



In 2018, two additional gaming assets are expected to open in Macau. MGM Cotai is expected to open on January 29, while the 13 could open in late March or early April. We note that the opening of the 13 has been delayed owing to financing constraints. According to the Macau Post Daily, the owner of the facility expects to complete the remaining works and installation of FF&E for inspection by the Macau Government Tourism Office by mid-February 2018. We anticipate that both properties should add ~216 tables, 1,500 slots and 1,800 rooms to the market. For further details on supply, please refer to Exhibit 11.

Exhibit 11: Macau Future Supply (\$ Millions)

Property	Budget	Opening	Tables	Slots	Rooms
MGM Cotai*	\$2,950	Q1'18	150	1,500	1,600
The 13*	\$820	Q2'18	66		200
Morpheus Tower		Q2'18			780
SJM Cotai*	\$3,850	H1'19	100	1,000	2,000

*Number of table and slots are based on our expectations. Source: Company filings and Deutsche Bank

While the outlook for Macau remains positive, we believe that investors may have some concerns regarding regulatory developments. In the following paragraphs we will attempt to address these concerns and provide investor with our view regarding each specific issue.

Concession Renewal. We believe that another area of concern for investors could be the concession renewal process. In the 2018 policy address, Macau's Chief Executive indicated that the government saw the need to review the regulatory framework concerning the gaming concession bidding process. We believe that this commentary is consistent with our view that government will not be able to renew the existing concessions without a public bidding process (which could be restricted with prior qualifications). It is worth noting that Macau's Chief Executive didn't provided any specifics regarding the process; however, he anticipates that more details should be available by mid-2018. We believe the key concerns regarding the renewal process are the following:

- **The amount of licenses.** We believe that the government will grant at least six licenses. We remind investors that the monopoly of gaming in Macau was ended in 2001 by granting gaming licenses to Wynn Resorts, Galaxy-Las Vegas Sands, and Sociedade de Jogos de Macau (SJM). Galaxy and Sands, however, were allowed to split and Wynn and SJM were later allowed to sign a sub-concession with MGM and Melco Crown, respectively. At the time, the legality of this system was questioned, given that the law permitted only three licenses. As all six gaming operators have fulfilled the capital investment commitment stipulated in the gaming concession contracts, we believe it is very unlikely that any of the operators will be forced out of the market. Further, we also expect the government to be willing to solve the legal disputes caused by the sub-concessions. As such, we believe the government will grant at least six gaming licenses.
- **The economics of the renewal.** In our view, both operators and investors are somewhat worried about the economics of the renewal. We believe the two key areas of focus are (1) a potential tax increase and (2) the price of the renewal. We currently believe that a significant tax increase is unlikely despite of the improved fundamentals.