



Paradise Entertainment Limited
匯彩控股有限公司
(1180.HK)

Annual Results for the year ended 31 December 2016

29 March 2017

2016 Results Highlights



➤ **Group revenue increased to HK\$1,163.3 million (+6.5% yoy)**

- Gaming system revenue recorded HK\$336.9 million (increased by HK\$135.9 million or +67.6% yoy) mainly due to strong demand from the Macau flagship casinos opening and additional deployment in various casinos
- Casino services revenue recorded HK\$826.4 million (decreased by HK\$64.7 million or -7.3% yoy) due to decrease in GGR

➤ **Group Adjusted EBITDA increased to HK\$97.5 million (+40.1% yoy)**

- Gaming system adjusted EBITDA increased to HK\$177.7 million (+69.1% yoy)
- Casino service recorded adjusted EBITDA loss of HK\$53.1 million as compared to loss of HK\$9.0 million in the previous year

➤ **The Group entered into a strategic agreement with IGT in April 2016**

- Assigned and licensed LIVE and RNG ETG technology to IGT
- Received a non-refundable upfront payment of US\$12.95 million (approx. HK\$101.0 million) and a 15-year earn-out payment for every ETG deployment in global market (other than Macau)
- Arose a one-off accounting loss from assignment of intangible assets of HK\$334.8 million

➤ **Operating segments**

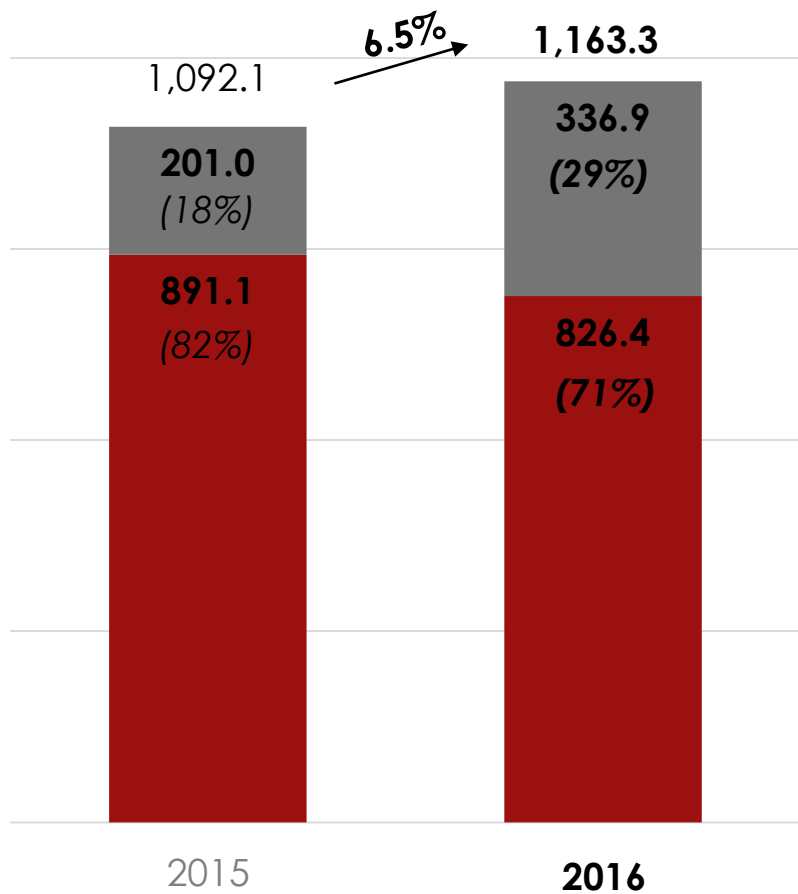
- Gaming system: Sold 991 LMG terminals in 2016 as compared to 236 LMG terminals in the previous year; and a stable recurring income from revenue sharing of 1,680 LMG terminals in 2016
- Casino service: Overall GGR from casinos under management dropped (-6.7% yoy)

➤ **Healthy balance sheet**

- Well-maintained cash position (HK\$370.8 million as at 31 Dec 2016, ~23% of market capitalization)

