Galaxy Entertainment Group (27 HK)

3Q26: Market Share Gains; Normalised EBITDA Down 9% qoq On Margin Pressure

Highlights

- Galaxy's 3Q26 GGR market share increased 1.7ppt qoq to 22.0%, but normalised EBITDA declined 9% qoq on a deterioration in margin.
- Galaxy's market share during the Golden Week was largely flat yoy, affected by unfavourable luck in the premium segment. Looking ahead, management remains cautiously optimistic on 4Q26, expecting consumer confidence to improve towards year-end.
- Phase 4 remains on schedule for completion by end-27, adding around 1,350 suites with no additional gaming tables currently allocated. At StarWorld, the renovation-related EBITDA drag is expected to be at similar level of HK$20m in 4Q26, before the completion in 1Q27.
- Maintain BUY; cut target price by 9% to HK$43.00.

3Q26 Results

Year to 31 Dec (HK$m)	3Q25	2Q26	3Q26	yoy chg (%)	qoq chg (%)
Net revenue	**12,163**	**11,835**	**12,692**	**4.3**	**7.2**
Adjusted EBITDA	**3,341**	**3,380**	**3,688**	**10.4**	**9.1**
EBITDA margin (%)	27.5	28.6	29.1	1.6	0.5
Normalised EBITDA	**3,327**	**3,401**	**3,104**	**(6.7)**	**(8.7)**
Normalised EBITDA margin (%)	27.4	28.7	24.5	(2.9)	(4.3)
Gaming normalised EBITDA	**3,418**	**3,523**	**3,239**	**(5.2)**	**(8.1)**
Gaming normalised EBITDA margin (%)	29.9	31.4	29.3	(0.6)	(2.1)

Gaming norrmalised EBITDA margin is calculated based on norrmalised net revenue
Source: Galaxy Entertainment, UOB Kay Hian

Analysis

- **3Q26 GGR market share increased 1.7ppt qoq to 22.0%; normalised EBITDA declined 9% qoq on margin deterioration.** In 3Q26, Galaxy Entertainment Group (Galaxy) achieved net revenue of HK$12,692m (+4% yoy, +7% qoq). Adjusted EBITDA was HK$3,688m (+10% yoy, +9% qoq). Galaxy played lucky in 3Q26, which increased its adjusted EBITDA by HK$584m. Thus, normalised adjusted EBITDA came in at HK$3,104m (-7% yoy, -9% qoq), and normalised EBITDA margin was 24.5% (-2.9ppt yoy, -4.3ppt qoq). For the gaming & entertainment division, normalised adjusted property EBITDA was HK$3,239m (-5% yoy, -8% qoq), with normalised EBITDA margin at 29.3% (-0.6ppt yoy, -2.1ppt qoq).

Key Financials

Year to 31 Dec (HK$m)	2024	2025	2026F	2027F	2028F
Net turnover	43,432	49,242	50,792	54,420	57,437
EBITDA	12,188	14,502	13,621	14,888	15,991
Operating profit	7,858	9,751	9,093	10,171	11,083
Net profit (rep./act.)	8,759	10,674	10,173	11,226	12,117
Net profit (adj.)	8,759	10,674	10,173	11,226	12,117
EPS (HK$ cent)	200.2	243.6	232.5	256.6	276.9
PE (x)	17.4	14.3	15.0	13.6	12.6
P/B (x)	2.0	1.8	1.8	1.7	1.7
EV/EBITDA (x)	11.2	9.7	10.1	9.1	8.2
Dividend yield (%)	2.9	4.3	5.2	5.6	6.0
Net margin (%)	20.2	21.7	20.0	20.6	21.1
Net debt/(cash) to equity (%)	(38.2)	(45.2)	(45.1)	(46.9)	(48.9)
ROE (%)	11.9	13.3	12.0	12.8	13.3
Consensus EBITDA	-	-	14,401.6	15,098.3	16,818.2
UOBKH/Consensus (x)	-	-	0.95	0.99	0.95

Source: Galaxy Entertainment, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$34.84
Target Price	HK$43.00
Upside	+23.4%
Previous TP	HK$47.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	27 HK
Shares issued (m)	4,379.2
Market cap (HK$m)	152,572.7
Market cap (US$m)	19,464.8
3-mth avg daily t'over (US$m)	56.4

Price Performance (%)

