



Paradise Entertainment Ltd

匯彩控股有限公司
(1180.HK)

2015 Annual Results Presentation

30th March 2016

FY15 Results Highlights

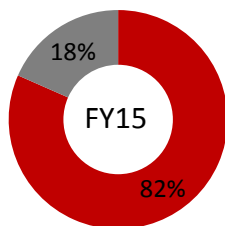
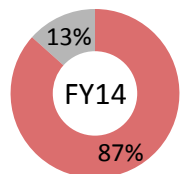
- **FY15 revenue decreased to HKD1,092.1 million (-8.4% yoy)**
 - Casino services revenue decreased to HKD891.1 million (-13.7% yoy) due to lower gross gaming revenue
 - Gaming system revenue increased to HKD201.0million (+25.6% yoy) due to higher contribution from leasing LMG units
- **EBITDA decline due to weak casino service performance (-76.3% yoy to HKD48.2 million)**
 - Casino service recorded EBITDA loss (-HKD30.4 million) in FY15 due to slower GGR and higher operating cost
 - Gaming system EBITDA climbed to HKD105.1 million (+56.9% yoy) from margin improvement 52.3% (+10.4 bps yoy)
 - Ongoing cost management
 - Restructured management agreement of Lisboa LMG Hall to leasing agreement effective on 1st Jan. 2016 to reduce overheads
 - Reduced marketing, selling and distribution expense in tandem with falling GGR (-16.8% yoy)
- **Overall GGR declined (-11% yoy), but still outperformed the industry (-34% yoy)**
 - Casino Kam Pek Paradise's GGR fell 13.7% yoy due to slower visitations
 - Casino Waldo recorded GGR decline of 6.3% yoy due to the softening gaming market in Macau. However, LMG revenue recorded growth of 125.6% over the corresponding period last year.
 - Casino Macau Jockey Club nearing breakeven level. GGR increased to HKD37.3million
- **Group's gaming system showed robust growth (+25.6% yoy to HKD201.0 million)**
 - Leasing income of LMG machines grew as number of deployment increased to 1,772 units (+17.4% yoy)
 - Deployed 275 LMGs in Macau and 24 LMGs overseas (FY2014: 140 units in total), outright sales of 236 units in FY15.
- **Strong balance sheet**
 - Well-maintained Cash on hand (HK\$237.4 million as at 31 Dec 2015, ~18% of market capitalization)
- **Share buyback**
 - Repurchased ~5.3m shares at cost of ~HKD10m in 2015, ~0.5% of outstanding shares.

FY15 Results Analysis

HK\$M	FY15	FY14	Change (%)	Remarks
Revenue	1,092.1	1,192.3	(8.4%)	
Casino service	891.1	1,032.2	(13.7%)	Mainly due to visitation drop at Casino Kam Pek and slower ramp-up at Casino Waldo
Gaming system	201.0	160.1	25.6%	Higher contribution from leasing LMG units
Gross profit	449.8	648.1	(30.6%)	
EBITDA	48.2	203.1	(76.3%)	Due to EBITDA loss of casino service
Casino service	(30.4)	160.9	(118.9%)	Losses recorded at Casino Waldo, Casino MJC and Lisboa LMG Hall
Gaming system	105.1	67.0	56.9%	Higher income from leasing LMG units
Amortization of intangible assets	66.9	66.9		Non-cash item, amortization of U.S. and Macau patents
Impairment loss on intangible assets	67.3	-		Due to 30% commission to IGT for the LMG deployment in the North America market
Profit before tax	(148.6)	44.9	(431.0%)	
EBITDA margin	4.4%	17.0%		
Casino service	(3.4%)	15.6%		Higher operating cost items, i.e. labour expenses reimbursement to SJM
Gaming system	52.3%	41.9%		Contribution from high margin leasing business
EPS (Basic, HK cents)	(15.66)	5.52	(383.7%)	
Bank and cash balances*	237.4	321.3	(26.1%)	Net cash position remains healthy
Dividend (HK cents)	-	7.0	Nil	