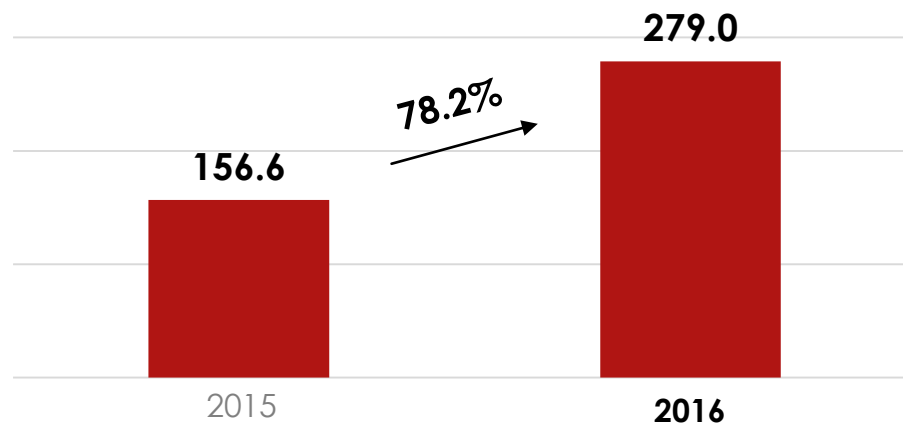
At A Glance

Revenue (HK\$m)

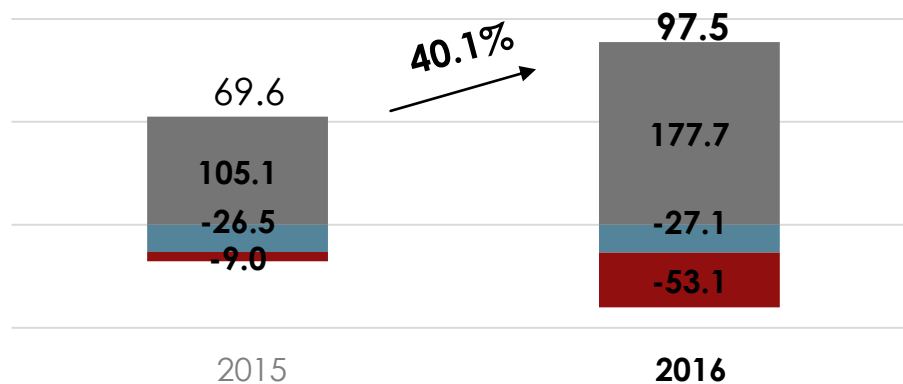


■ Casino service ■ Gaming system

Net Cash (HK\$m)



Segment Adj. EBITDA (HK\$m)



■ Casino service ■ Gaming system ■ Unallocated corporate expenses

2016 Results Analysis



	2015 HK\$m	2016 HK\$m	Remarks
Revenue	1,092.1	1,163.3	
Casino service	891.1	826.4	<i>Mainly due to decline in GGR from casinos under management Strong LMGs demand from casinos opening and mass gaming floor expansion in various casinos</i>
Gaming system	201.0	336.9	
Gross profit	412.9	453.8	
EBITDA	69.6	97.5	
Casino service	-9.0	-53.1	<i>Declined in GGR while maintained a disciplinary cost structure Solid growth was supported by strong outright sales and high margin of LMG deployment</i>
Gaming system	105.1	177.7	
Unallocated corporate expenses	-26.5	-27.1	
Loss on intangible assets	-67.3	-334.8	<i>The loss in 2016 represented loss arising from assignment and license of ETG technology to IGT in April 2016</i>
Loss for the year	-148.9	-355.1	
EPS (Basic, HK cents)	-15.7	-36.1	
Capital expenditures	64.2	10.5	
Net cash	156.6	279.0	<i>Net cash position remains healthy</i>
Bank and cash balances	237.4	370.8	<i>Retain flexibility to seek for potential opportunities</i>
Final dividend (HK cents)	-	-	

Segment Analysis – Casino Service



Casino Kam Pek Paradise



Casino Waldo

Casino Service – GGR Analysis



GGR Summary for Casinos under management	2015	2016
	(HK\$m)	(HK\$m)
Kam Pek Paradise	1,360.9	1,237.2
Waldo	463.6	484.0
Macau Jockey Club*	37.3	36.0
Lisboa LMG Zone**	21.6	-
Total	1,883.4	1,757.2

