

## Bloomberry Resorts Corporation

WED 06 MAR 2019

# FY18 profit grows 21.8% on higher GGR, better margins

**FY18 profit in line with estimates.** BLOOM's FY18 reported net profit grew 18.4% y/y to Php7.19 Bil. This was driven by a 15.7% growth in net revenues and 20.1% improvement in EBITDA. Stripping out forex gains and other one-off items, the core profit of BLOOM improved 21.8% y/y to Php6.83 Bil, meeting both COL and consensus full-year estimates.

**Better results from both casinos.** Looking at the breakdown per casino, Solaire's recurring net income increased 13.4% y/y to Php7.24 Bil as Solaire was able to grow the revenues of all its gaming segments. Gross gaming revenues grew 14.5% while EBITDA increased 20%, which was more than enough to cushion the impact of the 122% (Php4.56 Bil from Php2.05 Bil) increase in interest expense which was a result of higher debt balance. Meanwhile, Jeju Sun's net loss during the period narrowed 47.4% y/y to Php412 Mil due to lower cash operating expenses and lower provision for income tax.

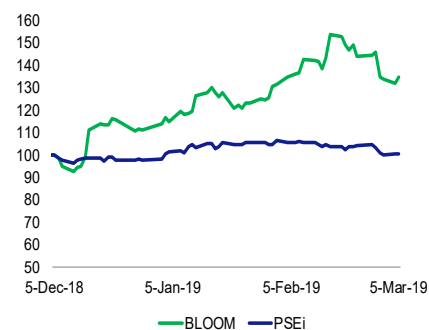
**Grind segment remains on uptrend while VIP segment steady.** Solaire's 4Q18 GGR jumped 28.8% owing to the low base of VIP revenues in 4Q17. Recall that in 4Q17, VIP hold rate was exceptionally low at just 1.94%. This recovered to 2.78% in 4Q18. Meanwhile, mass and slots maintained is steady uptrend with 4Q18 revenues growing 17.9% and 9.8% respectively.

**BUY with FV estimate of Php13.74.** We maintain our BUY rating on BLOOM with a fair value estimate of Php13.74. We like BLOOM for being the operator of the biggest integrated resorts in the Philippines (in terms of GGR) and is a clear beneficiary of the growing demand in the gaming industry. From the FY18 results, we see that the grind market is strong and its growth is sustainable. The stronger than expected grind segment was able to offset weaker than expected VIP segment. Going forward, we believe there is upside risk to our estimates given that our consolidated GGR growth forecast for 2019 and 2020 is just 3%.

# BUY

**TICKER:** BLOOM  
**FAIR VALUE:** 13.74  
**CURRENT PRICE:** 11.40  
**UPSIDE:** 20.53

### SHARE PRICE MOVEMENT



### ABSOLUTE PERFORMANCE

	1M	3M	YTD
BLOOM	0.18	34.91	21.15
PSEi	-4.94	0.52	2.74

### MARKET DATA

Market Cap	125,498.91Mil
Outstanding Shares	11,008.68Mil
52 Wk Range	7.30 - 14.74
3Mo Ave Daily T/O	140.43Mil

