

February 12, 2020 09:15 AM GMT

## NagaCorp | Asia Pacific

## Growth Intact, Valuation Attractive; Reiterate OW

Stock Rating  
Overweight

Industry View  
Attractive

Price Target  
HK\$15.00

NagaCorp continues to grow more rapidly than its regional peers, and looks better positioned during the current downturn. Valuation of 10% FCFE yield and 11x P/E on 2020e looks attractive on an absolute and relative basis, which should see ongoing outperformance.

## WHAT'S CHANGED

NagaCorp (3918.HK)	From	To
Price Target	HK\$14.00	<b>HK\$15.00</b>

**Strong 2019 Earnings** - NagaCorp reported 2019 EBITDA and EPS growth of 31% and 33%, respectively. DPS grew 57% YoY, although part of that was due to a special dividend. If it maintains its 60% payout ratio, our 2020 DPS forecast of US cents 7.9 implies a 5.4% yield.

**Key reasons for our OW are:**

**(1) Offering better growth than other gaming markets** - Since 2011, Naga's EBITDA CAGR has been 24% compared to 7% for Macau gaming stocks. Over 2020-22, we expect EBITDA growth of 9%, also higher than other regional gaming companies. In terms of execution, Naga 2 has generated more than 40% ROIC since opening in Dec 2017.

**(2) Structurally better positioned** - NagaCorp has a monopoly in and around Phnom Penh through 2045, it also has a lower tax rate and lower labor costs compared to Macau gaming companies. We also like Naga more than its Philippines and Singapore peers given its better growth prospects, lower tax rates and higher dividend yields.

**(3) Attractive Valuation** - At 10% FCFE yield, 11x P/E on 2020e, the stock is trading at a 28% discount on 12M forward consensus EV/EBITDA to Macau peers. We expect the stock to continue to re-rate given its growth prospects.

**What's changed?** PT increase is mainly due to increase in 2020e EBITDA due to removal of revenue tax (5% of GGR), which was moved to 2021, and lower opex. Lower EBITDA in 2021e is due to lower VIP revenue.

**Key concerns:** Slower Chinese visitation, high exposure to VIP (41% of gross profit), revenue tax announcement overhang (due in mid-2020), high capex for Naga 3 (US\$3.5bn), cap on dividend due to capex commitment (US\$1.75bn over the next five years) and uncertainty around a Russian project.

MORGAN STANLEY ASIA LIMITED+

Praveen K Choudhary

EQUITY ANALYST

Praveen.Choudhary@morganstanley.com

+852 2848-5068

Gareth Leung

RESEARCH ASSOCIATE

Gareth.Leung@morganstanley.com

+852 2848-7339



Morgan Stanley appreciates your support in the 2020 Institutional Investor All-Asia Research Team Survey. Request your ballot [here](#).

## NagaCorp ( 3918.HK, 3918 HK )

ASEAN Gaming / Hong Kong

<b>Stock Rating</b>	<b>Overweight</b>
<b>Industry View</b>	<b>Attractive</b>
Price target	HK\$15.00
Shr price, close (Feb 12, 2020)	HK\$11.78
52-Week Range	HK\$14.74-8.60
Up/downside to price target (%)	27
Sh out, dil, curr (mn)	4,341
Mkt cap, curr (mn)	US\$6,585
Avg daily trading value (mn)	HK\$56

Fiscal Year Ending	12/19	12/20e	12/21e	12/22e
ModelWare EPS (US\$)	0.120	0.140	0.152	0.173
Prior ModelWare EPS (US\$)	0.11	0.13	0.15	-
EPS (US\$)§	0.12	0.14	0.16	-
Revenue, net (US\$ mn)	1,755	1,801	1,984	2,180
EBITDA (US\$ mn)	661	760	777	856
ModelWare net inc (US\$ mn)	521	607	662	751
P/E	14.5	10.9	10.0	8.8
P/BV	4.2	3.2	2.8	2.5
RNOA (%)	31.4	29.4	27.3	28.4
ROE (%)	33.9	33.9	32.6	32.5
EV/EBITDA	11.6	8.7	8.3	7.3
Div yld (%)	4.9	5.5	6.0	6.8

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

§ = Consensus data is provided by Thomson Reuters Estimates

e = Morgan Stanley Research estimates

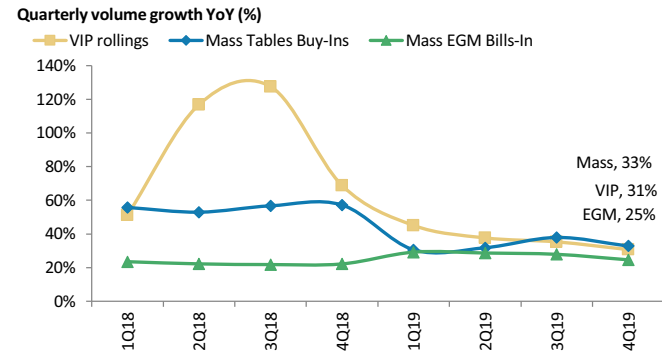
Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.**

+ = Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

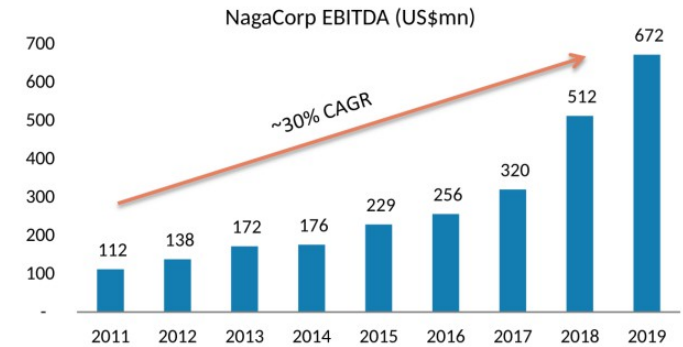
# Key Charts

**Exhibit 1: Naga: Strong Quarterly Volume Growth**



Source: Company data, Morgan Stanley Research

**Exhibit 2: Naga: Strong Historical EBITDA Growth**



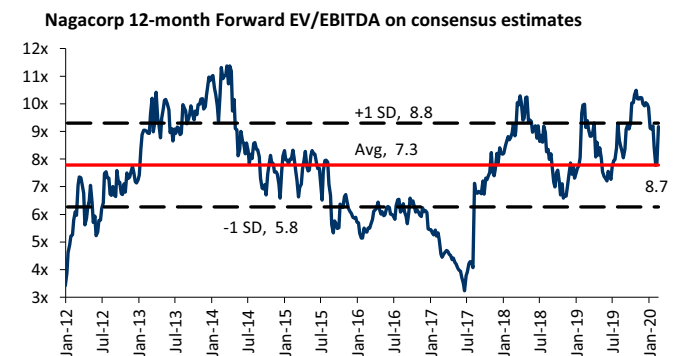
Source: Company data, Morgan Stanley Research;  
Note: 1H19x2 represents the annualized number.