<i>No. of traditional gaming tables</i>	64	63
<i>No. of LMG tables</i>	17	18
<i>No. of mass gaming tables</i>	81	81
<i>No. of LMG terminals</i>	1,604	1,407
<i>No. of slot machines</i>	333	374

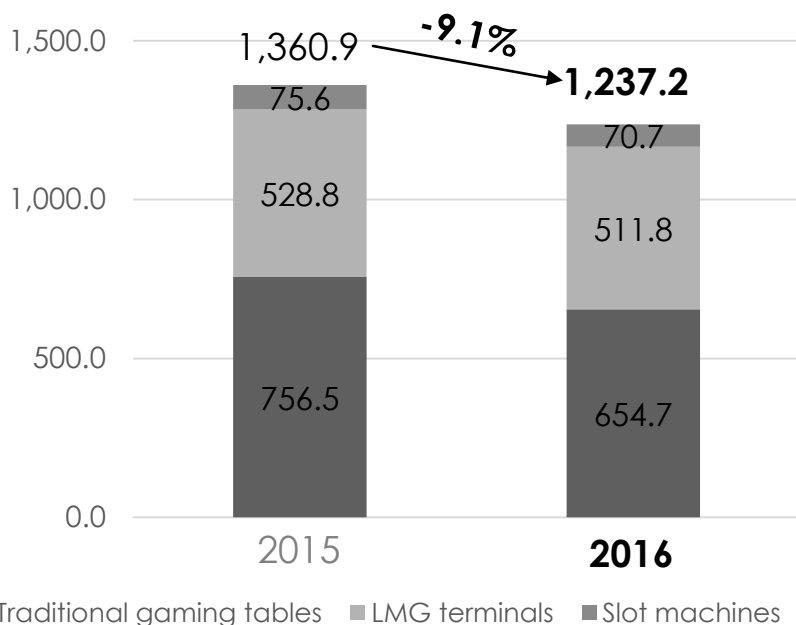
*The Group changed the provision of casino management services to revenue sharing from LMG at Macau Jockey Club since 1/1/2017.

** The Group changed the provision of casino management services to revenue sharing from LMG at Lisboa LMG zone since 1/1/2016.

Casino Service – GGR Analysis



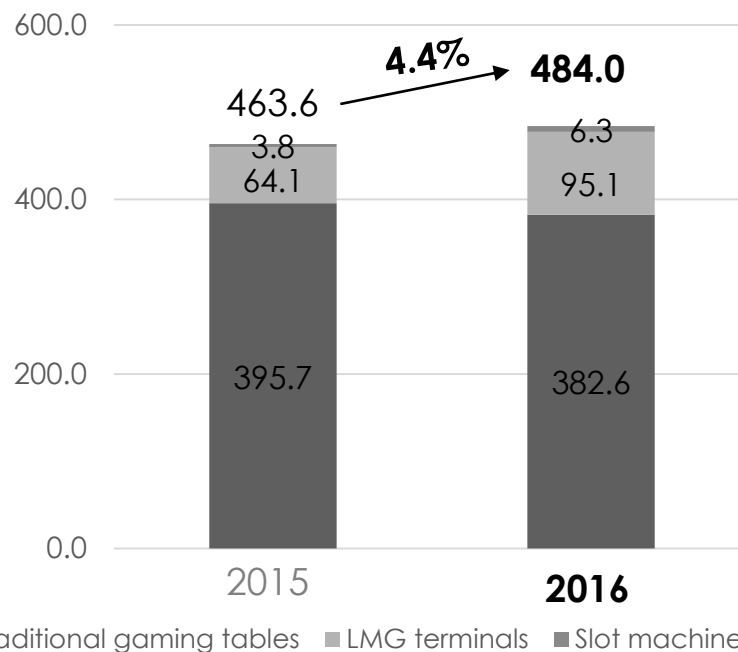
Kam Pek Paradise GGR (HK\$m)



