

Ho's Macau Gambling Empire Goes Public

Hong Kong – Sociedade de Jogos de Macau, Macau's dominant gaming group, controlled by casino tycoon Stanley Ho, kicked off an informal road show in Hong Kong this week, getting set for its initial public offering, aiming to raise up to USD 1 billion.

SJM plans to issue 1.25 billion new shares, accounting for about 25% of its enlarged share capital. Among the new shares, 85% will be sold to institutional investors, and 5% will be reserved for employees, leaving 10% available to the general public.

Deutsche Bank has been appointed as manager for the global offering to institutional investors on Jan. 15, the public offering on Jan. 21 and the debut of trading scheduled for Feb. 1, according to the South China Morning Post.

SJM is the largest casino operator in Macau, running 17 of the total 28 casinos in the enclave. The gaming company said earlier that it would use the sale proceeds to redevelop the 38-year-old Hotel Lisboa Macau and casino, a local landmark, which is widely believed to be designed like a bird cage to trap gamblers' money according to the art of feng shui.

The rebuilding project, involving a floor area of 17,500 square meters (188,368 square feet), will get under way in 2009 and is expected to be completed in 2012. Amid strong competition from American casino groups such as Sands and MGM, the redevelopment of Hotel Lisboa Macau and casino and the IPO in Hong Kong are both critical to SJM.

Sociedade de Turismo e Diversoes de Macau, the parent company founded by Stanley Ho, which holds 80% of SJM, enjoyed a 40-year monopoly in Macau under the Portuguese colonial regime,

until the industry was opened to foreign companies in early 2002 as directed by the Macau special administrative region government, after Macau had reverted to Chinese sovereignty.

Since then, America's Wynn Resorts (nasdaq: WYNN – news – people) and Las Vegas Sands, the partnership between MGM Mirage and Pansy Ho (daughter of Stanley Ho) and the locally controlled Galaxy Entertainment Group, as well as a joint venture by Hong Kong's Melco and Australia's PBL, Melco PBL Entertainment (Macau), have all made entry into China's only gambling hub.

SJM had about a 43% share of gaming revenue in the VIP segment of the market, 48% of revenue from the mass-market segment and 27% of revenue from slot machines as of last September. However, the company is expected to post a 58.3% drop in net profit for last year, to 1 billion Hong Kong dollars (USD 128 million), from HKD 2.4 billion (USD 308 million) in 2006, according to the South China Morning Post, citing a report by BNP Paribas.

Apart from worries about domestic and foreign rivals, Stanley Ho, the world's 104th-richest billionaire in 2007 according to Forbes, is also being challenged by his own sister, Winnie Ho over their respective interests in the casino empire. The siblings have been battling over the shareholding structure of SJM's parent firm, STDM. The legal battle stalled the IPO of SJM, which was initially planned for early 2006.

The potential for lawsuits between the Ho siblings is still spooking investors and affecting the outlook for SJM.