of the HKZM Bridge, a key growth catalyst](#) , doesn't offset this looming threat to casino investors.

What Macau officials have said, that the current law calls for open tender of casino concessions, offers little comfort. Sanford Bernstein analyst Vitaly Umansky points out how difficult it would be separate gaming areas covered by concessions from hotel and other facilities that are not. But Macau has laws and procedures in place to do just that. Think Macau wouldn't confiscate concessionaire property? [Ask Sands China about Cotai Lots 7 & 8](#) .

Morgan Stanley analyst Praveen Choudhary says the decision on concessions will fall to Macau's next chief executive, taking office December 20, 2019, giving the new CE three months to consider the SJM/MGM situation. The new leader will likely be chosen by August, so a decision could emerge sooner.

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SJM Holdings' US\$4.6 billion Grand Lisboa Palace in Cotai may not even be completed by expiration of the company's casino concession in March 2020. (Photo credit: Lam Yik Fei/Bloomberg) © 2015 Bloomberg Finance LP

The smart money still says that 2020 expiration dates will be extended 2022. But Macau officials have maximized opacity on the concession expiration issue to no one's obvious benefit.

Japan moves closer to casinos, but doesn't finish: After passing the first of two casino legalization bills in December 2016, Japan was supposed to finish the job in 2017 with passage of the Integrated Resort Implementation Bill. That didn't happen, and I set the odds for the second bill getting approved during 2018 at 60-40.

In July 2018, Japan finished the job as the upper house of the Diet passed the IR Implementation bill during an extended special session. My lukewarm bet proved right.

Okada Manila at crossroads: Universal Entertainment's putative US\$2.8 billion Okada Manila opened hastily in December 2016 to beat Philippine regulator Pagcor's deadline. It was still mainly a construction project when

[Universal founder Kazuo](#)

[Okada was ousted in June 2017](#)

for alleged financial malfeasance. Universal, primarily a manufacturer of pachinko machines for its Japanese home market, faced the dilemma of spending more than US\$1 billion on another man's baby, and

[Universal was reportedly shopping Okada Manila](#)

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I predicted Universal would keep and complete the integrated resort, and that proved correct. In June, Universal appointed investment banker Byron Yip as Okada Manila's chief operating officer, and in December, Universal announced it had placed US\$600 million in notes to complete the resort.

Universal Entertainment has decided to complete its US\$2.8 billion Okada Manila casino resort, even though it bears the name of ousted founder Kazuo Okada. Muhammad Cohen

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Japan's casino legalization gives Universal a huge incentive to keep Okada Manila. Many observers believe being the only Japanese company with experience running its own casino resort bestows significant advantage in the competition for a Japan IR license. Sure enough, Universal's Philippine operating subsidiary Tiger Resorts has opened a branch office in Japan to explore IR opportunities.

One thing I got wrong: I predicted Okada Manila would change its name. That hasn't happened yet, as [Kazuo Okada keeps trying to regain control of Universal](#). But I expect a full grand opening of the resort to include unveiling a new brand on what's now NOkada Manila.

Vietnam's moment of truth: After Vietnam announced in January 2017 that it would allow its citizens to gamble on a trial basis at two casinos under development, I predicted that 2018 would give us a first read on how much local play would matter. I was wrong, because neither casino authorized for local play has opened yet. Corona Resort on Phu Quoc island off Vietnam's southern coast, is now expected to open to all in early 2019. I'll take an incomplete on this prediction.

Online gaming logs in: Anticipating the U.S. Supreme Court would invalidate the federal ban on sports betting – it did so in May – I predicted a drive to find internationally presentable regulation for online gaming in Asia, with an eye to the U.S. opportunity. I suggested South Korea and Australia as potential candidates for the role. This prediction was wrong.

While many U.S. jurisdictions move quickly to enable sports betting with big names like MGM and Caesar's jumping in, Asia's sports betting and online gaming pool remains stagnant. Online betting operators legally licensed in jurisdictions such as Cambodia and the Philippines are still mainly taking bets from customers in places where betting isn't legal. There are few signs of Asia's online gaming moving toward wider legitimacy.

For 2018 overall, on charitable scoring, I give myself two correct predictions, two wrong ones and one incomplete. I predict I can top that with my 2019 forecasts.

Read more <https://www.forbes.com/sites/muhammadcohen/2018/12/23/macau-casino-conces>

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