### FORECAST SUMMARY

Year to December 31 (Php Mil)	2015	2016	2017	2018E	2019E	2020E
<b>Revenues</b>	<b>25,040</b>	<b>30,387</b>	<b>36,651</b>	<b>40,811</b>	<b>42,081</b>	<b>43,443</b>
% change y/y	4.2	21.4	20.6	11.4	3.1	3.2
<b>EBITDA*</b>	<b>3,273</b>	<b>8,895</b>	<b>12,281</b>	<b>15,303</b>	<b>15,829</b>	<b>16,287</b>
% change y/y	-56.9	171.8	38.1	24.6	3.4	2.9
EBITDA margin	13.1	29.3	33.5	37.5	37.6	37.5
<b>EBIT*</b>	<b>(1,584)</b>	<b>4,040</b>	<b>7,928</b>	<b>11,553</b>	<b>12,079</b>	<b>12,537</b>
% change y/y	-	-	96.2	45.7	4.6	3.8
EBIT margin	-6.3	13.3	21.6	28.3	28.7	28.9
<b>Core net income</b>	<b>(3,065)</b>	<b>2,819</b>	<b>5,610</b>	<b>6,783</b>	<b>6,516</b>	<b>6,962</b>
% change y/y	-	-	99.0	20.9	-3.9	6.9
Net profit margin	-12.2	9.3	15.3	16.6	15.5	16.0
<b>EPS (cents)</b>	<b>(0.31)</b>	<b>0.21</b>	<b>0.55</b>	<b>0.61</b>	<b>0.59</b>	<b>0.63</b>
% change y/y	-	-	161.0	11.7	-3.9	6.9

### RELATIVE VALUE

P/E (X)	-	54.1	20.7	18.5	19.3	18.1
EV/EBITDA	38.9	14.3	10.4	8.3	8.0	7.8
P/BV (X)	5.8	5.2	4.1	3.4	3.0	2.6
ROE (%)	(15.5)	9.6	20.0	18.6	15.3	14.2
Dividend Yield (%)	0.4	0.4	0.4	0.4	0.4	0.4

\*adjusted to reflect 15-25% license fee structure

source: BLOOM, COL estimates

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## FY18 profit in line with estimates

BLOOM's FY18 reported net profit grew 18.4% y/y to Php7.19 Bil. This was driven by a 15.7% growth in net revenues and 20.1% improvement in EBITDA. Stripping out forex gains and other one-off items, the core profit of BLOOM improved 21.8% y/y to Php6.83 Bil, meeting both COL and consensus full-year estimates.

### Exhibit 1. Results Summary

<i>in Php Mil</i>	FY17	FY18	change	% of estimates	
				COL	consensus
<b>Total GGR</b>	<b>44,926</b>	<b>51,456</b>	<b>14.5%</b>	<b>102.6%</b>	
Net revenues	33,022	38,220	15.7%		
EBITDA	12,281	14,753	20.1%	96.4%	98.0%
Reported net income	6,071	7,188	18.4%	-	-
<b>Core profit</b>	<b>5,609</b>	<b>6,831</b>	<b>21.8%</b>	<b>100.8%</b>	<b>100.4%</b>

Source: BLOOM, COL estimates, Bloomberg

## Better results from both casinos

Looking at the breakdown per casino, Solaire's recurring net income increased 13.4% y/y to Php7.24 Bil as Solaire was able to grow the revenues of all its gaming segments. Gross gaming revenues grew 14.5% while EBITDA increased 20%, which was more than enough to cushion the impact of the 122% (Php4.56 Bil from Php2.05 Bil) increase in interest expense which was a result of higher debt balance.

Meanwhile, Jeju Sun's net loss during the period narrowed 47.4% y/y to Php412 Mil due to lower cash operating expenses and lower provision for income tax.

### Exhibit 2: Core income breakdown

<i>in Php Mil</i>	FY17	FY18	change
Solaire	6,385	7,242	13.4%
Jeju Sun	(783)	(412)	-47.4%

Source: BLOOM

## Grind segment remains on uptrend while VIP segment steady

Solaire's 4Q18 GGR jumped 28.8% owing to the low base of VIP revenues in 4Q17. Recall that in 4Q17, VIP hold rate was exceptionally low at just 1.94%. This recovered to 2.78% in 4Q18. Meanwhile, mass and slots maintained is steady uptrend with 4Q18 revenues growing 17.9% and 9.8% respectively.

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For the full-year 2018, total GGR grew 14.5% to Php50.97 Bil, driven by the grind segment. VIP GGR grew 5.3% as hold rate improved 8bps while maintaining a high level of volume. Meanwhile, the strength of the grind segment is consistent in all quarters. Mass tables GGR grew 26.5% y/y as of FY18 while slots and electronic table games jumped 18.3%. Combined, the grind segment GGR were up 22.4% y/y.

