



Impact from Tragic events of 10/1/17. Based on commentaries from several management teams, we believe that the impact from the tragic mass shooting in the Strip could have a modest short-term impact and thus we don't expect it to hinder the prospects of the city. We note that MGM's management noted that bookings declined immediately after October 1 because the company suspended its outbound marketing programs. Management also noted that they saw a spike in non-group cancellations (more than double than what they normally see). However, they noted these cancellations progressively subsided by mid-October and the booking pace returned to normalized levels after the company resumed its marketing efforts. Of importance, Mandalay Bay was the exception, as the company felt it was appropriate to reinstate marketing programs at a slower pace.

Macau — GGR Growth to Continue in 2018

We expect Macau to end 2017 with higher GGR of \$33.3 billion (+19.2% versus \$27.9 billion). In our view, the primary drivers of the market expansion were: (1) the resurgence of the VIP segment, which was driven at least in part by the expansion of small-and-mid-sized junkets; (2) the improvement of the Chinese economy, which was largely driven by strength in the housing market (Tier-3 cities); and (3) the impact from new supply, which has driven incremental visitation. We believe these factors have contributed to make Macau a more appealing destination for both gamblers and leisure travelers.

Looking into 2018, we anticipate GGR should increase to \$37.0 billion (+11.0% versus \$33.3 billion) owing to strength in both the mass market and the VIP segments. On a segmented basis, VIP revenues are expected to increase to \$21.4 billion (+11.5% versus \$15.6 billion). We believe growth in the segment will be supported by new VIP room openings from the Big 4 junkets. Turning to the mass market, we anticipate GGR to increase to \$15.6 billion (+10.3% versus \$14.1 billion). In our view, the increase in mass gaming revenue will be driven by incremental visitation, which will benefit from the opening of new supply.

Exhibit 10: Macau Gross Gaming Revenue Forecast (\$ millions)

	Mass	Yr/Yr	VIP	Yr/Yr	Total	Yr/Yr
1Q15	\$3,397	-27.1%	\$4,715	-42.0%	\$8,112	-36.6%
2Q15	3,168	-30.4%	3,951	-42.1%	7,119	-37.4%
3Q15	3,177	-29.6%	3,628	-38.0%	6,805	-34.4%
4Q15	3,158	-14.9%	3,703	-35.6%	6,862	-27.5%
2015	\$12,900	-26.0%	\$15,997	-39.8%	\$28,897	-34.3%
1Q16	3,228	-5.0%	3,803	-19.3%	7,031	-13.3%
2Q16	3,131	-1.2%	3,329	-15.7%	6,459	-9.3%
3Q16	3,299	3.9%	3,585	-1.2%	6,884	1.2%
4Q16	3,390	7.3%	4,172	12.7%	7,562	10.2%
2016	\$13,048	1.1%	\$14,889	-6.9%	\$27,936	-3.3%
1Q17	3,503	8.5%	4,442	16.8%	7,945	13.0%
2Q17	3,384	8.1%	4,488	34.8%	7,872	21.9%
3Q17	3,539	7.3%	4,847	35.2%	8,386	21.8%
4Q17E	3,678	8.5%	5,423	30.0%	9,101	20.4%
2017E	\$14,104	8.1%	\$19,200	29.0%	\$33,304	19.2%
1Q18E	3,730	6.5%	5,419	22.0%	9,150	15.2%
2Q18E	3,740	10.5%	5,296	18.0%	9,035	14.8%
3Q18E	3,946	11.5%	5,210	7.5%	9,156	9.2%
4Q18E	4,138	12.5%	5,478	1.0%	9,615	5.6%
2018E	15,554	10.3%	21,402	11.5%	36,957	11.0%
2019E	16,798	8.0%	22,687	6.0%	39,485	6.8%

Source: Macau Gaming Inspection and Coordination Bureau, Company Filings and Deutsche Bank