SNOW LAKE CAPITAL

Open Letter to Board of Directors, MGM Resorts International

January 6, 2021

Attn: Board of Directors
MGM Resorts International
3600 S Las Vegas Blvd
Bellagio Hotel & Casino
Las Vegas, NV 89109

Dear MGM Resorts International Board of Directors,

Snow Lake Capital is an Asian investment management firm with over US$3 billion in assets. We invest capital on behalf of global institutional clients, including university endowments, foundations, family offices, sovereign wealth funds and pensions. Funds managed by Snow Lake Capital beneficially own 285.4 million common shares of MGM China Holdings Limited (HKEX: 2282 HK), constituting approximately 7.5% of the outstanding shares. These holdings place Snow Lake Capital as the largest public shareholder of MGM China.

We have been long-term investors in the Macau gaming industry. We think it is in MGM Resorts International's (NYSE: MGM) best interest to introduce a leading Chinese consumer internet or travel & leisure company as a 20% strategic shareholder in MGM China. As discussed previously with MGM Resorts International Chief Executive Officer, William Hornbuckle, we believe such a transaction will create a win-win transaction for all parties involved and deliver significant shareholder value to both companies.

There are six main reasons:

1. The new strategic investor will bring significant non-gaming resources to both MGM China and Macau, which is a crucial factor for the gaming concession re-tendering in 2022;

2. The potential partnership between MGM China Co-Chairman Pansy Ho and the new strategic investor can play a significant role in Macau's diversification and Greater Bay Area integration;

3. With a more certain outlook of securing a new gaming concession, MGM China will be rerated and unlock value for all shareholders;

4. The transaction provides MGM Resorts International enough capital to fully commit to its Osaka, Japan gaming integrated resort project as the only U.S. operator;

5. MGM Resorts International can be an important partner for the strategic shareholder's future internationalization efforts, especially in outbound consumer services to the U.S. and Japan;

6. The MGM China stake provides MGM Resorts International financial flexibility to pursue M&A in the secular growth market of online sports betting and gaming.

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1. Introducing a leading Chinese consumer internet or travel & leisure company as a 20% strategic investor will significantly increase MGM China's exposure to non-gaming and can be instrumental in diversifying Macau's tourism economy

In 2002, the Macau government ended the gaming monopoly and granted three operating concessions to Galaxy Entertainment Group (HKEX: 27 HK), SJM Holdings (HKEX: 880 HK) and Wynn Macau (HKEX: 1128 HK). Three subconcessions were subsequently authorized by the Macau government to Las Vegas Sands (NYSE: LVS), Melco Crown (NASDAQ: MLCO) and MGM China. The six concessions will expire in June 2022.

The Macau government plans to start revising Macau's gaming law by the first quarter of 2021, and to complete the task by the fourth quarter of the same year. A finalized draft bill will be submitted to the Legislative Assembly and is necessary for a public re-tender process of the gaming concessions. Macau's Chief Executive Ho Iat Seng has already publicly announced that there will no longer be subconcessions.

As one of the six concessionaries and one of the three majority-owned by a U.S. parent company, MGM China needs to consider all options to maximize its chance of obtaining a new concession in 2022. A scenario of not being able to achieve this goal will be disastrous for both MGM China and MGM Resorts International.

China's State Council published "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" in February 2019 and clearly articulated the long-term goal of developing Macau into a global world-class travel and leisure destination. Chief Executive Ho Iat Seng has reiterated the goal of accelerating the development of a moderately diversified economy. The six gaming concessionaries have also been consistently evaluated based on their non-gaming contributions. For MGM China, having a leading Chinese consumer internet or travel & leisure company as a significant shareholder and business partner will be a key differentiating factor.

We see several suitable candidates as their businesses are highly synergistic with Macau's tourism industry as well as MGM China specifically, including Chinese travel and local service focused internet platforms such as Meituan and Trip.com, leading Chinese hotel chains such as Huazhu Group, and leading culture & tourism project operators such as Sunac China.

Meituan (HKEX: 3690 HK; Market Capitalization: HK$1.7 trillion)
Meituan runs one of China's largest consumer services internet platforms. It offers over 200 service categories including dine-in, on-demand delivery, hotel booking, bike-sharing, car-hailing and other entertainment and lifestyle services across 2,800 cities and counties in China. In the 12 months prior to June 30th, 2020, Meituan's annual transacting customers have reached 460 million, and active merchants on its platforms reached 6.3 million.

Trip.com Group (NASDAQ: TCOM; Market Capitalization: US$19.8 billion)
Trip.com is China's most successful online travel agency. It is the go-to internet platform for Chinese consumers to plan a trip, book tickets and hotel rooms, and share their travel experiences. It also has the highest market share in high-end and luxury hotel booked room nights in China.

