



FANTINI'S GAMING REPORT®

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Special Reporting Service

April 1, 2020

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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.

STATES EXTEND CLOSINGS

As might have been expected, many states are now extending casino closings through April 30, including such major jurisdictions as Nevada, Illinois and Missouri.

Other extensions:

- Arizona, New Mexico and Navajo Nation casinos through the end of April.
- Arkansas through April.
- Iowa. Prairie Flower through April 7.
- Washington. Emerald Queen through April 16 and 12 Tribes casinos through April 30.

MACAU ESTIMATES DOWN

Macau forecasts have been lowered as gaming revenues in March took a dive of 79.7 percent to US\$663.6 million.

Vitaly Umansky of Bernstein expects a decline of at least 27 percent this year due to the recent restrictions on border crossings into Macau.

Estimates could fall farther if the resumption of the individual visa scheme is delayed, he said.

Umansky expects April revenue to plummet 87 to 92 percent.

Steve Wieczynski of Stifel forecasts a 35 to 45 percent drop, with the second quarter to tumble 67 percent, third quarter to follow down 19 percent and fourth quarter to be flattish.

Next year should go up 50 to 60 percent, he said.

Edward Engel of Macquarie expects April to stumble 87 to 94 percent.

Daily visitation to Macau has fallen below 500 since neighboring Guangdong Province implemented travel restrictions last week. That compares to as much as 10,000 in the prior week, he said.

Kenneth Fong of Credit Suisse forecasts April revenue to swoop down 85 percent and visa restrictions to continue until July.

Stephen Grambling of Goldman Sachs expects revenue to fall 38 percent and industry-wide EBITDA to drop 68 percent this year.

ANALYSTS: MACAU LIQUIDITY, BYD, ERI, LVS, MGP, PENN, RRR, SKC

- MACAU casinos do not face an immediate liquidity crunch and Galaxy Entertainment has the resources to go 40 months in a no-revenue environment, Vitaly Umansky of Bernstein calculated.

He also sees the market recovering by year-end if assuming COVID-19 is contained and China's economy doesn't falter, Umansky said.

Meanwhile, dividends are uncertain, he noted.

	Months of cash on hand	Months of total liquidity
Galaxy	40	40
SJM	15	25
Melco, just Macau	8	22
Wynn Macau	17	21

Melco consolidated	11	21
MGM China	6	15
Sands China	6	15
StudioCity	11	12

• **DB ON REGIONALS.** Investors will likely change their focus following the containment of COVID-19 to a blend of enterprise value-to-EBITDA and free cash flow, which will be more relevant in the recovery period, Carlo Santarelli of Deutsche Bank said.

He expects Boyd, pro forma Eldorado Resorts and Red Rock Resorts to outperform following the virus' containment.

Santarelli estimates gaming companies can generate 80 percent of EBITDAR for next year at current forecasts.

His free cash flow yield estimates for next year:

Boyd	14.6 percent
Eldorado	14.1
PENN National	10.4
Red Rock	21.0

• **LAS VEGAS SANDS.** Steve Wieczynski of Stifel reduced his target to \$65 on lower earnings expectations but maintained his buy rating saying LVS is built to withstand the temporary challenges presented by COVID-19.

LVS fits the profile of a safe company, Wieczynski said. It will likely thrive after the virus is contained because of the strong long-term health of Macau and Singapore LVS will still manage to generate \$1.3 billion in free cash flow despite significant EBITDA declines this year and next, he said.

LVS should benefit from Macau's rebound as the company generates 60 percent of EBITDA there and the city will likely see high demand as Chinese gamblers missed out on visiting the city for Chinese New Year, Wieczynski said.

His lowered EBITDA estimates are \$2.468 billion this year, \$4.766 billion next year and \$5.132 billion in 2022 with earnings per share of 75 cents, \$2.98 and \$3.33.

• **MGM GROWTH PROPERTIES.** Felicia Hendrix of Barclays maintained her overweight rating with a \$34 target after MGP said it is in the best position to withstand the effects of the virus.

