Macao Gaming 2025 Outlook:

Operators Have A Strong Hand

S&P Global Ratings

Flora Chang
Associate Director

Melissa Long
Director

Corporate Ratings

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This report does not constitute a rating action

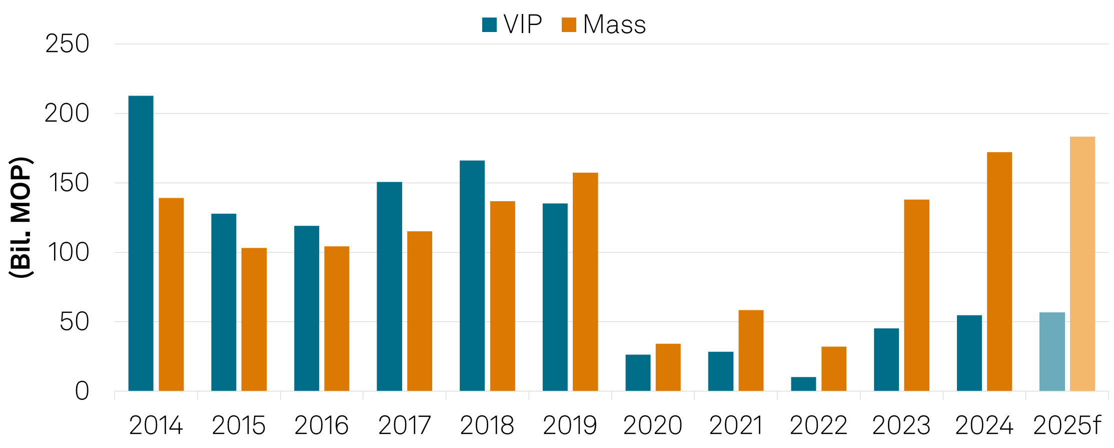
Key Takeaways

- **2025 forecast.** Macao gross gaming revenue (GGR) to be 5%-6% stronger year on year. Our forecast implies that mass GGR will be 15%-20% above pre-pandemic level. However, junket (or VIP) volume will likely stay near current low levels unless regulations change. Total GGR, therefore, will likely be 80%-85% of 2019 level.
- **EBITDA growth.** We expect Melco Resorts (Macau) Ltd. and Sands China Ltd. to post faster EBITDA growth due to the ramp-up of new or renovated properties. MGM China Holdings Ltd. has surpassed its pre-pandemic EBITDA. We estimate other Macao operators will recover to about 90% of their 2019 EBITDA levels by 2025.
- **Risks.** Economic headwinds and potentially higher operating expenses aimed at attracting more premium mass players could impair Macao cash flow and leverage improvement.
- **Higher capex.** Development projects could delay deleveraging or add incremental leverage. U.S. operators Las Vegas Sands Corp., Wynn Resorts Ltd., and MGM Resorts International will likely bid for three full-scale New York casino licenses.
- **Maturities.** Operators have sufficient liquidity to address 2025 and 2026 maturities.
- **Ratings outlook.**
  - Stable for Las Vegas Sands, Wynn Resorts, and MGM Resorts
  - Positive for Melco Resorts (Macau) Ltd. and Studio City Co. Ltd.