Huazhu Group Limited (NASDAQ: HTHT; Market Capitalization: US$14.4 billion)
Huazhu Group is the best and one of the fastest growing multi-brand hotel group in China. As of June 30, 2020,

the company has 6,187 hotels in operation and is developing an additional 2,375 hotels. It has accumulated 153 million loyal and engaged members in the largest hotel loyalty program in China. It has also built industry-leading technology infrastructure that enhances customer experience and increases operational efficiency.

Sunac China Holdings Limited (HKEX: 1918 HK; Market Capitalization: HK$133.6 billion)
Sunac China is a top-4 property developer in China and the largest holder and operator of culture & tourism projects. It purchased 13 mega scale projects from Wanda Group for over RMB 50 billion in 2017-2018. At the end of 2019, Sunac Culture & Tourism operates 10 projects, 4 tourist resorts, 12 cultural & tourism towns, 39 theme parks, 24 commercial properties and 70 high-end hotels across China.

With established consumer service scale in mainland China, any of the above-mentioned enterprises will be able to directly contribute to Macau's tourism recovery through its industry-leading customer base and leisure demand traffic. Introducing one of China's top consumer internet platforms as a significant strategic shareholder for MGM China creates a win-win transaction, as it distinguishes MGM China by bringing non-gaming capabilities and resources to Macau at the industry's post COVID-19 low.

On the other hand, these companies will also benefit from the strategic investment in MGM China. Macau is the well-positioned to possibly surpass Hong Kong and become the top destination for China's outbound tourism, given Hong Kong's recent struggles with protests and the pandemic. Chinese tourists accounted for 27.9 million visitations to Macau in 2019, growing at 8.1% compound annual growth rate since 2015. Macau is the second largest tourist destination for mainland Chinese, while Hong Kong is the largest at 43.8 million visitations in 2019, down 14.2% from 2018.

It's clear that the Macau government understands how critically important its tourism industry is: it took immediate and decisive actions from the get-go when COVID-19 virus emerged, including shutting down all the casino resorts for 15 days in early February 2020. Cumulatively, Macau only had 46 COVID-19 cases with 0 deaths and hasn't had any locally transmitted case since April 2020.

As a result, Macau has decoupled from Hong Kong and was able to establish a travel bubble with mainland China, first with Guangdong province in August 2020 and then with the rest of the Individual Visit Scheme cities in September 2020. Within the next several years, we project Macau's mainland visitations to potentially exceed Hong Kong, elevating its tourism industry to a new level. Investing in the premium integrated resort assets of MGM China at the cycle bottom makes strategic sense for these four companies too.

2. MGM China will be well-positioned to leverage on the potential partnership between its Co-Chairman Pansy Ho and the new strategic investor to play a significant role in Macau's diversification and contribute to the development of the Greater Bay Area

MGM China's Co-Chairman, Ms. Pansy Ho, owns 22.5% of the company and had been instrumental in securing a subconcession for MGM China back in 2005. She has been a long-term advocate for Macau's transformation from a small gaming village to a global travel and leisure destination. From 1998 to 2001, she spearheaded the development of the 338-meter tall Macau Tower Convention and Entertainment Center (Macau Tower), the very first major diversification project in Macau. Under her management, MGM China has been actively involved in art exhibitions showcasing both local and China talents. She is also the Chairman of Shun Tak Group, whose ferry business remains a vital part of the transportation infrastructure across the Greater Bay Area.

Ms. Ho likely will again play a critical role in MGM China's bidding of a new concession in 2022. It was enormously helpful that she had publicly spoken out against Hong Kong's political protests in the United Nations in September 2019, depicting the real situation in Hong Kong to the world. She has also prominent and active roles in societal committees such as the Hong Kong Federation of Women, Chinese People's Political Consultative Conference and All-China Federation of Industry and Commerce.

The strategic investor can provide both the company and Ms. Ho the technology and resources required to achieve the long-term vision of Macau's economic diversification and Greater Bay Area integration. Internet platforms like Meituan and Trip.com can accelerate Macau's digitalization and enhance the tourism industry's global competitiveness. Huazhu Group and Sunac China can work with MGM China to bring in their tourism and leisure operating leadership and elevate customer experience.

A fruitful cooperation between one of the leading Chinese companies and one of the six Macau concessionaries run by a visionary owner/manager, such as Ms. Ho, sets a great example for China's Greater Bay Area development initiative. Coupled with the non-gaming boost discussed previously, MGM China's probability of securing a new concession will be greatly enhanced, which is the single most important event that will determine the company's long-term future.