No. of units

Traditional gaming tables	37	37
LMG tables	8	10
LMG terminals	898	935
Slot machines	194	194

Waldo GGR (HK\$m)



No. of units

Traditional gaming tables	27	26
LMG tables	3	4
LMG terminals	300	300
Slot machines	139	180

Segment Analysis – Gaming System



LMG terminals deployed in Star World Macau



LMG terminals deployed in Las Vegas Venetian



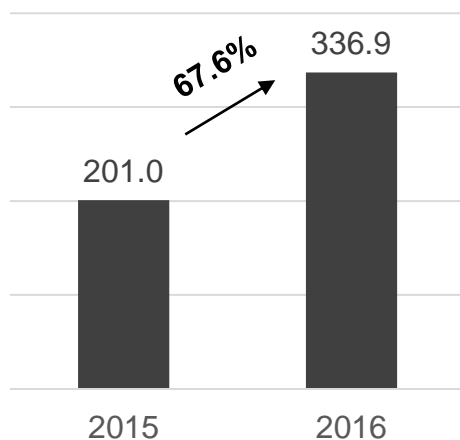
Virtual Horse Racing Game shown in MGS 2016

Gaming System – Operating Performance

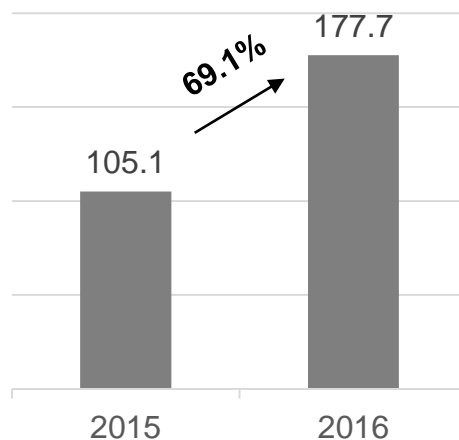


			2015	2016	
Revenue from Sales of machines	(HK\$m)		53.1	185.7	
	<i>Deployment in Macau market</i>	<i>(Units)</i>	212	893	
	<i>Deployment in overseas market</i>	<i>(Units)</i>	24	98	
Revenue Sharing from LMG Terminals	(HK\$m)		147.9	151.2	
	<i>No. of LMG terminals</i>	<i>(Units)</i>	1,777	1,680	
	<i>Net win/terminal/day</i>	<i>(HK\$)</i>	1,024	1,115	
Gaming system segment revenue			(HK\$m)	201.0	336.9
Segment EBITDA			(HK\$m)	105.1	177.7

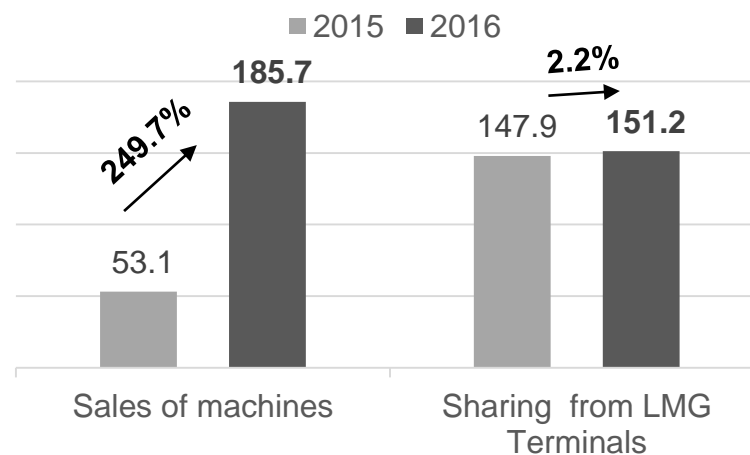
Gaming system revenue (HK\$m)



Gaming system EBITDA (HK\$m)



Gaming system revenue breakdown (HK\$m)