**Exhibit 3: Naga: Our FCFE valuation implies at HK\$15 price target, offering 24% upside potential**

US\$ m	2018	2019	2020E	2021E
Company EBITDA	502	661	760	777
Less: Income tax	(9)	(30)	(30)	(8)
Less: Maintenance Capex	(94)	(50)	(50)	(50)
Less: Interest Expense	(19)	(20)	(28)	(13)
FCFE	379	560	651	706
Target FCFE Yield	8.0%			
Equity Value	4,742	7,004	8,142	
Number of shares			4,341	
Price Target (HK\$)			15.0	
Upside/downside			24%	
Current multiples	2018	2019E	2020E	2021E
EV/EBITDA		10.1	8.7	8.6
P/E		12.9	11.1	10.2
Recurring FCFE Yield		8.3%	9.7%	10.5%
Div Yield%		5.4%	5.4%	5.9%

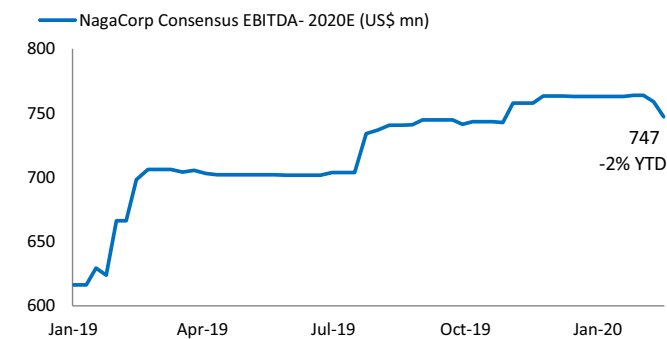
Source: Refinitiv as of Feb 11, 2020, Morgan Stanley Research (E) estimates

**Exhibit 4: Naga is trading at 8.7x 12-month forward EV/EBITDA**



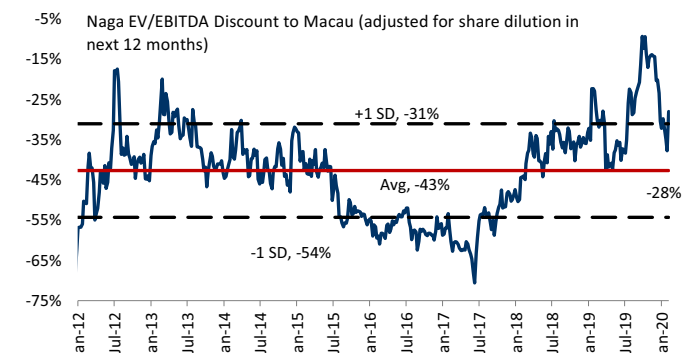
Source: Refinitiv as of Feb 11, 2020, Morgan Stanley Research

**Exhibit 5: Naga's 2020E consensus EBITDA has seen positive revisions since Jan 2019**



Source: Refinitiv as of 11 Feb, 2020, Morgan Stanley Research

**Exhibit 6: Naga is trading at a 28% discount to Macau Gaming Industry Average on 12-month forward EV/EBITDA**



Source: Refinitiv as of Feb 11, 2020, Morgan Stanley Research

## Investment Case

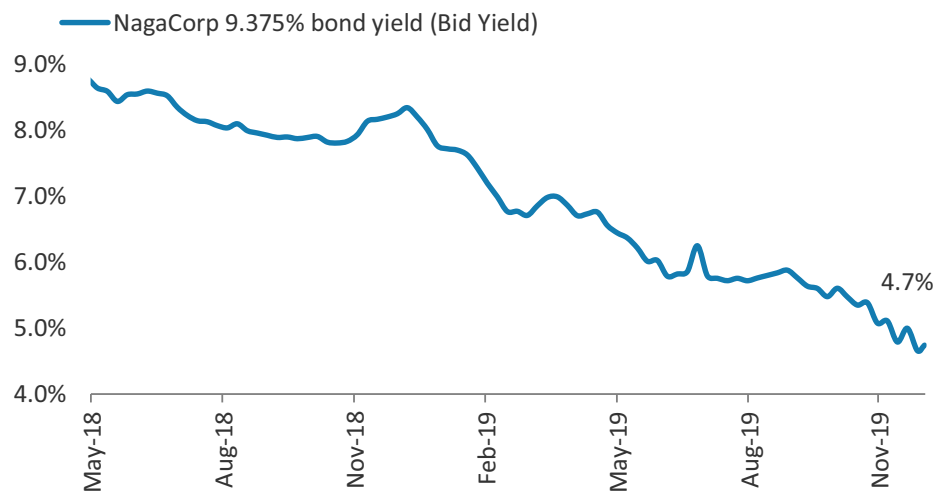
We reiterate our OW rating for these reasons:

**(1) Offering better growth than other gaming markets** - Since 2011, Naga's EBITDA CAGR has been 24% compared to 7% for Macau gaming stocks. This is also better than any other gaming companies globally. Over 2020-22, we expect EBITDA growth of 9%, also higher than other regional gaming companies. In terms of execution, Naga 2 has generated more than 40% ROIC since opening in Dec 2017. Long-term upside could come from success at the Naga 3 complex (capex US\$3.5bn, opening in 2025).

**(2) Structurally better positioned** - NagaCorp has a monopoly in and around Phnom Penh through 2045, it also has a lower tax rate and lower labor costs compared to Macau gaming companies. We also like Naga more than its Philippines and Singapore peers given its better growth prospects, lower tax rates and higher dividend yields.

**(3) Balance sheet capacity to expand faster:** As of end-2019, the company had net cash of US\$32mn and net cash/2021e EBITDA of around 0.1x. More importantly, for the first time, the company issued corporate bonds – US\$300mn at 9.375% coupon in mid-2018 – the yield on which has tightened to 4.7% as of Jan 2020, suggesting strong demand, lower risk premium and an improved outlook.

**Exhibit 7:** NagaCorp 9.375% bond yield dropped to 4.7% by Jan 2020



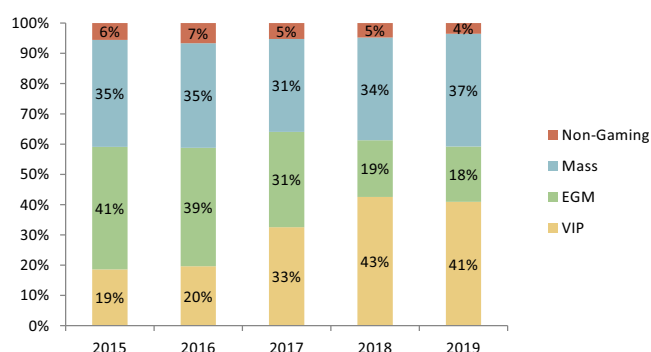
Source: Refinitiv, Morgan Stanley Research

**(4) Attractive Valuation including dividend yield** - At 10% FCFE yield, 11x P/E on 2020e, the stock is trading at a 28% discount on 12M forward consensus EV/EBITDA to Macau peers. We expect the stock to continue to re-rate given its growth prospects. We believe Naga provides a unique combination of dividend yields and potential dividend growth. While some gaming companies offer high dividends, few offer dividends that are growing at the same pace as Naga's.

