

Bloomberry 3Q2017 profits rise 31% to P1.9 billion 9M2017 profits hit P6 billion --- 275% higher YoY

Highlights

- Solaire generated new quarterly record mass table drop and electronic gaming machine (EGM) coin-in
- Consolidated gross gaming revenues (GGR) rose 18 percent year-on-year to P11.641 billion, the second highest quarter, and narrowly missing the previous record quarter by just five percent
- Consolidated cash operating expenses were flat quarter-on-quarter at P6.165 billion, and grew 17 percent year-on-year, below the 22 percent year-on-year growth in net revenues
- Consolidated EBITDA rose 33 percent year-on-year to P3.439 billion
- Consolidated EBITDA for 9M2017 rose by 30 percent year-on-year to P10.236 billion and would have risen by 59 percent if the original gaming tax structure was used on 1H2016 EBITDA for a like-for-like comparison
- Hold-normalized consolidated EBITDA grew 15 percent quarter-on-quarter to P3.442 billion, essentially the same as reported EBITDA due to a near normal 2.83 percent VIP hold rate
- Jeju Sun reported its first ever positive quarterly EBITDA since its acquisition in 2015 due to a 436 percent year-on-year increase in GGR
- Consolidated 3Q2017 net profit of P1.852 billion, 31 percent higher year-on-year mainly driven by a 46 percent year-on-year improvement from Solaire but was muted by a swing to net loss by the Korean operations
- Bloomberry reported P5.965 billion in 9M2017 profits, 275 percent larger year-on-year

Bloomberry Resorts Corporation (BLOOM PM), owner and operator (through its subsidiaries) of the Solaire Resort & Casino and Jeju Sun Hotel & Casino, recently reported unaudited consolidated financial results for the quarter ended September 30, 2017. Solaire reported new record mass table drop, EGM coin-in and EGM GGR with Jeju Sun reporting positive EBITDA for the first time since its acquisition in 2015.

Enrique K. Razon Jr., Bloomberry chair and CEO, says: “We continue to grow across all sectors, and hope to see this uptrend continue until the end of the year. Our top line and bottom lines are positive and, despite some minor hiccups, I am confident that 2017 will be a banner year.”

In 3Q2017, Solaire’s VIP volume grew six percent quarter-on-quarter to post the third highest quarterly volume since its opening in 2013. Despite the quarter-on-quarter increase in VIP volume, Solaire’s VIP GGR fell 14 percent quarter-on-quarter to P5.383 billion owing to a substantial decrease in the VIP hold rate to 2.83 percent from 3.49 percent in 2Q2017. On the other hand, even with a 13 percent year-on-year decline in VIP volume, Solaire’s VIP GGR grew 14 percent year-on-year due to a very low 2.16 percent VIP hold rate in the same period last year. On a cumulative basis, Solaire’s VIP volume grew ten percent to P591.204 billion while its VIP GGR rose 23 percent to P16.743 billion on the back of an improvement in its VIP hold rate from 2.53 percent to 2.83 percent.

Mass table drop and EGM coin-in generated strong year-on-year growth rates of 22 percent and 38 percent, respectively, to hit new record quarterly highs. In 3Q2017, Solaire generated P9.666 billion and P49.691 billion of mass table drop and EGM coin-in, respectively. On a sequential basis, Solaire’s mass gaming segment continued to maintain its momentum with its mass table drop and EGM coin-in growing seven and 11 percent, respectively. Cumulatively, Solaire’s mass table drop grew 22 percent to P27.086 billion while its EGM coin-in grew even faster at 31 percent to P136.688 billion.

The strong year-on-year growth in Solaire’s mass table drop and EGM coin-in, an improvement in its VIP hold rate to 2.83 percent as well as a 436 percent year-on-year increase in Jeju Sun’s GGR to P151 million, grew the Company’s consolidated GGR by 18 percent year-on-year to P11.641 billion --- the Company’s second-best quarter and just five percent shy off the previous quarter’s highest quarterly GGR achieved since opening.

Despite continued quarter-on-quarter increases in Solaire’s VIP volume, mass table drop and EGM coin-in as well as a 33 percent improvement in Jeju Sun’s GGR, Bloomberry’s consolidated GGR was down five percent mainly due to the significant decline in its VIP hold rate from 3.49 percent to 2.83 percent as well as the mass table hold sliding to 31.1 percent from 34.9 percent in the previous quarter.

On a year-to-date basis, Bloomberry's consolidated GGR grew 23 percent to P34.572 billion driven by record VIP volume, mass table drop and EGM coin-in for any nine-month period. Furthermore, Jeju Sun also contributed to this growth with its GGR growing 122 percent and contributing P324 million, or just one percent to the total.

Notwithstanding more competition in the Philippines and a substantial increase in GGR from Jeju Sun by 33 percent, Bloomberry's promotional allowances and contra accounts declined seven percent quarter-on-quarter to P2.928 billion. Thus, promotional allowances and contra accounts as a percentage of gross gaming revenues fell to 25.2 percent in 3Q2017 from 25.7 percent in the previous quarter. In 9M2017, promotional allowances and contra accounts as a percentage of gross gaming revenues fell by 1.8 percentage points to 26 percent from 27.8 percent in the same time period last year.

Non-gaming revenues in the quarter grew 49 percent to P890 million on a year-on-year basis and were up 13 percent quarter-on-quarter. Solaire's overall hotel occupancy in 3Q2017 was 89.4 percent, 1.3 percentage points lower than the 90.7 percent reported in the previous quarter. However, this was 5.2 percentage points better than the 84.2 percent hotel occupancy posted in the same quarter last year. In the first nine months of this year, Bloomberry's non-gaming revenues grew 44 percent to P2.466 billion driven mainly by new shows in the Theatre, the opening of The Shoppes as well as improved hotel occupancy in both the Bay and Sky Towers at Solaire. Average hotel occupancy in 9M2017 was 90.9 percent, a significant 6.7 percentage point difference from the 84.2 percent rate reported for the same time period last year.

