



FANTINI'S GAMING REPORT[®]

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Special Reporting Service

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Fantini's COVID-19 Gaming Daily

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NOTE: *We welcome all news and developments that companies and investors want to submit for this report. Send to Editor@FantiniResearch.com. In addition, you may reach Editor Blake Weishaar at BWeishaar@FantiniResearch.com or by phone at +1 302 730 3793.*

GAMING IN RELIEF PACKAGE

Including casinos in a government aid package appears likely after President Donald Trump met with hospitality industry leaders Wednesday.

“We know that your industry is among the hardest hit by the economic impact of the virus,” Trump told executives.

MGM Resorts CEO Jim Murren told Trump he wants to bring back his 70,000 furloughed employees as soon as possible.

“Las Vegas will come back rapidly...but it's very important that we keep these people on our payrolls as soon as possible,” Murren said.

“I also represent the 2 million jobs of the gaming industry in the United States. And, as you know, many of those casinos are in cities that rely upon them for their tax revenue. So, I appreciate your efforts, and I stand by to help you in any way I can,” he said.

“Okay. We’ll get it done, Jim,” President Trump said.

Executives also discussed Macau, where Murren noted MGM properties are slowly recovering but said occupancy rates are still in single-digits.

Full Discussion: <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-meeting-tourism-industry-executives-covid-19-response/>.

The American Gaming Association has also written to Congress asking for relief, including a fact sheet outlining the impact on the industry: https://www.americangaming.org/wp-content/uploads/2020/03/AGA_CV19_Factsheet-FINAL.pdf.

iGAMING TO THRIVE?

While the brick-and-mortar gaming industry is shut down, online gaming will have the space to itself, and online gaming companies will have the opportunity to grow their businesses.

Consider:

- New online casino player signups have grown 20 percent with increases at Golden Nugget in Atlantic City, Chris Grove of Eilers & Krejcik Gaming reports.
- The Stars Group’s FOX Bet has also reported sharp growth in signups.
- Steve Ruddock of BettingUSA said he expects New Jersey online casino revenue to grow at least 25 percent following the casino closures and sports season suspensions.

A bear scenario is growing 10 percent at most, which assumes online sports bettors do not shift over to online casino and if New Yorkers do not play as often as they did prior to the virus, Ruddock said.

A bull-case scenario would see New Jersey online casino revenue grow at least 50 percent, and maybe 100 percent, Ruddock said.

Grove sees online casinos growing risk if the US economy falls into a recession.

Meanwhile, as to be expected, Grove reports that sports betting volumes have declined by as much as 90 percent in New Jersey.

There are 11 states with sports betting or online casino legislation pending whose legislative sessions have been suspended this year, Grove noted.

Grove's ExecBrief is available from Alex Capitle at +1 302 730 3793 or ACapitle@FantiniResearch.com.

COMPANY UPDATES: ALL, BYD, EVRI, MGM, SKC, SPO

- ARISTOCRAT withdrew its earnings outlook for this year on the continued uncertainty over COVID-19.

Demand is becoming softer as customers temporarily close venues and implement more cautious approaches to spending, ALL said.

ALL implemented travel bans and social distancing measures across global operations, with more than 6,400 employees working from home.

The company has net debt to EBITDA of 1.4 times.

- BOYD borrowed the remaining \$660 million from its revolver and \$10 million from its swing loan to raise cash and allow for more financial flexibility.

- EVERI drew \$35 million from its revolver.

- MGM RESORTS has new hotel bookings for June onward, CEO Jim Murren said in a meeting at the White House.

Those bookings show that Las Vegas will rapidly recover once the virus is behind, he said.

- SKYCITY expects NZ\$55 million lower EBITDA this year due to border restrictions, social distancing requirements and restrictions on mass gatherings in New Zealand.

EBITDA should now be \$230 million to \$250 million and net profit before tax should be \$85 million to \$100 million.

The company's Auckland casino has been hit the hardest in the virus outbreak, with visitation down 15 percent in March, slot revenue 14 percent and table revenues off 43 percent.

Combined revenue at SkyCity Queenstown is down 37 percent while gaming revenue at SkyCity Adelaide is down 7 percent.

There is no impact on SKC's Hamilton casino so far, the company said.