**Key Investor Concerns:** Despite the stock significantly outperforming the HSI (Naga's share price has risen 103% since the opening of Naga2 in Nov 2017 vs. -8% for HSI) and peers for some time we think it will continue to re-rate. We also note some other potential investor concerns:

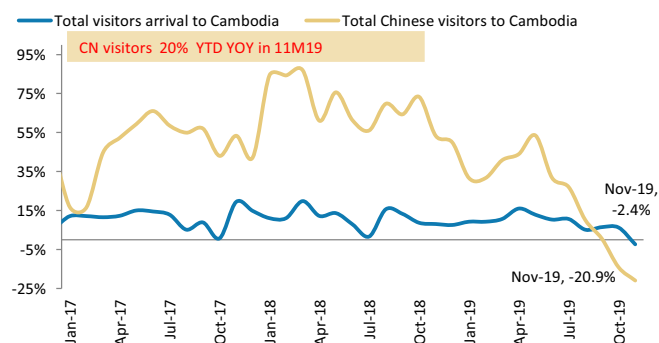
**(1) High exposure to VIP:** Naga generates 71% of its Gross Gaming Revenue (GGR) and 41% of its EBITDA from the VIP segment. This is higher than any of the Macau casinos in our coverage. VIP is a volatile segment, which does carry some risk, and investors usually assign lower multiples as a result. Globally, junkets are also coming under increased scrutiny amid tighter capital controls. However, we already assume lower growth in our forecasts.

**Exhibit 8:** Naga: Gross profit mix - High contribution (41%) from VIP business



Source: Company data, Morgan Stanley Research

**Exhibit 9:** Cambodia visitation – Growth from China has slowed since mid-2019



Source: CEIC, Morgan Stanley Research

**(2) Chinese visitation under pressure:** Naga's financial performance has been supported by strong visitation from China over the last few years - up by 67% and 20% in 2018 and 11M19, respectively; However, visitation dropped by 21%YoY in Nov 2019. If the slowdown in outbound tourism persists, this could have a negative impact on revenue and profit.

**(3) New revenue tax timing remains an overhang:** If the tax starts in 2020, we estimate it could have an up to 10% impact on EBITDA, which is our bear-case scenario. However, our base case assumes the 5% revenue tax will start on Jan 1, 2021.

**Exhibit 10:** Valuation Comps

	Current Price	MS	Mkt Cap	6M Avg Vol.	EV/EBITDA	EBITDA 3-years Growth (CAGR)	P/E	FCFE Yield	Div Yield	Net Debt/EBITDA	2019	2020 YTD
11-Feb-20	LOC\$	Rating	(US\$ m)	(US\$ m)	2020E 2021E	2015-18 2018-21E	2020E 2021E	2020E 2021E	2020E 2021E	2020E 2021E	Perf.	Perf.
<b>MACAU</b>												
Sands China	39.1	OW	40,673	56	12.7x 11.8x	11% 8%	16.7x 15.1x	6.7% 7.4%	5.1% 5.1%	0.9x 0.8x	22%	-6%
Galaxy	54.6	EW	30,478	76	11.6x 10.3x	24% 3%	17.1x 15.5x	7.1% 7.9%	1.8% 1.9%	(2.9x) (2.6x)	15%	-5%
Wynn Macau	17.3	EW	11,591	22	11.9x 11.2x	32% -1%	18.2x 16.1x	8.0% 8.8%	5.7% 6.3%	2.6x 2.4x	12%	-10%
Melco Resorts (Consol.)	21.3	OW	10,361	41	8.7x 8.3x	19% 8%	15.1x 13.4x	12.5% 13.4%	3.1% 3.1%	2.0x 1.9x	35%	-12%
Melco Resorts (Attri.)	21.3	OW	10,361	41	9.7x 9.1x	19% 18%	15.1x 13.4x	8.9% 9.8%	3.1% 3.1%	2.1x 2.0x	35%	-12%
MGM China	11.4	OW	5,579	11	8.9x 8.4x	1% 16%	15.0x 12.1x	11.8% 13.3%	2.3% 2.9%	2.2x 2.0x	22%	-10%
SJM	9.1	EW	6,623	11	12.2x 9.2x	-1% 13%	15.6x 16.1x	6.4% 8.5%	3.8% 3.7%	(0.2x) (0.1x)	-3%	2%
<b>Simple average</b>			<b>115,666</b>		<b>11.2x 10.0x</b>	<b>14% 9%</b>	<b>16.3x 14.7x</b>	<b>8.2% 9.3%</b>	<b>3.6% 3.8%</b>	<b>0.8x 0.8x</b>	<b>17%</b>	<b>-7%</b>
Bloomberry	9.0	OW	1,946	1	6.6x 6.1x	35% 14%	9.0x 8.1x	12.6% 14.5%	2.7% 3.0%	1.5x 1.4x	20%	-21%
NagaCorp	12.1	OW	6,764	6	8.7x 8.6x	30% 16%	11.1x 10.2x	9.7% 10.5%	5.4% 5.9%	(0.0x) (0.1x)	62%	-11%
Genting Singapore	0.9	EW	7,486	13	5.6x 5.6x	17% -2%	15.6x 15.9x	9.0% 8.9%	4.1% 4.1%	(2.8x) (2.8x)	-6%	-6%
<b>Simple average</b>			<b>16,196</b>		<b>7.0x 6.8x</b>	<b>27% 9%</b>	<b>11.9x 11.4x</b>	<b>10.4% 11.3%</b>	<b>4.1% 4.3%</b>	<b>(0.4x) (0.5x)</b>	<b>25%</b>	<b>-13%</b>
<b>ASEAN average</b>					<b>9.8x 8.9x</b>		<b>14.8x 13.6x</b>	<b>8.9% 10.0%</b>	<b>3.8% 4.0%</b>	<b>0.4x 0.3x</b>	<b>20%</b>	<b>-9%</b>

E = Morgan Stanley Research estimates Prices are as of Feb 11, 2019 Source: Refinitiv, Morgan Stanley Research

## Valuation Methodology and Risks

We raise our price target by 7% to HK\$15 driven by higher 2020e EBITDA due to lower revenue tax and opex. The price target is based on an unchanged 8.0% target FCFE yield on our 2020e, higher than NagaCorp's Macau gaming peers' average of 7.0% since 2012. Despite greater growth prospects, we think a higher-than-Macau yield (cheaper valuation) is justified by the company's operation in a frontier market as well as its high reliance on the VIP business.