**Exhibit 3. Solaire GGR breakdown**

<i>in Php Mil</i>	<b>4Q17</b>	<b>4Q18</b>	<b>change</b>	<b>FY17</b>	<b>FY18</b>	<b>change</b>
VIP	3,969	6,058	52.6%	20,712	21,817	5.3%
Mass	3,117	3,675	17.9%	12,059	15,258	26.5%
Slots	3,184	3,496	9.8%	11,748	13,897	18.3%
<b>Total GGR</b>	<b>10,270</b>	<b>13,231</b>	<b>28.8%</b>	<b>44,519</b>	<b>50,972</b>	<b>14.5%</b>

Source: BLOOM

**Exhibit 4. Solaire volume and win rate breakdown**

	<b>4Q17</b>	<b>4Q18</b>	<b>change</b>	<b>FY17</b>	<b>FY18</b>	<b>change</b>
<b>VIP Segment</b>						
Volume (in Php Mil)	204,272	217,731	6.6%	794,825	810,233	1.9%
Hold rate	1.94%	2.78%	43.2%	2.61%	2.69%	3.1%
<b>Mass Table</b>						
Volume (in Php Mil)	3,117	3,675	17.9%	36,757	44,894	22.1%
Hold rate	32.27%	30.94%	-4.1%	32.80%	34.00%	3.7%
<b>Gaming Machines</b>						
Volume (in Php Mil)	47,459	53,203	12.1%	184,652	211,887	14.7%
Hold rate	6.71%	6.57%	-2.1%	6.40%	6.60%	3.1%

Source: BLOOM

## BUY with FV estimate of Php13.74

We maintain our BUY rating on BLOOM with a fair value estimate of Php13.74. We like BLOOM for being the operator of the biggest integrated resorts in the Philippines (in terms of GGR) and is a clear beneficiary of the growing demand in the gaming industry. From the FY18 results, we see that the grind market is strong and its growth is sustainable. The stronger than expected grind segment was able to offset weaker than expected VIP segment. Going forward, we believe there is upside risk to our estimates given that our consolidated GGR growth forecast for 2019 and 2020 is just 3%.

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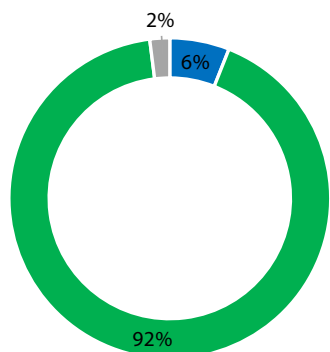
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# Bloomberry Resorts Corporation (BLOOM)

## COMPANY BACKGROUND

Bloomberry Resorts Corporation develops tourist facilities, casino entertainment, and hotel and amusement-themed projects. Bloomberry Resorts Corporation owns and operates Solaire Resort and Casino which is one of the four license holders in Entertainments City. Solaire is currently the leading integrated resort in the Philippines. Bloomberry also owns and operates Jeju Sun Hotel and Casino in Jeju, Korea.

## REVENUE BREAKDOWN



■ Hotel, food and beverage
 ■ Gaming
 ■ Retail and others

## INCOME STATEMENT (PHPMIL)

	FY14	FY15	FY16	FY17E	FY18E	FY19E
Revenues	24,837	25,840	30,387	37,149	46,425	41,640
% Growth	95.6%	4.2%	21.4%	22.3%	8.8%	3.0%
Adjusted EBITDA	7,588	3,273	8,895	13,543	15,866	15,328
% Growth	734.3%	-56.9%	171.8%	52.2%	11.2%	1.7%
Adjusted Operating Profit	4,779	(1,584)	4,040	8,987	16,519	10,772
% Growth	-522.3%	-133.2%	-355.1%	122.4%	17.0%	2.9%
Interest Expense	(761)	(2,167)	(2,223)	(2,223)	(2,223)	(2,223)
Other Income/(Expense)	63	376	506	155	178	168
Net Income	4,672	(3,364)	2,357	6,939	8,464	6,737
% Growth	-489.7%	-182.0%	-178.1%	194.8%	22.1%	3.2%
EPS	0.38	(0.31)	0.21	0.63	0.77	0.79
% Growth	-486.1%	-179.8%	-169.1%	197.8%	22.3%	3.2%