MGP believes primary tenant MGM will be able to withstand a prolonged shut down with its credit and \$3.9 billion in liquidity.

However, MGM is not likely to exercise the \$1.4 billion operating partnership units until casinos reopen, and additional deals are likely on hold, she said.

Hendrix forecasts EBITDA of \$955 million this year, \$975 million next year and \$994 million in 2022 with adjusted funds from operations per share of \$2.22, \$2.24 and \$2.30.

Barry Jonas of Sun Trust reiterated his buy rating and \$37 target after his conference call with CEO James Stewart and CFO Andy Chien that he said reaffirmed his preference for gaming REITs.

MGP has an extremely strong balance sheet and rent restructuring for MGM seems extremely unlikely, Jonas said.

- SKYCITY. Wade Gardiner of Deutsche Bank lowered his target to NZ\$2.50 on revised forecasts due to casino closings and a slow tourism recovery over two years.

New Zealand could remain closed to international visitors for 12 to 18 months, he said.

Dividends could be resumed in fiscal 2022, though smaller based on lower earnings, Gardiner said.

He forecasts EBITDA of \$166 million this year, \$96.9 million next year and \$260.8 million in 2022.

Gardiner expects earnings per share of 5.6 cents this year, a loss per share of 1.8 cents next year and earnings of 12.1 cents in 2022.

MSG SPHERE HALTED

Construction on the \$1.66 billion, 17,000-seat MSG Sphere arena in Las Vegas was halted for two weeks due to COVID-19.

As a result, the project will no longer be completed by next year.

The project is a joint venture between Madison Square Garden Co. and Las Vegas Sands.

COMPANY UPDATES: MELCO INTL

- MELCO INTERNATIONAL This year will be dominated by the virus crisis, but Melco International is in the best financial and operational health, CEO Lawrence Ho said.

However, the parent company of Melco Resorts faces the risk of gaming and non-gaming tenants failing to pay rent, he said.

The disruptions of the first quarter could continue in the second quarter, he said.

The company began working on Phase 2 of Studio City, which will include 900 hotel rooms, water parks, a cineplex and an exhibition center.

LAYOFFS: CPHC, FLL, SENECA

- Canterbury Park is furloughing 850 employees.
- Full House is laying off 407 employees at Rising Star in Indiana.
- Seneca Nation is laying off employees at its New York casinos.

DOING GOOD: JOCKEY CLUB, TRWH, UK

- THE JOCKEY CLUB donated 1,000 face shields to the New York Racing Association, whose Aqueduct Racetrack is being used as a temporary medical facility.

- TWIN RIVER's Dover Downs in Delaware donated more than \$10,000 in food to the state's food pantries.

- UNITED KINGDOM. iGaming operators participating in the Virtual Grand Nationals will donate proceeds to National Health Service Charities Together.

Donors include GVC, bet365, BetFred, BetVictor, Betway, Flutter, Inspired, JenningsBet, Sky Bet, Tote and William Hill.

RELIEF FUNDS: PENN, SGMS, WMH

Note: Below are employee relief funds that you can contribute to. Companies wanting to list their funds should submit information to Editor@FantiniResearch.com.

- PENN NATIONAL. Contributions can be made at www.pnggaming.com/community.

- SCIENTIFIC GAMES donations for the Hardship Relief Fund for employees can be sent to: Scientific Games, 6601 Bermuda Road, Las Vegas, NV 89119.

- WILLIAM HILL US employee relief fund donations can be sent to William Hill USA Foundation, 6325 S. Rainbow Blvd, Suite 100, Las Vegas, NV 89117.

CONVENTIONS, TRADE SHOWS, CONFERENCES, EXPOS

Shows and conferences have been canceled or postponed, due to the coronavirus outbreak. As new dates become available or for those that transition to webinars, they will be listed in our online calendar at <https://www.fantiniresearch.com/conventions.html>.

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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