In our view, the valuation also looks attractive at 8.7x 12-month forward EV/EBITDA and 11.3x forward P/E on consensus numbers, both implying around a 30% discount to Macau peers.

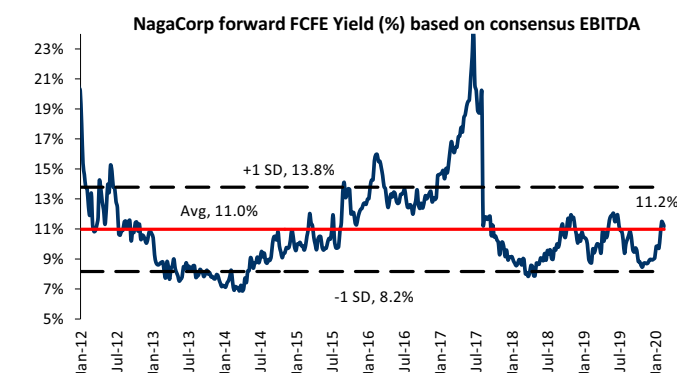
NagaCorp has paid out 60% of its earnings every year since 2015. We expect this to continue and to drive above-peer dividend yields of 5-6% in 2020-21e.

**Exhibit 11:** Naga: FCFE valuation and multiples

US\$ m	2018	2019	2020E	2021E
<b>Company EBITDA</b>	<b>502</b>	<b>661</b>	<b>760</b>	<b>777</b>
Less: Income tax	(9)	(30)	(30)	(8)
Less: Maintenance Capex	(94)	(50)	(50)	(50)
Less: Interest Expense	(19)	(20)	(28)	(13)
<b>FCFE</b>	<b>379</b>	<b>560</b>	<b>651</b>	<b>706</b>
<b>Target FCFE Yield</b>			<b>8.0%</b>	
<b>Equity Value</b>	<b>4,742</b>	<b>7,004</b>	<b>8,142</b>	
Number of shares			4,341	
<b>Price Target (HK\$)</b>			<b>15.0</b>	
Upside/downside			24%	
<b>Current multiples</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
EV/EBITDA		10.1	8.7	8.6
P/E		12.9	11.1	10.2
Recurring FCFE Yield		8.3%	9.7%	10.5%
Div Yield%		5.4%	5.4%	5.9%

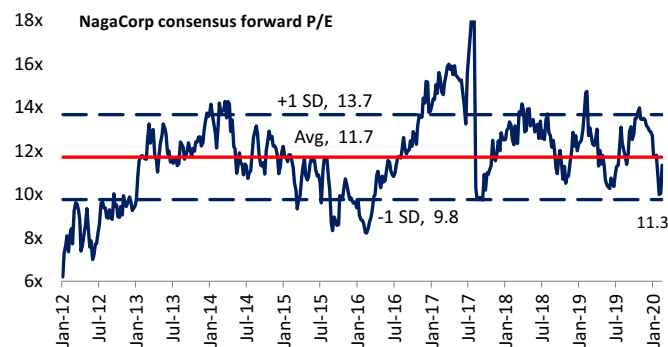
Source: Refinitiv as of Feb 11, 2020, Company data, Morgan Stanley Research (E) estimates

**Exhibit 12:** NagaCorp forward FCFE yield (%) based on consensus EBITDA



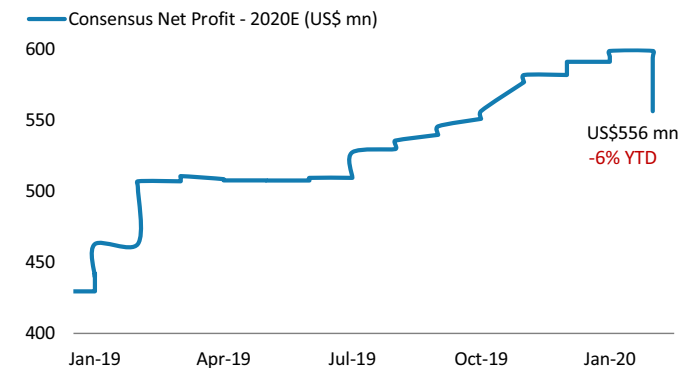
Source: Refinitiv as of Feb 11, 2020, Morgan Stanley Research

**Exhibit 13:** NagaCorp forward P/E on consensus estimates



Source: Refinitiv as of Feb 11, 2020, Morgan Stanley Research

**Exhibit 14:** Naga: Consensus net income estimates for 2020E



Source: Refinitiv as of Feb 11, 2020, Morgan Stanley Research estimates

## What's Changed

We raise our PT by using an unchanged 8% FCFE yield on 2020 EBITDA, which went up by 6%, driven by lower operating expenses as well as the removal of revenue tax, which we expect now to start from Jan. 2021. We increased 2020 income tax from \$8m to \$30m (similar to 2019).

We cut our 2021 EBITDA by 6% driven by lower VIP revenue expectations due to the crackdown on online gambling and junket liquidity.

We lower our revenue forecasts by 24% and 26% for 2020 and 2021, respectively, to reflect our lower VIP revenue growth assumptions - which we cut from 25%YOY to -2%YOY in 2020 and from 15%YOY to 10%YOY in 2021. As VIP revenue contributes more than 70% of gross revenues, lowering VIP revenue growth impacts revenue more.

**Exhibit 15:** Morgan Stanley estimates: New vs. Old

	New		Old		Variance	
US\$ mn	2020E	2021E	2020E	2021E	2020E	2021E
Revenue	1,801	1,984	2,362	2,684	-24%	-26%
Corporate EBITDA	760	777	718	829	6%	-6%
Net Income	607	662	543	667	12%	-1%
EPS (US cents)	13.97	15.24	12.52	15.36	12%	-1%

Source: Morgan Stanley Research (E) estimates

## Financials

**Exhibit 16:** Morgan Stanley estimates vs. consensus

US\$ mn	MSe			Consensus			Variance		
	2019A	2020E	2021E	2019A	2020E	2021E	2019A	2020E	2021E
Revenue	1,755	1,801	1,984	1,825	2,143	2,389	-4%	-16%	-17%
EBITDA	661	760	777	669	759	854	-1%	0%	-9%
Net Income	521	607	662	515	594	679	1%	2%	-3%
EPS (US cents)	12.01	13.97	15.24	11.80	13.80	15.64	2%	1%	-3%