## BALANCE SHEET (IN PHPMIL)

	FY14	FY15	FY16	FY17E	FY18E	FY19E
Cash & Equivalents	19,171	14,496	14,326	18,489	22,439	31,189
Receivables	4,088	2,814	2,958	4,174	4,542	4,679
Other Current Assets	925	930	1,233	1,294	1,359	1,427
Restricted cash - net of current portion	2,773	32,695	35,675	37,459	39,332	41,298
Properties	46,471	49,323	64,064	74,256	84,422	94,327
Other Non-Current Assets	751	2,631	2,256	2,366	2,482	2,803
Total Assets	67,678	70,734	67,515	69,774	71,158	77,629
Liabilities	4,199	11,324	8,771	9,648	16,613	11,674
ST Debts	1,994	2,947	1,714	7,519	3,382	7,360
Other Current Liabilities	958	1.0	1.0	1.0	1.0	1.0
LT Debts	38,614	33,856	32,112	21,316	17,924	10,564
Other Non-Current Liabilities	242	866	772	787	862	816
Total Liabilities	41,889	48,937	43,379	39,262	32,722	30,418
Total Equity	25,679	21,797	24,144	30,512	38,435	46,811
Total Liabilities & Equity	67,678	70,734	67,515	69,774	71,158	77,629
EVPS	2.3	2.0	2.2	2.8	3.5	4.2

## CASHFLOW STATEMENT (IN PHPMIL)

	FY14	FY15	FY16	FY17	FY18E	FY19E
Pretax Income	6,482	(1,543)	3,982	6,295	7,034	6,757
Depreciation & Amortization	2,818	4,856	4,855	4,354	3,750	3,750
Other Non-Cash Exp (Gains)	788	2,526	(233)	(234)	-	-
Interest Expense (Income)	676	2,090	2,179	2,085	(4,519)	(5,322)
Decrease (Increase) in Working Cap	(1,314)	1,826	(3,001)	855	(1,438)	811
<b>Operating Cash Flow</b>	<b>8,129</b>	<b>6,896</b>	<b>6,353</b>	<b>13,420</b>	<b>4,390</b>	<b>5,556</b>
Capex	(10,794)	(8,833)	(1,481)	(1,802)	(41,853)	(1,353)
Decrease (Increase) in other investments	(3,355)	(3,703)	158	(31)	(11)	(11)
<b>Investing Cash Flow</b>	<b>(14,148)</b>	<b>(12,536)</b>	<b>(1,322)</b>	<b>(1,832)</b>	<b>(41,863)</b>	<b>(1,364)</b>
Proceeds (Payment) Debts	14,907	3,988	(3,283)	(1,882)	41,399	0
Net proceeds from issuance of capital stock	5,662	0	0	0	0	0
Interest Paid	(1,278)	(2,162)	(2,109)	(2,049)	4,696	5,513
Others	(103)	(741)	(46)	0	(551)	(551)
<b>Financing Cash Flow</b>	<b>19,189</b>	<b>1,085</b>	<b>(5,437)</b>	<b>(3,931)</b>	<b>45,545</b>	<b>4,962</b>
<b>Change in Cash</b>	<b>13,063</b>	<b>(4,676)</b>	<b>(170)</b>	<b>7,636</b>	<b>8,071</b>	<b>9,153</b>

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**INVESTMENT THESIS:**
**Beneficiary of growing gaming sector**

The local gaming sector is still in a growth phase and Bloomberry, the operator of Solaire Resort and Casino, is a main beneficiary of the trend. Solaire Resort and Casino is one of four integrated resorts in Entertainment City and once all four are completed, Philippines will make a better case as a regional gaming destination, which will benefit all operators.

