

## CMBI Credit Commentary

### Macau gaming: GGR continues to recover and funding access normalized

#### Our top picks are MPELs and STCITYs

As discussed, the conviction level of Macau gaming bonds are notably lower, nonetheless, we consider Macau gaming bonds lower-beta and good carry plays with improving credit stories. We expect more new issues to come in view of the maturity profile and much more affordable funding costs after the solid bond performance since the end of COVID lockdown. Our top picks are MPELs and STCITYs in view of the improving market shares and growing adj. EBITDA of Melco and Studio City, as well as the more appealing risk-return profiles of MPELs/STCITYs. Meanwhile, we consider WYNMAC'27 and '29 yield pick-up plays, trading at 30-82bps over bonds of its US parent. We are neutral on MGMCHIs, SANLTDs, and SJMHOLs on valuation.

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**Table 1: Our Macau gaming USD bond picks**

Security name	Amt o/s (USD mn)	Ask Px	YTM	Mod dur
MPEL 5.375 12/04/29	1,150	97.0	6.2%	3.7
MPEL 7.625 04/17/32	750	104.1	6.8%	3.1
STCITY 6.5 01/15/28	500	99.9	6.5%	2.1
STCITY 5 01/15/29	1,100	95.0	6.7%	3.0
WYNMAC 5.5 10/01/27	750	100.0	5.5%	1.9
WYNMAC 5.125 12/15/29	1,000	96.8	6.0%	3.7

Source: Bloomberg.

#### GGR accelerated starting from 2Q25

In Aug'25, the gross gaming revenue (GGR) in Macau rose 12.2% yoy to MOP22.2bn (cUSD2.77bn). Cumulatively, the GGR in 8M25 increased 7.2% yoy to MOP163.1bn, accelerating from the 6.5% yoy increase in 7M25. The 8M25 GGR is equivalent to c71.5% of Macau government's revised GGR estimate of MOP228bn (vs MOP226.8bn in 2024) which, in our view, is highly achievable given sustainable increase in tourist arrivals (up 14% yoy in 7M25). The 8M25 GGR is equivalent to 82% of the level of pre-COVID in 2019.

The GGR growth in Macau gaming sector is accelerating starting from 2Q25. While Melco is revamping the Countdown Hotel in Macau and will reopen the premise in 3Q26; MGM China is renovating Cotai casino resort and the renovation will be completed in 1Q26. SJM is expanding Casino Lisboa by acquiring part of the Hotel Lisboa. These initiatives will sustain the growth of gaming and non-gaming revenue next year.

**Table 2: Macau monthly GGR**

MOP mn	2023	2024	2025	Cumulative GGR 2025	Cumulative GGR 2025 growth rate	% of 2019 GGR
Jan	11,580	19,337	18,254	18,254	-5.6%	73.2%
Feb	10,324	18,486	19,744	37,998	0.5%	75.5%
Mar	12,738	19,503	19,659	57,657	0.6%	75.7%
Apr	14,722	18,545	18,858	76,515	0.8%	76.7%
May	15,565	20,188	21,193	97,708	1.7%	77.7%
Jun	15,207	17,694	21,064	118,772	4.4%	79.4%
Jul	16,662	18,595	22,125	140,897	6.5%	81.0%
Aug	17,213	19,754	22,156	163,053	7.2%	82.3%

Source: Macau DSEC.

## Melco and MGM China gained market shares during 1H25

**Table 3: GGR market shares**

	FY24	1H25	Change
Melco Resort (incl. Studio City)	13.3%	15.7%	2.4 pct pt
MGM China	15.8%	16.2%	0.4 pct pt
Sands China	23.9%	22.5%	-1.4 pct pt
SJM Holdings	13.1%	12.9%	-0.2 pct pt
Wynn Macau	13.1%	12.1%	-1.0 pct pt

Source: Company filing, CMBI Research.

**Table 4: 1H25 performance**

MOPmn	Adj. EBITDA	Yoy change
Melco Resort (incl. Studio City)	5,527	19.5%
MGM China	5,026	-1.4%
Sands China (adj. property EBITDA)	8,910	-5.4%
SJM Holdings	1,695	-5.1%
Wynn Macau	3,571	-20.4%

Source: Company filing, CMBI Research.