52-week high/low				HK$44.22/HK$28.68
1mth	**3mth**	**6mth**	**1yr**	**YTD**
14.2	3.9	5.7	(9.9)	(9.1)

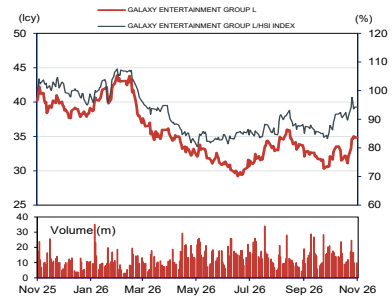
Major Shareholders (%)

City Lion Profits Crop	22.25
Lui Che Woo	9.14
Capital Group Cos Inc/The	4.78

Balance Sheet Metrics

FY26 NAV/Share (HK$)	19.63
FY26 Net Cash/Share (HK$)	8.76

Price Chart



Source: Bloomberg

Company Description

Galaxy Entertainment Group primarily develops and operates a large portfolio of integrated resort, retail, dining, hotel and gaming facilities in Macau. It operates three flagship destinations in Macau: on Cotai, Galaxy Macau, one of the world's largest integrated destination resorts, and the adjoining Broadway Macau, a unique landmark entertainment and food street destination; and on the Peninsula, StarWorld Hotel, an award-winning world-class five-star luxury hotel.

Gross gaming revenue (GGR) was HK$12,875m in 3Q26 (+5% yoy, +7% qoq), outperforming the industry's 1% qoq decline, and recovering to 90% of 2019's level (vs recovery rate of 79% in 2Q26). Of this, VIP/mass/slot GGR changed +76%/-3%/-15% qoq, representing 45%/126%/124% of 2019's level, respectively. We estimate that Galaxy's GGR market share increased 1.7ppt qoq to 22.0% in 3Q26.

- **Cautiously optimistic on 4Q26.** Management noted that on a normalised basis, Galaxy's market share during the Golden Week was largely flat yoy, with underlying gaming volume largely unchanged. The reported market share performance was affected by unfavourable luck in the premium segment. Meanwhile, management observed that competitive intensity remains high, particularly in the premium mass segment. Looking ahead, management remains cautiously optimistic on 4Q26, expecting consumer confidence to improve towards year-end. The company will continue to adopt a selective and return-driven reinvestment strategy, prioritising profitable gains over headline revenue growth.
- **Phase 4 to add 1,350 rooms with no incremental tables; StarWorld renovation drag to remain similar in 4Q26.** In 3Q26, capex amounted to HK$800m. Management guided 2026 capex of around HK$5.3b (vs HK$5b-6b of project spending guided in 2Q26), primarily related to Phase 4, which remains on schedule for completion by end-27, with an opening expected in 1H28. This will add around 1,350 suites, although no additional gaming tables have been allocated at this stage. Following Phase 4, Galaxy also plans to develop a theme park. At StarWorld, the reduction in room inventory lowered EBITDA by around HK$20m (vs HK$14m in 2Q26, when fewer rooms were taken out of service). Looking ahead, management expects a similar EBITDA impact in 4Q26, before the completion in 1Q27.

3Q26 GGR Breakdown

Year to 31 Dec (HK$m)	3Q25	2Q26	3Q26	yoy chg (%)	qoq chg (%)
Gross gaming revenue	**12,242**	**12,043**	**12,875**	**5.2**	**6.9**
VIP revenue	2,044	1,636	2,883	41.0	76.2
Mass revenue	9,460	9,473	9,194	(2.8)	(2.9)
Slot revenue	738	934	798	8.1	(14.6)
- VIP rolling chip volume	**65,003**	**53,275**	**60,646**	**(6.7)**	**13.8**
Win rate (%)	3.1	3.1	4.8	1.6	1.7
- Mass market chip drop	**35,414**	**33,855**	**32,328**	**(8.7)**	**(4.5)**
Hold rate (%)	26.7	28.0	28.4	1.7	0.5

Source: Galaxy Entertainment, UOB Kay Hian

3Q26 vs 3Q19 GGR Breakdown

Year to 31 Dec (HK$m)	3Q19	3Q26	% of 3Q19
Gross gaming revenue	**14,329**	**12,875**	**89.9**
VIP revenue	6,369	2,883	45.3
Mass revenue	7,319	9,194	125.6
Slot revenue	641	798	124.5
- VIP rolling chip volume	**163,779**	**60,646**	**37.0**
Win rate (%)	3.9	4.8	-
- Mass market chip drop	**30,424**	**32,328**	**106.3**
Hold rate (%)	24.1	28.4	-