**Leader in the Philippine gaming sector**

Bloomberry is the leader in the Philippine gaming sector as Solaire has the most gross gaming revenues (GGR) among the four integrated resorts. In 2016, the GGR of Solaire accounted for 44% of total GGR of integrated resorts.

**RATIOS**

	FY14	FY15	FY16	FY17	FY18E	FY19E
EBITDA Margin (%)	31.6%	13.1%	29.3%	33.5%	37.5%	37.6%
OPM (%)	19.8%	-6.3%	13.3%	21.6%	28.3%	28.7%
NPM (%)	16.9%	-13.4%	7.8%	16.6%	16.6%	15.5%
Times Interest Earned (X)	-6.3	0.7	-1.8	-3.7	-2.5	-2.2
Current Ratio (X)	2.17	1.28	1.77	2.16	3.57	4.09
Net D/E Ratio (X)	0.52	1.03	0.81	0.34	1.19	0.81
Days Receivable	62.1	41.0	35.5	22.7	41.0	41.0
Asset T/O (%)	0.4	0.4	0.5	0.5	0.3	0.3
ROAE (%)	19.5%	-14.2%	10.3%	22.3%	20.3%	16.5%

**MAJOR CORPORATE DEVELOPMENTS (5-YEARS)**

Acquisition of 92% of Golden & Luxusy Co. Ltd., a hotel and casino operator in Jeju Island	12/31/2015
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## Valuation Methodology

RELATIVE VALUATION				
	EV/EBITDA		EBTIDA growth	
	2018E	2019E	2018E	2019E
<b>Bloomberry Resorts</b>	<b>8.3</b>	<b>8.0</b>	<b>24.6%</b>	<b>3.4%</b>
Resorts World Manila	23.3	16.8	41.3%	38.9%
Wynn Macau	11.9	12.2	29.7%	-2.0%
Sands China	13.7	12.3	27.1%	11.6%
MGM China	18.0	14.2	25.4%	26.3%
Galaxy Entertainment	13.5	12.2	31.4%	10.8%
Melco Resorts	10.2	9.6	24.7%	6.9%
Genting Malaysia	8.4	7.7	-63.6%	3.0%
Crown Resorts	9.2	9.0	3.0%	5.3%
Star Entertainment	8.2	7.8	3.0%	5.3%
<b>Industry Average</b>	<b>12.5</b>	<b>11.0</b>	<b>13.6%</b>	<b>11.8%</b>
<b>Industry Median</b>	<b>11.1</b>	<b>10.9</b>	<b>25.4%</b>	<b>6.9%</b>

VALUATION ASSUMPTIONS	
<b>DCF valuation</b>	
Risk Premium	5.0%
Risk Free Rate	6.5%
Beta	1.4
Cost of Equity	13.5%
Cost of Debt	7.5%
Tax Rate	0.0%
WACC	10.5%
Terminal Growth Rate	2.0%
PV of cash flows	178,854
Value of land	16,200
Enterprise value	195,054
Net debt	-43,467
Net asset value	151,587
O/S	11,033
<b>FV Estimate (Php)</b>	<b>13.74</b>

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**IMPORTANT RATING DEFINITIONS****BUY**

Stocks that have a BUY rating have attractive fundamentals and valuations based on our analysis. We expect the share price to outperform the market in the next six to 12 months.

**HOLD**

Stocks that have a HOLD rating have either 1) attractive fundamentals but expensive valuations 2) attractive valuations but near-term earnings outlook might be poor or vulnerable to numerous risks. Given the said factors, the share price of the stock may perform merely in line or underperform in the market in the next six to twelve months.

**SELL**

We dislike both the valuations and fundamentals of stocks with a SELL rating. We expect the share price to underperform in the next six to 12 months.

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