

Casino stocks drop amid worries over Macao licensing news

By Richard N. Velotta Las Vegas Review-Journal

September 14, 2021 - 6:50 pm

Stock prices of Las Vegas-based gaming companies with operations in Macao plummeted Tuesday as the market reacted to new travel restrictions imposed by the government and news about future casino licensing.

Shares for Wynn Resorts Ltd. fell \$11.23, or 10.9 percent, to \$92.25 a share in volume more than eight times the daily average. Wynn operates two resorts on the Macao peninsula and one near the offshore Cotai Strip.

Las Vegas Sands Corp. shares were down \$4.18, or 9.8 percent, to \$38.71 a share in volume more than six times the daily average. The company has one property on the peninsula and five at Cotai.

MGM Resorts International, which has a controlling interest in a partnership in Macao, saw its stock drop \$1.69, 3.9 percent, to \$41.41 a share in volume just above the daily average. The company and its partner, Pansy Ho, operate one resort each on the peninsula and at Cotai.

Representatives of all three companies wouldn't comment on the drop in their stock prices.

Brendan Bussmann, director of government affairs for Las Vegas-based Global Market Advisors, believes the prime reason for the decline was the Tuesday announcement on future casino licensing policies in Macao.

“One of the biggest puzzles in the gaming industry has started to come into focus with the announcement of a public consultation period on the next phase of Macao,” Bussmann said. “There are still a lot of questions to see how this plays out, especially with the length of time of licenses and the removal of the subconcessions.”

When the Macao government eliminated a casino monopoly in 2002, three concessions were granted to competing casino operators. They went to SJM Resorts Ltd., a subsidiary of casino magnate Stanley Ho's SJM Holdings Ltd.; Wynn Resorts Macao SA, a subsidiary of Las Vegas-based Wynn Resorts; and Galaxy Casino SA, affiliated with Galaxy Entertainment Group Ltd.

Local authorities eventually allowed each concessionaire to establish a subconcession. They went to MGM China Holdings Ltd., affiliated with Las Vegas-based MGM Resorts; Sands China Ltd., a subsidiary of Las Vegas Sands; and Melco Resorts and Entertainment Ltd., based in Hong Kong.

Current concessions are set to expire in June but can be extended. Under existing law, they can be extended by five years.

“With Macao licenses set to expire in 2022 and the public consultation period opened up by Macao’s Gaming Inspection and Coordination Bureau, there becomes some uncertainty as to next steps that were not spelled out completely in the document that was released,” Bussmann said. “The highlights are nothing surprising for future licensure as has been the speculation, but the devil will be in the details.”

The 45-day public consultation, a series of public hearings on new gaming laws including issues such as the number and duration of casino licenses, is scheduled to begin Wednesday and run through Oct. 29.

Bussmann expects the three Las Vegas companies in Macao will be allowed to continue operations.

“Sands, Wynn and MGM Resorts have done an excellent job in exceeding their commitments over the last 20 years,” he said. “There is no reason why they should not be a part of the next chapter in Macao.”

Macao’s government also imposed new COVID-19 travel restrictions that are expected to slow the spread of the disease but hurt visitation to the region’s casinos.

Bloomberg reported Tuesday that China’s health authorities said new COVID-19 infections more than doubled in the southeastern

Fujian province, prompting officials to roll out mitigation measures.

The Review-Journal is owned by the family of Dr. Miriam Adelson, the majority shareholder of Las Vegas Sands Corp.