Macao GGR Forecasts

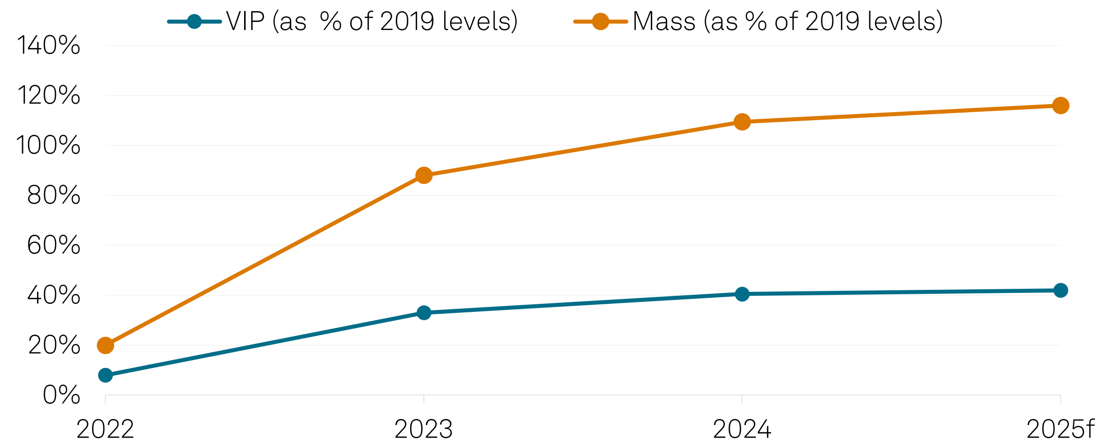
- We base our 5%-6% total GGR growth forecast in 2025 mainly on strong momentum in the mass market segment. Mass market GGR will grow in 2025 as visitation to Macao returns to pre-pandemic levels, aided by solid demand from premium mass customers, return of base mass, and expanded hotel capacity.
- A weaker Chinese economy may soften gaming revenues. Base mass players are more sensitive to changing economic conditions, particularly weak employment or earning prospects.
- Premium mass players are generally less sensitive to economic volatility and have been resilient despite asset price declines over the past two years. This could change if asset prices decline further.

Macao mass GGR to grow 5-6% in 2025...



The split of VIP/Mass GGR is based on DICJ reported numbers. MOP--Macanese pataca. f--Forecast. Sources: Gaming Inspection and Coordination Bureau (Macao). S&P Global Ratings.

...And be about 15%-20% stronger than 2019 level

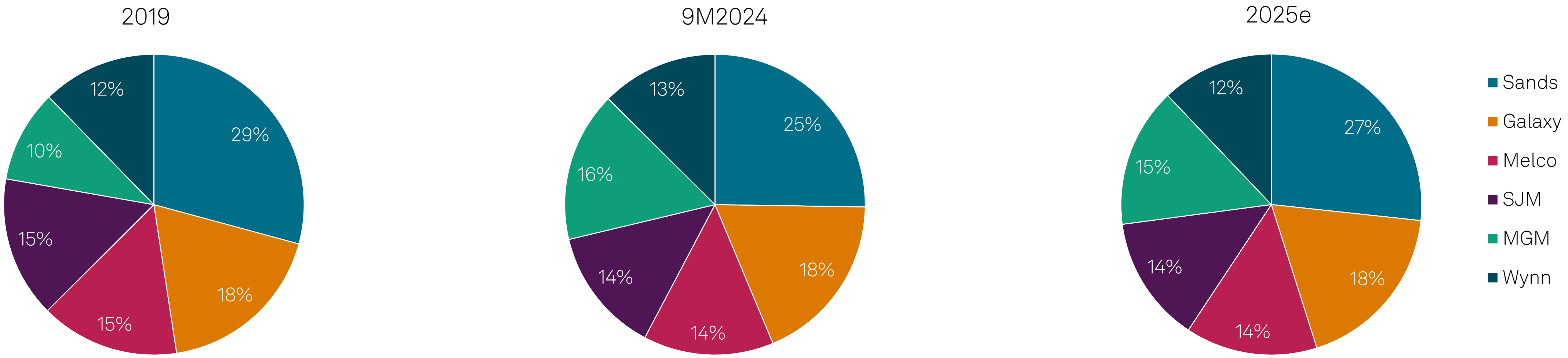


The split of VIP/Mass GGR is based on DICJ reported numbers. e--estimate. Sources: Gaming Inspection and Coordination Bureau (Macao). S&P Global Ratings.

Mass Market Share Trends

- We forecast Sands and Melco to see gains in mass market in 2025. The ramp-up of Studio City Phase 2 should help MLCO to capture mass volume in Macao. Also, Sands should benefit from reopening of The Londoner and the return of base mass with its largest hotel portfolio in Macao.
- MGM has been the biggest mass market share gainer over the past five years, thanks to solid performance at MGM Cotai and more mass tables under its new concession. While we expect MGM to maintain higher mass market share, constraints in hotel room capacity, competition from new properties, and recovery among other operators could cause its share to dip from its current high levels.
- Wynn could lose some share in 2025 with the absence of new capacity.