Source: Refinitiv as of 11 Feb 2020, Morgan Stanley Research

**Exhibit 17:** Revenue and productivity forecast

Revenue US\$ mn	2018	2019	2020E	2021E	2022E
VIP revenue	1,069	1,243	1,214	1,332	1,465
Mass revenue	236	318	367	406	451
EGM revenue	129	158	184	207	224
<b>GGR</b>	<b>1,434</b>	<b>1,719</b>	<b>1,765</b>	<b>1,945</b>	<b>2,140</b>
Revenue growth YOY	2018	2019	2020E	2021E	2022E
VIP revenue	71%	16%	-2%	10%	10%
Mass revenue	57%	35%	15%	11%	11%
EGM revenue	-14%	22%	16%	13%	8%
<b>GGR</b>	<b>55%</b>	<b>20%</b>	<b>3%</b>	<b>10%</b>	<b>10%</b>
Tables (period end)	2018	2019	2020E	2021E	2022E
VIP tables	325	349	349	349	349
Mass tables	154	174	174	174	174
EGM machines	1,950	2,000	2,200	2,200	2,200
Productivity (US\$)	2018	2019	2020E	2021E	2022E
VIP w/t/d	10,227	10,106	9,504	10,454	11,500
Mass w/t/d	4,454	5,238	5,762	6,395	7,099
EGM w/u/d	259	337	367	397	428

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 18: Operational summary

Operation (US\$ mn)	2018	2019	2020E	2021E	2022E
<b>Gross Revenue</b>	<b>1,474</b>	<b>1,755</b>	<b>1,801</b>	<b>1,984</b>	<b>2,180</b>
VIP Revenue	1,069	1,243	1,214	1,332	1,465
Mass Revenue	236	318	367	406	451
EGM Revenue	129	158	184	207	224
Gross Gaming Revenue (GGR)	1,434	1,719	1,765	1,945	2,140
Non-Gaming Revenue	40	36	37	39	41
<b>Gross Profit</b>					
<b>Total</b>	<b>674</b>	<b>846</b>	<b>930</b>	<b>1,028</b>	<b>1,129</b>
VIP	286	347	356	391	430
Mass	229	316	364	403	447
EGM	126	155	180	203	219
Gaming	641	817	900	996	1,096
Non-Gaming	32	30	30	32	33
<b>Gross Margin</b>					
<b>Total</b>	<b>46%</b>	<b>48%</b>	<b>52%</b>	<b>52%</b>	<b>52%</b>
VIP	27%	28%	29%	29%	29%
Mass	97%	99%	99%	99%	99%
EGM	98%	98%	98%	98%	98%
Gaming	45%	47%	51%	51%	51%
Non-Gaming	81%	83%	83%	83%	83%
<b>Net Profit</b>					
<b>Opex</b>	<b>(973)</b>	<b>(1,095)</b>	<b>(1,042)</b>	<b>(1,207)</b>	<b>(1,324)</b>
<b>EBITDA (calculated)</b>	<b>502</b>	<b>661</b>	<b>760</b>	<b>777</b>	<b>856</b>
- YOY	61%	32%	15%	2%	10%
<b>PAT</b>	<b>391</b>	<b>521</b>	<b>607</b>	<b>662</b>	<b>751</b>

Source: Company data, Morgan Stanley Research (E) estimates



# Financial Summary

## Exhibit 19: NagaCorp Financial Summary

Nagacorp Ltd.

For the years ending December 31

### Income Statement

US\$ million	2018A	2019A	2020E	2021E	2022E
<b>Gross Revenue</b>	<b>1,474</b>	<b>1,755</b>	<b>1,801</b>	<b>1,984</b>	<b>2,180</b>
VIP Revenue	1,069	1,243	1,214	1,332	1,465
Mass Revenue	236	318	367	406	451
EGM Revenue	129	158	184	207	224
Non-Gaming Revenue	40	36	37	39	41
Gaming tax (5% of GGR)			-	(97)	(107)
Cost of sales	(801)	(909)	(871)	(956)	(1,051)
<b>Gross profit</b>	<b>673</b>	<b>846</b>	<b>930</b>	<b>1,028</b>	<b>1,129</b>
VIP	286	347	356	391	430
Mass	229	316	364	403	447
EGM	126	155	180	203	219
Non-Gaming	32	30	30	32	33
Administrative expenses	(79)	(61)	(45)	(50)	(54)
Other operating expenses	(93)	(84)	(99)	(105)	(113)
<b>EBITDA</b>	<b>502</b>	<b>661</b>	<b>760</b>	<b>777</b>	<b>856</b>
Depreciation	(89)	(96)	(103)	(103)	(106)
Amortization of license	(4)	(3)	(3)	(3)	(3)
<b>EBIT</b>	<b>419</b>	<b>561</b>	<b>653</b>	<b>670</b>	<b>746</b>
<b>Profit before tax</b>	<b>399</b>	<b>552</b>	<b>637</b>	<b>670</b>	<b>759</b>
Income Tax	(9)	(30)	(30)	(8)	(8)
<b>Profit after tax</b>	<b>391</b>	<b>521</b>	<b>607</b>	<b>662</b>	<b>751</b>
<b>Basic EPS (US\$ cents)</b>	<b>9.00</b>	<b>12.01</b>	<b>13.97</b>	<b>15.24</b>	<b>17.29</b>
<b>DPS (US\$ cents)</b>	<b>5.40</b>	<b>8.48</b>	<b>8.38</b>	<b>9.14</b>	<b>10.37</b>

### Cash Flow Statement

US\$ million	2018A	2019E	2020E	2021E	2022E
<b>Profit before Tax</b>	<b>399</b>	<b>552</b>	<b>637</b>	<b>670</b>	<b>759</b>
Depreciation & Amortization	93	105	107	107	110
Other non-cash adjustments	11	(72)	(30)	(8)	(8)
Changes In Working Capital	(27)	69	(42)	(2)	(1)
<b>Operating cash flows</b>	<b>477</b>	<b>654</b>	<b>671</b>	<b>767</b>	<b>859</b>
Capex	(243)	(421)	(254)	(254)	(254)
Others	(74)	(52)	-	-	-
<b>Investing cash flows</b>	<b>(317)</b>	<b>(472)</b>	<b>(254)</b>	<b>(254)</b>	<b>(254)</b>
Dividends Paid	(171)	(273)	(366)	(377)	(418)
Issuance of shares	-	-	-	-	-
Others	(14)	-	-	-	-
<b>Financing cash flows</b>	<b>104</b>	<b>(225)</b>	<b>(366)</b>	<b>(377)</b>	<b>(713)</b>
<b>Change in Cash</b>	<b>264</b>	<b>(44)</b>	<b>51</b>	<b>136</b>	<b>(108)</b>
<b>Ending cash</b>	<b>316</b>	<b>273</b>	<b>324</b>	<b>459</b>	<b>351</b>

