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Special Reporting Service

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Frank Fantini – *Publisher*

Ashley Diem – *Associate Publisher and Executive Editor*

Blake Weishaar – *Editor*

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.

MGM: ENOUGH RESOURCES TO LAST

MGM Resorts says it has adequate financial resources to meet its obligations for the foreseeable future.

The company said it has \$3.9 billion in cash, including \$1.5 billion drawn from its revolver. Debt amounts to \$5.5 billion.

In addition, it has an unexercised agreement to receive \$1.4 billion from MGM Growth Properties.

Other highlights of MGM's announcement include:

- Cut costs including hiring freezes, furloughs and staff reductions. MGM announced an initial round of layoffs and furloughs earlier this month.
- Defer 33 percent of planned US capital expenditures this year.
- Expects \$288 million in dividends from MGP.
- Said it has other assets with financial worth, such as real estate, 50 percent ownership of CityCenter, 55.95 percent of MGM China and 60.64 percent of MGP.
- Posted a strong January and February, with net income of \$1.3 billion primarily from a \$1.5 billion pre-tax gain on the sale of MGM Grand and Mandalay Bay real estate.

Revenues were down 10 percent due to weaker visitation in Macau.

Las Vegas property EBITDAR grew 24 percent and regional property EBITDAR rose 42 percent.

March resulted in significant losses as domestic casinos closed.

MGM's news release: <https://finance.yahoo.com/news/mgm-resorts-international-addresses-financial-130000090.html> with a video update at <https://www.mgmresorts.com/en/nevada.html>.

PENN TO START FURLOUGHS; SELLS TROP LAND

Penn National says it will start furloughing 26,000 employees on April 1, keeping 850 critical workers on hand.

In the same announcement of how it intends to mitigate COVID-19 impacts, PENN said it is selling the real estate of Tropicana Las Vegas and its Pennsylvania satellite casino Hollywood Morgantown to Gaming and Leisure Properties for \$337.5 million in rent credit.

The deal also includes an option for PENN to acquire GLPI's operations at Hollywood Casino in Perryville, Maryland.

The transaction will help relieve balance sheet pressure in terms of rent obligations during this tough time, CEO Jay Snowden said.

In other action:

- PENN said it has established a \$1.2 million employee relief fund, which \$425,000 contributed by Snowden and top executives and property managers.

Contributions to the fund can be made at www.pnngaming.com/community.

- Board members will forego cash compensation until normal operations resume.
- PENN is withdrawing financial guidance for the year. It will report first quarter earnings on May 7.

MACAU ESTIMATES REDUCED

Analysts reduced gaming revenue estimates for Macau after neighboring Guangdong Province implemented a 14-day quarantine for all arrivals, including residents from Mainland China, due to increased cases of COVID-19.

Those restrictions follow limited entry implementations for visitors to Macau from Mainland China, Hong Kong and Taiwan, who had traveled overseas in the prior 14 days.

Guangdong comprised 32.5 percent of Macau's visitors last year.

The new travel restrictions should result in gaming revenue falling 38 percent this year, Vitaly Umansky of Bernstein said.

March is expected to decline 80 to 82 percent.

Umansky now expects China to issue travel visas to Macau in May rather than April.

Edward Engel of Macquarie expects Macau industry EBITDA losses of US\$17 million per day, which is near the levels generated when casinos closed for 15 days in February.

However, he said he still believes gaming operators have strong enough balance sheets to handle additional casino closures.

Andrew Lee of Jefferies estimates revenue will decline 45 percent this year, and perhaps close to zero given the new travel restrictions.

Elsewhere:

- Macau International Airport anticipates daily air passenger counts to fall into the 200s next month as the airport expects 6,600 flights to be canceled, GGRAsia reported.

- SJM will allow the 132-room Jai Alai hotel complex and the 144-room Hotel Royal Dragon to serve as quarantine facilities for an unspecified amount of time, GGRAsia reported.

NEVADA UPDATES: CLOSINGS, VIRUS PEAK, LV ROOM RATES

- CLOSINGS. Gov. Steve Sisolak says he might extend the closing of casinos beyond April 16, the Reno Gazette-Journal reported.

"I am relying on medical advice and facts," to make this decision, Sisolak said.

Las Vegas Mayor Carolyn Goodwin previously called on Sisolak to shorten the shutdown, saying many Las Vegas businesses can't survive it.

- VIRUS PEAK. COVID-19 should peak in Nevada on April 15, the Institute for Health Metrics and Evaluation estimates.

Full story with an interactive map of the US with virus statistics and peak dates at <https://bit.ly/3bxt5w2>.

- LV ROOM RATES. Las Vegas hotel room rates are showing some stabilization in May as operators look to optimize rates, according to Barry Jonas of SunTrust.

