

NagaCorp Ltd (3918 HK, BUY, TP: HK\$14.00)

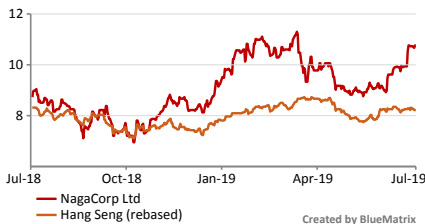
BUY **HOLD** **SELL**

Target Price: HK\$14.00 **Current Price: HK\$10.76**

52-Week High HK\$11.66
 52-Week Low HK\$6.85
 EV (MM) HK\$45,912
 Market Cap (MM) HK\$46,709
 Shares Outstanding (MM) 4,341
 Average Daily Trading Volume (MM) 3.9

Priced as of close on 23 July 2019.
 Source: FactSet

Price Performance



Source: FactSet

China Renaissance vs Consensus (% diff)

	2019E	2020E
Rev (MM) (\$)	1,846 (+1%)	2,080 (+1%)
EPS (\$)	0.11 (+9.35%)	0.12 (+8.49%)

Note: Consensus estimates displayed, sourced from Bloomberg. Positive % diff = CR est. above consensus; negative = CR est. below consensus.

1H19 clear beat on continued ramp-up

- **1H19 EBITDA of US\$328mn (+41% YoY, +17% HoH) a clear beat on stronger GGR; net profit up 36% YoY/ 16% HoH to US\$245mn.**
- **Interim DPS of US\$0.0339 was in-line with 60% payout ratio in the past, implying a 2.4% dividend yield as of the latest closing.**
- **Lift FY19E/20E EBITDA forecast by 11%/10% on strong results. TP of HK\$14 implies 11x/10x FY19E/20E EV/EBITDA.**

Solid results on both VIP and mass side.

1H19 revenue grew 22% YoY to US\$892mn, on a 45% YoY jump in mass GGR, and 18% YoY hike in VIP GGR despite a normalized win rate of 2.8%. Gross profit increased 32% YoY, thanks to the margin expansion through a larger exposure to the higher-margin mass business. Opex remained under tight control, resulting in a 41% YoY EBITDA growth. Despite drags from interest expenses and additional tax obligations, 1H19 net profit still recorded an upbeat growth of 36% YoY with margin expansion of 2ppts YoY to 27%.

More promising operating environment.

1) Management does not expect any slowdown in VIP gaming in the near future since Naga does not have exposure to online gaming. 2) 92% of the Naga3 space will be allocated for non-gaming purposes to promote Phnom Penh's leisure tourism and attract visitors from China; 3) the Vladivostok project is on schedule to complete in 2019, and management is optimistic on the business amid a tightening tie between China and Russia through building high speed rail between Haerbin and Far East Russia.

BUY with TP of HK\$14 at 11x FY19E EV/EBITDA, in-line with Macau peers.

NagaCorp is currently trading at 9x FY19E EV/EBITDA and 12x P/E. NagaCorp is set to outshine Macau peers in 2019, in our view. We expect NagaCorp to record 26%/33% YoY growth in FY19E revenue and EBITDA. We expect the Macau GGR to remain largely flat YoY in 2019, which should further narrow the valuation discount between NagaCorp and Macau peers. **Risks** include: potential for political unrest and a cooling economy in Cambodia; change in gaming regulations that may jeopardize NagaCorp's monopoly status or challenge its current low tax position; and a sudden drop in demand from key target markets such as China and Southeast Asia.

Summary Financial Data

Fiscal year-end: Dec	2018A	2019E	2020E	2021E
Revenue (MM) (\$)	1,474	1,861	2,100	2,381
EBITDA (MM) (\$)	512	682	755	865
EPS (\$)	0.09	0.12	0.13	0.16
EV/EBITDA	12x	9x	8x	6x
P/E	16x	12x	11x	9x
FCF yield	4%	5%	11%	13%
Dividend yield	3.8%	5.0%	5.4%	6.7%

Source: China Renaissance Securities (Hong Kong) Limited

Research Team

Angela Han Lee, Vice President
 +852 2287 1694
 AngelaHanLee@chinarenaissance.com

Nate Deng
 +852 2287 1624
 NateDeng@chinarenaissance.com

Chris Gao
 +852 2287 1242
 ChrisGao@chinarenaissance.com

China Renaissance Securities (US) Inc. and/or one of its affiliates does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. This research report has been prepared in whole or in part by equity research analysts based outside the US who are not registered/qualified as research analysts with FINRA.

PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON APPENDIX A

Exhibit 1: Operational data

US\$m	1H18	2H18	1H19	YoY	HoH	Comment
Casino operations - gaming tables	654	651	796	22%	22%	Better than expected on both VIP and mass
Casino operations - electronic gaming	60	69	76	27%	10%	In line
Non-gaming	19	21	19	0%	-8%	
Total revenue	733	741	892	22%	20%	
Cost of sales	(423)	(377)	(483)	14%	28%	
Gross profit	309	364	408	32%	12%	
<i>Gross margin</i>	42%	49%	46%			
Staff costs	(46)	(47)	(59)	29%	27%	
Operating lease charges	(6)	(6)	(6)	2%	2%	
Depreciation and amortisation	(45)	(48)	(50)	12%	4%	
Other operating expenses	(25)	(32)	(15)	-39%	-53%	Stringent admin opex control
Operating profit	188	231	278	48%	20%	Better than expected
<i>Operating margin</i>	26%	31%	31%			
EBITDA	233	279	328	41%	17%	Better than expected
<i>EBITDA margin</i>	32%	38%	37%			
Non-operating items	(3)	(16)	(17)	396%	8%	In line with increase in interest expenses
Income tax expense	(4)	(4)	(15)	244%	244%	Additional obligation
Non-controlling interest	-	-	-			
Net profit	180	210	245	36%	16%	Better than expected
<i>Net margin</i>	25%	28%	27%			
Gaming related data for NagaWorld						
VIP gaming						
Rolling chip volume	16,840	18,819	23,180	38%	23%	Stronger than expected
<i>VIP win rate</i>	3.3%	2.7%	2.8%			Normalized win rate as expected
VIP GGR	553	517	650	18%	26%	
VIP gross profit	138	148	173	25%	17%	
Mass tables gaming						
Mass table buy-ins	574	664	756	32%	14%	Stronger than expected
<i>Mass table win rate</i>	17.6%	20.3%	19.3%			
Mass table GGR	101	135	146	45%	9%	
Electronic gaming machines						
EGM bills-in	1,043	1,172	1,341	29%	14%	
<i>EGM win rate</i>	8.1%	9.4%	8.7%			
EGM GGR (include entrance fee)	60	69	76	27%	10%	Relatively stagnant

Source: Company data, CRSHK

Exhibit 2: Earnings revision

US\$m	New FY19E	Old FY19E	% chg	New FY20E	Old FY20E	% chg	Comment
Overall							
Total revenue	1,861	1,767	5%	2,100	1,980	6%	Continued ramp-up of Naga2
EBITDA	682	612	11%	755	689	10%	Margin expansion
EBITDA margin	37%	35%	2ppts	36%	35%	1ppt	
Net profit	513	466	10%	560	529	6%	
EPS (US\$)	0.12	0.11	10%	0.13	0.12	6%	
DPS (US\$)	0.07	0.06	10%	0.08	0.07	6%	
NagaWorld							
Total revenue	1,861	1,767	5%	2,071	1,950	6%	
EBITDA	679	608	12%	751	686	10%	
EBITDA margin	36%	34%	2ppts	36%	35%	1ppt	
VIP GGR	1,340	1,273	5%	1,466	1,378	6%	Strong rolling offset by normalized win rate
Mass GGR	480	452	6%	562	528	6%	Stronger than expected
Vladivostok project							
Total revenue	-	-	-	30	30	0%	We model opening in 2H20E
EBITDA	-	-	-	(0)	(0)	0%	
EBITDA margin	-	-	-	-1%	-1%	0ppt	
VIP GGR	-	-	-	16	16	0%	
Mass GGR	-	-	-	11	11	0%	

Source: Company data, CRSHK estimates

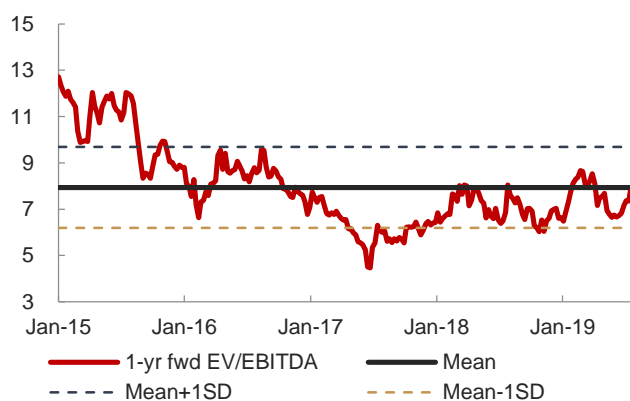
Valuation

Currently trading at 9x FY19E EV/EBITDA

The company is currently trading at 9x FY19E EV/EBITDA, 12x P/E and 5% dividend yield. Historically, Naga has been trading at a significant discount to its Macau gaming peers (around 7x EV/EBITDA for Naga vs. 13x for Macau peers) due to the following: 1) Cambodia is relatively under-developed, with political and social uncertainties that may compromise its tourism industry, and therefore, Naga's business; and 2) NagaCorp is of a smaller size and has a relatively unstable customer base as compared to international gaming operators in Macau, suggesting that it could suffer more in a downside market.