Source: Galaxy Entertainment, UOB Kay Hian

Earnings Revision/Risk

- **We lower our 2026/27 EBITDA forecasts by 7%/6%, respectively.** We maintain our 2026 GGR forecast but lower our 2027 forecast by 2%. We also lower our 2026/27 revenue forecasts by 1%/2%, respectively. Thus, we lower our 2026/27 EBITDA forecasts by 7%/6%, respectively.

Valuation/Recommendation

- **Maintain BUY and cut target price by 9% to HK$43.00.** We roll over our valuation to 2027 and lower our target EV/EBITDA ratio from 12.0x to 10.0x, to reflect a weaker-than-expected industry backdrop. This results in a 9% cut in our target price to HK$43.00. The stock currently trades at 10.1x 2026F EV/EBITDA and 9.1x 2027F EV/EBITDA.

Individual Casino Performance

(HK$m)	3Q19	3Q25	2Q26	3Q26	yoy chg (%)	qoq chg (%)	% of 3Q19
GALAXY MACAU							
Net revenue	9,315	10,092	9,929	10,842	7.4	9.2	116.4
Property EBITDA	3,172	3,068	3,199	3,537	15.3	10.6	111.5
EBITDA margin (%)	34.1	30.4	32.2	32.6	2.2	0.4	-
VIP GGR	**4,805**	**2,020**	**1,626**	**2,862**	**41.7**	**76.0**	**59.6**
VIP rolling chip volume	110,279	64,032	52,395	60,446	(5.6)	15.4	54.8
VIP win rate (%)	4.4	3.2	3.1	4.7	1.6	1.6	-
Mass GGR	**5,129**	**8,205**	**8,233**	**8,099**	**(1.3)**	**(1.6)**	**157.9**
Mass drop volume	18,403	27,983	26,794	26,098	(6.7)	(2.6)	141.8
Mass win rate (%)	27.9	29.3	30.7	31.0	1.7	0.3	-
Slot GGR	**523**	**580**	**790**	**677**	**16.7**	**(14.3)**	**129.4**
Slot handle	11,359	17,430	19,479	18,433	5.8	(5.4)	162.3
Slot win rate (%)	4.6	3.3	4.1	3.7	0.3	(0.4)	-

(HK$m)	3Q19	3Q25	2Q26	3Q26	yoy chg (%)	qoq chg (%)	% of 3Q19
STARWORLD MACAU							
Net revenue	2,521	1,263	1,222	1,129	(10.6)	(7.6)	44.8
Property EBITDA	828	369	303	279	(24.4)	(7.9)	33.7
EBITDA margin (%)	32.8	29.2	24.8	24.7	(4.5)	(0.1)	-
Mass GGR	**1,694**	**1,241**	**1,240**	**1,095**	**(11.8)**	**(11.7)**	**64.6**
Mass drop volume	8,915	7,336	7,061	6,230	(15.1)	(11.8)	69.9
Mass win rate (%)	19.0	16.9	17.6	17.6	0.7	0.0	-
Slot GGR	**55**	**153**	**144**	**121**	**(20.9)**	**(16.0)**	**220.0**
Slot handle	2,226	9,636	7,942	6,816	(29.3)	(14.2)	306.2
Slot win rate (%)	2.5	1.6	1.8	1.8	0.2	(0.0)	-
BROADWAY MACAU							
Net revenue	141	62	41	51	(17.7)	24.4	36.2
Property EBITDA	2	1	0	7	600.0	n.m.	350.0

Source: Galaxy Entertainment, UOB Kay Hian

Profit & loss

Year to 31 Dec (HK$m)	2025	2026F	2027F	2028F
Net turnover	**49,242.3**	**50,791.6**	**54,420.3**	**57,436.8**
EBITDA	14,502.0	13,620.6	14,888.4	15,991.0
Deprec. & amort.	4,751.5	4,527.8	4,717.7	4,907.6
EBIT	9,750.5	9,092.8	10,170.7	11,083.4
Associate contributions	69.1	69.1	69.1	69.0
Net interest income/(expense)	1,109.2	1,254.1	1,254.1	1,254.1
Pre-tax profit	**10,928.8**	**10,415.9**	**11,493.8**	**12,406.5**
Tax	(208.8)	(199.0)	(219.6)	(237.1)
Minorities	(46.2)	(44.1)	(48.6)	(52.5)
Net profit	**10,673.8**	**10,172.8**	**11,225.6**	**12,117.0**
Net profit (adj.)	10,673.8	10,172.8	11,225.6	12,117.0