- SPORTECH expects lower earnings because of the cancellation of sporting events.

Cash would likely be cut by £3.5 million if sporting events are suspended through June, the company said.

Results were satisfactory earlier this year, SPO said.

The company has a stable balance sheet of £11 million in cash and no debt.

ANALYST INDUSTRY OUTLOOKS

Barry Jonas of SunTrust said that he could see the Center for Disease Control recommending against gatherings of 50 people for at least eight weeks, leading to potential prolonged casino closures.

Gaming REITs could likely sustain cash rent payments fully ceasing for up to 81 months if casino closures continue, he said.

Casino operators and suppliers could remain operational for up to 10 years if casinos are reopened but demand remains significantly down. REITs could sustain four to seven years at that scenario.

His estimates on how many months gaming companies can last at zero revenues and 25 percent lower operating costs:

Operators	Months	Suppliers	Months	REITs	Months
Las Vegas Sands	55	IGT	39	MGM Growth Prop	81
Wynn	40	Scientific Games	14	VICI Prop. pro forma*	58
MGM Resorts	30	AGS	8	Gaming & Leisure Prop	43
Everi	7				
Eldorado	26				
Red Rock Resorts	28				
Caesars	15				
Boyd Gaming	14				
TwinRiver	12				
Eldorado pro forma*	11				
Penn National	6				

*Assumes ERI-CZR merger consummates

• Thomas Allen of Morgan Stanley said each REIT can lose at least 50 percent of annual rent and still maintain 9 to 15 percent dividend yields.

VICI Properties has the largest buffer, where the company could still pay its 9 percent-yield dividend if revenues fell 144 percent over multiple years.

Gaming and Leisure Properties could still pay its 15 percent-yield dividend even if revenues fall 102 percent over multiple years.

MGM Growth Properties could still pay its 11 percent-yield dividend if revenues fell 51 percent.

OTHER ANALYST REPORTS: ARISTOCRAT, GENTING MALAY, GENTING SING, LVS, SKC, TAH

- ARISTOCRAT. Larry Gandler of Credit Suisse lowered his target to A\$28.50 on the assumption that almost all North American casinos will be closed, cutting revenue 25 percent.

However, digital revenue should continue to be strong as 75 percent of ALL's digital revenue comes from the US, he said.

Gandler expects EBITDA of \$1.284 billion this year, \$1.747 billion next year and \$1.828 billion in 2022 with earnings per share of \$1.06, \$1.62 and \$1.75.

- GENTING MALAYSIA. Sam Yin of Maybank said that Resorts World Genting's gaming volumes and visitation will likely decline 30 percent in the first half following the 30-day closure of the property, GGRAsia reported.

However, visitors will likely return if the closure is not extended beyond March 31, he added.

The easing of restrictions on Chinese visitation to Malaysia will only slightly help the property as Chinese made up 5 percent of property visitors last year, Yin said.

- GENTING SINGAPORE. Danny Chan of Credit Suisse lowered his target to S\$0.64 on reduced earnings estimates following Singapore's mandatory two-week casino shutdown.

He expects the virus to be contained at least by the end of the first half, though demand will likely not recover quickly as Genting relies on visitors from other Asian countries, Chan said.

He expects VIP gaming revenue to fall 30 percent this year, mass-market 20 percent and slots 10 percent.

His EBITDA forecasts fall to \$603.9 million this year, \$1.071 billion next year and \$1.068 billion in 2022 with earnings per share of 2 cents for this year and 5 cents for each 2021 and 2022.

- LAS VEGAS SANDS. Alex Bumazhny of Fitch lowered his outlook on LVS and Sands China to stable to reflect uncertainty stemming from the virus.

He also affirmed LVS' BBB- long-term issuer default rating and BBB- senior unsecured debt rating. His rating on Marina Bay Sands' senior secured credit facility remains BBB.

Despite the outlook revision, the company has a considerable cushion in its credit profile, he said.

- SKYCITY. Wade Gardiner of Deutsche Bank lowered his target to NZ\$2.60 on lower guidance but maintains his buy rating as the stock is at a 45 percent discount to his expectations.

He also lowered EBITDA estimates to \$224.3 million this fiscal year, \$149.6 million next year and \$285.5 million in 2022 and earnings per share of 12.1, 2.9 and 15.7 cents.

