

G2E Asia Preview: An Asian Markets Update

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Welcome



Opening Remarks
Frank J. Fahrenkopf, Jr.
president and CEO
American Gaming Association (AGA)

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Presenter



Presenter

Fredric Gushin
managing director
Spectrum Gaming Group

- Former Assistant Director – New Jersey Division of Gaming Enforcement
- Former Intermittent Advisor – US Treasury
- Former Commissioner – Oneida Indian Gaming Commission

Asian Gaming Overview and Outlook

G2E Webinar
April 27, 2011

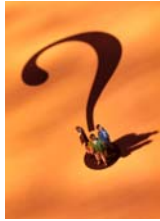
Competitive Landscape

- Gaming is Expanding in Asia
 - Macau
 - Philippines
 - Singapore
 - Cambodia
 - Laos
- Likely Legalization in Next Five Years
 - Vietnam
 - Japan
 - Taiwan

Polling Question

- Have you visited a casino in Singapore or Macau?

- Yes, Singapore
- Yes, Macau
- Yes, both
- No



Macau

- US\$23 billion casino industry
 - Most financially successful in the world
 - Now 34 casinos in operation
 - Cotai Strip versus downtown casinos
 - Galaxy announced the opening of its project
 - June 2011
 - City of Dreams opened in June 2009
 - Performing reasonably better
 - Incrementally increasing visitation to Cotai
 - » Hyatt opened
- LVS restart parcels 5 and 6?, but when will it open?
- Infrastructure Issues

Macau

- Legal and Regulatory Issues
- Visa Restrictions Less Problematic
- Junket Commissions
 - Limited to 1.25 percent allegedly, but not for all...
 - Governmental enforcement
- 40 percent combined tax rate
 - Will the government be willing to lower tax rates?
 - Table number limitation set at 5,500 for next three years

Macau

- Big risks and uncertainty remain
- 2010 revenue figures appear phenomenal based on visitation
- Macau level of growth is tied to Beijing's fluid visa rules
- Once Galaxy Cotai opens the competition will be extremely fierce

Regional Overview: Singapore

- Represents Major Expansion of Gaming in Asia
 - Two successful bidders
 - RFP Process in 2005 and 2006
 - Licenses awarded to:
 - Las Vegas Sands – Marina Bay Sands (MBS) opened April 27, 2010
 - Genting International – Resorts World@Sentosa (RWS) opened on February 14, 2010

Regional Overview: Singapore

- Integrated Resorts
 - Multi-billion dollar investments by licensees
 - MBS S\$6 to S\$8 billion (opened April 27, 2010)
 - RWS S\$5.1 to S\$7 billion (opened February 2010)
- Governmental Objectives in Having Casinos
 - Double Visitor Arrivals
 - Double Visitor Spending

Regional Overview: Singapore

- Singapore Market
 - Local Singaporeans & resident ex- patriots
 - Daily entrance fee
 - One-time yearly payment
 - Currently represent 40 percent of gaming market value
- International Markets
 - India
 - Indonesia
 - Malaysia
 - China-Hong Kong

Regional Overview: Singapore

- Locals and Mass Market
 - Local Play
 - Malaysia
 - Indonesia
- VIP High Rollers
 - Regional Players
- Existing Visitation Base
 - Tourists
 - Business visitors

Regional Overview: Singapore

- International Markets Continued
 - Taiwan
 - China
 - Hong Kong
 - Australia
- Present or Prospective Visitation
 - Tourists
 - Business Travelers

Regional Overview: Singapore

- Tax Rates
 - Low tax rate
 - 15% regular gaming
 - 5% VIP Play + 7% GST
 - Favorable Tax Rate
 - Macau (approximately 40%)
 - New Jersey (8%)
 - Nevada (6.75%)
 - Pennsylvania (56%)

Regional Overview: Singapore

- How Singapore is evolving
 - 2010 win at levels greater than forecasted
 - Tourism levels greater than forecasted
 - Regulatory structure remains solid
 - No major speed bumps
 - Six years of government pre planning has resulted in successful industry deployment

Regional Overview: Singapore

- Singapore Casino Control Act
 - Modeled on
 - New Jersey
 - Nevada
 - Australian jurisdictions
 - Established legal framework
 - Created Casino Regulatory Authority
 - Admission fee for Singaporeans and visa residents
 - Compulsive gambling issues addressed

Regional Overview: Singapore

- Casino gaming
 - Vehicle to achieve broad public policy goals
- Goals clearly established
 - Well-known to general public
 - Government in harmony