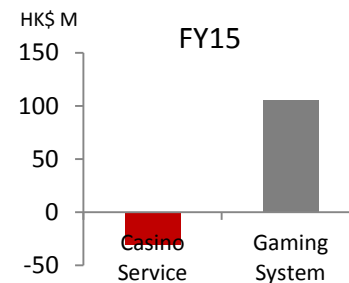
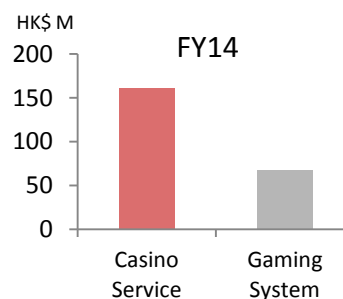
Revenue

- Casino Service
- Gaming System



EBITDA

- Casino Service
- Gaming System



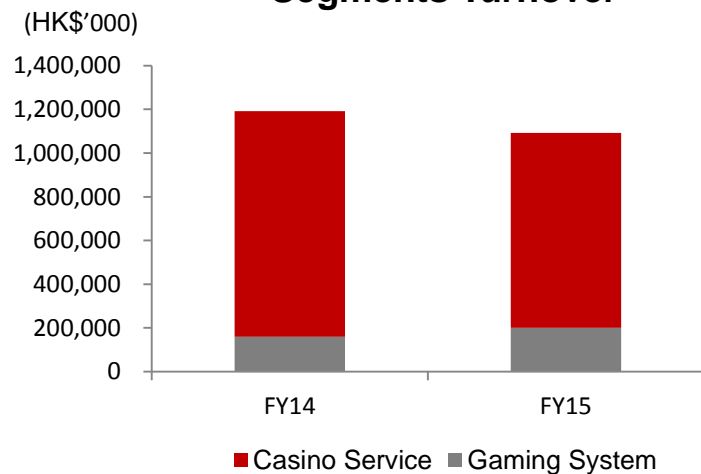
FY15 Results Analysis – Segments

Segments analysis

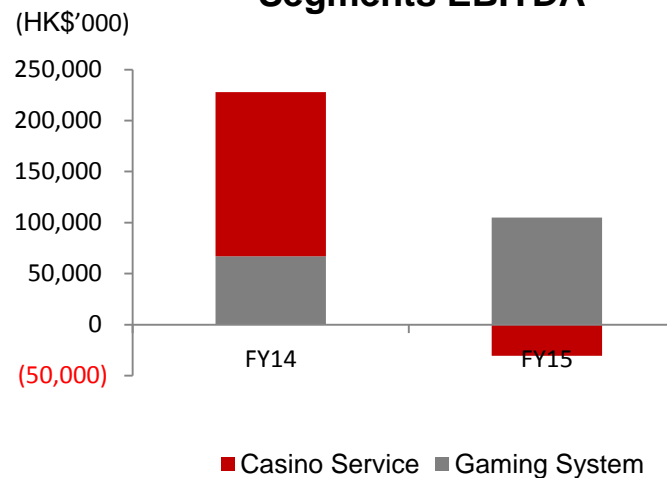
(HK\$ Thousand)

	FY15	FY14	YoY Chg %
<u>Business Segments Turnover</u>			
Casino Service	891,064	1,032,205	-13.7%
Gaming System	201,014	160,083	25.6%
	1,092,078	1,192,288	-8.4%
<u>Segment Adjusted EBITDA</u>			
Casino Service	(30,394)	160,900	-118.9%
Gaming System	105,123	67,005	56.9%
	74,729	227,905	-67.2%
<u>Segment EBITDA margin</u>			
Casino Service	(3.4%)	15.6%	
Gaming System	52.3%	41.9%	

Segments Turnover



Segments EBITDA



Segment Results – Casino Service GGR Analysis

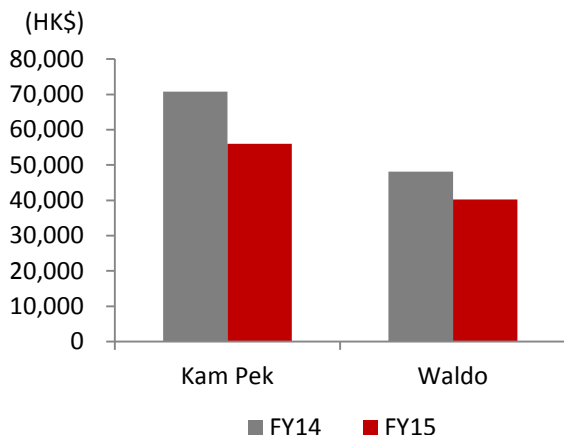
Casinos under management GGR Summary

(HK\$ Million)