### Balance Sheet

US\$ million	2018A	2019A	2020E	2021E	2022E
<b>Fixed Assets</b>	<b>1,302</b>	<b>1,595</b>	<b>1,746</b>	<b>1,897</b>	<b>2,044</b>
Intangible Assets	59	71	67	64	60
Other Assets	94	140	140	140	140
<b>Non-Current Assets</b>	<b>1,455</b>	<b>1,805</b>	<b>1,952</b>	<b>2,100</b>	<b>2,244</b>
Debtors	117	127	162	179	196
Cash and deposits	393	327	377	513	405
<b>Current Assets</b>	<b>512</b>	<b>456</b>	<b>542</b>	<b>694</b>	<b>604</b>
Creditors	80	159	153	168	184
Others	12	16	16	16	16
<b>Current Liabilities</b>	<b>92</b>	<b>175</b>	<b>168</b>	<b>183</b>	<b>200</b>
Senior notes	291	295	295	295	-
Contract liabilities	44	35	35	35	35
<b>Non-Current Liabilities</b>	<b>335</b>	<b>330</b>	<b>330</b>	<b>330</b>	<b>35</b>
Share Capital	54	54	54	54	54
Reserves	1,486	1,734	1,974	2,259	2,591
<b>Shareholders' Equity</b>	<b>1,540</b>	<b>1,788</b>	<b>2,029</b>	<b>2,313</b>	<b>2,645</b>

Ratios	2018A	2019A	2020E	2021E	2022E
Gross Profit Margin (%)	46%	48%	52%	52%	52%
- VIP	27%	28%	29%	29%	29%
- Mass	97%	99%	99%	99%	99%
- EGM	98%	98%	98%	98%	98%
- Non-gaming	81%	83%	83%	83%	83%
EBITDA Margin (%)	34%	38%	42%	39%	39%
Dividend Payout Ratio (total)	60%	71%	60%	60%	60%
GGR Growth	55%	20%	3%	10%	10%
VIP Growth	71%	16%	-2%	10%	10%
Mass Growth	57%	35%	15%	11%	11%
EGM Growth	-14%	22%	16%	13%	8%
EBITDA Growth	61%	32%	15%	2%	10%
Net Profit Growth	53%	33%	16%	9%	13%

### Operating Data

VIP Tables (avg)	287	337	349	349	349
Mass Tables (avg)	145	167	174	174	174
EGM Machines (avg)	2,063	1,975	2,100	2,200	2,200
VIP win/table/Day (US\$)	10,227	10,106	9,504	10,454	11,500
Mass win/table/Day (US\$)	4,454	5,238	5,762	6,395	7,099
EGM win/unit/Day (US\$)	259	337	367	397	428
Visitors to Cambodia (m)	8.1	8.5	8.9	9.4	9.8

Source: Company data, Morgan Stanley Research (E) estimates

## Risk Reward – NagaCorp (3918.HK)

Upside driven by capacity expansion in Cambodia

## PRICE TARGET HK\$15.00

Our price target of HK\$15.00 is our base case scenario value. We apply a target FCFE yield of 8.0% to our 2020 estimate, higher than Macau peers' average of 7.0%. Our 8.0% target FCFE yield is lower than the company's long-term average of 11% since 2012 in view of the company's leading position in a growing market, stable dividend, tax profile, and Naga 2 ramp-up.

## Consensus Price Target Distribution

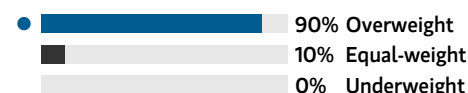


Source: Thomson Reuters, Morgan Stanley Research

## OVERWEIGHT THESIS

- Capacity expansion at Naga 2 has been successful and is still ramping up.
- China's Belt and Road Initiative (BRI) and growth in Chinese visitor numbers should continue to drive VIP and mass earnings growth though, in the near term, growth may slow down due to travel restrictions.
- Naga has better license terms, lower taxes and lower labor costs compared to Macau gaming companies.
- Naga offers higher dividends and growth compared to ASEAN gaming peers.
- Attractive valuation at ~9x EV/EBITDA, ~11x P/E, FCFE yield of 10% and dividend yield of 5.4% on 2020e.

## Consensus Rating Distribution



MS Rating

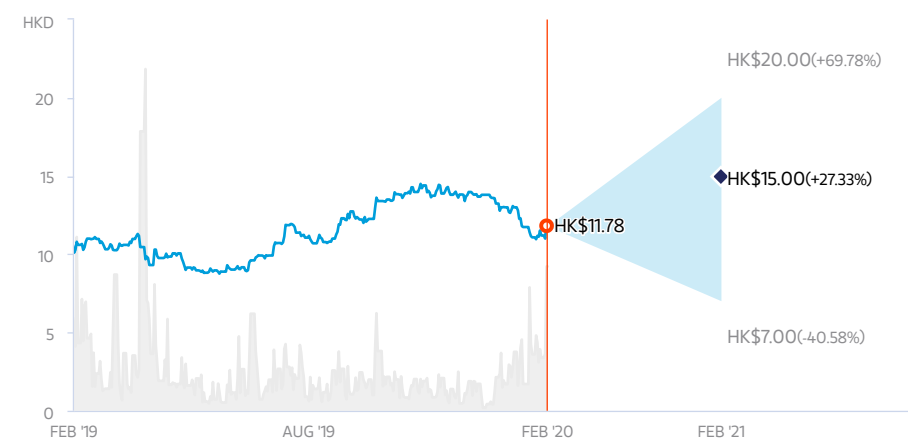
Source: Thomson Reuters, Morgan Stanley Research

## Risk Reward Themes

Pricing Power:	Positive
Regulation:	Negative
Secular Growth:	Positive

View descriptions of Risk Rewards Themes, [here](#)

## RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Thomson Reuters, Morgan Stanley Research

## BULL CASE

HK\$20.00

6.0% recurring FCFE yield 2020e

Same GGR and EBITDA estimates as base case. Lower FCFE yield at 6.0%.

## BASE CASE

HK\$15.00

8.0% recurring FCFE yield 2020e

Continued Naga 2 ramp in 2020-21. VIP revenue growth of -2% in 2020; mass (table + slot) revenue rises 16% in 2020.

## BEAR CASE

HK\$7.00

12.0% recurring FCFE yield 2020e

Downturn in overall economy. More competition from Vietnam, Reduced visitation. Slower-than-expected Naga 2 ramp. VIP revenue growth of -20% in 2020; mass revenue stays flat at 0% in 2020. 5% Revenue tax starts in mid-2020.

## Risk Reward – NagaCorp (3918.HK)

## KEY EARNINGS INPUTS

Drivers	2019	2020e	2021e	2022e
Company VIP Revenue Growth (%)	16.2	(2.3)	9.7	10.0
Company Mass & Slot Revenue Growth (%)	30.3	15.7	11.6	9.7
Corporate EBITDA margin (Gross) (%)	37.6	42.2	39.2	39.3

## INVESTMENT DRIVERS

- New junkets opening in 2020.
- Removal of overhang with respect to tax rate in Cambodia in 2020.