Regional Overview: Macau

- Macau Comparison
 - Junkets/VIP crucial to casino success –70%
 - Casinos rely on junket operators for players
 - Little control or responsibility over recruitment of junkets or players by casinos
 - Gaming credit granted by VIP junket operators
 - Balance of power in junkets and VIP room operators
 - Growth of Macau driven by:
 - Junkets and VIP room operators

Regional Overview: Macau

- Effect on Singapore
 - Anti Money Laundering Controls
 - Enforcement is part of the regulatory process
 - Same rules should be applied by all jurisdictions
 - Asia Pacific Group
 - No competitive advantage by not complying

Singapore Advantages

- Mature Hotel and Tourism Infrastructure
- Transportation Infrastructure
 - Airport
 - 70% of arrivals to Singapore by air
 - Best in Asia
 - Efficient customs and immigration
 - Long haul airport
- Sophisticated legal structure & procedures
 - Rule of Law
 - Transparency

Singapore Advantages

- Gaming Regulation and Control
 - Strict but fair regulation
 - Strict regulation of junkets
 - Credit to be issued by casinos and junkets
 - Under controlled circumstances
 - Anti-Money Laundering controls
- Singapore is already a financial center

Macau Advantages

- Chinese population on its border
- Major investment
- Experienced staff
- Positive return on investment

Singapore & Macau Financial Performance

- VIP/High Roller Market
 - Factors that influence
 - Gaming rates
 - Junket commissions
 - Availability of Credit
 - Collections
 - Legal movement of funds
 - Quality visitation amenities
- Limited number of high rollers
 - High roller market has grown worldwide
- Chinese high rollers likely to stay in Macau

Singapore & Macau Financial Performance

- High Rollers
 - Travel time is a factor
 - Hong Kong high rollers are in Singapore
 - Taiwan high rollers are in Singapore
 - All other high rollers likely to give Singapore a chance
- We project at least 1/2 of the Singapore market will be VIP/high roller market after 18 to 24 month ramp-up

Singapore Financial Performance

- Early results intelligence indicate mass market high quality play
 - Various estimates are S\$3.5 to S\$5.0 million per day
 - Retail table minimum wagers
 - S \$50 daytime
 - S \$200 nights and weekend
 - Expansion of low limit electronic table games
- Local mass market produces
 - 40% of revenues
 - Low limit games
 - Slot machines

Singapore Financial Performance

- Existing Visitation
 - 2010 arrivals 11.6 million an increase of 20.2%
 - Existing tourism and business infrastructure
 - Visitors stay longer
 - Could constitute up to +25% of gaming market

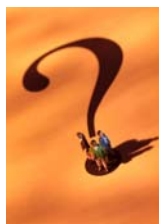
Revenue Forecast

- Singapore 2011
- Spectrum has polled a diverse array of gaming analysts and investment bankers to determine a revenue projection consensus;
 - \$7.0 Billion USD Gaming Revenue
 - \$3.0 Billion USD Non- Gaming Revenue
- ❖ Projections are based on a 24 to 36 month ramp up model

Polling Question

- Do you think Singapore gaming revenue will exceed that of the Las Vegas strip this year?

- Yes
- No
- Not sure



Philippines

- PAGCOR Casinos
- Resorts World Manila
- PAGCOR CITY PROJECT
 - Four privately operated casinos
- Slot Parlors

Philippines

- PAGCOR
 - Inherent conflict
 - Government operates casinos
 - Government regulates casinos
 - Will government use its regulatory power to thwart competition
- Resorts World Manila
 - Shows demand exists
 - Slot Play and table game play exceeds PAGCOR casinos

Japan

- Prior to recent earthquake a political agreement was near for casino gaming
- Will this effort be accelerated or set back by recent events?
 - Government preoccupied with cleanup, radiation issues and planning for rebuilding
- Pay attention to the gaming issue in Japan

Vietnam

- 5 star hotels may have up to 40 slot machines
- Some local governments have issued casino licenses
 - National Government still has not legalized gaming
 - We do not believe any project will open until the national government endorses what the local governments have done
- Unclear when and if that will take place

Revenue Forecast

- Macau
 - May near USD \$31.0 billion 2011
 - True potential is mostly dependant on visa policies and
 - Transportation infrastructure
 - Chinese economy

Risk Factors Singapore & Macau

- Gaming Expansion – Asia
 - Taiwan
 - Japan
 - Philippines' success in PACGOR city site
 - Korean industry expansion
 - Thailand
 - VIP junket commission Asian marketing battle
 - Increasing jet fuel prices
 - Flu Pandemic

Questions



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Thank you!

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