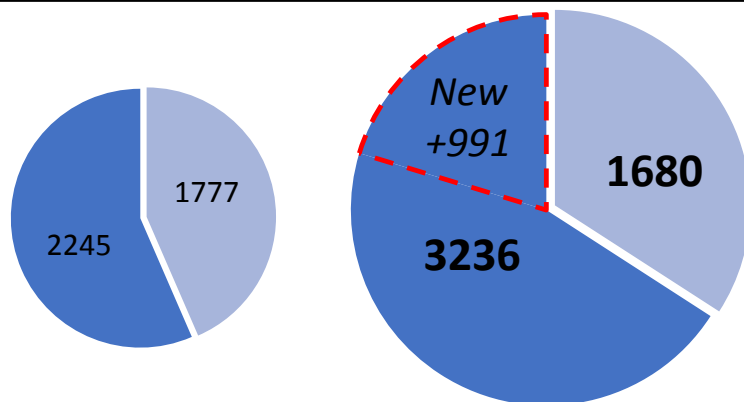


Gaming System – Deployment of Machines

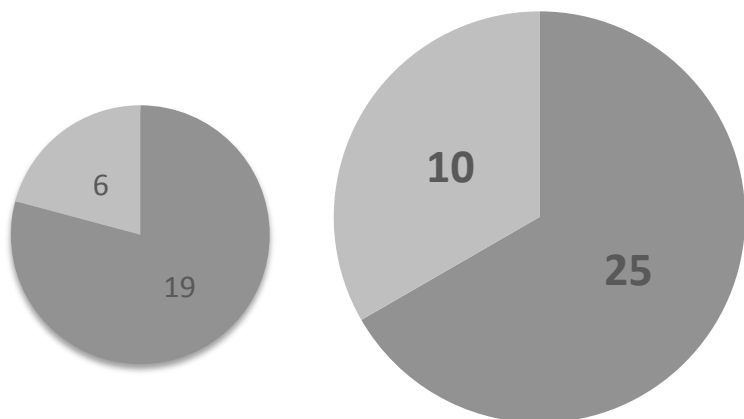
Accumulative overall LMG deployment

	<u>2015</u>	<u>2016</u>
No. of units	4,022	4,916

- Machine sold units
- Recurring revenue units



- Macau Casino with LMG
- Overseas Casino with LMG



	<u>2015</u>	<u>2016</u>
No. of casinos	25	35

Machine sold units in 2016

- Wynn Palace
- The Parisian Macau
- Galaxy
- Star World
- Fisherman's Wharf
- Holiday Inn

Macau market	893
Overseas market	98

Total machines sold 991

Recurring revenue units

Recorded 1680 LMGs under revenue sharing as at 31 December 2016

ETG distribution from IGT

Deployed 252 Live ETG in 7 casinos in the United States under trial or testing period, and expecting revenue recognition in 2017

Outlook - Pronged growth strategies

➤ A diverse product portfolio

- Over 100 Fast Betting Terminals deployed at Parisian Macau and expecting new business model
- New products roll-out at MGS Entertainment Show 2016, including Power Dragon, Advance Multi Game Virtual Sports, Virtual Horse Racing Terminal, E-Baccarat table, Multi-Roulette Terminal, LT game Fafa Slot Machine, QFX Machine, eDrop Box, Facial Recognition System and so on to smoothen sales volatility from a single product. Trial run to begin in 2017



Fast Betting Terminal



FAFA Slot Machine



Virtual Horse Racing Terminal

Outlook - Pronged growth strategies

- **Seek for potential opportunities in Macau**
 - Evaluate every opportunity to increase our market share in terms of casino management and gaming machines deployment

- **Leaner casino cost structure**
 - Streamlining cost across casinos

- **Growing overseas market contribution**
 - LMG installation to ramp up globally by leveraging IGT's global network and resource.

Contact Information



Hong Kong Office

Unit C, 19/F., Entertainment Building,
30 Queen's Road Central, Hong Kong SAR
Tel: (852) 2620 5303
Fax: (852) 2620 6000

Macau Office

Suite 1207, 12/F., Macau Landmark,
No. 555 Avenida da, Amizade, Macau
Tel: (853) 2878 7656
Fax: (853) 2878 7848

Company website

www.hk1180.com

Corporate Strategy & Investor Relations

Bryan Wu, Investor Relations Manager

bryanwu@hk1180.com

(852) 2916 0817 / 9168 6118

(853) 6332 5228

(86) 18576453107

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Information as of March 2017