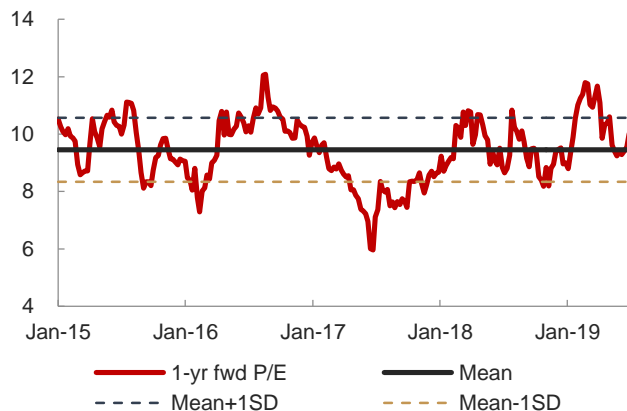
Naga's valuation discount to Macau gaming players has been narrowing recently and we believe the trend will continue – Naga deserves a valuation that is in-line with Macau peers given: 1) a more promising industry outlook; 2) its improving business quality; and 3) solid foundation for future expansion.

Exhibit 3: 1-year forward EV/EBITDA



Source: Bloomberg, company data, CRSHK estimates

Exhibit 4: 1-year forward P/E



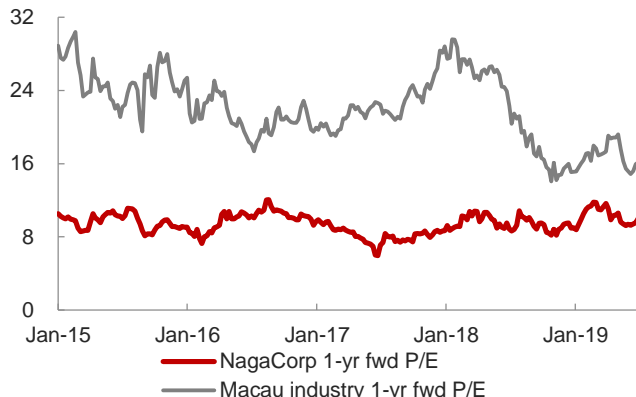
Source: Bloomberg, company data, CRSHK estimates

Exhibit 5: NagaCorp vs. Macau gaming industry 1-year forward EV/EBITDA



Source: Bloomberg, company data, CRSHK estimates

Exhibit 6: NagaCorp vs. Macau gaming industry 1-year forward P/E



Source: Bloomberg, company data, CRSHK estimates

Exhibit 7: Comparable companies

Company name	Ticker	Rating	Target Px	Current Px 7/24/2019	Market Cap (US\$ mn)	Avg T/O (US\$ mn)	EV/EBITDA (x)		
							FY18	FY19E	FY20E
Macau gaming									
Galaxy	27 HK	BUY	HK\$62.00	HK\$56.20	31,213	79.1	12x	11x	11x
SJM	880 HK	HOLD	HK\$7.00	HK\$9.35	6,790	15.7	15x	15x	12x
Wynn Macau	1128 HK	HOLD	HK\$20.00	HK\$19.02	12,673	27.1	11x	12x	11x
Sands China	1928 HK	HOLD	HK\$40.00	HK\$40.55	42,040	69.1	15x	14x	14x
MGM China	2282 HK	HOLD	HK\$16.00	HK\$13.82	6,733	9.7	15x	13x	11x
Melco Resorts	MLCO US	BUY	US\$26.00	US\$24.84	11,601	49.4	11x	10x	10x
Simple average							13x	13x	12x
Market cap average							14x	13x	12x
Conglomerate									
Melco International	200 HK	BUY	HK\$20.90	HK\$20.60	3,998	7.6	9x	7x	7x
SEA gaming									
NagaCorp	3918 HK	BUY	HK\$14.00	HK\$11.14	6,200	4.5	12x	9x	8x
Genting Singapore	GENS SP	NC	n.a.	SGD0.94	8,263	25.8	7x	8x	8x
Simple average							10x	8x	8x
Market cap average							9x	8x	8x
Las Vegas gaming									
Las Vegas Sands	LVS US	NC	n.a.	US\$65.22	50,402	249.6	11x	11x	11x
MGM Resorts	MGM US	NC	n.a.	US\$29.20	15,686	164.1	12x	10x	9x
Wynn Resorts	WYNN US	NC	n.a.	US\$138.27	14,886	248.2	11x	11x	9x
Simple average							11x	11x	10x
Market cap average							11x	11x	10x