Operators' market share in mass market

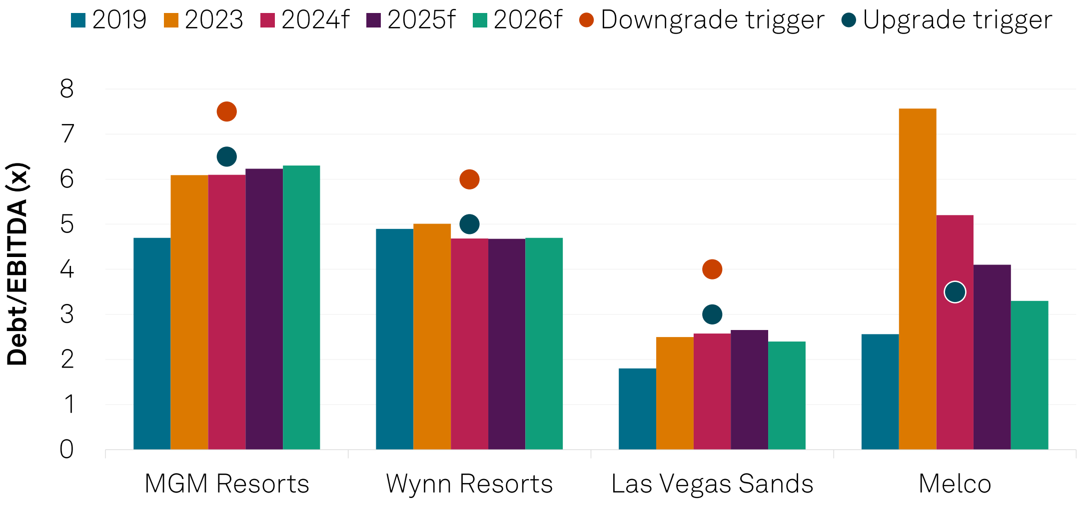


Sources: Company disclosures. S&P Global Ratings estimates.

Development Projects In U.S. Could Weigh On Leverage

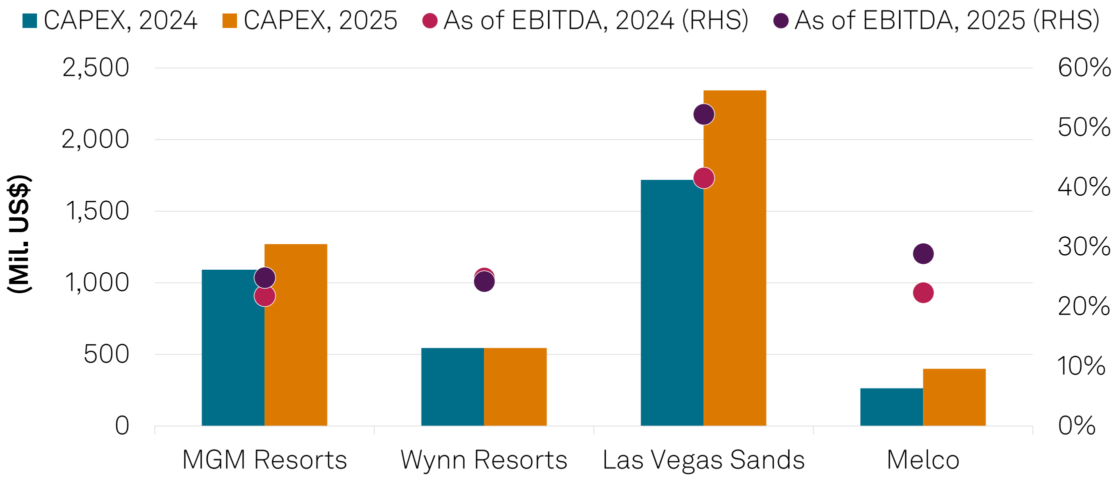
- We expect Las Vegas Sands, Wynn Resorts, MGM Resorts to bid for up to three full-scale casino licenses available in New York. The scale of these projects could propel leverage to exceed our base-case forecasts. New York could award licenses in late 2025 but we don't anticipate winning bidders would initiate material capital spending before 2026 or 2027.
- Melco should have passed its peak investment cycle with the completion of Studio City Phase 2 and City of Dreams Mediterranean in 2023. Entrance in Sri Lanka should not derail its deleverage plan as the priority will remain the ramping up of Macao properties and reducing leverage rather than bidding for major new projects in the next 12-18 months.