3. MGM China's valuation is 20% to 30% lower than Macau's local operators due to the 2022 gaming concession overhang, the rerating from the disposal will result in a significant gain in market value of MGM China that offsets the sale

Among the six concessionaries, three operators are majority-owned and consolidated by U.S. listed companies: Sands China (HKEX: 1928 HK) is 70% owned by Las Vegas Sands, Wynn Macau is 72.2% owned by WYNN Resorts (NASDAQ: WYNN), and MGM China is 55.9% owned by MGM Resorts International. The capital markets have already started to reflect the concerns on U.S. owned concessionaries through trading performance and valuation.

SJM and Galaxy are the best performers in 2020. SJM's EV/2019 EBITDA are at 15.0X, the highest in the sector. On the other hand, Sands China, which had always had a sizable valuation premium over the other operators due to its mass business market share, scale advantage, and high profitability, now has a current valuation lower than Galaxy, after declining 16% in 2020.

Meanwhile, Wynn Macau and MGM China EV/2019 EBITDA valuations are at the bottom of the sector and trading at a significant discount to their local peers. Melco Resorts is the only Macau operator listed in the U.S. and has about 20% of EBITDA contribution from the Philippines, which has been valued much lower than its Macau business historically.

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US$billion*	Enterprise Value	Market Capitalization	2019 EBITDA	EV/2019 EBITDA	2020 share performance
Galaxy	28.4	33.1	2.1	13.4	4.9%
SJM	8.1	6.5	0.5	15.0	3.2%
MGM China	7.9	5.6	0.8	10.2	-8.7%
Sands China	41.3	35.3	3.2	13.0	-16.1%
Melco Resorts	13.9	9.1	1.6	8.9	-22.0%
Wynn Macau	12.4	8.9	1.4	9.0	-30.4%
Total / average	**112**	**99**	**9.5**	**11.6**	

** Calculated using December 2020 average share price*

The new 20% strategic Chinese partner will significantly enhance MGM China's outlook of securing a new concession in 2022, triggering a rerating of the stock. If MGM China trades to just the sector average of 11.6X EV/2019 EBITDA, the upside is 13%, and if it trades to Galaxy's multiple of 13.4X, the upside will be 32%.

MGM Resorts International will remain the largest single shareholder, while Ms. Pansy Ho and the new strategic investor will be the second and third largest. MGM Resorts International will still be able to participate in the earnings recovery of MGM China through equity method accounting as Macau's tourism industry recovers from the COVID-19 pandemic.

4. <u>With the proceeds from selling the 20% stake in MGM China, MGM Resorts International will have enough cash cushion to fully commit to the integrated resort opportunity in Osaka, Japan, and become the biggest winner of the Japanese gaming opportunity</u>

Japan started the process of legalizing gaming in 2018. The initial plan was to issue 3 licenses, and the prospective cities to build the integrated resorts included Osaka, Yokohama, Nagasaki, and Wakayama. The Japanese government was scheduled to release the basic policies on the license by January 2020, and the prospective cities would select the integrated resort operator by 2H2020 and submit the final proposal by 1H2021, after which the official licenses would be issued.

However, the entire process has been delayed due to the bribery scandal at the end of 2019 and the subsequent outbreak of COVID-19. Our understanding is that the official policy document will be further delayed by 6-12 months from today. Meanwhile, Las Vegas Sands and WYNN Resorts have officially dropped out of the competition for a gaming license in Japan. Currently, Galaxy, Melco and Genting remain active as the Yokohama project's potential operator.

MGM Resorts International had formed a consortium with Orix Corporation in March 2019 to bid for the Osaka project, and became the only accepted bidder for the project in February 2020. According to the most recent estimate from Orix, the integrated resort's total projected cost will be around US$12 billion, 50%-50% financed by equity and debt. Orix and MGM Resorts will each take 40% equity stake while a consortium of local companies takes up the remaining 20%. The 3 large Japanese banks have agreed to the project financing with MGM Resorts International's 40% participation as a pre-condition. The project's total GFA will be 1.3 million square meters, with 4 hotel towers totaling 3600 rooms, and a 3% area for gaming. With a 5-year construction period, its opening date should be around 2027 to 2028.

MGM Resorts International will need to invest US$2.4 billion equity into the Osaka project, if the total project cost is indeed US$12 billion. Selling 20% of MGM China will generate US$1.3 billion cash at current stock price, providing

MGM Resorts with additional financing to fully commit to the Osaka opportunity. The Japanese government has always favored the top U.S. operators as the ideal partners for its integrated resorts, and with LVS and WYNN having pulled out, MGM Resorts will be the only game in town. It's fair to say that MGM's commitment is crucial to the success of the Osaka project, and possibly also to the success of the development of the whole Japanese gaming industry.

