



## 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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#### FORECASTS DOWNGRADED AGAIN

H2 Gambling Capital's COVID Impact Tracker revealed this year's global gaming revenue forecasts have been lowered 11 percent to \$421 billion.

H2 Gambling had previously predicted an 8 percent fall this year.

North American gambling revenue forecasts are expected to fall 6.65 percent, while Asia could have a 15.55 percent decline and Europe 9.38 percent.

Online gaming is expected to increase gaming revenue share to 15.7 percent from 13.2 percent.

Full report: <https://h2gc.com/news/general/covid-impact-tracker-20-03-2020>.

#### GUIDANCE WITHDRAWN: AGI, GLPI, SKC

- AINSWORTH withdrew earnings guidance for this year due to tough trading expectations as a result of COVID-19.

The company expected to report a profit this year but now sees a reduction on customer spending in all markets.

Ainsworth said it is implementing measures to reduce costs and ensure employees the safety to mitigate virus impacts.

- GAMING & LEISURE PROPERTIES withdrew guidance for the year after closing properties in Maryland and Louisiana.

January and February revenues exceeded expectations, GLPI said.

The company did not address its dividend, but CEO Peter Carlino told Barron's that its 14 percent yield was one reason he bought \$2 million in stock last week.

- SKYCITY withdrew guidance that was based on all casinos being open.

SKC said it is preparing for the possible closing of New Zealand properties in Auckland, Hamilton and Queenstown.

SKC is focused on addressing the welfare of its employees - 4,000 in New Zealand and 1,000 in Adelaide. The company is consulting with unions in South Australia and expects to finalize a plan for employees this week.

#### JEFFERIES LOWERS TARGETS

Jefferies lowered targets on casino operators and suppliers.

David Katz expects visitation declines of 85 percent in Macau at least through the start of the second quarter before recovering in the third quarter.

He assumes Las Vegas casinos will be closed through the first 45 days of the second quarter.

Group business in Las Vegas, which is characteristically slow to recover, will likely get better next year, Katz said.

He expects Las Vegas Sands and MGM to have more than enough cash to maintain dividends through the year.

Katz' outlook:

Company	Target	Change	Rating	----- EPS -----	
				2020	2021
Las Vegas Sands	\$6.2	-\$1	Buy	\$1.34	\$3.34
MGM	\$22	-\$17	Buy	(\$1.71)	\$0.53
Wynn	\$100	-\$59	Buy	(\$0.21)	\$5.02

  

Company	- EBITDA (in billions) -	
	2020	2021
Las Vegas Sands	\$3.011	\$5.157
MGM	\$1.390	\$2.931
Wynn	\$1.148	\$1.867

Andrew Lee cut targets on Hong Kong-listed Macau gaming operators as easing on visa and travel restrictions could take longer than expected as new virus cases have appeared in Macau.

He expects casinos to report property EBITDA this year at just above break-even.

Lee's outlook in Hong Kong dollars:

Company	Target	Change	Rating	----- EPS -----	
				2020	2021
Galaxy Ent	\$38	-\$16	Hold	\$0.56	\$1.71
MGM China	\$9.30	-\$8.70	Buy	nil	\$0.52
Sands China	\$32	-\$13	Buy	\$0.05	\$0.18
Wynn Macau	\$11.60	-\$7	Hold	nil	\$0.57

  

Company	- EBITDA (in billions) -	
	2020	2021
Galaxy Ent	\$6.696	\$11.676
MGM China	\$3.351	\$5.217
Sands China	\$1.532	\$2.620
Wynn Macau	\$4.423	\$7.224

James Wheatcroft lowered targets and estimates on UK-listed gaming companies due to betting shop closures and a lack of sporting events to bet on.

- Flutter generated 78 percent of revenue from sports betting last year.

EBITDA could be reduced by £30 million per month if horse racing is canceled in the UK, and Ireland, he said.

The company has a strong balance sheet with net debt to EBITDA of 0.7 times as of December 31, he added.

- GVC's EBITDA will likely be reduced by £130 million to £150 million prior to any mitigation actions.

Another £45 million to £50 million will be lost every month betting shops are closed, he said.

- Playtech has more than 12 months of cushion for its balance sheet as the company has minimal cash burn, Wheatcroft said.

PTEC has completed €10 million of the €40 million share buyback while the final dividend will likely not be proposed this year. That should combine for €65 million in savings, he said.

- William Hill will save £45 million from suspending its dividend for last year and £90 million for this year, he said.

Wheatcroft's outlook:

Company	Target	Change	Rating	EPS	
				2020	2021
Flutter	9,500 pence	-4,000	Buy	171 pence	323 pence
GVC	710 pence	- 790	Buy	42.70 pence	68.90 pence
Playtech	240 pence	- 150	Buy	25.20 cents*	30.20 cents*
William Hill	170 pence	- 230	Buy	( 1.10 pence)	11.10 pence

\* Euro cents

Company	EBITDA		
	2020	2021	2022
Flutter	£1.978 billion	£2.590 billion	£2.953 billion
GVC	£620.8 million	£843.5 million	£949.9 million
Playtech	£306 million	£339 million	£359.7 million
William Hill	£138 million	£278 million	£314 million

## MOODY'S DOWNGRADES OPERATORS

Adam McLaren of Moody's downgraded US gaming operators and their subsidiaries due to tough trading conditions related to COVID-19.

