

## **Chinese visitors to Australia Should a new Casino be built to encourage more?**

According to the Wall Street Journal, Chinese travelers are giving Australia's struggling tourism sector a new lease on life. Since 1993, Chinese visitors to Australia have experienced massive growth and in 2012, Chinese tourists accounted for more than \$100 billion in tourism expenditure, almost \$20 billion more than Germany and the USA.

However, in order to keep the Chinese market growing, it is important that Australia offer a product that they are interested in. Currently, airline capacity from mainland China to many Australian capital cities is at an all-time high and still rising as advances in airline technology and passenger capacity encourages more Asian carriers to offer flights to Australia.

### **What Products are Chinese Tourists Interested in?**

One of the industries that Chinese tourists are interested in is luxury entertainment and gaming. Crown Resorts (CWN) has already built successful properties in both Melbourne and Perth, and are currently planning Crown Sydney, a property that will take the industry to a whole new level. Many people are predicting that Crown Sydney will experience huge success with both international and domestic visitors, much like Marina Bay Sands in Singapore. It is worth noting that, according to statistics from the Singapore Tourist Board, Chinese visitors to Singapore jumped from approximately 670,099 in 2002 to 1,577,522 in 2011, with the majority of growth, a massive 68%, coming after the opening of Marina Bay Sands in 2009. Many believe this growth will come to Sydney in 2019 with the completion and opening of the Crown Sydney project.

### **Performance of Existing Casinos**

During the past year, the performance of many of Australia's existing casinos has been slightly disappointing in terms of revenue growth and operating profit. However, CWN management are working hard to improve this to return the casinos to a positive JAWS (revenue growth outpacing cost growth). The full year reports in August will play a key role in confirming work toward this goal.

### **Growth of new properties**

The growth of new properties that are designed to attract Chinese tourists. Below is the proposed growth pipeline:

- 2014 - City of Dreams, Manila
- 2015 - Studio City
- 2016 - Perth Crown Towers
- 2017 - City of Dreams (fifth tower)
- 2018 - non-gaming Sydney
- 2019 - Crown Sydney

Financial forecasts expect CWN dividends to hold flat for a few years, but begin to rise in about 5 years when the growth investment capex ends and the profitability base increases.

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