Company name	Ticker	P/E (x)			FCF yield			Dividend yield		
		FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Macau gaming										
Galaxy	27 HK	18x	17x	15x	6%	6%	7%	2%	2%	2%
SJM	880 HK	19x	24x	21x	-5%	0%	4%	3%	2%	3%
Wynn Macau	1128 HK	16x	16x	15x	7%	8%	8%	6%	7%	6%
Sands China	1928 HK	22x	19x	18x	5%	5%	5%	5%	5%	5%
MGM China	2282 HK	49x	17x	14x	1%	3%	3%	1%	2%	3%
Melco Resorts	MLCO US	34x	20x	18x	7%	7%	7%	2%	2%	2%
Simple average		26x	19x	17x	4%	5%	6%	3%	3%	3%
Market cap average		23x	18x	17x	5%	5%	6%	4%	4%	4%
Conglomerate										
Melco International	200 HK	57x	22x	17x	5%	7%	7%	0%	1%	1%
SEA gaming										
NagaCorp	3918 HK	16x	12x	11x	4%	5%	11%	4%	5%	5%
Genting Singapore	GENS SP	14x	16x	16x	10%	6%	7%	3%	3%	3%
Simple average		15x	14x	13x	7%	5%	9%	3%	4%	4%
Market cap average		15x	14x	14x	7%	5%	9%	3%	4%	4%
Las Vegas gaming										
Las Vegas Sands	LVS US	19x	20x	18x	7%	4%	5%	5%	5%	5%
MGM Resorts	MGM US	25x	29x	18x	1%	4%	5%	2%	2%	2%
Wynn Resorts	WYNN US	21x	23x	18x	4%	6%	7%	2%	3%	3%
Simple average		22x	24x	18x	4%	4%	6%	3%	3%	3%
Market cap average		21x	22x	18x	5%	4%	6%	4%	4%	4%

Note: US\$:HK\$ = 7.8

Source: Bloomberg for NC companies, CRSHK estimates

Exhibit 8: NagaCorp - Financial summary**Balance Sheet**

US\$ mn	FY18	FY19E	FY20E	FY21E
Current assets	512	524	825	913
Cash and cash equivalents	317	298	579	644
Account and other receivables	117	148	167	189
Inventories	2	2	2	3
Other current assets	76	76	76	76
Non-current assets	1,455	1,702	1,654	1,611
Property and equipment	1,276	1,553	1,509	1,469
Intangible assets	59	56	52	48
Interest in leasehold land	27	(0)	(0)	(1)
Other non-current assets	94	94	94	94
Total assets	1,967	2,226	2,479	2,523
Current liabilities	92	112	124	139
ST borrowings	-	-	-	-
Account payables	80	99	112	126
Other current liabilities	12	12	12	12
Non-current liabilities	335	335	335	46
LT borrowings	291	291	291	2
Other non-current liabilities	44	44	44	44
Total liabilities	427	447	460	185
Share capital	54	54	54	54
Treasury shares	-	-	-	-
Reserves	1,486	1,725	1,965	2,284
Minority interest	-	-	-	-
Shareholders' equity	1,540	1,779	2,020	2,338
Total equity and liabilities	1,967	2,226	2,479	2,523

Statement of cash flows

US\$ mn	FY18	FY19E	FY20E	FY21E
Operating cashflow	477	636	712	815
Net income	391	513	560	689
Depreciation and amortization	93	103	127	124
Change in working capital	(18)	(11)	(7)	(8)
Other operating cashflow	11	31	31	10
Investing cashflow	(317)	(347)	(76)	(76)
CAPEX	(244)	(376)	(80)	(80)
Interest received	3	3	4	4
Investment in bonds	-	-	-	-
Other investing cashflow	(76)	26	-	-
Financing cashflow	104	(308)	(354)	(673)
Net proceeds from borrowings	275	(35)	(35)	(303)
Share issue (repurchase)	-	-	-	-
Dividend paid	(171)	(273)	(320)	(371)
Other financing cashflow	-	-	-	-
Foreign exchange rate adj.	-	-	-	-
Net change in cash	264	(19)	281	65