Table 5: 1H25 win rate %

	VIP			Mass			Slot hold		
	1H24	1H25	Change	1H24	1H25	Change	1H24	1H25	Change
MGM China									
-MGM Macau	2.5%	3.6%	1.1 pct pt	21.8%	21.8%	-	4.0%	3.3%	-0.7 pct pt
-MGM Cotai	2.4%	3.4%	1.0 pct pt	27.3%	28.0%	0.7 pct pt	3.7%	3.4%	-0.3 pct pt
Sands China									
-The Venetian Macao	5.91%	2.87%	-3.0 pct pt	24.9%	23.1%	-1.8 pct pt	3.7%	3.7%	-
-The Londoner Macao	3.06%	3.85%	0.8 pct pt	20.7%	22.4%	1.7 pct pt	3.8%	3.8%	-
-The Parisian Macao	4.58%	4.25%	-0.3 pct pt	21.0%	21.2%	0.2 pct pt	4.3%	3.9%	-0.4 pct pt
-The Plaza Macao	1.35%	2.53%	1.2 pct pt	24.6%	22.3%	-2.3 pct pt	20.7%	2.3%	-18.4 pct pt
-Sands Macao	4.25%	4.62%	0.4 pct pt	16.5%	15.0%	-1.5 pct pt	3.1%	3.0%	-0.1 pct pt
SJM Holdings									
-Grand Lisboa Palace	3.7%	2.8%	-0.9 pct pt	17.3%	18.8%	1.5 pct pt	2.9%	2.9%	-
-Grand Lisboa	3.1%	3.1%	-	21.1%	19.7%	-1.4 pct pt	4.7%	3.8%	-0.9 pct pt
-Other self-promoted casino	-	-	-	14.4%	15.2%	0.8 pct pt	4.8%	3.5%	-1.3 pct pt
Melco Resort									
-City of Dreams	2.58%	3.83%	1.3 pct pt	32.0%	30.4%	-1.6 pct pt	3.1%	3.1%	-
-Studio City	-	-	-	29.8%	33.4%	3.6 pct pt	3.3%	3.7%	0.4 pct pt
-Altira Macau	-	-	-	22.5%	21.8%	-0.7 pct pt	2.9%	2.7%	-0.2 pct pt
-Mocha and others	-	-	-	17.6%	16.0%	-1.6 pct pt	4.4%	4.0%	-0.4 pct pt
Wynn Macau									
-Wynn Palace	3.64%	2.74%	-0.9 pct pt	24.05%	23.50%	-0.6 pct pt	-	-	-
-Wynn Macau	2.88%	2.03%	-0.9 pct pt	18.48%	18.02%	-0.5 pct pt	-	-	-

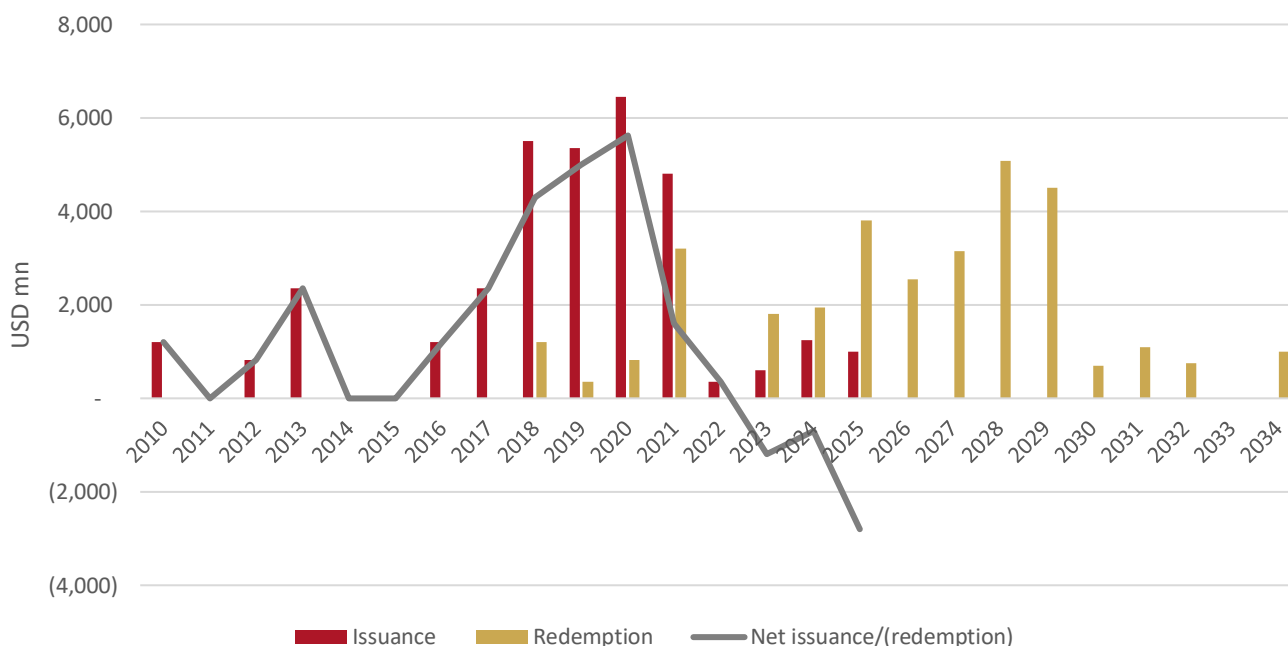
Source: Company filing, CMBI Research.