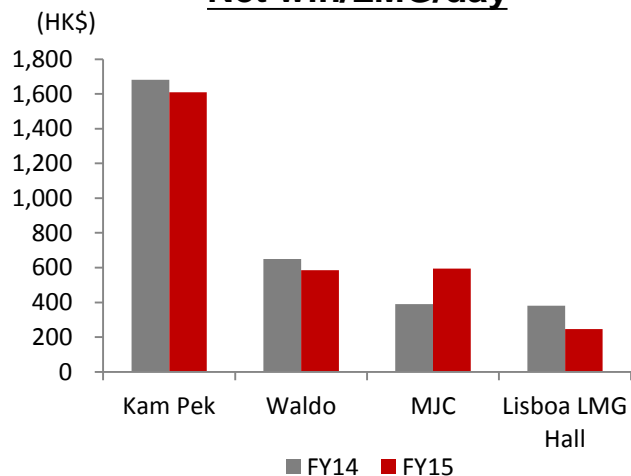
Casinos	FY15	FY14	YoY Chg %
Kam Pek Paradise	1,360.9	1,577.4	-13.7%
Waldo	464.7	496.1	-6.3%
MJC (Opened in 05/2014)	37.3	16.3	49.2%*
Lisboa (LMG Hall)	21.6	32.5	-33.5%
Total	1,884.6	2,122.4	-11.2%
<i>Table</i>	<i>1,153.4</i>	<i>1,430.9</i>	<i>-19.4%</i>
<i>LMG</i>	<i>651.8</i>	<i>604.7</i>	<i>7.8%</i>
<i>Slot</i>	<i>79.4</i>	<i>86.8</i>	<i>-8.5%</i>

Note *: for the same period comparison (May-Dec)

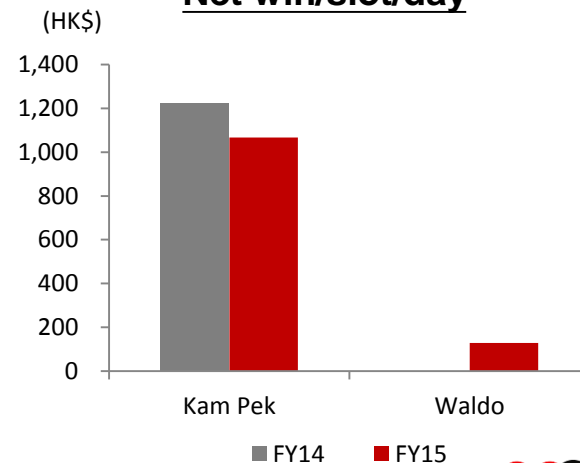
Net win/table/day



Net win/LMG/day



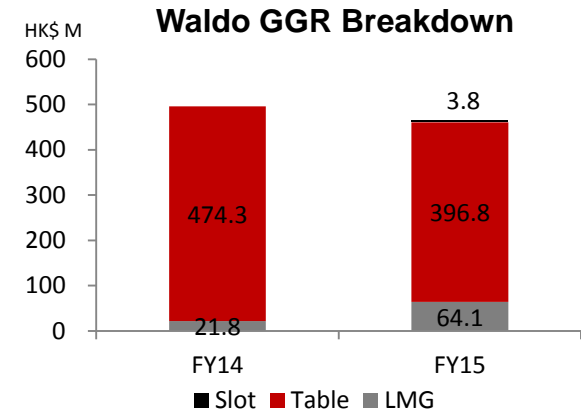
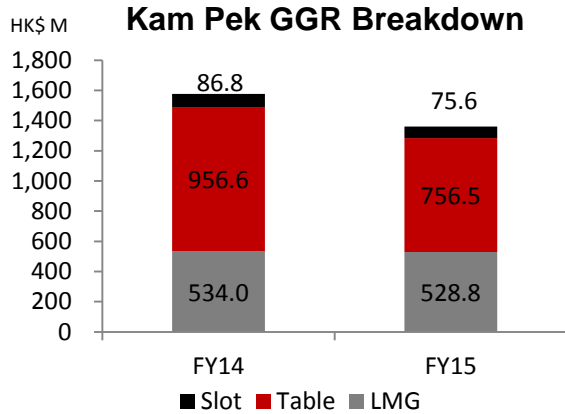
Net win/slot/day



