

## GLG Vital Signs

### The Gaming Industry's Bet on Macau IPOs

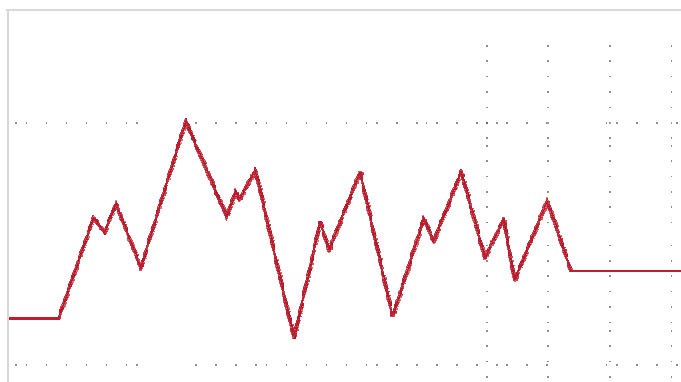
#### Views from Seven Leading Gaming Experts

The Las Vegas gaming market is faltering, causing major gaming companies to look east to Macau, the world's biggest gambling market, to help raise much-needed capital. This play paid off for Wynn with intense interest in their IPO. Can Las Vegas Sands follow suit? Will other companies be able to capitalize on a robust Chinese economy and a growing Macau market to help stabilize their businesses?

Reactions from seven leading gaming experts and powered by the GLG Consumer Goods & Services Councils<sup>SM</sup>.

#### Vital Signs Questions:

1. Will Macau continue to grow or does it face the risk of overheating?
2. What companies will be the biggest winners from interest in the Macau and Asia gaming space?
3. What companies will be the biggest losers from interest in the Macau and Asia gaming space?
4. What headwinds does Las Vegas Sands face as they try to raise capital?
5. What is one thing that the investment community misunderstands about the latest developments in the Asia gaming industry?



**About GLG Vital Signs** GLG Vital Signs are quick-turnaround Q&A reports, powered by the GLG Q&A and the GLG Councils<sup>SM</sup>, and driven by publicly available news and issues. Vital Signs are meant to offer rapidly-delivered insights from key thought and opinion leaders from the GLG Councils. GLG Vital Signs are available for purchase. GLG clients can commission custom Q&A reports by providing GLG with unique questions for GLG Council Member populations.

If you have any questions about GLG Vital Signs or you want to commission a Custom Report, please contact [gaglg@glgroup.com](mailto:gaglg@glgroup.com)



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### Vital Signs Population Description

Respondents included leading gaming experts from the GLG Councils. These experts include **Randall Fine, Managing Director of The Fine Group**, the gaming industry’s largest full service management company and consulting firm (Respondent #1), and **William Sherlock, former President and CEO of Foxwoods Resort and Casino** (Respondent #2) as well as others with experience managing and operating large global gaming properties.

### Vital Signs Methodology

Vital Signs reports are quick-turnaround Q&A of select GLG Council Members. To improve turn-around time and our ability to deliver urgent insights, Vital Signs are not edited for content. Our goal is to deliver aggregated insights to clients with as much speed as possible, presenting a real-time glimpse into important issues and topics of interest.

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## GLG VITAL SIGNS RESULTS

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### 1. Will Macau continue to grow or does it face the risk of overheating?

#### Answer Value

The Asian gaming market continues to provide investable opportunities	85.71%	6
Interest in Macau gaming is inflated and ultimately reality won't meet expectations	14.29%	1

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**2. What companies will be the biggest winners from interest in the Macau and Asia gaming space?**

<b>Respondents</b>	<b>Answer</b>
Respondent 1	Wynn and LVS.
Respondent 2	LVS, Wynn and Stanley Ho's company, Crown
Respondent 3	There is an appetite for gaming in the Asians market, but caution should still prevail. Growth should also include the basics of entertainment, dining and luxury. The sophisticated Asian markets still place a higher level on table gaming then slots.
Respondent 4	LVS, WYNN, Genting
Respondent 5	Las Vegas Sands Wynn Macau SJM Holdings Melco-Cown Entertainment (in ranking order)
Respondent 6	All of the concession holders in Macau will continue to do well. It is likely that some smaller casinos operating on the SJM license will be unable to survive in a much more competitive landscape.
Respondent 7	If you are speaking about U.S. companies, Sands and Wynn Resorts stand the best chance for Asian gaming.