Balance Sheet

Year to 31 Dec (HK$m)	2025	2026F	2027F	2028F
Fixed assets	54,846.2	55,984.4	56,932.7	57,691.2
Other LT assets	24,925.2	24,682.1	24,439.0	24,195.9
Cash/ST investment	14,321.5	16,482.8	19,419.4	22,716.9
Other current assets	5,751.6	5,865.0	6,085.9	6,281.6
Total assets	**99,844.5**	**103,014.3**	**106,877.0**	**110,885.7**
ST debt	1,294.1	1,294.1	1,294.1	1,294.1
Other current liabilities	11,602.5	11,993.4	12,807.4	13,528.5
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	3,316.4	3,316.4	3,316.4	3,316.4
Shareholders' equity	83,143.5	85,878.3	88,878.4	92,113.5
Minority interest	488.0	532.0	580.7	633.1
Total liabilities & equity	**99,844.5**	**103,014.3**	**106,877.0**	**110,885.7**

Cash flow

Year to 31 Dec (HK$m)	2025	2026F	2027F	2028F
Operating	**14,253.6**	**14,222.1**	**15,785.0**	**16,802.2**
Pre-tax profit	10,928.8	10,415.9	11,493.8	12,406.5
Tax	(208.8)	(199.0)	(219.6)	(237.1)
Deprec. & amort.	4,751.5	4,527.8	4,717.7	4,907.6
Associates	(69.1)	(70.6)	(70.6)	(70.6)
Working capital changes	675.5	277.5	593.2	525.3
Non-cash items	(1,046.9)	(1,270.2)	(1,270.2)	(1,270.2)
Other operating cashflows	178.2	0.0	0.0	0.0
Investing	**(10,332.4)**	**(4,622.9)**	**(4,622.9)**	**(4,622.9)**
Capex (growth)	(3,439.7)	(4,622.9)	(4,622.9)	(4,622.9)
Investments	(41.7)	0.0	0.0	0.0
Proceeds from sale of assets	5.2	0.0	0.0	0.0
Others	(6,856.2)	0.0	0.0	0.0
Financing	**(8,148.3)**	**(7,438.0)**	**(8,225.5)**	**(8,881.8)**
Dividend payments	(5,263.2)	(7,438.0)	(8,225.5)	(8,881.8)
Issue of shares	0.1	0.0	0.0	0.0
Proceeds from borrowings	1,586.9	0.0	0.0	0.0
Loan repayment	(4,025.8)	0.0	0.0	0.0
Others/interest paid	(446.2)	0.0	0.0	0.0
Net cash inflow (outflow)	**(4,227.1)**	**2,161.2**	**2,936.6**	**3,297.5**
Beginning cash & cash equivalent	**11,417.7**	**7,198.9**	**9,360.1**	**12,296.7**
Other monetary funds	7,130.9	7,122.6	7,122.6	7,122.6
Ending cash & cash equivalent	**14,321.5**	**16,482.8**	**19,419.4**	**22,716.9**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	29.5	26.8	27.4	27.8
Pre-tax margin	22.2	20.5	21.1	21.6
Net margin	21.7	20.0	20.6	21.1
ROA	11.5	10.8	11.7	12.4
ROE	13.3	12.0	12.8	13.3
Growth				
Turnover	13.4	3.1	7.1	5.5
EBITDA	19.0	(6.1)	9.3	7.4
Pre-tax profit	21.9	(4.7)	10.3	7.9
Net profit	21.9	(4.7)	10.3	7.9
Net profit (adj.)	21.9	(4.7)	10.3	7.9
EPS	21.7	(4.6)	10.3	7.9
Leverage				
Debt to total capital	1.6	1.5	1.5	1.4
Debt to equity	1.6	1.5	1.5	1.4
Net debt/(cash) to equity	(45.2)	(45.1)	(46.9)	(48.9)

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