

Strategy - Thailand

What casinos could mean for Thailand

Country Overview

Thai government mulls a move towards casino legalization

Recent news (*Bangkok Post*, 12 March 2024) reported that the Thai government has a plan to speed up the legalization of gambling in Thailand. Mr. Julapun Amornvivat, the Thai Deputy Finance Minister who chairs the special House committee responsible for assessing the feasibility of 'Thailand's entertainment complex', announced that a comprehensive study on the subject has been completed and is ready to be sent to the cabinet for approval in April. According to the news, construction is expected to begin by the end of this year.

New gambling act underway

The current law, the Gambling Act B.E. 2478 (1935) prohibits gambling in the country, but it leaves room for the government to permit any kind of game at a particular place by issuing a royal decree upon the Cabinet approval. However, the law is very outdated. The Thai government is more likely to enact a new gambling act (the 'Entertainment Complex' Act) that covers key issues including licensing, qualification of operators, casino entry restriction, taxation, as well as social safeguards and relief fund.

Timeline too optimistic

Casino legalization appears to be supported by members of parliament both in government and opposition. This may quicken the legislative process. However, the Thai Constitutional law requires a thorough impact assessment and public hearing before implementation of any law that may affect quality of life of the people. This process can drag on as casino legalization, especially online gambling, has been strongly pushed back against by various social activist groups.

After the law has been passed (at least a year from now in our view), the bidding process may take another two years. It is thus too optimistic to expect construction to start by the end of this year as reported in the news. Also, the construction would require another 3-4 years. Thus, it could take 6-7 years for the first casino to start operating.

GDP impact likely smaller than forecast

The study by the Fiscal Policy Office (FPO) indicates that the new entertainment complex could increase the average spending by foreign tourists by 50% while the number of tourists would rise by as much as 20%, with +1.16% impact on GDP. We think these assumptions are overly optimistic given that not all foreign tourists visiting Thailand would be interested in gambling, and having a casino in Thailand may not be the key determining factor to lure more tourists to the country.

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Incremental positive for AOT

For now, Airports of Thailand (AOT) appears to be the clearest beneficiary. In 2019, Thailand saw 39.9 million arrivals. Assuming a pre-casino base of 57 million for 2030, every one million additional tourist arrivals would boost 2030 earnings by 2% (Exhibit 1).

Exhibit 1: AOT – Casino Sensitivity

Upside from higher demand

	2030E	2030E	% Upside
	Current	With casinos	
No. of intl passengers (mn)	57	58	
Net profit (Bt mn)	54,009	55,337	2%

Source: Kiatnakin Phatra Securities estimates

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In theory, operators of new casinos would gain more than AOT, but playing the theme is difficult. Although the government has spoken of issuing 5-8 licenses, the actual number of new resorts could be less, there is no clarity, however, which companies would get the licenses. We think the most likely would be local hotel operators that would be interested, but non-tourism conglomerates could also seek licenses. We assume that operators would be joint ventures (JVs) between foreign firms with gaming expertise and local firms with local knowledge, limiting the equity exposure of any potential investor among listed companies.

Broad gains could be seen at tourism-related industries like retail, food and beverage (F&B), real estate, and construction, but the long time frame and moderate macro impact makes it unlikely that the casino theme will be a major driver in the near term for stocks in these sectors.

Exhibit 2: Stocks Mentioned

Ratings and prices of stocks mentioned in report

BofA ticker	Bloomberg ticker	Company name	Price	Rating
ARPRF	AOT TB	Airports of Thailand	Bt 66.00	A-1-7

Source: BofA Global Research estimates

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Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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