## Manageable maturity profiles

The offshore bond maturities of the sector are manageable. After the redemption of the USD3.8bn USD bond matured this year, Macau gaming operators do not have any USD bond maturity in the remaining of 2025. The total USD bond maturities of the sector will be USD2.6bn in 2026.

With the solid recovery of GGR, the gaming operators are able to generate large operating cash flow to fund its operation and capex. We expect that these operators will continue to actively manage their debt maturity profiles through capital market activities such as new issues, bond repurchases and tender offers. During 2025, through exercising call option, Sands China early redeemed USD1.6bn SANLTD 5.125 08/08/25 in Jun'25, while Wynn Macau early redeemed USD1bn WYNMAC 5.5 01/15/26 in Aug'25.

We expect Macau gaming operators to be active in tapping the USD bond market facing the maturities and lower funding costs. Nonetheless, given the improving cash flow, more diversified funding channels, completion of the peak funding cycle, the net redemption trend of this sector will continue.

**Table 6: Net redemption since 2023**

Source: Bloomberg.

### More appealing risk-return profiles of MPELs/STCITYs

Melco Resorts (MPEL) reported 12.7% yoy growth in operating revenue in 1H25 to USD2.6bn. City of Dreams Macau (COD Macau)'s rolling chip's win rate was 3.83% in 1H25, higher than 1H24 and typical win rate of 2.85-3.15%. Studio City's mass market table games drop hold percentage as well as gaming machine handle win were also higher in 1H25. The non-gaming revenue also increased in 1H25 yoy, driven by higher room occupancy rates and revenue per available room (REVPAR) at both COD Macau and Studio City. Besides, the House of Dancing Water at COD Macau reopened in May'25, the occupancy rate reached 98% since the reopening and contributed the non-gaming revenue growth.

We believe the opening of COD Sri Lanka in Aug'25, first integrated resort in Sri Lanka to cater the premium customer segment, as well as renovation of COD Macau (incl. Countdown Hotel) will support MPEL's revenue growth in 2H25 and onwards. MPEL is finalizing the full renovation of the high-end luxury Countdown Hotel, turning 330 rooms into 150 luxury suites with over 1,000 sq. ft. each to serve the premium customers, is planned to be opened in 3Q26.

MPEL continues to focus on cost optimization, reduced opex to USD3mn per day (excl. cost related to House of Dancing Water and Studio City's residency concerts) in 2Q25. The opex for House of Dancing Water was cUSD0.1mn per day. These help improved the adj. EBITDA margin to 26.0% in 1H25, from 25.0% in 1H24.

MPEL will close Grand Dragon Casino and three Mocha Clubs in 2H25 as announced in Jun'25. An one-off goodwill impairment of USD56mn was recognized in 1H25. MPEL will continue the operations of the three remaining Mocha Clubs subject to the legal and regulatory requirements in Macau, i.e. until 31 Dec'25. In relation to COD Manila, MPEL is still working on shortlisting of potential buyers. While MPEL did not provide further detail on the potential stake sale, we believe the proceeds from the sale could enhance MPEL's financial flexibility and to reduce debts.