Source: Company data, CRSHK estimates

Income statement

US\$ mn	FY18	FY19E	FY20E	FY21E
Total revenue	1,474	1,861	2,100	2,381
Cost of sales	(801)	(997)	(1,124)	(1,270)
Employee benefit expenses	(92)	(120)	(132)	(147)
Operating lease charges	(12)	(12)	(12)	(13)
Gaming tax	-	(22)	(48)	(55)
Depreciation and amortisation	(93)	(109)	(132)	(129)
Other operating expenses	(57)	(31)	(32)	(35)
Adjusted EBITDA	512	682	755	865
Operating profit	419	570	619	732
Interest expense	(19)	(35)	(35)	(14)
Interest income	3	3	4	4
Other non-operating items	(3)	-	-	-
Pre-tax profit	399	539	588	722
Income tax expense	(9)	(26)	(27)	(33)
After-tax profit	391	513	560	689
Non-controlling interests	-	-	-	-
Net profit to shareholders	391	513	560	689
Basic EPS (US\$)	0.09	0.12	0.13	0.16
Diluted EPS (US\$)	0.09	0.12	0.13	0.16
DPS (US\$)	0.05	0.07	0.08	0.10

Ratios

	FY18	FY19E	FY20E	FY21E
YoY				
Total revenue	54%	26%	13%	13%
Adjusted EBITDA	60%	33%	11%	15%
Operating profit	59%	36%	9%	18%
Net profit	53%	31%	9%	23%
Profitability				
EBITDA margin	35%	37%	36%	36%
OP margin	28%	31%	29%	31%
NP margin	26%	28%	27%	29%
ROE	25%	29%	28%	29%
ROIC	25%	28%	31%	37%
Liquidity				
Debt/equity	19%	16%	14%	0%
Net debt/equity	-7%	-5%	-18%	-31%
Current ratio	5.6x	4.7x	6.6x	6.6x
Quick ratio	4.7x	4.0x	6.0x	6.0x
Operating efficiency				
Asset turnover	0.7x	0.8x	0.8x	0.9x
Valuation ratios				
EV/EBITDA	12x	9x	8x	6x
P/E	16x	12x	11x	9x
FCF yield	4%	5%	11%	13%
Dividend yield	4%	5%	5%	7%

Risks

Macro. Potential for political unrest and a cooling economy in Cambodia; any change in gaming regulations that may jeopardize NagaCorp's monopoly status or challenge its current low tax position; and a sudden drop in demand from key target markets such as China and Southeast Asia, which could result in lower-than-expected EBITDA growth

Economic 1) A cool down in Southeast Asian economies, which are NagaCorp's key target markets, due to weaker global consumption demand. 2) A substantial drop in foreign direct investment, which could result in a slowdown in overall economic activity in Cambodia.

Political Cambodian Prime Minister Hun Sen's win in the 2018 election was not recognized by western countries, and was also controversial within the country. Political disruption could adversely impact Cambodia's tourism industry, discouraging inbound visitation.

Policy Gaming policies might experience more frequent changes than in other nations, since Phnom Penh does not have a long history of regulating the gaming market. Risks include: 1) a potential increase in gaming tax payments since the current rate is far lower than in other regions; and 2) the issuance of another gaming license in Phnom Penh, ending NagaWorld's monopolistic position in the city.

Regional gaming competition. The increasing number of gaming venues in the region could adversely affect the company's performance.

Market cannibalization Expanding NagaWorld through Phase 3 development may lead to significant growth in the number of gaming tables and hotels, which may outpace demand, leading to a slowdown in revenue growth.

Rising wages Labor costs in Cambodia are relatively low. A hike in the minimum wage would impact NagaCorp's staff costs.

Financing needs The company has a high dividend payout ratio of 60%, which could come under pressure if the company needs to raise finance to support its expansion.

Appendix A

Analyst Certification

We, Angela Han Lee, Nate Deng and Chris Gao, certify that the views expressed in this research report accurately reflect our personal views about any and all of the subject securities or issuers featured in this report. Furthermore, no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

One or more research analysts responsible for this publication are not registered or qualified as research analysts with the Financial Industry Regulatory Authority ("FINRA") and may not be associated persons of China Renaissance Securities (US) Inc. and therefore may not be subject to applicable restrictions under FINRA rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Important Disclosures

Important Disclosures

The following disclosures relate to relationships between China Renaissance Securities (US) Inc., China Renaissance Securities (Hong Kong) Limited (collectively "China Renaissance"), China Renaissance Securities (China) Co., Ltd. and companies covered by research analysts of China Renaissance and referred to in research products. All references in this report to "CRSUS" refer to China Renaissance Securities (US) Inc. CRSUS is registered with the Securities and Exchange Commission (the "SEC") as a U.S. broker-dealer under Section 15 of the Securities Exchange Act of 1934 and is a member of FINRA and SIPC (<http://www.sipc.org>). CRSUS is located at 600 Fifth Avenue, 21st Floor, New York, NY 10020. All references in this report to "CRSHK" refer to China Renaissance Securities (Hong Kong) Limited. CRSHK is licensed by the Securities and Futures Commission for the conduct of dealing in securities, advising on securities, and advising on Corporate Finance. CRSHK is located at Units 8107-08, Level 81 International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. All references in this report to "Huajing Securities" refer to China Renaissance Securities (China) Co., Ltd. Huajing Securities is licensed by the China Securities Regulatory Commission for conducting securities investment consulting business. Huajing Securities is located at 25th Floor, Trinity Tower, No. 575 Wusong Road, Hongkou District, Shanghai, China.