- Boyd. He downgraded BYD's senior secured revolver and term loans to Ba3 with a negative outlook.

He also downgraded the company's corporate family rating to B2 and probability of default rating to B2-PD.

- MGM. McLaren downgraded CityCenter Holdings' senior secured revolver and term loan B ratings to B2 with a negative outlook.

His corporate family rating went down to B2 and his probability of default rating went to B2-PD.

- Red Rock Resorts. He downgraded Station Casinos' senior secured revolver and term loans to B1 and senior unsecured notes to Caa1 with a negative outlook.

The speculative grade liquidity rating was downgraded to SGL-2 and the corporate family rating to B2.

- Penn National. McLaren downgraded PENN's senior secured facilities and corporate family rating to B1.

He also downgraded the senior unsecured rated notes to B3 and left the speculative grade liquidity rating at SGL-2.

PENN's credit outlook remains negative, McLaren said.

## POSSIBLE PRICE RANGES

Carlo Santarelli of Deutsche Bank expects casino stocks to jump within three months of closing, a length of time that is his base-case scenario.

Boyd and Red Rock Resorts are the safest stocks in regional gaming due to significant upside to prices, he said.

Expected share prices with one, three and six months of closures:

Company	Monday price	One month	Three months	Six months
Boyd	\$12.16	\$34.88	\$32.43	\$28.76
Caesars	\$ 6.03	\$13.13	\$12.15	\$10.67
Eldorado	\$10.44	\$21.23	\$18.79	\$15.13
Golden Ent	\$ 4.27	\$15.75	\$12.97	\$ 8.79
Penn National	\$ 9.80	\$27.24	\$23.76	\$18.53
Red Rock Resorts	\$ 7.38	\$25.44	\$23.92	\$21.64

## MACQUARIE'S BALANCE SHEET ANALYSES

- Macquarie sees these balance sheet expectations.

Chad Beynon says Monarch, Red Rock Resorts and Golden Entertainment have the balance sheets to last the longest during the casino closures.

Company	Number of months of cash burn	Expected EBITDA decline vs. last year
Boyd	9.4 months	-20 percent
Century Casinos	9.1	-44
Full House	5.8	-30
Golden Ent	10.4	-16
MGM	9	-33
Monarch Casino	14.3	-54
Penn National	5.2	-28
Red Rock	13.8	-28

Edward Engel thinks balance sheet risks are minimal for Genting Malaysia and Genting Singapore despite Resorts World Genting's two-week closings and Resorts World Sentosa's social distancing measures.

Genting Singapore is a discount to other Asian gaming operators as it has US\$2.7 billion in cash and just \$172.3 million in debt, he said.

However, he expects a rebound in Singapore revenue to take longer than other Asian markets as Singapore officials will likely delay the removal of tourism restrictions.

Engel expects Genting Singapore's EBITDA to decline 61 percent this year and rebound 146 percent next year.

Genting Malaysia will likely reduce costs by 20 percent during Resorts World Genting's shutdown, he said. The casino typically incurs \$1.8 million in costs daily, Engel estimates.

Visitation should rebound quickly as a majority of customers are locals, he added.

He expects Genting Malaysia's EBITDA to fall 36 percent this year and grow 65 percent next year.

## MACAU REVENUES WEAKEN

Macau's March gaming revenue estimates continue to fall after last week plunged 78 percent.

Andrew Lee of Jefferies expects visitation to recover in the second half but full-year revenues to fall 45 to 48 percent.

Analysts agree March will be down 78 to 80 percent, and Vitaly Umansky of Bernstein thinks revenues could fall more than 80 percent if recently high VIP hold declines.

## CREDIT SUISSE ON CWN, TAH

Analysis by Larry Gandler of Credit Suisse:

- CROWN RESORTS. Gandler maintains an outperform rating and A\$11 target under the assumption CWN can reduce operating expenditure and recover growth next fiscal year.

CWN will likely forego dividends in the second half of the year and next fiscal year as well as refinance its A\$615 million subordinated notes to reduce interest costs.

Gandler forecasts EBITDA of A\$390 million this fiscal year, \$630 million next year and \$806 million in 2022 and reduced earnings per share to 12.76, 30.58 and 47.51 cents.

- TABCORP. Gandler maintained an outperform rating and A\$4.25 target saying TAH can withstand a second-half 25 percent EBITDA decline before breaching covenants.

He assumes TAH will not pay a dividend in the second half or next fiscal year.

Second half betting revenue could drop 22 percent and keno could fall 24 percent, which is why this year's earnings per share were downgraded 10 percent, but next fiscal year and 2022 earnings forecasts remain unchanged, Gandler said.

