

Record P6.1 billion profit for Bloomberry

Highest gaming volumes, revenues, EBITDA since opening

Highlights:

- New all-time highs with Solaire's VIP volumes growing 11% while mass table drop and electronic gaming machine (EGM) coin-in grew 21% and 29%, respectively
- Gross gaming revenues grew 17% to a new high of P44.927 billion while non-gaming revenues increased by 40% to also hit a record P3.335 billion
- Total expenses grew 15% to P30.421 billion
- Provisions for doubtful accounts declined to zero from P204 million in the previous year with a P33 million reversal in 4Q2017
- Cash operating expenses grew 24% to P24.402 billion mainly due to the reversion to the original gaming tax structure and other variable expenses
- On a comparable gaming tax structure basis, cash operating expenses would have grown by only 15% from P21.109 billion
- Reported EBITDA increased to a new record of P12.348 billion, 17% higher than last year's previous record
- Applying the original gaming tax structure in 2016, EBITDA would have increased by 35% year-on-year from P9.118 billion and improved the EBITDA margin from 30% to 33.6%
- On a hold-normalized basis, EBITDA would have been at P13.782 billion, 23% higher than last year's P11.245 billion
- Net profit of P6.063 billion, 161% higher compared to last year

Bloomberry Resorts Corporation (BLOOM PM), owner and operator (through its subsidiaries) of the Solaire Resort & Casino and Jeju Sun Hotel & Casino, reported audited consolidated financial results for the year ended December 31, 2017, with the Company reported all-time high records in VIP volume, mass table drop and EGM coin-in, gross gaming and non-gaming revenues. New profitability records were also achieved with the highest levels of EBITDA (both reported and hold-normalized) and net profits reported since Solaire's opening in March 2013.

Enrique K. Razon Jr., Bloomberry chairman and CEO, said, "Going into our fifth year of operation has become even more exciting with our 2017 results in sync with the growth trajectories we have aimed for. This is largely due to our top notch management team and the thousands of

Bloomberry and Solaire men and women, whose tireless drive and dedication keep us notches ahead.”

In 2017, Solaire generated record VIP volume, mass table drop and EGM coin-in with VIP volume growth of 11% while mass table drop and EGM coin-in grew 21% and 29%, respectively. With VIP hold rates remaining unchanged year-on-year at 2.61% and slightly lower hold rates for its mass tables and slot machines, Solaire’s gross gaming revenues grew 16% to P44.519 billion – the highest on record since its opening.

Inclusive of the P407 million contribution from Jeju Sun, the Company’s gross gaming revenues grew 17% to P44.927 billion this year.

Solaire’s promotional allowances and contra accounts grew 11% to P11.487 billion, significantly slower than the growth in gross gaming revenues. As a result, promotional allowances and contra accounts as a percentage of gross gaming revenues for Solaire fell by 1.3 percentage points to 25.8%. On a consolidated basis, less the P11.545 billion in promotional allowances and contra accounts, Bloomberry reported P33.382 billion in net gaming revenues, 19% higher year-on-year.

Bloomberry’s 2017 non-gaming revenues grew 40% to a new annual record of P3.335 billion due to continued improvements in Solaire’s hotel, food and beverage and retail and others segments, which increased by 32% and 80%, respectively. Solaire’s hotel business continued to improve with RevPAR increasing by 11%, as well as a 5.4 percentage point increase in room occupancy to 90.7%.

The number of food and beverage covers increased by 16% year-on-year to 2.104 million with the average check amount posting a 6% year-on-year increase. More roll-outs at The Shoppes during the year as well as more well-received international and local shows at The Theatre were major factors in the strong growth in the retail and others segment.

Total expenses grew slower than revenues at 15% year-on-year to P30.421 billion, helped by a 58% reduction from Korea which accounted for 2% of the total, down from 5% in the previous year. Cash operating expenses from the Korea operations were essentially flat at P870 million.

Bloomberry’s cash operating expenses grew 24% to P24.402 billion, which was mainly attributable to the reversion of the gaming tax to its original structure (final gaming tax) beginning in 3Q2016. On a like-for-like basis using the original gaming tax structure in 1H2016, cash operating expenses

would have grown by just 16% from P21.109 billion, and not 24%, slower than the 17% growth in its gross gaming revenues.

Even with the strong growth in Solaire's VIP volumes, Bloomberry did not make any provisions for doubtful accounts this year compared to the P204 million provided for in 2016 and actually even had a reversal of allowance for doubtful accounts of P33 million as a result of the collection of certain fully provided doubtful accounts in 2017.

At the end of 2017, the Company had P2.624 billion in gross receivables, 44% lower than the P4.680 billion reported at the beginning of the year. Receivables over 90 days fell by 81% to P340.2 million from P1.761 billion at the start of 2017 of which a total of P1.356 billion (fully provided for) were written off in 4Q2017. Without the write-off, the receivables over 90 days would have still fallen by a substantial 4% year-on-year. On a quarter-on-quarter basis, gross receivables declined by 36% from P4.123 billion and would have declined by 4% without the write-off. Gross receivables over 90 days would have sequentially declined by 80% without the write-off and 2% if the write-off is added back.