Arie Dekker of Credit Suisse lowered his target to \$2.10.

A casino closure lasting until the fiscal fourth quarter would result in \$165 million less EBITDA this year and would likely cause SKC to breach financial covenants, he said.

Dekker expects EBITDA of \$231 million, \$255 million and \$351 million and earnings per share of 13.2, 12.5 and 22.7 cents.

- TABCORP. Larry Gandler of Credit Suisse reduced his target to A\$4.25 citing sports and racing cancellations though his lottery sales forecasts are unchanged.

He expects debt-to-EBITDA will peak at 3.25 times, below TAH's four-times covenant.

TAH will likely generate sufficient cash flow in the second half to retire debt, he said.

Gandler's EBITDA estimates are \$1.065 billion this year, \$1.033 billion next year and \$1.058 billion in 2022 with earnings per share of 17.22, 16.24 and 17.17.

MORE CLOSURES

Caesars shut down all North American casinos.

All Iowa and West Virginia casinos were ordered to close until the end of the month.

Elsewhere: AZ, CA, FL, IA, MN, OK

- Arizona. Gila River, Talking Stick casinos.
- California. Harrah's Northern California.
- Florida. Dania, Big Easy and Eldorado Resorts' Isle Pompano.
- Iowa. The Meskwaki casino.
- Minnesota. Mystic Lake casino.
- Oklahoma. Comanche tribe casinos.

OTHER US DEVELOPMENTS: LV, NV, NIGA

Las Vegas transient lodging demand is down 5.82 percent over the next 30 days and forecasted to be down 6.04 percent over the next 30 to 60 days. For the next 60 to 90 days, demand is down 5.77 percent, according to Chad Beynon of Macquarie.

Demand fell 8.08 percent in February from last year.

Demand among casino operators prior to the mandatory casino closure:

Company	Demand decline
MGM	55 percent
Wynn	38
Golden Entertainment	25
Penn National	10
Las Vegas Sands	10

- LAS VEGAS II. Mayor Carolyn Goodman is seeking a shortened shutdown, saying the city's businesses will not survive a 30-day closure, the Nevada Independent reported.

Goodman wants Gov. Steve Sisolak to limit the mandated shutdown of non-essential businesses to eight to 14 days.

- NEVADA. Nevada gaming suppliers are exempt from mandatory business closings, according to the Association of Gaming Equipment Manufacturers:

Suppliers do not have to limit workers but should still practice social distancing, AGEM Executive Director Marcus Prater said.

"Separately, AGEM is engaging with the American Gaming Association and other stakeholders in Washington to ensure gaming suppliers are considered as various stimulus packages are being discussed," Prater said.

- THE NATIONAL INDIAN GAMING ASSOCIATION requested \$18 billion, or a 2 percent share of any federal aid package, Reuters reported.

Roughly 460 tribal casinos have closed across the nation following advice from the US federal government, and some are the tribes' sole source of commercial income, NIGA said in a letter to the US House of Representatives.

NIGA also asked for a 26-week restructuring and suspension of interest rate accrual on all federal tribal loans.

INTERNATIONAL DEVELOPMENTS: MLCO, NZ, NORWAY, SGR, UK

- MELCO RESORTS is closing casinos in Cyprus for four weeks.

- NEW ZEALAND thoroughbred, harness and greyhound racing will only be held with essential personnel and closed to the public.

Races will be broadcast on TV stations and online, but there will be minimal broadcasting facilities and no Tote services on-site.

Riders are prohibited from traveling between New Zealand's north and south islands.

- NORWAY is allowing bingo halls to operate online as brick-and-mortar halls are closed until at least March 29.

Regulations requiring a physical draw are being suspended.

- STAR ENTERTAINMENT's casinos in Sydney, Brisbane and the Gold Coast for four hours each morning until further notice for deep cleaning.

- UNITED KINGDOM greyhound races will be held without spectators.

ABOUT THIS REPORT:

In Fantini's COVID-19 Gaming Daily report we consolidate all developments about the virus that have business and investment implications for the gaming industry. We will post them on our website 5 days per week (M-F) until further notice. Fantini's COVID-19 Gaming Daily is a Special Report that is included with all levels of Fantini's Gaming Report subscriptions.

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