May rates since February 27 survey:

	Rate decline
Caesars	- 35 percent
MGM	- 56
Wynn Resorts	- 61
Las Vegas Sands	- 61

US MARKETS: AC

- ATLANTIC CITY's casinos continue to lay off employees.

Caesars will begin layoffs at its three properties on Tuesday and Resorts began Thursday.

Hard Rock, Golden Nugget and Ocean Casino already announced layoffs and furloughs.

US COMPANIES: BYD, TBIRD

- BOYD will pay full-time and part-time employees through April 10.

Staff will not be required to take additional paid time off to receive the benefits but must still be available to work if jobs are considered essential or in preparation to reopen.

Benefits for employees will continue through the closings.

- THUNDERBIRD RESORTS expects zero revenue from Peru while travel restrictions are in place.

Peru closed borders March 16 and prohibited travel between the country's provinces.

Spending in Nicaragua has also been reduced as there are now confirmed COVID-19 cases in the country.

However, few travel restrictions have been implemented so far.

INTERNATIONAL COMPANIES: GRAND KOREA, KANGWON, RAKETECH

- GRAND KOREA LEISURE estimates a revenue loss of \$14.4 million while its casinos remain closed for two weeks, Asia Gaming Brief reported.

The company generated \$40 million in revenue in the first two months of the year, 48 percent over last year.

- KANGWON LAND expects to lose \$13 million over the course of its shutdown from February 23 to April 6.

- RAKETECH does not expect severe negative impacts on iGaming in the long term as a result of the virus despite an expected decline in sports betting revenue due to canceled sporting events.

The company said it should benefit from the move to online gambling from land-based gambling.

Online casinos make up 70 percent of Raketech's revenue and sports betting 25 percent.

Revenues in the first quarter have been in line with the two prior months.

The company is allowing employees to work from home, has banned all business travel and is requiring staff to self-quarantine if they have traveled.

ACCOUNT WAGERING GROWS

Advance deposit wagering operators appear to be seeing an uptick in new customers due to COVID-19 shutdowns.

But there isn't a surge in popularity or revenue despite horse racing being about the only sport left to bet on, Harness Link reported.

"Horse racing is better off than other forms of gaming," FanDuel president TVG CEO Kip Levin said. "Our new customers (to TVG's online betting service) are up substantially. I don't know if they are people who were betting retail at the tracks or OTBs or new overall. It's too early to tell."

"We have seen an increase in new bettors, but we're positive they are not big bettors," New York Racing Association Bets President Tony Allevato said. "A significant number are \$2 bettors."

US CASINO CLOSINGS: CA, IL, MA, OK

- California. Fantasy Springs, Jamul, Red Hawk and Soboba casinos closed through April 13. Stronach Group's Santa Anita Park is closed until further notice.
- Illinois extended closings until April 8.
- Massachusetts extended casino closings until April 7.
- Oklahoma. All Chickasaw casinos will remain closed through April 15.

A complete list of all casino closings is at:

<https://www.fantiniresearch.com/gaming/fantini-s-covid-19-gaming-daily.html>.

US REGULATOR CLOSINGS, POSTPONEMENTS: CO, NJ, OR, SD

- COLORADO Limited Gaming Control Commission has postponed its meetings until April 18.
- NEW JERSEY Division of Gaming Enforcement extended the renewal requests and resubmissions for 30 days beyond the original date, and conferences and hearings are rescheduled until after April 1.

New Jersey also allowed a 30-day extension to redeem gaming vouchers and retail slot tickets with a one-year expiration date that expire on or after March 16.

- OREGON Lottery Commission closed lottery offices in Salem and Wilsonville, but retail lottery products are still available for purchase.

The lottery also announced that, despite sporting event cancellations, sports betting app Scoreboard is offering bets on international sports. Open bets on a canceled event will be refunded.

- SOUTH DAKOTA Commission on Gaming closed through May 4.

INTERNATIONAL CLOSINGS: SIS, VEIKKAUS

- SIS closed all non-essential services and is beginning to furlough staff.
- Veikkaus extended the closure of arcades and slots until further notice.

DEBT ANALYSTS: CNTY, EVRI, GAMENET, GLPI, GDEN, IGT, SGMS

Analysts have started lowering debt ratings as companies are not generating revenues now.

- CENTURY CASINOS. Keith Foley of Moody's downgraded CNTY's corporate family rating to B3 and the speculative grade liquidity rating to SGL-2 due to disruptions in revenue and visitation as a means to reduce the spread of COVID-19.

Other downgrades include probability of default to B3-PD and senior secured bank facility to B3.

Ratings are on review for further downgrade.

