

## Bloomberg Intelligence

# Vladivostok Casinos 101

## BI Casinos & Gaming, Global Dashboard



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### Vladivostok Casinos Face Seasonal Choppiness Despite Advantages

(Bloomberg Intelligence) -- Vladivostok's integrated entertainment zone's advantages are many, including favorable geographical and regulatory environments. Yet, the region's severe winters magnify seasonal choppiness in foot traffic vs. Macau and Singapore. Tigre de Cristal, the zone's only integrated resort so far, generated \$104 million in 2019 gaming revenue. (10/21/21)

#### 1. Favorable Location Offsets Weather Extremes

Close proximity to a major airport, at just 15-25 minutes' driving distance, is among the major selling points for the integrated entertainment zone (IEZ) near Vladivostok. The zone's casinos are easily accessible by air, with South Korea, Japan, and much of the Russian Far East and China within a three-hour flight. The one-hour drive to downtown Vladivostok is a barrier to attracting leisure customers, but the zone has already emerged as a popular local destination.

The zone's easy accessibility from a major airport lends an offset to its frigid winters, when customers tend to stay huddled at home. This results in a predictable slump in both revenue and foot traffic during 1Q, unlike the integrated resorts in warmer latitudes, including Macau and Singapore. (10/21/21)

Location of Integrated Entertainment Zone



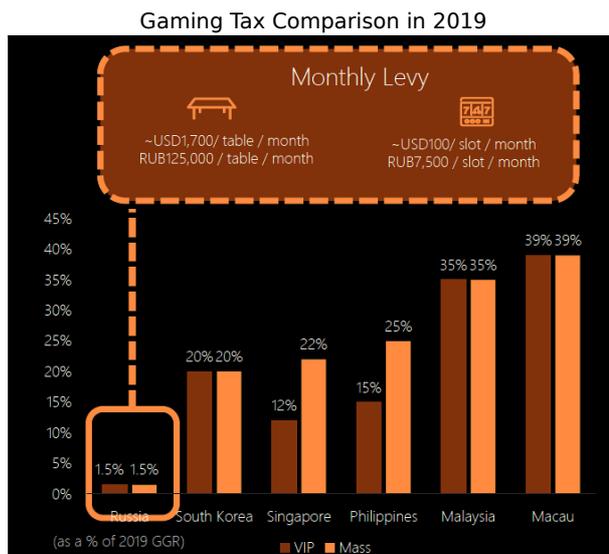
Source: Google Map, Bloomberg Intelligence

#### 2. Regulatory Environment Conveys Advantages

Casino operators in the IEZ near Vladivostok have an edge on regulatory policy, which is more favorable than for peers in Macau and Singapore. The Russian destination's gaming licenses don't expire, and locals can gamble without an entry levy. Gaming taxes are as low as 2% of gross gaming revenue vs. almost 40% in Macau. Gaming table and slot machine counts have no limits.

A major challenge in attracting deep-pocketed foreign gamblers is that chips are denominated only in Russian rubles, which raises foreign exchange costs and results in more time waiting in currency queues. This is more troublesome for premium-mass gamblers. Junket-VIP players suffer less, as junket operators are better-equipped to navigate such logistics. (10/21/21)

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### 3. Vladivostok's Lone Integrated Resort May Get Company

Vladivostok's gaming area is still emerging, with several operators rushing to finish construction. Tigre de Cristal, owned by a subsidiary of Suncity Group, is the IEZ's solo integrated resort. A Russian local company, Shambala, opened a slots-only casino in 2020, which could make a more meaningful business contribution once it adds a hotel complex.

Tigre de Cristal generated \$104 million in 2019 gross gaming revenue, equivalent to 6% of NagaWorld in Phnom Penh and 5% of MGM Macau. Small gaming revenue is due to the lack of cluster effect: non-gaming offerings, including hotel rooms, are limited. These problems can be solved after NagaCorp, Diamond Fortune and others launch operations in 2022 and beyond. (10/21/21)

### Casino Operators and Projects in Primorsky IEZ

Company	Summit Ascent		Shambala		NagaCorp		Diamond Fortune		Diamond Fortune		Gaming Group	Mantera Group
Property name	Tigre de Cristal	Phase 2	Shambala Casino	Shambala Hotel	Naga Vladivostok	Imperial	Moon Gate	Sun	n.a.	n.a.	n.a.	
Opening	November, 2015	2022E	October, 2020	2022E	Phase 1: 2023E Phase 2: 2025E	Stage 1: 2022E Stage 2: 2025E	2023E	2025E	2026E	n.a.	n.a.	
Area	Lot 8-10		Lot 12, 27		Lot 20-23, 25	Lot 2, 4	Lot 14, 15	Lot 11	n.a.	n.a.	n.a.	
Hotel rooms	121 rooms	350 rooms	No rooms	270 rooms	279 rooms	1,100 rooms	460 rooms	900 rooms	300 rooms	n.a.	n.a.	
Tables	65 tables	n.a.	No tables now	n.a.	100 tables	459 tables	110 tables	376 tables	n.a.	n.a.	n.a.	
Slot machines	330 slots	n.a.	Number of slots not available	n.a.	500 slots	2,590 slots	1,000 slots	1,840 slots	n.a.	n.a.	n.a.	
Budget	\$200 million	\$200 million	\$120 million		\$300 million	\$227 million	\$152 million	\$212 million	\$192 million	n.a.	n.a.	

Source: Bloomberg Intelligence

### 4. Vladivostok Casinos Bring Limited Competition

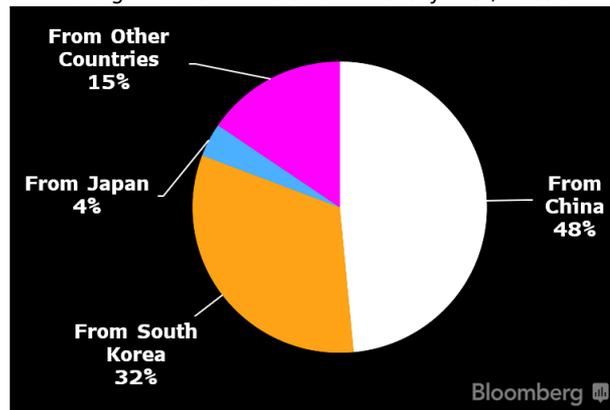
The city's casino zone benefited from local demand during 2020, when gross gaming revenue was just 30% of its pre-pandemic strength in 2019. We believe local demand can keep growing, as more operators open integrated resorts with non-gaming amenities.

More than 80% of foreigners visiting the region are from China and South Korea. Tourists from northeastern China dominate its clientele from abroad, a segment eschewed by Macau casinos and junket operators due to its weaker spending power and longer travel distances. Vladivostok's IEZ may bring competition to Kangwon Land, as it's the only domestic casino where South Koreans can place bets. (10/21/21)

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Foreign Tourist Arrivals to Primorsky Krai, Russia



Source: Primorsky Territory Department for International Cooperation and Tourism, Federal State Statistics Bureau, Bloomberg Intelligence

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