

## Gaming

### Better prospects of a revenue recovery across the region

This report does not constitute a rating action

#### What do we expect over the next 12 months?

**Gaming revenue in most Asian markets should largely recover to pre-pandemic levels in 2023 and may surpass it in 2024.**

**A stronger-than-expected Macao recovery** should help operators to deliver faster improvement in cash flows and more rapid deleveraging.

**Regulatory risks** persist across Asia.

#### What are the key risks around the baseline?

**Diminishing rating downside risks for most of our rated issuers.** Quick recovery in visitation and gaming revenue across major Asian gaming markets, including Macao, Malaysia, and Singapore, should support operators in restoring cash flow and credit metrics over the next 12-24 months.

**Regulatory changes and pressures.** Increased regulations across the region to address social risks in gaming could cause volatility in gaming revenue and profitability. This is a risk for casino resorts operators in Macao and Singapore, as well as the gaming machine business in Japan.

**Growing refinancing costs from higher interest rates.** These will test companies' management of capital structures and alter their refinancing decision.

#### What do they mean for the sector?

**Upward revision for Macao.** We recently revised negative outlooks to: positive for Las Vegas Sands and Wynn Resorts; and stable for Melco Resorts, Studio City, and MGM Resorts. Our updated base case forecast should allow operators to restore their credit metrics to closer to 2019 levels by 2025.

**NagaCorp Ltd. placed on CreditWatch Negative over mounting refinancing risk.** Its US\$472 million senior unsecured notes mature in July 2024. Operational missteps may result in inadequate cash accumulation to meet the maturity, though we believe the company has the potential to address the upcoming payment.

**Development projects, depending on their timing, could slow the pace of deleveraging.** Global operators like Las Vegas Sands, Wynn Resorts, MGM Resorts, and Genting Bhd. all have resorts development plan or interests in U.S. or other regional markets (like Singapore, Japan etc.). In Macao, investment commitment under the new concession is high but manageable, given the quick recovery in gaming revenue.

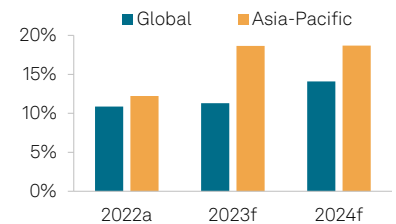
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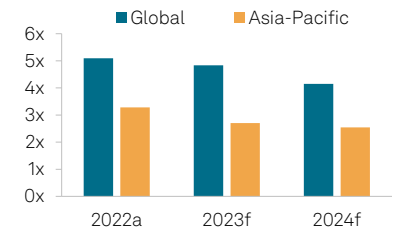


#### Rating Metrics

##### FFO to debt (median, adjusted)



##### Debt to EBITDA (median, adjusted)



Source: S&P Global Ratings.

All figures are converted into U.S. dollars using historical exchange rates. Forecasts are converted at the last financial year-end spot rate. FFO--Funds from operations. a--Actual. f--Forecast.