As of Jun'25, MPEL had USD1.1bn cash and cash equivalent, USD1.0bn available credit facilities, and USD7.4bn total debts. During the past two months, MPEL refinanced USD1bn MPEL 4.875 06/06/25 with the drawdown of RCF. Studio City refinanced USD222mn STCITY 6 07/15/25 with a combination of a drawdown of HKD1.3bn (cUSD170mn) from RCF and the remainder with cash on hand. These RCF were drawn in HKD given low HIBOR rates. As per MPEL, it expects to pay down more debts in 2H25 with FCF. In 1H25, MPEL spent USD215mn in capex, implying USD200mn to be spent in 2H25 under full year budgeted capex of USD415mn, mainly for the renovations and revamp at COD Macau. We expect MPEL to fund its capex via its operating cash inflows and cash on hand.

### **WYNNMACs could be yield pick-up plays over bonds of its US parent**

Wynn Macau posted weaker 1H25 results due mainly to lower win rates. In 1H25, its revenue and adj. EBITDA were HKD13.6bn and HKD3.5bn, down 7.5% and 20.4% yoy, respectively. The VIP win rates in Wynn Palace and Wynn Macau were 2.74% and 2.03% (vs. expected range of 3.1-3.4%) in 1H25, declined 0.9 pct. pt. and 0.85% pct. pt. from the levels of 1H24, respectively. The mass table win rates in Wynn Palace and Wynn Macau were 23.5% and 18.0%, declined 0.6 pct. pt. and 0.5 pct. pt. over the same period, respectively. That said, taking into cues of LTM adj. EBITDAR of cUSD1bn and budgeted capex of USD250-300mn in 2025 and USD450-500mn in 2026, we expect room for further deleveraging. Indeed, Wynn Macau guided a lower net leverage given higher EBITDA and lower debts going forward during the 1H25 investors' call. We take additional comfort with its financial flexibility, enhanced by the upsize of RCF (USD1.35bn undrawn) and lengthened maturity profile.

Wynn Macau issued USD1bn WYNNMAC 6.75 02/15/34 in Aug'25. This has notably lengthened Wynn Macau's debt maturity despite, to some extent, at the expense of higher funding cost. Wynn Macau also upsized the RCF by USD1bn to USD2.5bn on 31 Jul'25. As of Jun'25, the weighted average funding cost of the drawdown was 3.38%. We believe that the notably alleviated refinancing risk because of the new 8.5NC3 issue and the upsize of RCF help persuade Moody's to move Wynn Macau's rating up to Ba category, in line with the current ratings of other rating agencies. Wynn Macau will have its next USD bond maturity in Jan'26.

### **Valuation of MGMCHIs, SANLTDs, SJMHOLs are not too appealing**

#### **MGMCHIs**

In 1H25, MGM China (MGMCHI)'s casino revenue rose 3.1% to HKD14.6bn, driven by an increase in MGM Cotai's main floor table games drop and VIP gross table games win rate. By property, MGM Macau's operating revenue declined 3.3% yoy in 1H25, due to lower wins across main floor table games, VIP table games, and slot machines. On the other hand, MGM Cotai's operating revenue increased 7.0% yoy in 1H25, from higher gross win rate across main floor table games and VIP table games. In relation to the hotel revenue, the revenue per available room of MGM Macau and MGM Cotai both decreased yoy in 1H25.

In our view, the capex on development and renovation works will help serve the demand for premium gaming customers, and should support the revenue growth of MGMCHI in the 2H25 and onwards. In 1H25, MGMCHI spent cUSD111mn on capex, increased from cUSD40mn in 1H24, mainly for development and renovation works. During 1H25, MGMCHI finished construction Alpha Villas, 28 villa-style accommodations at MGM Macau, and the all the units are available to guests starting from Jul'25. MGMCHI has also begun converting rooms at MGM Cotai to create 60 new suites with target opening in 1Q26.