## GLOBAL REVENUE EXPOSURE



- 30-40% Mainland China
- 50-60% APAC, ex Japan, Mainland China and India

Source: Morgan Stanley Research Estimate  
View explanation of regional hierarchies, [here](#)

## RISKS TO PT/RATING

## RISKS TO UPSIDE

- 1Q20 results better than expected.
- Recent workers' strike in Jan results in lower-than-expected labor costs rises.

## RISKS TO DOWNSIDE

- Potential share dilution for future developments and expansion.
- Regional competition (e.g., Vietnam, Philippines, Korea, Macau, Singapore, etc.).
- More competition from Sihanoukville.
- High exposure to VIP revenue and risk to overall global VIP business.

## OWNERSHIP POSITIONING

Inst. Owners, % Active 78.6%

Source: Thomson Reuters, Morgan Stanley Research

## MS ESTIMATES VS. CONSENSUS

FY Dec 2020e

**Sales / Revenue**  
(US\$, mn)

1,801 2,395  
2,143

**EBITDA**  
(US\$, mn)

635 894  
760   
759

**Net income**  
(US\$, mn)

509 759  
607   
594

**EPS**  
(US\$)

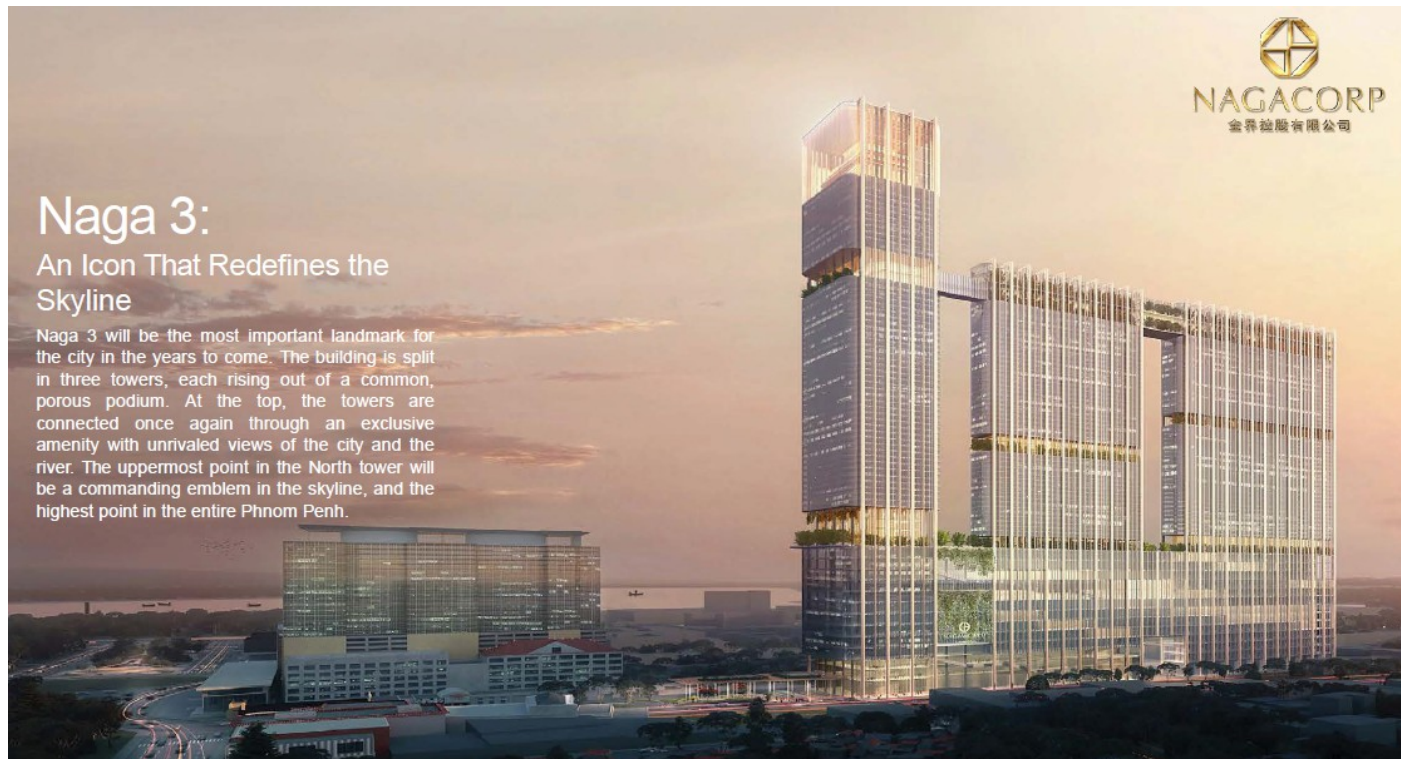
0.12 0.17  
0.14   
0.14

Mean Morgan Stanley Estimates

Source: Thomson Reuters, Morgan Stanley Research

## Rendering of Naga3

**Exhibit 20:** Naga3 rendering - Outside



Source: Company data

Exhibit 21: Naga3's City Room

Naga 3



Source: Company data



## Disclosure Section

The information and opinions in Morgan Stanley Research were prepared or are disseminated by Morgan Stanley Asia Limited (which accepts the responsibility for its contents) and/or Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research), and/or Morgan Stanley Taiwan Limited and/or Morgan Stanley & Co International plc, Seoul Branch, and/or Morgan Stanley Australia Limited (A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents), and/or Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents), and/or Morgan Stanley India Company Private Limited, regulated by the Securities and Exchange Board of India ("SEBI") and holder of licenses as a Research Analyst (SEBI Registration No. INH000001105); Stock Broker (BSE Registration No. INB011054237 and NSE Registration No. INB/INF231054231), Merchant Banker (SEBI Registration No. INM000011203), and depository participant with National Securities Depository Limited (SEBI Registration No. IN-DP-NSDL-372-2014) which accepts the responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research, and/or PT. Morgan Stanley Sekuritas Indonesia and their affiliates (collectively, "Morgan Stanley").

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures), or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

### Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Praveen K Choudhary.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

### Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at [www.morganstanley.com/institutional/research/conflict/policies](http://www.morganstanley.com/institutional/research/conflict/policies). A Portuguese version of the policy can be found at [www.morganstanley.com.br](http://www.morganstanley.com.br)

### Important US Regulatory Disclosures on Subject Companies

As of January 31, 2020, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Las Vegas Sands Corp..

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Melco Resorts & Entertainment Ltd.

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Melco Resorts & Entertainment Ltd, **NagaCorp**.

