

INVESTMENT



Philippines tourism boom sees Resorts World Manila double casino capacity



A year after taking the helm at Alliance Global Group, CEO Kevin Tan suggests that tourism and consumer spending in the Philippines will drive growth, as his conglomerate doubles capacity at its Manila casino resort.

Tan, who took the reins from his father last year, confirmed that Resorts World Manila, Alliance's first gaming property, will expand this year, while Westside City, its second resort, will open in 2021.

Once it begins operations, Westside City will boost the company's gaming revenue share by almost half to 20 percent over five years, Tan stated, adding that he expects to increase profit by around 15 percent a year at each of Alliance Global's subsidiaries over the next five years.

Consumer spending in the Philippines rose by more than six percent in Q1 2019, where it accounts for more than three quarters of an economy which is forecast to be one the fastest growing in Asia this year.

"Fundamentally, the Philippine economy is quite strong and consumption is also quite high," Tan said. "We will see a lot of our businesses thriving in this kind of environment."

In addition to gaming, Alliance Global Group covers real estate, hotels, casinos and distilleries, including the local franchise of McDonald's.

The company's gaming unit, Travellers International Hotel Group, a joint venture with Genting Hong Kong, is betting on new capacity to maintain earnings growth after a PHP1.4bn (\$26.6m) full-year profit in 2018 ended a three-year decline.

"The next five years will be very exciting," Tan said. "I am very confident about how well Travellers will do and how much contribution it will have to our overall top line. Westside will easily double our capacity."



EXPANSION

Chinese investors have got on-board with the Cambodian government's plans to develop **Sihanoukville** into a "mini Macau" and now control over 75 percent of casino operations in the region.



Rise of the dragon: Cambodian casino boom shows

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hinese nationals now control over 90 percent of businesses in Sihanoukville, Cambodia's only deep-sea port, including over three-quarters of the city's casino operations.

"The government has planned to develop [Sihanoukville] into a mini Macau," said Benson Tan, CEO of JinBei Hotel and Casino. "The Chinese government took the leading role in the Cambodian infrastructure investment. Without that initiative, I believe that Sihanoukville's...economic growth would be set back by another five to ten years."

"For example, the proposed expressway from Phnom Penh to Sihanoukville, will shorten the travelling time from Phnom Penh airport...to 1.5 hours."

Speaking during a meeting at the start of July, provincial police chief Chuon Narin said that of the region's 62 casinos, 48 are Chinese-owned or backed.

"Sihanoukville is undergoing unprecedented growth," stated Andrew Klebanow, a partner at Global Market Advisors. "In 2018, I visited 17 casinos in central Sihanoukville...most of these properties were modest in size but the real story is what is under construction today. No less than a dozen high-rise hotel/condominium/casino resorts are in various stages of construction."

The first of this new wave of construction, the Xihu Resort, with 507 keys and a three level casino opened in October last year. Additional properties are expected to open between 2019 and 2020, the largest of which will have over 2,000 keys and will offer over 500 table games.

Meanwhile, the number of casino licences issued in Cambodia continues to rise, with the Ministry of Finance reporting that a further 13 licences were issued during the first quarter of 2019.

These licenses bring the nation-wide total up to 163, with 91 of them located in the Sihanoukville region alone. "We have granted a lot of licences," acknowledged Ros Phearun, deputy director general at the Ministry of Finance's financial industry department, speaking in June. Despite this, he emphasised that a



significant proportion of these licences are for properties which are under construction and have yet to commence operations.

"There are a number of factors driving the increase in licences. The first is the continued growth of Live Dealer Online (LDO) wagering," Klebanow explained. "LDO allows someone in another country to place wagers on a live table game using a mobile device or computer. Casinos throughout Cambodia have allocated space on their gaming floors for LDO wagering. "Banks of table games are fitted with cameras that allow players to select a dealer/table and place wagers remotely," he stated, noting that junket operators have also been moving into this space.

The Sihanoukville Special Economic Zone (SSEZ) has also served as economic driver for ongoing Chinese investment in the region and has seen a number of Chinese manufacturers set up shop.

Klebanow notes that while these factories employ thousands of Cambodians, they also employ Chinese accounting personnel, supervisors, managers and generate visitation from



Cambodia's Chinese- s no signs of abating

vendors, advisors, logistics personnel and other business people.

In turn, this has created additional demand for quality lodging, condominium development and casino gaming. Alongside this, improved transport links have also contributed to a rise in visitation, with airlift into Sihanoukville Airport from Chinese cities growing and with it, a robust tourism market.

However, the increasing Chinese presence in Sihanoukville has not been without controversy. Pacific Asia Travel Association president Thoun Sinan recently contended that such a high level of investment from a single country risks creating an unbalanced market.

"I believe it is good if investments are multinational. Investors from one country should not exceed 50 per cent [investment in one market] because it will lose balance in development and in the market," he argued.

Meanwhile, Cambodia prime minister Hun Sen had to move quickly to head-off anti-Chinese sentiment in the wake of the country's worst-ever construction accident, following the collapse of a Chinese-owned building which killed 28 workers on 22 June.

Following the incident, Hun has ordered an inquiry into the building's collapse and inspections of all other construction projects in progress in Sihanoukville.

"We should not fan the flame of a tiny issue into a raging fire that could damage relations [with China] and the attractive environment for investors," he affirmed.