MGM Resorts' negotiation power will likely also be significantly enhanced, if it were to stay committed to Japan despite the negative impact on its domestic operations due to the virus. It will likely gain a tremendous amount of goodwill both from central/local governments, as well as its Japanese partners. It's possible that it can even gain an upper hand in the overall industry policy formulation. The initial parameters on the license include a 3% cap on gaming space, a 10-year license period including construction time, and potentially a 30% gaming tax plus corporate profit tax. Post COVID-19, these parameters might be re-examined given the long-term impacts on consumer and business behaviors, and the potential changes can be favorable to the return on investment of the Osaka project.

Gaming was illegal in Japan before 2018, but the existing pachinko industry has around 4 million pachinko machines that generated about US$31 billion revenue (a similar concept to gross gaming revenue), compared to US$36.2 billion gross gaming revenue from Macau in 2019. The long-term market potential for the gaming industry in Japan is likely very significant. From the examples of the Venetian in Macau and Marina Bay Sands in Singapore, the first integrated resort to open in a large, untapped market enjoys significant first-mover advantages in terms of occupying consumer mind share and establishing brand power.

5. <u>MGM Resorts International can be an important partner for the strategic investor's internationalization efforts, especially in outbound consumer services to the U.S. and Japan; the cooperation between the two sides will be a great fit and mutually beneficial</u>

MGM Resorts International is a world leading gaming operator in terms of hotel rooms in integrated resorts. It has 45,000 rooms across 19 properties in U.S. and Macau, including 9 in Las Vegas and 8 in other parts of the U.S. It also operates the largest number of hotel rooms in Las Vegas (over 36,000 incl. CityCenter).

9.6 million Chinese tourists visited Japan in 2019, accounting for 30% of Japan's total in-bound visitations. Since the Japanese government relaxed its visa policy in 2015, Chinese visitations has grown at a 5-year compound annual growth rate of 31.8%. The integrated resort in Osaka, one of the must-visit cities in Japan, is very well positioned to become a must-visit destination.

A deeper cooperation with MGM Resorts International makes great sense for any of the four Chinese companies, since their core focus is on the travel, leisure and entertainment demand of Chinese consumers. The large customer base matches very well with MGM Resorts International's resources in dining, boarding, entertainment and MICE in U.S. and Japan.

6. <u>MGM Resorts International will benefit from the financial flexibility provided by capitalizing on its MGM China stake and could use the proceeds to make a more attractive bid for Entain PLC, its joint-venture partner in U.S. online sports betting and gaming business and help MGM Resorts International pursue</u>

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M&A in a secular growth market

MGM Resorts International and Entain PLC launched a 50/50 joint venture, BetMGM, in July 2018. BetMGM has been doing exceedingly well in the U.S., gaining significant market shares in both online iGaming and online sports betting. It currently has secured market access in 20 states and is live in 11 states.

The U.S. sports betting and online gaming market is projected to be worth over US$20 billion by 2025, and BetMGM is expecting to obtain a 15%-20% overall market share. BetMGM is run separately by a management team from Entain PLC, which is one of the world's largest online sports betting and gaming groups. Entain PLC operates multiple brands across more than 20 countries and has about 6% global online market share.

At the end of 2020, Entain PLC was valued at US$9.1 billion (GBP 6.6 billion). Media reported that MGM Resorts International recently made an US$10 billion all-cash offer and subsequently an all-stock offer at US$11.1 billion to acquire Entain PLC. Both were rejected by Entain PLC.

We think an acquisition of Entain PLC makes tremendous sense for MGM Resorts International as the U.S. online market represents a key long-term growth opportunity. Entain PLC's in-house technology platform meshes very well together with MGM Resorts International's prime resorts assets and 34 million M Life Rewards database. MGM Resorts International's largest shareholder, InterActiveCorp., is also actively supporting the transaction as BetMGM was one of the key reasons it had invested US$1 billion to acquire a 12% ownership stake in MGM Resorts International. The proceeds from reducing MGM China stake will provide MGM Resorts International with much-needed cash to aggressively pursue the M&A and reduce the potential dilution MGM Resorts International shareholders will face. With a successful deal, MGM Resorts International can position itself well in a secular growth market.

For the aforementioned reasons, we strongly urge MGM Resorts' Board and management team to seriously pursue a strategic transaction with a leading Chinese consumer internet or travel & leisure company to best position the MGM Resorts shareholders for future success in Macau.

Very truly yours,

Sean Ma
Founder & Chief Investment Officer

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