Disclosures required by United States laws and regulations

See company-specific regulatory disclosures below for any of the following disclosures required as to companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; for equity securities, market making and/or specialist role. China Renaissance trades or may trade as a principal in debt securities (or in related derivatives) of issuers discussed in this report. In addition to 1% ownership positions in covered companies that are required to be specifically disclosed in this report, China Renaissance, its affiliates, and their respective officers, directors or employees, other than the analyst(s) who prepared this report, may have a long position of less than 1% or a short position or make purchases or sales as principal or agent in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. Recipients of this report are advised that any or all of the foregoing arrangements, as well as more specific disclosures set forth below, may at times give rise to potential conflicts of interest.

Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this publication is distributed in the U.S. in accordance with the provisions of Rule 15a-6, under the U.S. Securities Exchange Act of 1934 for Major Institutional Investors, as such term is defined in Rule 15a-6. To the extent that this publication is distributed to U.S. Institutional Investors other than Major Institutional Investors, this publication is distributed by CRSUS but not

CRSHK or Huajing Securities (whether directly or indirectly). Any transactions by U.S. persons with China Renaissance Securities (Hong Kong) Limited or China Renaissance Securities (China) Co., Ltd. in securities discussed in this publication will be effected through China Renaissance Securities (US) Inc., in compliance with the requirements of paragraph (a)(3) of Rule 15a-6 of the U.S. Securities Exchange Act of 1934.

Additional disclosures required under the laws and regulations of jurisdictions other than the United States Distribution in Hong Kong

The report is for your information only and is not an invitation or offer to sell, or a solicitation of an offer to buy, the securities described in this report. It has been prepared solely for professional investors (as defined in the Securities and Futures Ordinance of Hong Kong) whose business involves the acquisition, disposal or holding of securities, whether as principal or agent, and is not intended for disclosure to, and should not be relied upon by, any person other than a professional investor. If you are an unintended recipient of this report, you are requested immediately to return this copy of the report directly to China Renaissance Securities (Hong Kong) Limited. For professional investors in Hong Kong, please contact China Renaissance Securities (Hong Kong) Limited for all matters and queries relating to this report.

The following disclosures are made by CRSHK as per paragraph 16 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (“SFC Code of Conduct”), and capitalized terms used below bear the same meanings as defined in paragraph 16 of the SFC Code of Conduct. A copy of the SFC Code of Conduct can be found on: www.sfc.hk:

Individuals who are employed by or associated with CRSHK who are serving as an officer of the Issuer: Nil

Issuers that the Analyst(s) review in this report where the Analyst(s) or his/her Associate have Financial Interest: Nil

Financial Interests in relation to the Issuer of the Securities which are reviewed in this research report where CRSHK has an aggregate of such interests amount to 1% or more of the Issuer's market capitalization. : Nil

Securities of the Issuer that the Analyst(s) review in this report where CRSHK make a market: Nil

Any investment banking relationship that CRSHK has with the Issuer (including any compensation or mandate for investment banking services received within the preceding 12 months of this report): See further China Renaissance disclosures below.

Global product, jurisdiction and distribution

The research group of China Renaissance produces and distributes research products for clients of China Renaissance on a global basis. Analysts based in China Renaissance offices around the world produce equity research on industries and companies. This research is disseminated in **Hong Kong** by CRSHK; and in the **United States of America** by CRSUS. CRSUS has approved and agreed to take responsibility for any research prepared by CRSHK or Huajing Securities if and to the extent CRSUS distributes it in the United States.

This report and the securities and financial instruments discussed herein may not be eligible for distribution or sale in all jurisdictions and/or to all types of investors. This report is provided for information purposes only and does not represent an offer or solicitation in any jurisdiction where such offer would be prohibited.

No part of this report may be reproduced or distributed in any manner without the written permission of CRSUS. CRSUS specifically prohibits the re-distribution of this report, via the Internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.