Bloomberry reported P12.348 billion in EBITDA, 17% higher than the P10.599 billion disclosed last year.

Due to a below normal 2.61% VIP hold rate for the year, Bloomberry would have reported a P13.782 billion hold-normalized EBITDA, 12% higher than the reported P12.348 billion.

On a comparable basis using the same gaming tax structure for both periods, last year's EBITDA would have been P9.118 billion, making the reported EBITDA grow by 35% year-on-year instead of the reported 17% rate. The EBITDA margin (based on net gaming revenues) would have increased by 1.2 percentage points from 33.6% to 34.8%.

The Company reported a full-year net profit of P6.063 billion, a substantial 161% year-on-year increase mainly due to 1) an 81% increase in Solaire's profitability to P6.269 billion; and, 2) an 82% reduction in net losses from its Korea operations to P207 million from P1.137 billion in the previous year.

Bloomberry reported Earnings per Share (EPS) of P0.551 in 2017, a 158% increase from P0.214 in the previous year.

4Q2017

For the quarter ended December 31, 2017, Solaire posted a new record high for mass table drop with a slight sequential gain. Philippine VIP volumes were up 17% year-on-year while mass table drop and EGM coin-in both grew 19% and 23% year-on-year, respectively. On a sequential basis, VIP volumes were up 7% while mass tables were essentially flat. EGM coin-in was not able to beat its previous P49.690 billion record in the previous quarter and fell 4% quarter-on-quarter.

Solaire's gross gaming revenues were down 11% quarter-on-quarter and 2% year-on-year to P10.27 billion mainly due to the low 1.95% VIP hold rate during the quarter in marked contrast to the 2.83% and 2.85% rates in 3Q2017 and 4Q2016, respectively.

Bloomberry's non-gaming revenues were slightly down quarter-on-quarter at 2% but significantly up year-on-year growing 31% driven by significant improvements in Solaire's operations. Number of covers served and average check amounts had positive growth on both year-on-year and sequential bases with hotel occupancy improving to 90.3% from 88.9% and 89.4% in 4Q2016 and 3Q2017, respectively.

Bloomberry reported P2.111 billion in EBITDA, 39% down quarter-on-quarter and 22% down on a year-on-year basis owing to a low 1.95% VIP hold rate in contrast to a 2.85% VIP hold rate in the same period last year. The Company would have reported a hold-normalized EBITDA of P3.454 billion for the quarter, 7% higher on a year-on-year basis.

Bloomberry generated P98 million in net profits in 4Q2017, dragged down by a low 1.95% VIP hold, some one-off non-cash expenses relating to the depreciation of a transportation asset and unrealized foreign exchange losses as well as a P267 million net loss from its Korea operations. The Philippine operations would have generated P1.654 billion in net profits assuming the VIP hold at the normal 2.85% rate and would have increased by another P451 million to P2.105 billion without the one-time depreciation write-off (P150 million) and unrealized foreign exchange losses (P301 million).

Table below for reference.

P millions	
98	Bloomberry 4Q2017 net profit
(266)	Korea 4Q2017 net profit/(loss)
364	Solaire 4Q2017 net profit
1,290	Addition to Solaire 4Q2017 net profit assuming 2.85% VIP hold rate
1,654	Solaire hold-normalized 4Q2017 net profit
150	One-time write-off of a transportation asset
301	Unrealized foreign exchange losses
2,105	Solaire hold-normalized 4Q2017 net profit without one-time depreciation write-off and unrealized foreign exchange losses

Bloomberry reported an EPS of P0.01 versus P0.068 and P0.169 in the same period last year and the previous quarter, respectively.

Solaire's Sky Tower was one of the Forbes Travel Guide Star Awards five-star rating awardees in the Philippines in 2017, garnering its second consecutive annual five-star rating from Forbes Travel Guide last February.

Solaire was also included by TripAdvisor in its 2018 Travelers' Choice awards as among the top 25 luxury hotels in the Philippines and the highest ranked in Entertainment City.

Bloomberry Resorts Corporation is the owner and operator (through its subsidiaries) of the Solaire Resort & Casino and Jeju Sun Hotel & Casino. Solaire was the first property to open in PAGCOR's Entertainment City. Solaire became the first Integrated Resort in Entertainment City with the opening of Sky Tower last November 2014. Aside from a 312-key all-suite five-star hotel, Sky Tower features other amenities such as The Theatre, a 1,760-seat Broadway-style theatre; The Macallan, a luxury cigar and whisky bar; 1,000 sqm of meeting space in The Forum; an international KTV bar, as well as additional gaming facilities. Solaire's high-end retail area, The Shoppes features the following luxury brands Louis Vuitton, Prada, Bvlgari, Salvatore Ferragamo and Givenchy.