

Macau's Galaxy bets on 'Asia'

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By Muhammad Cohen

NEW YORK - Galaxy Macau, the global casino capital's first new resort in two years, represents a great leap forward for parent company Galaxy Entertainment Group. The HK\$14.9 billion (US\$1.9 billion) Asia-themed property that opened on Sunday presents an opportunity for Galaxy to enter Macau's top echelon with a welcome spirit of innovation.

"Finally a casino with some ideas," HSBC senior gaming analyst Sean Monaghan said during a tour of the facility. "This is a generation leap ahead of the other Macau resorts."

More than 95% of Macau's tourists come from Asia, and Galaxy Entertainment Group (GEG) has designed a resort catering to them.

"From the beginning, our vision has been to develop and operate a resort that delivers both international-caliber standards but also captures the heartfelt service culture and unique flavor of Asia - something we call 'World Class, Asian Heart'," GEG founder and chairman Lui Che Woo said.

"This is especially critical for success in a market where Asian travelers are so dominant. In this way, we can make guests from around the region feel right at home, whilst at the same time provide an authentic Asian resort experience for visitors from around the world as well."

Galaxy Macau uses elements of Southeast Asian architecture to animate the theme. Buddhist stupas atop its two broad, golden towers add an air of the exotic to the property, located next to Sands China's Venetian Macao, at the northeast corner of the Cotai resort area. Night-time lighting creates a dramatic entrance to Cotai from the west.

Asia hands, brands

The Asian feel extends to the interior with more than just architectural touches. Galaxy Macau's three hotels, with 2,260 rooms when fully operational, are all Asian: Galaxy's own brand, Singapore's Banyan Tree, and Japan's Okura. The last could be a bid to expand the Japanese market, which accounts for barely 2% of Macau visitors during the best of times. But Okura more likely aims at other Asians, who see Japan as the region's style and fashion trendsetter, including Chinese.

More than half of the resort's 50-plus dining outlets serve Asia food. Fine dining options include Cantonese, Indian, Japanese, Korean, and Chiu Chow (spicy southern Chinese), plus an oyster bar. Once again, Macau's local flavors, Macanese fusion and Portuguese, go unrepresented, but the resort is steps away from Old Taipa Village, a traditional area with an array of eating choices.

For sophisticated tipping, Galaxy Macau boasts a Scotch whisky bar and a sake bar, with world-renowned sommelier Jeannie Cho Lee overseeing all of the resort's wine selections. China Rouge, a nightspot created by Hong Kong designer Alan Chan to evoke a modern vision of 1930s Shanghai, is due to open in September.

Life's a beach

More than 13 million mainland Chinese visited Macau last year, representing 52% of total visitors. Mainland tourists are likely to increase as China builds out its high-speed rail network to reach Macau's neighboring cities. Meanwhile, according to Galaxy [investor relations](#) director Peter Caveny, more than 20 million mainlanders visited Hainan, the island province to the southwest of Hong Kong known as China's Hawaii. So Galaxy Macau is building a beach.

The resort has the world's largest rooftop wave pool, with swells reaching heights of 1.5 meters, and 350 tons of white sand. This so-called Grand Resort Deck includes five more swimming pools, cabanas, gardens, and a pavilion for Japanese tea ceremonies.

The casino that pays for it all opened with 450 tables and 1,100 gaming machines. It can be expanded to more than 600 tables and 1,500 machines.

"Whether the size is just right or the design is just right, it's a very usable resort that is very polished," Monaghan observed.

In September, Galaxy Resort will premiere a nine-screen cineplex, part of a HK\$600 million entertainment complex. Aside from what the theaters do for GEG, they will be a welcome driver of traffic to Cotai for middle-class Macau residents who don't gamble and can't afford the luxury brands on offer in casino malls.

When completed, Galaxy Macau will total 550,000 square meters, but it will only occupy a fraction of GEG's Cotai lot, leaving plenty of room for expansion of the resort or introduction of a new concept.

Galaxy Macau is the third integrated resort in Cotai, joining Venetian Macao, opened in 2007, and Melco Crown Entertainment's City of Dream, opened two years ago. Those properties have helped put Cotai on the map. Sands China will likely open its four-hotel resort on Lots 5 and 6, south of City of Dreams and across Cotai's main boulevard from Venetian, next year, moving this landfill joining Macau's outer islands closer to critical mass as an entertainment destination.

Finding time

The timing of Galaxy Macau's opening is nearly perfect. Last month, Macau set a new record for gaming revenue, 20.5 billion patacas (US\$2.56 billion). For comparison, the Las Vegas Strip's gaming revenue totaled US\$527 million in March, the latest month available. April marked Macau's third consecutive gaming revenue high, and the past seven months have recorded the seven highest gaming revenue totals ever. For 2011, gaming revenue is up 43% from last year's record of US\$23.5 billion.

The timing is no accident. The project dates back to August 2004, when GEG announced it would begin work on the Cotai resort. After getting underway, construction was delayed several times as GEG judged whether [the market](#) was ready for the property. They seem to have gotten that part right.

Whether Galaxy Macau and its new ideas will work is what matters now. In the midst of Macau's boom, GEG profits fell 18% last year. GEG has always had ideas. It was one of the three original gaming concession winners, teamed with Las Vegas Sands - Sands China's parent company - but the partnership broke up, leading Macau to create sublicenses so that both companies could operate casinos.

New to the game

The only licensee without any background in gaming, GEG was the first of the newcomers to open a casino, breaking Stanley Ho's 40-year monopoly.

Rather than build its own facilities, it put casinos into existing hotels and even changed office space into betting space. Grand Waldo features Macau's only topless bar at a casino, populated with eastern European dancers. Its downtown StarWorld resort opened in 2006 with the best casino bar in town and a far more approachable gaming floor than the overwhelming grand halls.

As good as they may be, none of these ideas spelled success for Galaxy. The group has remained mired at or near the bottom in gaming revenue, competing with neighbor MGM Macau. StarWorld emerged as a high performance VIP property with lagging mass market performance. Other GEG casinos barely register.

"This is a transformational property for Galaxy Entertainment Group," HSBC's Monaghan said of the Galaxy Macau. "Prior to opening of this property GEG really only operated one casino, StarWorld. If you were to compare before and after across the key metrics, it really highlights this transformation."

By his estimate, Galaxy Macau will more than double GEG's revenue, triple its earnings before interest, taxes, debt and amortization (EBITDA), more than triple its employees and hotel rooms. "This is really a big deal for GEG, and that's why its stock has performed so strongly over the past 12 months."

GEG shares trading on the Hong Kong market have risen from HK\$3.57 a year ago to trade at HK\$13.88 on Tuesday. But that's just betting that GEG has another good idea in Galaxy Macau. The real test and the hard work began Sunday.

Macau [Business magazine](#) special correspondent and former broadcast news producer **Muhammad Cohen** told America's story to the world as a US diplomat and is author of [Hong Kong On Air](#), a novel set during the 1997 handover about television news, love, betrayal, [financial crisis](#), and cheap lingerie. See his blog and more at [MuhammadCohen.com](#).

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