



## CASINOS AND GAMING

# Macao requests casinos halt activity amid coronavirus outbreak, but experts say the pain is temporary

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**Contessa Brewer**  
@CONTESSABREWERSHARE    **KEY POINTS**

The government of Macao requests that gaming operations at 41 casinos, including MGM Resorts, cease for the next 15 days, in response to the coronavirus epidemic.

The suspension could be extended, depending on the severity of the outbreak.

Macao has confirmed 10 cases of the coronavirus.

**VIDEO** 04:47

## We must assume containment for coronavirus will fail in the US, says Johns Hopkins' Amesh Adalja

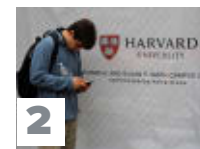
suspend casino operations, at the request of the government of Macao.

The special administrative region has requested gaming operations at 41 casinos cease for the next 15 days, with a possible extension depending on the severity and duration of the coronavirus outbreak.

[MGM Resorts](#) in an email to CNBC responded, "MGM will follow the government's directions in the fight against this epidemic. We are closing our casinos and gaming areas, while maintaining non-gaming facilities to support hotel guests in both of our properties. We will continue to work closely with the Macau government as the situation progresses."



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Macao has also enacted a policy requiring casinos to provide local accommodations to non-resident employees (those who live in China) to protect them against contracting and potentially transmitting the virus, regardless of whether the workers are employed in construction, catering, hotels, cleaning or casinos.

[Wynn Resorts](#) issued a statement to CNBC: “Our greatest concern and our top priority is the health and safety of our employees, their families and the citizens of Macau. We believe that our goals and the goals of the Macau government during this challenging period are fully aligned. We support the Government’s decision to prioritize public safety and temporarily suspend the operations of all of Macau’s gaming areas, which we believe is in the best long-



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term interests of everyone concerned.”

Macao has 10 confirmed cases of coronavirus.

Travel to Macao has dropped nearly 80% since the coronavirus outbreak made global headlines in mid-January, when compared with Chinese New Year last year. Macao has considered closing its borders to Mainland China entirely.

Hong Kong is the primary gateway to Macao, and it's closed most of its border with the mainland but not the airport or the bridge that connects Macao to Hong Kong.

**An attendant checks the temperature of a tourist at the entrance to the Galaxy Macau casino and hotel, developed by Galaxy Entertainment Group Ltd., in Macau, China, on Friday, Jan. 24, 2020.**

*Billy H.C. Kwok / Bloomberg / Getty Images*

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Macao gross gaming revenues in January dropped 11.3% year over year, according to Macao's Gaming Inspection and Coordination Bureau.

“There’s no way to hide from the fact that we employ tens of thousands of people in these markets. And it’s an expensive business to operate,” said Las Vegas Sands President and COO Robert Goldstein on the Sands earnings call last week. “We’re doing our best. We’ll do all the paid-time-off, all things we can do to mitigate, but I think it’d be silly to think that we can make a material impact on operating costs. They’re real.”

After the closure of casino operations, Jefferies gaming analyst David Katz wrote in a Tuesday morning note, “Our assumption, and we believe that of the market, is that operations ramp over time and the impact is confined to 1Q20, which may or may not prove correct, but is supporting stocks. The risk remains that the issue endures and impacts economic activity for portions of the remainder of 2020 and therefore volatility remains.”

In a note published before the official closure of casino operations, Nomura Instinet analyst Harry Curtis estimated MGM China could lose \$56 million in EBITDA per month, Wynn Macau \$100 million per month, Melco \$125 million per month, and Sands China \$167 million a month because of fixed costs.

But Curtis notes, “We believe such a costly outcome would be temporary. Any impact on the stocks would be temporary and most likely signal a near-term bottom.”

That may be one factor behind the rally in casino

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stocks, in spite of the news of the suspension of gambling operations.

As of midday trading, MGM, Wynn and Melco were each trading roughly 3.5% up. Las Vegas Sands lagged just slightly at about 2.5% higher on the day.

The coronavirus outbreak is also a blow to Macao itself, which gets as much as 86% of its tax revenues from the gaming industry. And Macao's loss may be the [gain of online gaming operators](#) based in the Philippines, which are seeing a 90% jump in traffic, according to Jason Ader, casino expert at SpringOwl Asset Management and former board member at Las Vegas Sands.

Meanwhile [the travel restrictions now in place](#) in the United States and around the world will likely have an impact on land-based casinos around the world. The U.S. restrictions bar foreigners who've recently traveled to China from entering the country.

And though Las Vegas has seen Chinese visitation slump over the past year as a result of the trade war, visa restrictions and a slowing Chinese economy, the sweeping travel ban will likely take a toll as well.

In Singapore — where Marina Bay Sands provides as much as a third of EBITDA to Las Vegas Sands — the loss of Chinese tourists will be especially impactful.

The Singapore Ministry of Health reported a patient with confirmed coronavirus had stayed at Marina Bay Sands. Singapore now has 24 confirmed cases.

**VIDEO** 02:56

## Doctor lays out steps travelers can take to protect themselves from coronavirus



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