The following are additional required disclosures: **Ownership and material conflicts of interest:** China Renaissance's policy prohibits its analysts, professionals reporting to analysts and members of their households from owning positions in securities of any company in the analyst's area of coverage. **Analyst compensation:** Analysts are paid in part based on overall revenues of China Renaissance, which includes investment banking revenues. **Analyst as officer or director:** China Renaissance's policy prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director, advisory board member or employee of any company in the analyst's area of coverage. **Non-U.S. Analysts:** Non-U.S. analysts are not registered or qualified as research analysts with FINRA. They may not be associated persons of CRSUS and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with subject company, public appearances and trading securities held by the analysts.

Potential Conflicts of Interest

Analyst Conflict of Interest:

The research analyst(s) responsible for the preparation of this report receives compensation based upon a variety of factors, including the quality and accuracy of research, internal/client feedback, and overall firm revenues, which include investment banking revenues. Research analysts do not receive compensation based upon revenues from specific investment banking transactions.

Additional Conflicts of Interest:

China Renaissance has not managed or co-managed a public offering of the securities for the companies referenced in this report in the past twelve months.

China Renaissance has not received compensation for investment banking services for the companies referenced in this report in the past twelve months.

China Renaissance expects to receive or intends to seek compensation for investment banking services from companies referenced in this report in the next three months.

China Renaissance does not own more than 1% interests in the companies referenced in this report.

China Renaissance does not make markets in the companies referenced in this report.

Distribution of Ratings and Investment Banking

Below is the distribution of research recommendations as of July 24, 2019

Rating	Count	Percent	IB Count	IB%
Buy	59	64.13%	59	100.00%
Hold	27	29.35%	27	100.00%
Sell	6	6.52%	6	100.00%

China Renaissance Ratings as of December 31, 2016:

Stock Ratings: Ratings of Buy, Hold and Sell have a time horizon of twelve to eighteen months from the date of publishing the initiation or subsequent rating/price target change report issued for the subject company. The ratings are as follows:

Buy – The expected return on the subject company's stock price should outperform the typical benchmark market index for the subject company's primary listing exchange (e.g. the S&P 500 for US-listed stocks) over the above-defined time horizon from the publishing date of the initiation of coverage or subsequent report announcing a rating change.

Hold – The stock price of the subject company is not expected to either appreciate or depreciate meaningfully from the typical benchmark market index for the subject company's primary listing exchange (e.g. the S&P 500 for US-listed stocks) during the above-stated time horizon.

Sell – The expected return on the subject company's stock price should underperform the typical benchmark market index for the subject company's primary listing exchange (e.g. the S&P 500 for US-listed stocks) over the above-defined time horizon from the publishing date of the initiation of coverage or subsequent report announcing a rating change.

Not Rated – China Renaissance has removed the rating and, if applicable, the price target, for the subject company's stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, should no longer be relied upon. An NR designation is not a recommendation or a rating.

Not Covered – a company for which China Renaissance research has not been published.

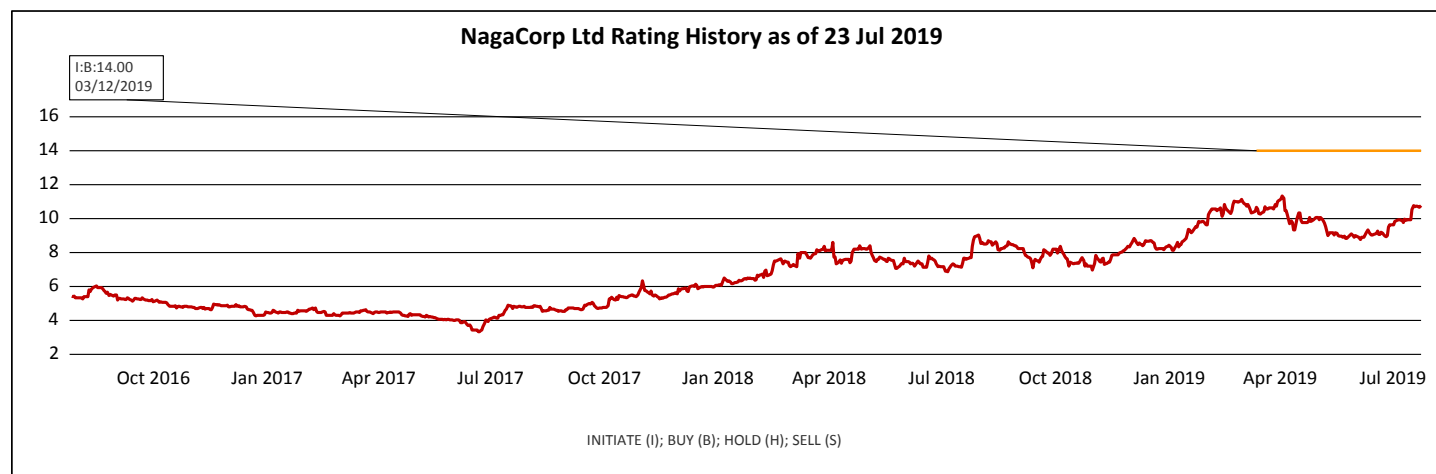
China Renaissance Ratings as of January 19, 2019:

Sector Ratings: Ratings of Overweight, Neutral and Underweight are applied to the designated sector coverage group with a time horizon of twelve to eighteen months from the date of report publication. The ratings are as follows:

Overweight – Expect sector to outperform the relevant market.