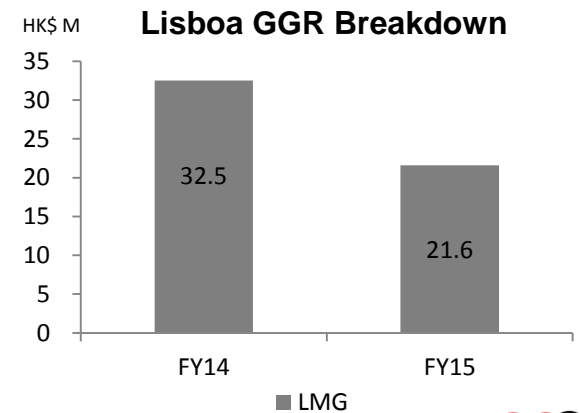
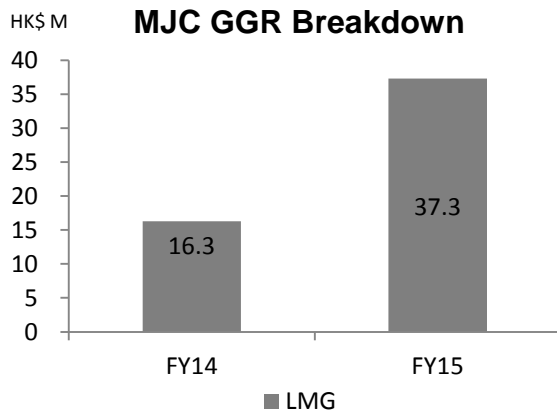
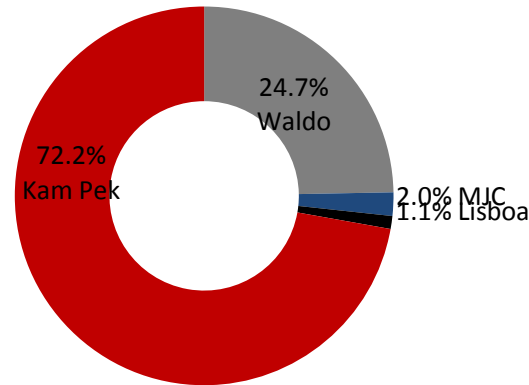
Note: Waldo slot hall opened in June 2015, featuring 139 slots



Segment Results – Casino Service GGR Analysis (Cont'd)