Melco should continue deleveraging



The ratings on Melco's operating subsidiaries Melco Resorts (Macau) Ltd. and Studio City Co. Ltd. are on positive outlook. We could revise our outlook to stable if Melco's cash flow recovery in Macao no longer supports a reduction in the debt-to-EBITDA ratio to 3.5x or below. Source: S&P Global Ratings.

Many operators have development projects under way

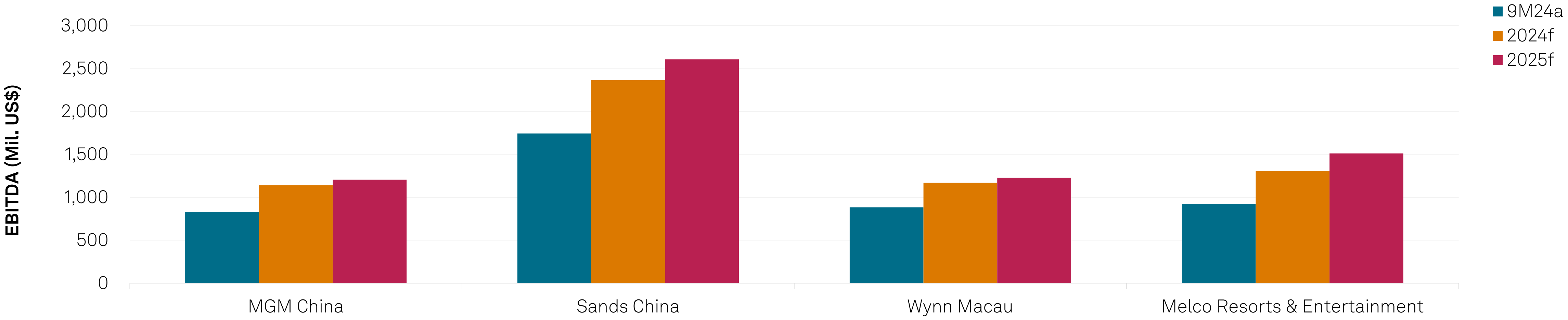


Capex numbers for MGM Resorts and Wynn Resorts includes maintenance and development spend as well as equity investments in their Japan and UAE joint ventures, respectively. Las Vegas Sands capex numbers reflect the company's public guidance as well as our assumptions around spend for the Singapore expansion in 2025. RHS--Right hand scale. Source: S&P Global Ratings.

Further EBITDA Growth Ahead

- Melco’s EBITDA recovery should accelerate in the fourth quarter 2024 and 2025 with the support of strong mass gaming momentum and incremental non-gaming revenue as Studio City Phase 2 accelerates. Spending on customer experience and promotion should help.
- Sands China's cash flow recovery should also pick up in the fourth quarter of 2024 and 2025 as The Londoner Macao reopens after renovation.
- MGM China and Wynn Macau’s cash flow improvement could be moderately slower than that of rated peers, largely due to lack of new capacity and competition from the ramp-up of other operators.