- EVERI. Adam McLaren of Moody's downgraded Everi Payments' corporate family rating to B2 and probability of default rating to B2-PD with a negative outlook.

Additionally, the senior secured revolver and term loan were downgraded to B1 while the senior unsecured notes were downgraded to Caa1. The speculative grade liquidity rating was also downgraded, to SGL-3.

- GAMENET. Florent Egonneau of Moody's placed Gamenet's ratings on review for downgrade as the spread of COVID-19 has resulted in shutting down the company's retail gaming operations in Italy.

The closures will likely cause Gamenet's revenue and EBITDA to fall sharply this year and will drain cash flow, he said.

- GAMING AND LEISURE PROPERTIES. Carlo Santarelli of Deutsche Bank lowered his target to \$46 on lower expected adjusted funds from operations due in part to the removal of Penn National's base rent escalator in the fourth quarter and Pinnacle's base rent escalator next year.

However, Santarelli maintains his buy rating saying he continues to believe that gaming REITs present safe investments.

GLPI benefits from the operation of Hollywood Perryville in Maryland and Hollywood Baton Rouge in Louisiana and exposure to percentage rent, which made up 15 percent of total cash rent last year, he said.

Santarelli's EBITDA estimates fall to \$1.012 billion this year and \$1.021 billion next year with adjusted funds from operations per share of \$3.35 and \$3.42.

- GOLDEN ENTERTAINMENT. Keith Foley of Moody's downgraded GDEN's senior unsecured bonds to Caa2 and corporate family rating to B3 with a negative outlook.

The speculative grade liquidity rating was downgraded to SGL-2 and probability of default rating to B3-PD.

- IGT. Adam McLaren of Moody's downgraded IGT's notes to Ba3, corporate family rating to Ba3 and probability of default rating to Ba3-PD with a negative outlook.

The speculative grade liquidity rating remains SGL-3.

- **SCIENTIFIC GAMES.** Adam McLaren of Moody's downgraded SGMS' corporate family rating to B3 and probability of default rating to B3-PD with a negative outlook.

The senior unsecured notes were downgraded to Caa2 and speculative grade liquidity rating was downgraded to SGL-3.

SGMS' senior secured facilities were also affirmed at B1.

EQUITY ANALYSTS: EVRI

- **EVERI.** Brad Boyer of Stifel said he believes EVRI should be on investors' wish lists as the company will be able to withstand zero revenue in the second quarter in the event of a prolonged COVID-19 outbreak.

Additionally, Boyer said he believes EVRI is in the process of securing additional liquidity.

Companies that were good companies prior to COVID-19 will continue to be good companies after the virus has subsided, Jonas said.

Finally, Boyer said that CEO Mike Rumbolz has a strong record of asset and business sales that should not be overlooked.

EVRI could begin to consider potential mergers and acquisitions to boost shareholder value in the event that the share price fails to return to normalized levels after the virus subsides, Jonas said.

There are several buyers outside of gaming that could be interested in buying EVRI's FinTech business if the company decides on a sale, he said.

DOING GOOD: ARENA, CZR, COWLITZ, SAULT, WYNN

- **ARENA RACING.** The UK racecourse operator is offering £5 per dog, per week to greyhound trainers while racing is suspended.

- **CAESARS' Horseshoe Hammond** donated 1,400 N95 masks to local responders and medical staff.

- **COWLITZ TRIBE** will donate \$500,000 to the Community Foundation for Southwest Washington's COVID response fund, The Columbian reported.

- **SAULT TRIBE OF CHIPPEWA INDIANS** is dedicating the tribe's \$5.5 million in contract support cost settlement funds to cover employee wages during the virus outbreak.

- **WYNN RESORTS** has donated more than \$875,000 worth of goods and funds, including 95,000 surgical masks, 1,500 N95 masks and thousands of protective gloves.

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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STAFF/CONTACT US:

Frank Fantini, publisher. FFantini@FantiniResearch.com
Ashley Diem, associate publisher and executive editor. ADiem@FantiniResearch.com
Dee Wild-Shyver, associate editor and VP of Virtual Trade Show. DWild@FantiniResearch.com
Laura Briggs, public policy editor. LBriggs@FantiniResearch.com
Blake Weishaar, editor. BWeishaar@FantiniResearch.com
Hannah Wilmarth, writer. HWilmarth@FantiniResearch.com
Alex Capitle, marketing specialist. ACapitle@FantiniResearch.com
Cindy Konowitz, office manager. CKonowitz@FantiniResearch.com
Dylan Kaplan, writer and project team member. DKaplan@FantiniResearch.com

Subscription inquiries: Subscriptions@FantiniResearch.com

Analyst notes to: Analysts@FantiniResearch.com

News releases to: Editor@FantiniResearch.com