Klebanow suggests that the immediate effect of the accident will be that casino resorts which are currently under construction will face a heightened level of inspections and a slower approval process.

"While completion dates will likely be postponed, those builders that have long adhered to high safety standards should not be materially affected," he clarified.

"I do not believe that this event will slow down the issuance of licences. Market forces

will probably dictate the process as developers evaluate projected future demand for gaming in the region."

"Hopefully, this tragedy will bring some order to the construction permitting, approval and inspection processes along with an increase in the number of inspectors and their ability to better regulate the construction industry," Klebanow added.

Over on the legislative front, the passage of new a new gaming bill - the Law of the Management of Integrated Resorts and Commercial Gaming (LMIRCG) - expected to take place this year, looks set to promote further casino expansion in the country.

"The LMIRCG divides the country into three zones: Prohibited, Promoted and Favoured. Construction of new integrated casino resorts will only be allowed in Promoted zones, such as Sihanoukville and Koh Kong," Klebanow elaborated. "Existing casinos located in Favoured zones, such as Bavet and Poipet, will need to undertake certain reforms to meet the requirements of the LMIRCG, [while] development of casinos in the rest of the country will be prohibited to preserve [its] cultural and religious roots."

The law will also see the creation of a new regulatory body, the Integrated Resorts Management and Commercial Gaming Committee, which will oversee licensing, tax collection, and compliance.

The legislation additionally sets out a new taxation framework in which gaming taxes will be based on a percentage of GGR. Different tax rates will apply to those casinos operating in Promoted zones and Favoured zones.

Last year, the government collected \$46m in tax revenue from the gaming industry, with this figure expected to reach \$70m this year.

"With this law, we hope that to attract more big casino investors and increase revenue from the industry," Phearun said. "I think that as a result of this law, revenue collected from the industry will double."

IR LICENCE

Caesars abandons Gold Coast IR bid



AUSTRALIA

Caesars Entertainment has confirmed it has pulled out of the running to develop a casino on Australia's Gold Coast.

The company stated that the decision was made a number of weeks ago, prior to the announcement of Caesars' \$17.3bn merger agreement with Eldorado Resorts.

"Several weeks ago, Caesars Entertainment decided that it would not pursue a casino license in Queensland," said a company spokesperson in late June.

While Caesars did not make public the reasons behind its decision, Queensland Tourism Department director-general, Damien Walker, said that it was the "result of internal company changes and not the attractiveness of the Gold Coast market as an investment opportunity."

It is still unclear whether the regional government will be able to move forward with its controversial plans for the development of a second IR on the Gold Coast.

The development would form part of a plan by Queensland premier Annastacia Palaszczuk to create a Global Tourism Hub (GTH), as part of efforts to further grow the Gold Coast tourism industry, currently worth around AU\$5bn.

"As global tourism hubs are developing around the world we are seeing a greater focus on entertainment, high-end retail and convention centre markets, not gaming revenue," said tourism industry development minister Kate Jones, adding that the government's vision for the project is "is similar" to Queen's Wharf in Brisbane.

Such a project would likely impact Star Entertainment Group's AUD2bn "megamasterplan" for The Star Gold Coast which would see the addition of four new hotel towers, alongside the under-construction Dorsett Hotel and Star Residences.

For its part, Star Entertainment - which has already spent AUD850m upgrading the property - contends that "the Gold Coast is already saturated as an electronic gaming machine market" and has called on the Queensland government to rethink its plans for a second IR.



ASIA ROUND-UP

In the Philippines, Bloomberg Resorts' second-tier subsidiary Bloomberg Cruise Terminals intends to open a new cruise port near the company's Manila IR Solaire Resort and Casino by Q3 2021.

"We have begun the construction tender process and an award is expected to be offered in August or September 2019, with a 24-month construction timeline," said Guillaume Lucci, an adviser to the company. The new facility will reportedly land and embark passengers near Solaire Resort and will serve cruises from the mainland China market among others.

Speaking during the company's annual shareholder meeting in April, Bloomberg chairman and CEO Enrique Razon said the proposed \$308m facility will include marine and terminal facilities, homeport and port-of-call operations, an expanded harbour offering dining, retail, shopping, entertainment and maritime recreation and walkable esplanades and plazas.

In Vietnam, The Grand Ho Tram Strip promoter Asian Coast Development (ACDL) has confirmed it has been acquired by affiliate of US-based private equity firm Warburg Pincus.



Vietnamese investment firm VinaCapital Group will hold a minority stake in the company's new controlling entity.

"ACDL - the parent company - expanded its investor base to include an affiliate of Warburg Pincus," said a spokesman for The Grand Ho Tram Strip. "We are not disclosing the terms of the deal."

The \$600m first phase of The Grand Ho Tram Strip, features a 541-room hotel, a casino with space for 90 tables and a Greg Norman-designed golf course. A second hotel is currently under construction and will bring the total key count to 1,100.

Shareholders at Australian-listed Donaco have gone out on a limb with the ouster of the company's founders Joey Lim Keong Yew and his brother Benjamin Lim Keong Hoe from its board of directors.

"These changes signal a new era for the company," said a Donaco spokesman. "We are refreshing the board, with the recent appointment of David Green as an independent non-executive director. And we are refreshing the management team, with the appointment of Paul Arbuckle as our CEO."

Former CEO Joey Lim took a leave of absence from the company in December and was terminated from his position this March. During his absence, Ben Lim had stepped in as acting CEO until mid-June.