**3. What companies will be the biggest losers from interest in the Macau and Asia gaming space?**

<b>Respondents</b>	<b>Answer</b>
Respondent 1	Harrah's and MGM.
Respondent 2	Those companies that could afford to be there but havent committed such as Harrahs, Penn Nationsl. In addition MGM with their limited capital could be at a competitive disadvantage
Respondent 3	Those companies that do not diversify. The current economics have impacted these markets as well. The biggest venue is not always the most profitable. I see Wynn and Sands as eventually being winners in this market. I suspect MGM will not do well.
Respondent 4	MGM
Respondent 5	Boyd Gaming Station Casinos Tabcorp Crown all European casino operators PAGCOR all small scale casino operators in Asia KangwonLand
Respondent 6	At present companies like Harrahs or Australian like Tabcorp and South African gaming companies like Sun International and Kerzner, that have been unable to gain access to the Asian market.
Respondent 7	The only other property owned by U.S. is MGM. Their interest are still keen in Asia - however their main emphasis now is CityCenter Las Vegas - they are staying fairly quite in other areas at this time.

**4. What headwinds does Las Vegas Sands face as they try to raise capital?**

<b>Respondent</b>	<b>Answer</b>
Respondent 1	Terrible performance in their Pennsylvania casino, as well as troubles in Las Vegas. Real concern about the viability of Singapore and overinvesting in Macau.
Respondent 2	The prospect of how they will fare in a highly competitive market and how will they attain at least their own fair share of the market
Respondent 3	Current cap x not available for product and growth. Colleagues in gaming agree that the purchasing cycle of gaming products will stay static-first quarter of 2010. The 3rd & 4th quarters better. Orders for new products increase & consumers show response to spending. A commitment to technology will save a way to growth. This includes SBG which has been on back burners due to the recession.
Respondent 4	NA
Respondent 5	The biggest headwind for LVS' HK IPO is justifying the uses of cash especially for Site 5 & 6 on the Cotai Strip and other capex rather than deleveraging their balances sheet due to liquidity concerns
Respondent 6	A possible downturn in the stockmarket, public disaffection with the new Chief Executive, tightening of China's visa rules again, public antipathy to another Macau listed gaming company and the possible loss of the Cotai ferry service.
Respondent 7	They need to prove that their investments in Asia other than Macau will justify their vision. There is no substitute for success when looking for new capital. They also have new management that still has to prove ability to make sound decisions.

**5. What is one thing that the investment community misunderstands about the latest developments in the Asia gaming industry?**

<b>ID#</b>	<b>Answer</b>
Respondent 1	That Singapore is an untested market where casinos have to make double the profit of the most profitable casino ever in order to be successful.
Respondent 2	They tend to misunderstand the amount of profits derived from these properties. The actual tax is in the mid 40's. In addition, I dont think they understand the potential depth of the market if restrictions continue to be eased
Respondent 3	I think originally, (before the downturn the Asian markets were viewed as a gold rush. Everyone wanted a place in Macau. Through the last couple of years and events, cooler heads are prevailing. Obviously the markets are tight. Gaming will continue to grow more sophisticated in product offering. I would not worry about some of the Asian markets that have recently rejected gaming.
Respondent 4	Primary Driver of Recent Growth is Liquidity Returning to VIP Segment not Relaxation of Visa Restrictions
Respondent 5	The Asian gaming industry growth is overwhelmingly driven (+80%) by the mainland Chinese people. In order to truly understand the depth of growth for various jurisdictions in Asia wanting to set up casino ventures, the classic model has always been to ask, how many Chinese will this venue attract. Fundamentally, no jurisdiction has a natural



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ID#	Answer
<hr/>	cushion to support gaming by the local market solely.
Respondent 6	That Macau has a reasonable and transparent legal system given its history as a Portuguese system; it does not.
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Respondent 7	Asian gaming is far different from that in the U.S. - Note the success of Macau over the past number of years. They have surpassed Las Vegas in gaming revenues. That is why these companies spend billions building new properties. They have been a cash cow for American companies and will continue to be so for some time to come.
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