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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.

COMPANIES MITIGATING: EVRI, TACT, WMH, WYNN

Several companies have announced plans to mitigate the impact of businesses closing down.

- EVERI drew down \$35 million from its revolver to provide financial flexibility and canceled or delayed additional spending.

The company also implemented furloughs and salary reductions, including CEO Mike Rumbolz cutting his salary to zero for this year and other top executives taking 70 percent salary cuts.

Those actions should lower cash payroll costs by less than \$2 million monthly, EVRI said.

- TRANSACT is planning to cut costs by \$1.75 million in the first quarter due to recently implemented initiatives.

Those include reducing salaries by 10 percent for all salaried, non-commission employees and reducing sales commissions for all commissioned employees.

The company also furloughed 10 percent of staff and eliminated all spending including trade shows, marketing and travel spending.

- WILLIAM HILL US. The sports betting company's CEO, Joe Asher, is donating his salary to employees furloughed until sports resume, the Las Vegas Review-Journal reported.

He is also encouraging other WMH executives to do the same.

- WYNN executives are foregoing 33 to 100 percent of salaries to offset payroll and other costs in exchange for shares of the company's stock.

CEO Matt Maddox is foregoing his salary for this year.

DEUTSCHE BANK: ERI-CZR MERGER TO CLOSE

Eldorado's acquisition of Caesars will close despite recent stock selloffs due to COVID-19, Carlo Santarelli of Deutsche Bank said.

The deal has firm financing commitments from banks, which are not backing away given the upside of the combined company and low risks associated with the transaction, he noted.

However, it is difficult for the transaction to close while casinos remain shut and several states have yet to approve the merger, he added.

There were fears that the merger wouldn't close as Caesars' shares fell as low as \$3.52 over the last two weeks.

Santarelli says the merged company would have a balance sheet cushion allowing it to survive 8.8 months during casino closures and no revenue generation.

888 FORECASTS LOWER EBITDA

Cancellations of sports events will cut into EBITDA as sports betting declines, but some bettors might convert to online casino and poker, 888 says.

Sports betting accounted for 16 percent of revenue last year.

Prior to the virus outbreak, casino and sports betting revenue was up a combined 24 percent, customer acquisitions grew 20 percent and average daily deposits rose 32 percent.

888 had \$99.5 million in cash at the end of last year.

CHINESE ACTIVITY UP

In what is good news for casinos in Macau and elsewhere in East Asia, economic activity in China is now growing.

Migration was up 5 percent and subway traffic 21 percent week-over-week as consumers return to daily routines, Sanford Bernstein reports.

However, overall transportation usage is still 60 percent lower than last year.

MACAU TRAVEL RESTRICTIONS

Macau has strengthened restrictions on visitation after a recent spurt of virus cases.

Macau is banning visitors from Mainland China, Hong Kong and Taiwan that had traveled overseas in the past 14 days.

That ban, including a mandatory 14-day quarantine for visitors to Macau, will be implemented for an unspecified amount of time.

Macau had 26 confirmed cases of the virus as of Monday.

ONLINE CASINOS TO EXPAND?

Online casino legislation could be more salable following the virus outbreak as gamblers turn to digital options, Chris Grove of Eilers & Krejcik Gaming said.

Online casinos in New Jersey are experiencing increases in customer acquisitions and revenue as existing online players continue to gamble, online sports bettors turn to casino and new customers look for something to do during social distancing measures, he said.

One unidentified online casino operator reported a 20 percent increase in revenue since Atlantic City's casinos closed last week.

Live dealer games seem to be the most popular gambling option, which New Jersey online operators expected to promote, Grove said.

The 36-page Online Casino Tracker is available from Alex Capitle at ACapitle@FantiniResearch.com.

BANKS STUCK WITH DEBT

Banks, including Deutsche Bank, Citigroup and Barclays, are stuck with billions of dollars of debt related to MGM's sale of MGM Grand and Mandalay Bay in Las Vegas to MGM Growth Properties and Blackstone, Bloomberg reported.

MGP and Blackstone used \$3 billion in financing to buy the properties in February while the banks used \$1.9 billion to finance the transaction.

It's not clear how much of the loan each bank holds.

Full story: <https://www.bloomberg.com/news/articles/2020-03-23/citi-led-group-stuck-with-billions-of-debt-as-mgm-offering-fails?sref=jLVrvdNG>.

ANALYSTS: ALL

- ARISTOCRAT. David Fabris of Macquarie lowered his target to A\$32 due to casino closures but maintained his outperform rating.

Thriving digital and a strong balance sheet should allow Aristocrat to continue investing in design and development creating a competitive advantage, he said.

A worst-case-scenario would be a cash flow loss of A\$264 million if land-based gaming generates no revenues for 12 months, he said.

Fabris forecasts EBITDA of \$1.295 billion this year, \$1.501 billion next year and \$1.937 in 2022 with adjusted earnings per share cut down to \$1.07, \$1.36 and \$1.96.

LAS VEGAS: FLIGHTS CANCELED, AREA UPDATES

- Hawaiian Airlines is canceling air service from Honolulu to Las Vegas as the airline shuts down all flights except those to Los Angeles.

The airline stopped Maui-Las Vegas flights last week.

Elsewhere:

- Cosmopolitan is furloughing part-time and on-call employees and will offer full pay to full-time and eligible employees through April 16, the Las Vegas Review-Journal reported.

- An area of under-construction Resorts World Las Vegas was closed and sanitized after a worker contracted the virus.

US CLOSINGS: BYD, CHDN, ICE NA, IL, LA, GAMING LAW MINEFIELD, eSPORT CONF

- Boyd extended the closure of its casinos in Illinois, Indiana, Louisiana, Ohio and Pennsylvania through April 12.

- Churchill Downs suspended racing at Miami Valley in Ohio and Fair Grounds New Orleans.

- Clarion Gaming postponed ICE North America until next Spring.

- Illinois casino closures were extended to April 8.

- Louisiana. The Chitimacha tribe closed Cypress Bayou Casino.
- The Gaming Law Minefield Conference has been canceled.
- Casino eSport Conference has been postponed until September 8-10.

INTERNATIONAL CLOSINGS: CHILE, GEORGIA, MACAU, UK

- Chile. Racetracks are now closed to the public.
- Georgia. Evolution Gaming closed its live casino studio in Tbilisi.
- Macau. SJM's Casino Eastern closed as its hotel is being used to quarantine visitors to the city.
- UK greyhound racing was suspended.

LAWSUITS FILED

As might be expected, COVID-19 is leading to lawsuits.

A Las Vegas-based law firm is suing China over COVID-19's impact on small businesses in the US

The class action suit filed in Nevada District Court by Eglet Adams law firm seeks unspecified monetary compensation for damages to US businesses and accuses China of mishandling the virus and covering up its severity.

This follows similar suits filed by firms in Florida and Texas.

KLAS-TV posted a press briefing on the suit:

<https://www.8newsnow.com/news/local-news/class-action-lawsuit-filed-in-las-vegas-blames-china-for-covid-19-outbreak/>.

In Oklahoma, the Chickasaw Nation is suing its insurance carriers and asking a court to ensure that losses incurred by shutting its casinos are covered by business interruption insurance.

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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