EBITDAR for rated issuers will rise with increased Macao visitation and greater availability of hotel rooms in the market

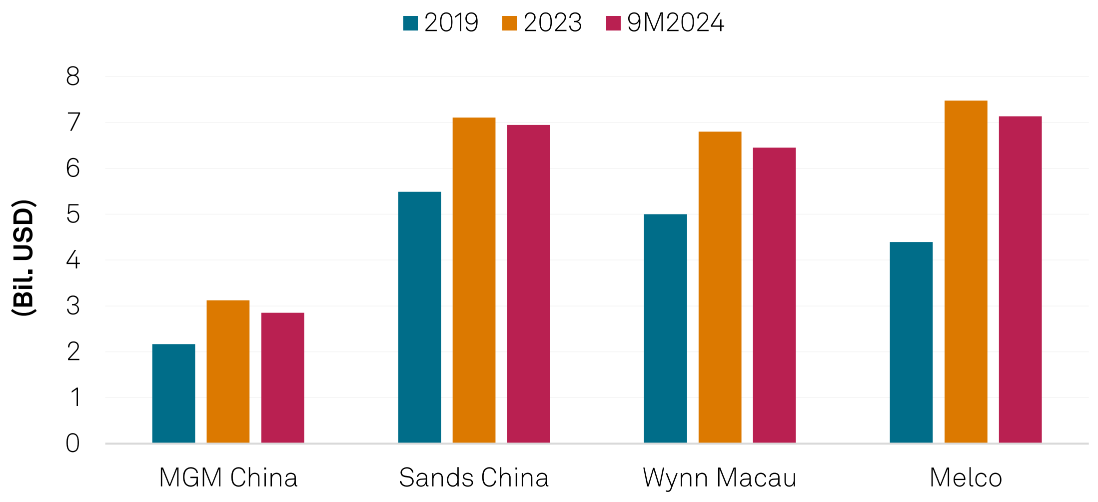


a--actual. f--forecast. Sources: Company reports. S&P Global Ratings.

Refinancing For 2025 Largely Done, 2026-27 Is A Watch Point

- Rated issuers have spread out their Macao maturities due before 2028. Maturities in each of 2025, 2026, and 2027 are about 15% of total Macao debt as of Sept. 30, 2024.
- We believe issuers have sufficient cash to sustain their healthy liquidity positions. All four operators have enough cash and revolver availability to repay 2025 and 2026 maturities without refinancing. Some operators have been pre-financing their 2025 maturities.
- Operators could continue to pay down some maturities to lower leverage and improve capital structure, supported by EBITDA and free operating cash flow growth.

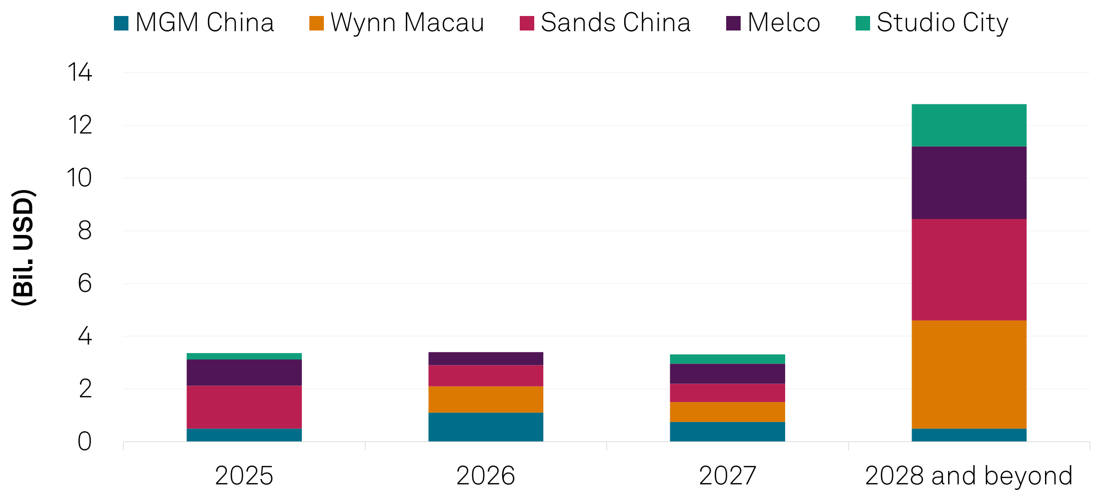
Rated issuers' Macao debt level fell in 2024 amid the recovery



Debt balances exclude intercompany loans. Bil.--Billion. Sources: Company reports. S&P Global Ratings.