He forecasts EBITDA of A\$1.013 billion this year, \$1.032 billion next year and \$1.061 billion in 2022 with earnings per share of 15.41, 16.22 and 16.92 cents.

## LV ROOM RATES

Room rates in Las Vegas are down as much as 74 percent over the next two months, according to a survey from Barry Jonas of SunTrust.

However, longer-term bookings are remaining stable, he said.

Rates for MGM for the NFL Draft have declined from as high as \$393 in February to \$89 in March. Those same rates have fallen for Caesars from as high as \$279 to as low as \$56.

Rate declines since February 27 survey:

Company	Rate decline
Caesars	-74 percent
MGM	-72
Wynn Resorts	-71
Las Vegas Sands	-61

## SAZKA CLOSING OPERATIONS

Sazka Group's digital and online channels continue to operate while the company closes betting shops.

Shops in Greece will be closed until March 27 and most shops are closed in Italy. Tobacco shops in Italy are open and sell lottery products, but traffic has declined.

Most retail operations have had a limited effect on lottery sales in Austria, Sazka said.

In the Czech Republic, online sales are up 25 to 30 percent in recent weeks and 70 percent of retail outlets remain open, despite the government ordering citizens to only go out for food and work.

## CORRECTION: AGA WANTS RELIEF

The American Gaming Association estimates the US economy will lose \$43.5 billion if America's casinos are closed for the next two months, not the next two weeks as previously reported.

## MORE CLOSINGS, POSTPONEMENTS

US, CANADA: AZ, FL, LV, MI, OK, OR, QC, TN

- Arkansas. Oaklawn postponed the Oaklawn Derby to May 2.
- Florida. Miccosukee tribe casinos.
- Las Vegas. Flights will be reduced at McCarran International Airport as a tower still remains closed.
- Michigan. Kewadin casinos.
- Oklahoma. All casinos.
- Oregon. Tower Hotel at Wildhorse Casino. The casino closed last week.
- Quebec retail lottery points of sale.
- Tennessee Lottery claim centers.

OTHER US, CANADA DEVELOPMENTS: MI, SD

- Michigan. Detroit is losing \$600,000 in daily casino revenue, Deadline Detroit quoted Mayor Mike Duggan.
- South Dakota. Deadwood Mayor David Ruth is requesting all casinos to temporarily close, KNBN-TV reported.



INTERNATIONAL CLOSINGS: AUSTRALIA, BRAZIL, MAURITIUS, NEPAL, NEW ZEALAND, ROMANIA, SOUTH KOREA, UAE

- Australia casinos and gambling venues.
- Brazil. Federal and Loteca draws suspended.
- Mauritius. Lottotech suspended national lottery operations for the East African country.
- Nepal. Silver Heritage's casinos.
- New Zealand. SkyCity's casinos.
- Romania lottery sales suspended until an unspecified date.
- South Korean casinos. Kangwon Land also extended its casino closure until April 6. The casino has been closed since February 23.
- United Arab Emirates. The Dubai World Cup was canceled.

OTHER INTERNATIONAL DEVELOPMENTS: SINGAPORE, UK

- Singapore is banning all foreign visitors and the country's two casinos – Las Vegas Sands' Marina Bay Sands and Genting Singapore's Resorts World Sentosa – are implementing social distancing measures including limiting the number of seats at table games and closing every other slot machine.

There were 509 cases of the virus and two virus-related deaths as of Monday.

- United Kingdom. The Gambling Related All-Party Parliamentary Group asked the British Betting and Gaming Council to impose a spending limit of £50 per day during the virus outbreak in an effort to protect consumer's finances.

DOING GOOD: AC, BLOOMBERRY, DRAFTKINGS, GALAXY ENT, LVS, MLCO, MGM, SJM, STRONACH, TRWH

NOTE: During this time of crisis, gaming companies, though under stress themselves, are stepping up to help others. Below are examples. To report the good works your company is doing, send information to [Editor@FantiniResearch.com](mailto:Editor@FantiniResearch.com).

- Atlantic City casinos donated to local food banks.
- Bloomberry Resorts is donating \$1.2 million worth of personal protective equipment and face masks to the Department of Health in the Philippines.
- DraftKings pledged \$1 million to United Way through charity initiative #DKRally.
- Galaxy Entertainment donated about \$12,500 to social services in Macau and aided in carrying out air-sanitization at local social service organizations.

- Las Vegas Sands is donating \$250,000 to local Las Vegas organizations and will donate meals and equipment.

- Melco Resorts donated HK\$20 million to purchase medical supplies and support the local community.

- MGM pledged \$1 million for an employee emergency fund grant and donated 400,000 meals through food banks in the US.

- SJM donated 3,000 school bags to local community associations.

- Stronach Group's Santa Anita Park will put all profits from racing to charities supporting coronavirus relief efforts in the community.

- Twin River is establishing a fund to provide financial assistance to employees experiencing hardship during the shutdown.

## **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 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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