Neutral – Expect sector to perform in line with the relevant market.

Underweight – Expect sector to underperform the relevant market.



Valuation Methodology

3918 HK:

Our target price for NagaCorp is HK\$14.00, based on 11x FY19E EV/EBITDA, implying 15x FY19E P/E.

Risks include: Potential for political unrest and a cooling economy in Cambodia; any change in gaming regulations that may jeopardize NagaCorp's monopoly status or challenge its current low tax position; and a sudden drop in demand from key target markets such as China and Southeast Asia, which could result in lower-than-expected EBITDA growth

Economic risks. 1) A cool down in Southeast Asian economies, which are NagaCorp's key target markets, due to weaker global consumption demand. 2) A substantial drop in foreign direct investment, which could result in a slowdown in overall economic activity in Cambodia.

Political risks. Cambodian Prime Minister Hun Sen's win in the 2018 election was not recognized by western countries, and was also controversial within the country. Political disruption could adversely impact Cambodia's tourism industry, discouraging inbound visitation.

Policy risks. Gaming policies might experience more frequent changes than in other nations, since Phnom Penh does not have a long history of regulating the gaming market. Risks include: 1) a potential increase in gaming tax payments since the current rate is far lower than in other regions; and 2) the issuance of another gaming license in Phnom Penh, ending NagaWorld's monopolistic position in the city.

Regional gaming competition. The increasing number of gaming venues in the region could adversely affect the company's performance.

Market cannibalization. Expanding NagaWorld through Phase 3 development may lead to significant growth in the number of gaming tables and hotels, which may outpace demand, leading to a slowdown in revenue growth.

Rising wages. Labor costs in Cambodia are relatively low. A hike in the minimum wage would impact NagaCorp's staff costs.

Financing needs. The company has a high dividend payout ratio of 60%, which could come under pressure if the company needs to raise finance to support its expansion.

General Disclosures

This research is for institutional investors only. Other than disclosures relating to China Renaissance, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. The information, opinions, estimates and forecasts contained herein are as of the date hereof and are subject to change without prior notification. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

China Renaissance conducts a global integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by our research group.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and principal trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset management area and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

The analysts named in this report may have from time to time discussed with our clients, including China Renaissance salespersons and traders, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analysts' published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks, which rating reflects a stock's return potential relative to its coverage group as described herein.

We and our affiliates, officers, directors, and employees, excluding research analysts named in this report, may from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research.

The views attributed to third party presenters at China Renaissance arranged conferences, including individuals from other parts of China Renaissance, do not necessarily reflect those of the research group and are not an official view of China Renaissance.

Any third party referenced herein, including any salespeople, traders and other professionals or members of their household, may have positions in the products mentioned that are inconsistent with the views expressed by analysts named in this report.

This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular

investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options disclosure documents which are available from China Renaissance sales representatives or at <http://www.theocc.com/about/publications/character-risks.jsp>. Transaction costs may be significant in option strategies calling for multiple purchase and sales of options such as spreads. Supporting documentation will be supplied upon request.

All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Not all research content is redistributed to our clients or available to third-party aggregators, nor is China Renaissance responsible for the redistribution of our research by third party aggregators. For research, models or other data available on a particular security, please contact your sales representative.

Disclosure information is also available from Compliance, 600 Fifth Avenue, 21st Floor, New York, NY 10020.

© 2019. China Renaissance. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of China Renaissance.

This message and any attachments are confidential. If you are not the intended recipient, please notify the sender immediately and destroy this email. Any unauthorized use or dissemination is prohibited. All email sent to or from our system is subject to review and retention. This email is for information only. Nothing contained in this email shall be considered an offer or solicitation with respect to the purchase or sale of any security or related financial instrument in any jurisdiction where such an offer or solicitation would be illegal. China Renaissance does not represent that any of the information contained herein is accurate, complete or up to date, nor shall China Renaissance have any responsibility to update any opinions or other information contained herein. Unless otherwise stated, any views or opinions presented are solely those of the author and do not represent those of China Renaissance.