

SJM unlikely to pursue satellite casino acquisitions: JP Morgan

Written by Administrator
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Macau concessionaire SJM Holdings is unlikely to purchase any satellite casino assets from their current owners following its [acquisition of Oceanus](#), but the company is expected to close some of its self-managed properties down, according to JP Morgan analysts.

“We don’t think SJM needs to buy any other assets, because ... Grand Lisboa and Grand Lisboa Palace are 100% owned by SJM [and] SJM owns the gaming floor of the old Lisboa property,” wrote DS Kim, Amanda Cheng and Livy Lyu.

“SJM will probably cease operations of Casino Eastern and Casino Taipa (very small self-run properties), which didn’t make any meaningful profit even before COVID; and the reversion of satellite casinos is the responsibility of satellite asset owners, not concessionaires, from what we understand.”

SJM announced late last week that it had reached an agreement with its parent company, STDM, to [acquire Oceanus for HK\\$1.906 billion worth of 5-year convertible bonds](#). If exercised, STDM will see its stake in SJM increase from the current 54.7% to 58.1%.

JP Morgan said the timing of the acquisition was questionable.

“We don’t know how much EBITDA Oceanus used to make – the property is reported as part of “other self-promoted casinos” – but we understand SJM used to pay ~HK\$100m (US\$12.5 million) per annum to STDM as rent. The implied cap rate is about 5%, assuming SJM can renew its license.

“This itself looks okay, although we do not like the timing when SJM suffers severely from a liquidity strain with very limited runway, and the potential dilution (8% of shares).

“Net-net, we view the news as net negative to sentiment, but not hugely needle moving. SJM remains our least-preferred name in Macau.”

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The decision by SJM to acquire Oceanus comes after the government recently announced a series of planned [amendments to Macau's gaming law](#), including a requirement for satellite casinos to be located within properties owned by a concessionaire. However, it has since eased some of its satellite plans, revealing only last week that concessionaires would be [allowed to use external parties to manage such assets](#) provided they pay a management fee only, rather than entering into any revenue share arrangements.

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