

Crackdown in Macau spreads to Vegas

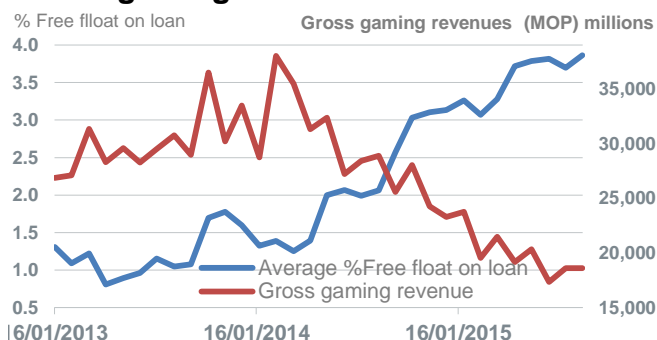
Dwindling takings from VIPs has seen gaming revenues in Macau continue to decline, propelling short interest to new highs.

- Macau casinos' short interest has quadrupled in last year to 3.9% of free float
- Short sellers rewarded as the ten most shorted casinos saw their shares retreat by 44%
- Shorts now focusing on US operations with Wynn Resorts seeing a surge in shorting activity

Meagre takings in Macau

The former Portuguese colony and gambling mecca for Chinese punters recently announced that annualised **GDP** had declined by 26% in the second quarter, impacted heavily by declining profits in Macau casinos whose revenues fell by 40%.

Macau gaming revenues



Source: Markit, Gaming Inspection and Coordination Bureau Macau

Gambling revenue in the region **peaked in late 2013** after many years of posting impressive growth. Since Chinese authorities undertook a corruption crackdown, high rolling VIPs have curtailed their spending, putting immense pressure of gaming revenues.

Short sellers have profited from **betting against** Macau casinos over the last 12 months with an average decline of 44% for the top ten most shorted year to date. Dividends have **been cut** and the average percentage of free float across the industry has continued to increase, rising to 3.9% currently.

Name	Ticker	% Free Float on loan	Change over Year
Wynn Macau Ltd	1128	14.4	131%
Sjm Holdings Ltd	880	10.5	351%
Melco International Development Ltd	200	8.7	157%
Rexlot Holdings Ltd	555	8.0	2%
Mgm China Holdings Ltd	2282	6.1	351%
China Lotsynergy Holdings Ltd	1371	3.8	33%
Macau Legend Development Ltd	1680	3.7	-26%
Galaxy Entertainment Group Ltd	27	2.5	61%
Paradise Entertainment Ltd	1180	2.4	-4%
Sands China Ltd	1928	2.4	2256%

The most shorted casino in Macau by free float out on loan is Wynn Macau. Its short interest has risen 92% over three months to 14.4%. This has proved to be a canny move as its stock is down 56% over the last 12 months, to its lowest level in over five years.

Wynn Macau Ltd



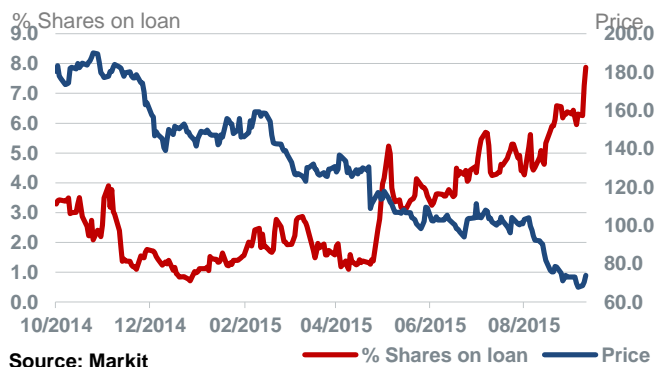
Source: Markit

Shorts target Wynn Resorts

Shares outstanding on loan for US listed Wynn Resorts have risen almost fourfold in the last six months to 7.9%, while the stock has slid 43% (down 60% over 12 months).

Besides consensus earnings forecasts pointing to substantial reduction in revenues for Wynn, reports of a large **loss in a Macau junket** saw shares plummet in recent weeks. Further reports indicate that the loss may not be as large as initially reported, but such news will no doubt rattle investors and spur on short sellers.

Wynn Resorts Ltd



The large potential losses faced by Wynn Macau and respectively Wynn Resorts highlights the often murky operating nature of the industry, especially the high end Chinese VIP market. The change in mood of the Chinese regulators has been the main catalyst spurring on short sellers in the last few months and the trend shows little signs of abating.

Mgm China Holdings Ltd



MGM China has seen free float on loan rise to 6.1% with shares are down 46% over the last 12 months. Similarly SJM Holdings has

seen its stock fall 55% over the last 12 months as the free float out on loan has risen to 10.5%.

Sjm Holdings Ltd



The largest operator in terms of size by market cap, Sands China, has not been immune to the trend as its shares have **continued** their fall over the last 12 months. Short interest now hovers in the 2.0 and 2.5% range, over four times the levels seen only 12 months ago.

Sands China Ltd



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