Notwithstanding the capex, MGMCHI's cash on hand increased to HKD5.5bn as of Jun'25 from HKD5.3bn as of Dec'24 while net debts reduced to HKD16.3bn from HKD17.8bn over the same period, reflecting the positive free cash flow after capex. In Apr'25, MGMCHI obtained a 5-year senior unsecured revolving credit facility of HKD23.4bn, which bears a funding cost of HIBOR+1.625-2.75%, depending on MGMCHI's leverage ratio. The credit facility

extends MGMCHI's loan maturity by four years to 2030. Besides, MGMCHI redeemed USD500mn MGMCHI 5.25 06/18/25 in Jun'25, and the next USD bond maturity will be USD750mn MGMCHI 5.875 05/15/26. We believe that its refinancing risk is low in view of its operating cash inflow, cash on hand, available undrawn unsecured credit facility of HKD17bn as of Jun'25, as well as its access to funding channels.

## SANLTDs

Sands China 1H25 net revenue decreased 1.7% yoy to USD3.5bn, and the adj. property EBITDA decreased 5.9% yoy to USD1.1bn. The adj. property EBITDA margin fell to 31.6%, from 33.0% over the same period. In 1H25, Sands China GGR market share declined to 22.5%, from 23.9% in FY24. During 1H25, the gaming revenue from the Venetian Macao, the Parisian Macao and Sands Macao were lower, partially offset by increase in net revenue from the Londoner Macao as it became fully operational during 2Q25. Food and beverage revenue also decreased during the first half driven by lower business volume from banquet operations and food outlets. Revenue from rooms, mall, convention and others showed yoy revenue increase in 1H25.

As of Jun'25, Sands China had cash and bank balance of USD985mn, declined from USD2.0bn in Dec'24, while the undrawn available facility is cUSD2.5bn. Despite having 6 USD bonds o/s, the highest among the Macau gaming operators, we believe Sands China faces limited refinancing risk in view of its operating cash inflow, cash on hand, available undrawn unsecured credit facility, as well as its access to funding channels. Sands China early repaid USD1.1bn LVS Term loan in full in Mar'25, three years ahead of its original maturity in Jul'28. The company also early redeemed USD1.6bn SANLTD 5.125 08/08/25 in full in Jun'25, utilizing a combination of cUSD1.6bn loan facility and cash on hand. The next USD bonds maturity of Sands China is USD1.6bn SANLTD 3.8 01/08/26 in Jan'26.

## SJMHOLs

SJM Holdings (SJM) reported 6.1% yoy increase in net revenue in 1H25 to HKD14.6bn. The 1H25 adj. EBITDA fell 5.1% yoy to HKD1.6bn, primarily due to higher SG&A during the period. The adj. EBITDA margin declined to 11.2% from 12.6%. In 1H25, SJM's GGR market share was down to 12.9% in 1H25 from 13.1% in FY24. The decline was partly due to unfavorable luck factor, and partly because of SJM's lag in the growing VIP segment. The GGR at GLP increased 26.3% yoy to HKD2.9bn, due to higher win rate of non-rolling chips, while the GGR at GL down 2.1% yoy to HKD3.6bn owing to lower non-rolling chips win rate and electronic game hold rate. At GLP and GL, the hotel occupancy rates and revenue per available room both increased yoy in 1H25, leading to higher hotel revenue.

As of Jun'25, SJM had cash and bank balance of HKD2.3bn, increased from HKD2.2bn in Dec'24, and undrawn credit facility of HKD3.1bn. SJM is in talks with banks to refinance USD500mn SJMHOL 4.5 01/27/26, in view of lower funding cost.

In view of the cessation of satellite casinos operations by Dec'25, SJM anticipates that the associated increase in the operating costs will be contained in 2H25, as the company has already been bearing these expenses. Looking ahead, SJM plans to further reduce costs over the long term by reallocating resources more efficiently across the group. In Aug'25, SJM entered into an agreement to buy part of the Hotel Lisboa for HKD529mn to expand the current operation of Casino Lisboa by additional 7,504sqm. The new area will accommodate certain gaming tables and slot machines to be reallocated from satellite casinos scheduled to cease operation by Dec'25. Meanwhile, the acquisition of the two satellite casinos, Casino Ponte 16 and Casino L'Arc Macau, are still in negotiation stage and expected to conclude within 2025. As of Jun'25, SJM operates nine satellite casinos as following: Casino Casa Real, Casino Emperor Palace, Casino Fortuna, Casino Grandview (which ceased operations on 30 Jul'25), Casino Kam Pek Paradise, Casino Landmark, Casino L'Arc Macau, Casino Legend Palace and Casino Ponte 16.



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