All operators have spread out maturity profiles

As of Sept 30, 2024



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Ratings Outlook

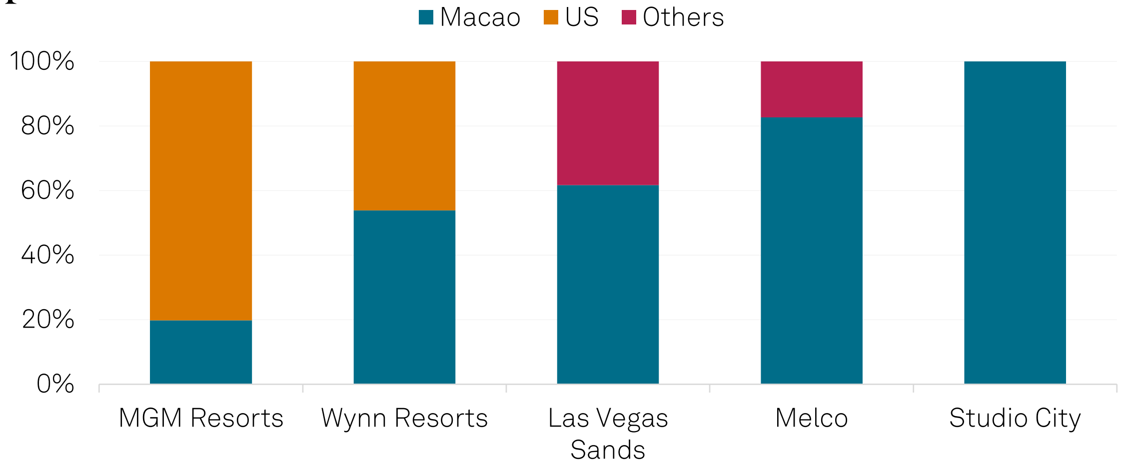
- Las Vegas Sands returned to the pre-pandemic rating in 2023 and our outlook on the rating is stable. The company's ample cushion relative to our leverage downgrade threshold provides some flexibility to absorb a potential New York development if it won a license.
- The ratings on Wynn Resorts and MGM both remain a notch below pre-pandemic level because of the possibility of large-scale development projects that increase leverage. MGM's financial policy and high lease obligations also limit its upside at this time.
- The rating outlooks on Melco Resorts (Macau) Ltd. and Studio City Co. Ltd. are positive. We could raise the ratings if Melco remains on track to restore its adjusted debt to EBITDA leverage at less than 3.5x on run-rate basis by late 2025 and 2026. We could revise the outlook to stable if increased operating expenses from competition in the coming quarters cause EBITDA to slow.

Macao gaming rated issuers

	Current Rating	Rating as of end-2019
Melco Resorts (Macau) Ltd.	BB-/Positive/--	BB/Stable/--
Studio City Co. Ltd.	B+/Positive/--	BB-/Stable/--
Wynn Resorts, Ltd.	BB-/Stable/--	BB/Stable/--
Las Vegas Sands Corp.	BBB-/Stable/--	BBB-/Stable/--
MGM Resorts International	B+/Stable/--	BB-/Stable/--

Source: S&P Global Ratings.

Melco, Studio City EBITDAR focused more on Macao vs. peers



Source: Company disclosures; S&P Global Ratings.

Related Research

- Industry Credit Outlook 2025: Hotels, Gaming and Leisure, Jan. 14, 2025
- Wynn Resorts Ltd., Nov. 13, 2024
- Tear Sheet: Las Vegas Sands Corp., Oct. 29, 2024
- Bulletin: Melco's EBITDA Recovery To Accelerate, Aug. 15, 2024
- MGM Resorts International, Jun 24, 2024

Macao Gaming Analytical Contacts

Flora Chang

Associate Director

flora.chang@spglobal.com

Hong Kong

Melissa Long

Director

melissa.long@spglobal.com

New York

spglobal.com/ratings

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