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Bloomberry Resorts Corporation, Galaxy Entertainment, Genting Singapore PLC, Las Vegas Sands Corp., Melco Resorts & Entertainment Ltd, MGM China Holdings Limited, **NagaCorp**, SJM Holdings, Wynn Macau, Limited.

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from Genting Singapore PLC, Las Vegas Sands Corp., Melco Resorts & Entertainment Ltd, **NagaCorp**, Wynn Macau, Limited.

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: Bloomberry Resorts Corporation, Galaxy Entertainment, Genting Singapore PLC, Las Vegas Sands Corp., Melco Resorts & Entertainment Ltd, MGM China Holdings Limited, **NagaCorp**, SJM Holdings, Wynn Macau, Limited.

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Genting Singapore PLC, Las Vegas Sands Corp., Melco Resorts & Entertainment Ltd, **NagaCorp**, Wynn Macau, Limited.

Morgan Stanley & Co. LLC makes a market in the securities of Las Vegas Sands Corp., Melco Resorts & Entertainment Ltd.

The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues. Equity Research analysts' or strategists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Morgan Stanley trades or may trade as principal in the debt securities (or in related derivatives) that are the subject of the debt research report.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

### STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

### Global Stock Ratings Distribution

(as of January 31, 2020)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm. For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MSC
Overweight/Buy	1188	37%	309	43%	26%	526	36%
Equal-weight/Hold	1451	45%	331	46%	23%	697	48%
Not-Rated/Hold	2	0%	1	0%	50%	2	0%
Underweight/Sell	577	18%	80	11%	14%	227	16%
<b>TOTAL</b>	<b>3,218</b>		<b>721</b>			<b>1452</b>	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

### Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

### Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

### Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC or Morgan Stanley or any of their affiliates, are available on the Morgan Stanley Wealth Management disclosure website at [www.morganstanley.com/online/researchdisclosures](http://www.morganstanley.com/online/researchdisclosures). For Morgan Stanley specific disclosures, you may refer to [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures).

Each Morgan Stanley Equity Research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the Equity Research report on behalf of Morgan Stanley. This could create a conflict of interest.

### Other Important Disclosures

Morgan Stanley & Co. International PLC and its affiliates have a significant financial interest in the debt securities of Sands China Ltd., Wynn Macau, Limited. Morgan Stanley Research policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions. Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>. Morgan Stanley Research is provided to our clients through our proprietary research portal on Matrix and also distributed electronically by Morgan Stanley to clients. Certain, but not all, Morgan Stanley Research products are also made available to clients through third-party vendors or redistributed to clients through alternate electronic means as a convenience. For access to all available Morgan Stanley Research, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

Any access and/or use of Morgan Stanley Research is subject to Morgan Stanley's Terms of Use (<http://www.morganstanley.com/terms.html>). By accessing and/or using Morgan Stanley Research, you are indicating that you have read and agree to be bound by our Terms of Use (<http://www.morganstanley.com/terms.html>). In addition you consent to Morgan Stanley processing your personal data and using cookies in accordance with our Privacy Policy and our Global Cookies Policy ([http://www.morganstanley.com/privacy\\_pledge.html](http://www.morganstanley.com/privacy_pledge.html)), including for the purposes of setting your preferences and to collect readership data so that we can deliver better and more personalized service and products to you. To find out more information about how Morgan Stanley processes personal data, how we use cookies and how to reject cookies see our Privacy Policy and our Global Cookies Policy ([http://www.morganstanley.com/privacy\\_pledge.html](http://www.morganstanley.com/privacy_pledge.html)).

If you do not agree to our Terms of Use and/or if you do not wish to provide your consent to Morgan Stanley processing your personal data or using cookies please do not access our research.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the circumstances and objectives of those who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

Morgan Stanley may make investment decisions that are inconsistent with the recommendations or views in this report.

To our readers based in Taiwan or trading in Taiwan securities/instruments: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Any non-customer reader within the scope of Article 7-1 of the Taiwan Stock Exchange Recommendation Regulations accessing and/or receiving Morgan Stanley Research is not permitted to provide Morgan Stanley Research to any third party (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities regarding Morgan Stanley Research which may create or give the appearance of creating a conflict of interest. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

Certain information in Morgan Stanley Research was sourced by employees of the Shanghai Representative Office of Morgan Stanley Asia Limited for the use of Morgan Stanley Asia Limited.

Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. Neither this report nor any part of it is intended as, or shall constitute, provision of any consultancy or advisory service of securities investment as defined under PRC law. Such information is provided for your reference only.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A. located at Av. Brigadeiro Faria Lima, 3600, 6th floor, São Paulo - SP, Brazil; and is regulated by the Comissão de Valores Mobiliários; in Mexico by Morgan Stanley México, Casa de Bolsa, S.A. de C.V. which is regulated by Comisión Nacional Bancaria y de Valores. Paseo de los Tamarindos 90, Torre 1, Col. Bosques de las Lomas Floor 29, 05120 Mexico City; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents) and by Morgan Stanley Asia International Limited, Hong Kong Branch; in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research) and by Morgan Stanley Asia International Limited, Singapore Branch (Registration number T11FC0207F); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Indonesia by PT. Morgan Stanley Sekuritas Indonesia; in Canada by Morgan Stanley Canada Limited, which has approved of and takes responsibility for its contents in Canada; in Germany and the European Economic Area where required by Morgan Stanley Europe S.E., regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the US by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. RMB Morgan Stanley Proprietary Limited is a member of the JSE Limited and A2X (Pty) Ltd. RMB Morgan Stanley Proprietary Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited. The information in Morgan Stanley Research is being disseminated by Morgan Stanley Saudi Arabia, regulated by the Capital Market Authority in the Kingdom of Saudi Arabia, and is directed at Sophisticated investors only.

Morgan Stanley Hong Kong Securities Limited is the liquidity provider/market maker for securities of Galaxy Entertainment, Las Vegas Sands Corp., Sands China Ltd. listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk>.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client.



The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided exclusively to persons based on their risk and income preferences by the authorized firms. Comments and recommendations stated here are general in nature. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Indicators and trackers referenced in Morgan Stanley Research may not be used as, or treated as, a benchmark under Regulation EU 2016/1011, or any other similar framework.

**INDUSTRY COVERAGE: ASEAN Gaming**

COMPANY (TICKER)	RATING (AS OF)	PRICE* (02/12/2020)
<b>Praveen K Choudhary</b>		
Bloomberry Resorts Corporation (BLOOM.PS)	O (03/26/2018)	PP8.80
Genting Singapore PLC (GENS.SI)	E (04/04/2019)	S\$0.86
NagaCorp (3918.HK)	O (09/23/2019)	HK\$11.78

Stock Ratings are subject to change. Please see latest research for each company.

\* Historical prices are not split adjusted.