Due to the strong performance of both its gaming and non-gaming segments in Solaire as well as substantial improvements in Jeju Sun, Bloomberry's 3Q2017 revenues grew 22.3 percent year-on-year to P9.604 billion. However, due to an unusually high VIP hold rate in 2Q2017, the consolidated revenues were down slightly by three percent quarter-on-quarter. While accounting for only 2.1 percent of total consolidated revenues, Jeju Sun reported an 11 percent quarter-on-quarter increase in its revenues to P201.0 million. For 9M2017, Bloomberry reported a 28 percent growth in its revenues to P28.067 billion with Solaire and Jeju Sun reporting revenue growth of 27 percent and 97 percent, respectively.

The Company's 3Q2017 total expenses were down two percent on a sequential basis mainly due to an increase in the Company's net foreign exchange gains. Last quarter, the Company had a P26 million foreign exchange loss. The Company registered a P93 million foreign exchange gain in the current quarter.

Consolidated cash operating expenses in 3Q2017 grew 17 percent year-on-year to P6.165 billion with the Korean operations reporting an eight percent year-on-year decline and essentially unchanged quarter-on-quarter to P199 million. Cumulatively, cash operating expenses rose 28 percent to P17.83 billion with the Philippine operations reporting a 31 percent year-on-year increase to P17.232 billion while the Korea operations reported a 12 percent reduction in its cash operating expenses to P599 million. The bulk of the increase from the Philippines came from the reversion of the gaming tax to its original structure (final gaming tax) beginning in 3Q2016.

As of end-3Q2017, Bloomberry had P4.122 billion in gross receivables, 12 percent lower than at the beginning of the year. Receivables over 90 days increased by seven percent from the previous quarter to P1.722 billion but continue to remain fully provided for with a current allowance for doubtful accounts on the balance sheet. Similar to the previous two consecutive quarters, the Company did not make any provisions for bad debt in 3Q2017.

The Company reported a 3Q2017 consolidated EBITDA of P3.439 billion, 33 percent higher on a year-on-year basis but six percent lower than the P3.64 billion reported in the previous quarter owing to an unusually high 3.49 percent VIP hold rate in 2Q2017 versus the 2.83 percent hold rate recorded in the current quarter. The drag from the Korean operation on Bloomberry's EBITDA had continued to decline with Jeju Sun reporting its first quarter of positive EBITDA in 3Q2017.

For 9M2017, EBITDA from Solaire grew 24 percent to P10.352 billion but due to the 73 percent reduction in the drag from Korea down to P116 million, Bloomberry's consolidated EBITDA grew 30 percent to P10.236 billion. By applying the final gaming tax structure to the 1H2016 EBITDA for a like-for-like comparison, the P10.236 billion in EBITDA would have been 59 percent higher than the previous year's EBITDA over the same time period rather than just 30 percent based on reported EBITDA.

Table below for reference:

<i>In billions, except % change data</i>	3Q2017	3Q2016	% Change	9M2017	9M2016	% Change
EBITDA as reported	3.439	2.582	33%	10.236	7.902	30%
EBITDA using final tax structure	3.439	2.582	33%	10.236	6.422	59%

Bloomberry reported a 3Q2017 hold-normalized consolidated EBITDA of P3.442 billion, essentially the same as the reported EBITDA of P3.439 billion due to the almost normal VIP hold rate of 2.83 percent for the quarter. On a sequential basis, the hold-normalized EBITDA would have risen by 15 percent due to the unusually high 3.49 percent VIP hold rate in the previous quarter. The hold-normalized EBITDA would have fallen by six percent year-on-year due to a very low 2.16 percent VIP hold rate in the same time period last year. Cumulatively, the 9M2017 hold-normalized EBITDA would have risen by just one percent to P10.327 billion from the reported P10.236 billion due to the 2.83 percent VIP hold rate in 9M2017 versus 2.53 percent in the same period last year.

Bloomberry reported P1.852 billion in net profits for the quarter, 31 percent higher than the P1.417 billion reported in the same quarter last year. This was due to a 46 percent year-on-year increase in profitability in its Philippine operations despite a year-on-year reversal in the profitability of Jeju Sun for the quarter. The net profits were lower by 5 percent on a quarter-on-quarter basis mainly due to lower EBITDA. Inclusive of the previous two quarters' results, Bloomberry reported P5.965 billion in profits, 275 percent larger than the P1.591 billion in profits reported in 9M2017 and the highest 9M profit ever reported by the Company.

Bloomberry reported Basic Earnings per Share (EPS) of P0.169, 31 percent higher year-on-year and six percent lower from the previous quarter.

The Sky Tower of Solaire Resorts and Casino was named five-star by Forbes Travel Guide in its Official 2017 Star Rating Announcement. This is the most prestigious accolade Solaire has received since Sky Tower opened in 2014.

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 at Solaire, has recently rolled out the following luxury boutiques: Louis Vuitton, Prada, Bvlgari, Salvatore Ferragamo and Givenchy.

Bloomberry owns a 1.5-hectare property in Vertis, Quezon City, Philippines, and through wholly-owned subsidiary Solaire Korea, owns 33.16 hectares of land in Muui and Silmi Islands in the Republic of Korea. Both Muui and Silmi Islands are within the coverage of the Incheon Free Economic Zone.