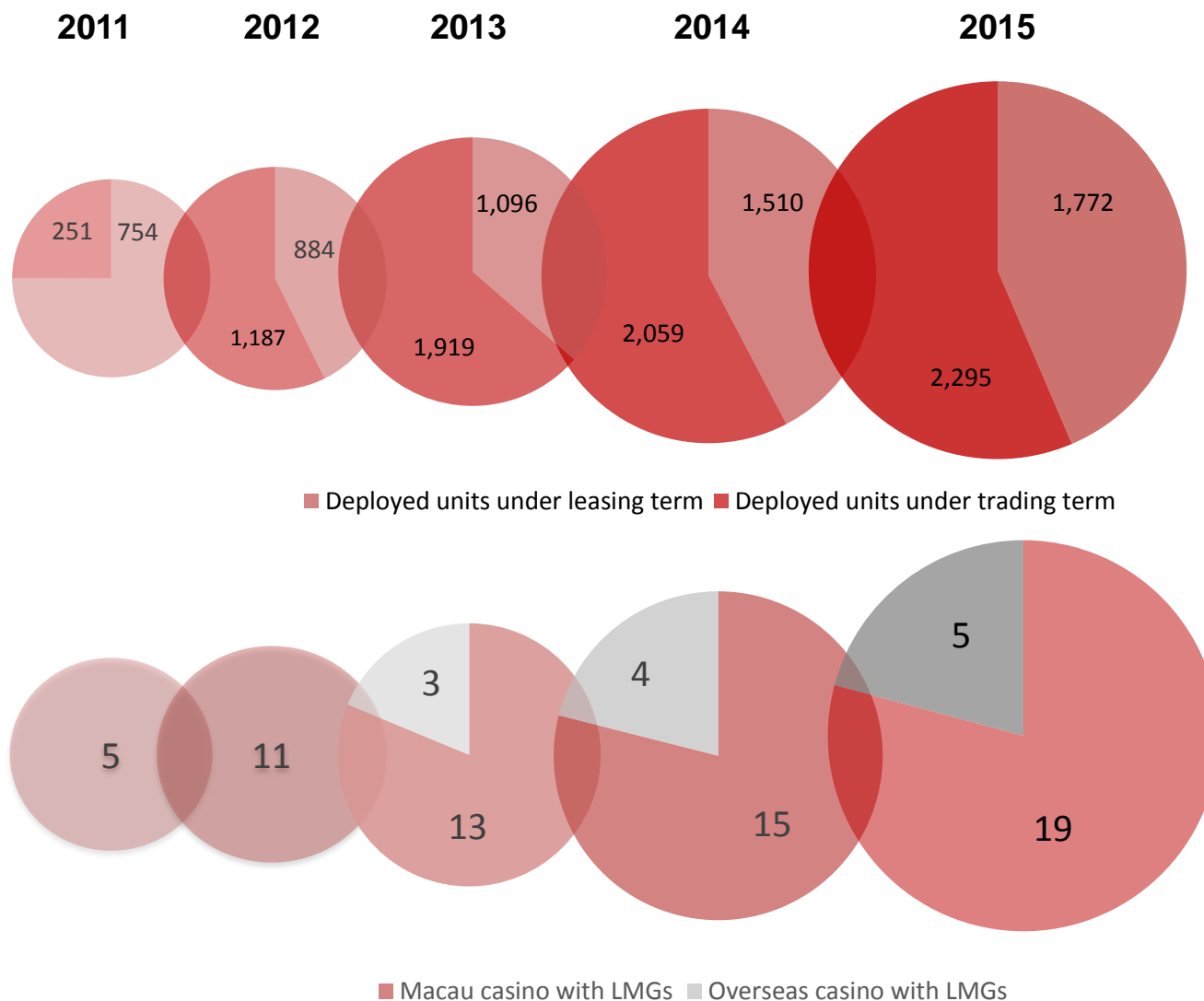


FY15 GGR Breakdown



Segment Results – Gaming System

LMG machine installation



- A significant machine installation growth in 2012 and 2013 due to 1st phase of casino opening in Cotai
- 736 and 462 machines installed among 8 newly open flagship casinos in 2012 and 2013 respectively.
- Slow machine installation in 2014 due to no casino opening in Macau.
- Installed 299 machines in 2015 (FY2014: 140 units). Outright sales of 236 units in FY15.
- LMG leasing income grew 6% yoy.
- Segment EBITDA margin improved to 52.3% in 2015.

Milestones Achieved in 2015

■ Casino service

- Opened new electronic gaming machine hall at Casino Waldo – total 300 LMGs and 139 slots.

■ Gaming system

- Deployed 275 LMGs in Macau (Grand Lisboa, Galaxy Macau Phase II and Lan Kwai Fong Hotel).
- Successfully deployed 24 LMGs at Palazzo, Las Vegas, added additional 10 LMGs in early 2016.
- Another 32 LMG units under trial run at various casinos in Las Vegas
- Secured GLI tribal casino approval in California. Installation at casinos expected to begin in 2016.

■ Corporate

- Joined Hang Seng family of indexes
 - The Hang Seng Broad Consumption Index (“HSBCI”)
 - The Hang Seng Global Composite Index (“HSGCI”)
 - The Hang Seng Composite Index (“HSCI”)
 - Hang Seng Composite Industry Index (Consumer Services)
 - Hang Seng Composite SmallCap Index.

Outlook

- **Restructure overseas business model to manage cost effectively**
- **Comprehensive growth strategy in Macau**
 - **A diverse product portfolio**
 - New gaming products roll-out, i.e. E-Baccarat table and Fast Betting Machine, to smoothen sales volatility from a single product. Deployment expected in 2016.
 - New gaming-related products released in 2016, i.e. QFX (currency exchange machine) and Intelligent Cash Access Machine, to diversify product offerings within/beyond gaming industry.
 - Introduction of LMG6 (hardware and software refresh) to replace existing LMG5 terminals. Deployment expected in 2016.
 - **Leaner casino cost structure**
 - Casino Lisboa LMG hall: management model changed to leasing model, save operating cost and increase recurring income effective on 1st Jan. 2016
 - Casino Waldo: explore potential to lower down rental cost
 - Streamlining cost across casinos

Outlook – Gaming System

Introduction of New Products

E-baccarat Table



Fast Betting Machine



QFX (Currency Exchange Machine)



eDrop Machine



Intelligent Cash Access Machine



Robotic Dealer



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