



Report Name: Significant potential upside from recovery and new capacity; initiate at Buy
 Broker: Bank of America
 Author: Billy Ng
 Target Price: HK\$2.0
 Summary:

Summit Ascent

- Visible growth driven by recovery and new capacity
- Attractive valuation with multiple catalysts - Trading at attractive 7.5x '22E EV/EBITDA, much lower than the 11x for Macau peers and in-line with 7x for regional peers

Russia Project

- Russia project phase 1: Visible near-term growth helped by Suncity client resource - Likely serves as an attractive gaming choice to non-Chinese clients in the region
- Could leverage the Suncity's client base and operation experience
- Margin expansion potential from lucrative direct VIP & premium mass business
- Russia project phase 2: target phased opening from end-2022 to drive medium-term growth
- No license renewal risk and lower cost than peers

Manila project

- Planned opening in 2023 with huge potential
- Visible ramp up helped by strong local markets and good location

Screenshot:

Summit Ascent Holdings Limited
Significant potential upside from recovery and new capacity; initiate at Buy
 Initiating Coverage BUY | PO: 2.00 HKD | Price: 0.650 HKD

Initiate at Buy PO of HK\$2.0 (135% upside potential)
 We reinitiate coverage of Summit Ascent (SA) as Buy with a PO of HK\$2, implying 135% upside potential. We believe SA provides a differentiated opportunity in the Asia gaming space, thanks to: (1) significant revenue growth in the next few years, driven by the new capacity; (2) leveraging client resource from Suncity which has the best VIP customer database; (3) net beneficiary of the China halt and road restraints and travel ban. Additionally, the recent resurgence of COVID may dampen investor interest in the short term but it should have no impact on our 2022 forecasts. The stock is trading at just 7.5x our 2022s EV/EBITDA while its two new projects which we think have significant value.

Visible growth driven by recovery and new capacity
 In the short term, we believe its revenue growth could be driven by market recovery. We estimate EGR to be HK\$427m (+100%/YOY) in 2021 and HK\$1,310m (+150%/YOY) in 2022. In the long term, we see huge potential from its new projects. The two upcoming projects are Tigris de Cristal Casino phase 2 with target opening in 2022, and Wastside City Project opening in 2023 in Entertainment City which is a gaming hub located in the Philippines capital city Manila. We estimate Manila Wastside project NPV will be US\$792m, assuming 2H 2023 opening, and 25% ROIIC. We expect Russia project phase 1 NPV to be US\$562m, assuming end-2022 opening, and 34% ROIIC.

Attractive valuation with multiple catalysts
 SA's valuation is much lower than Macau companies we cover (1x 22E EV/EBITDA) and in-line with regional peers (1x). We believe the low expectation for the company could be due to: (1) concerns about overseas gaming regulator and cross-border money transfer in mainland China; (2) uncertainty on cross-border travel resumption; (3) worries on potential delay on the new projects. However, we believe there are potential catalysts ahead to drive a rating, including: (1) more updates on new projects; (2) gradual rollout of vaccination and cross-border travel resumption; (3) gradual recovery of junket business in the region.

Estimate (HK)	2018A	2019A	2020E	2021E	2022E
US\$					
Revenue (4Q/9M/1Y)	2	107	1100	33	302
EPS	0.06	0.68	(0.82)	0.64	2.29
EPS Change (%)	-41.7%	N/A	N/A	N/A	N/A
Dividend Yield	0	0	0	0	0
Free Cash Flow (Share)	-0.13	0.11	(0.85)	0.10	(0.50)

Valuation (HK)

	2018A	2019A	2020E	2021E	2022E
P/E	165.0x	12.2x	N/A	199.0x	10.9x
EV/EBITDA	2x	1x	2x	1x	2x
EV/EBIT	16x	11x	6x	10x	6x
Free Cash Flow Yield	4.0%	4.5%	-9.5%	-15.5%	-1.6%

Source: BofA Securities, Company Reports, Bloomberg, and other public sources.



SUNCITY GROUP HOLDINGS LIMITED
太陽城集團控股有限公司

SUMMIT ASCENT
凱升控股有限公司 Summit Ascend Holdings Limited

For the original 31-page report, please contact:

Bank of America

Billy Ng

Tel: +852 3508 7791

Email: billy.ng@bofa.com

Ronald Leung

Email: ronald.leung@bofa.com

For more information about **Summit Ascent (HKEx: 102)** / **Suncity Group Holdings Limited (HKEx: 1383)**, please visit <https://www.saholdings.com.hk/eng/> or <https://www.suncitygroup.com.hk/>

Suncity Group Holdings Limited – Investor Relations

Tel: +852 2598 1180

Email: ir@suncitygroup.com.hk