



## 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](mailto:Editor@FantiniResearch.com). In addition, you may reach Editor Blake Weishaar at [BWeishaar@FantiniResearch.com](mailto:BWeishaar@FantiniResearch.com) or by phone at +1 302 730 3793.

#### REGULATORS THINKING ABOUT REOPENING

Regulators throughout the US already are thinking about how casinos will reopen and what new rules will have to be in place to both return to normal and to have on the shelf for any future pandemic.

Public Policy Editor Laura Briggs has spoken to regulators in a sampling of states in the first of a two-part series addressing the issue.

Her report was published Monday in Fantini's Public Policy Review. Anyone wanting a copy of the report, and a free trial subscription to the PPR should contact Alex Capitle at [ACapitle@FantiniResearch.com](mailto:ACapitle@FantiniResearch.com).

## MACAU REVENUE ESTIMATES DOWN

Vitaly Umansky of Bernstein expects April gaming revenue to plummet as much as 95 percent after dropping 87 percent in the first five days of the month.

However, revenue could fall close to 100 percent if travel restrictions remain in place, he warned.

Edward Engel of Macquarie expects April to plunge 88 percent.

Mass-market revenue sunk 90 percent and VIP 80 in the first five days of the month.

The final public transportation link between Macau and Hong Kong has been cut as bus service over the Hong Kong-Zhuhai-Macau Bridge has been suspended, Asia Gaming Brief reported.

Ferry service has been suspended since February.

ANALYSTS: 888, AGS, BYD, CHDN, CZR, ERI, EVRI, GLPI, GDEN, GVC, IGT, INSE, LVS, MGM, MGP, MCRI, PENN, PTEC, RRR, SGMS, TRWH, VICI, WYNN

- DB ON iGAMING OPERATORS. Simon Davies of Deutsche Bank adjusted targets on UK-based iGaming companies 888, GVC and Playtech because of COVID-19.

- 888's target was reduced to 153 pence to reflect lower EBITDA from less sports betting and higher marketing costs.

However, he upgraded 888 to a buy rating given its upside of the stock's price of 111 pence at the time of Davies' writing. 888 closed at 124.80 pence Monday.

He expects 888 to reduce its first-half dividend from 9 to 6 pence a share to forego a second-half dividend

888 having no debt is a key advantage in an environment where debt-to-EBITDA is expected to rise for the overall gaming industry, he said.

- GVC. Davies raised his target to 930 pence following a trading update in which the company said it expects £50 million in monthly cost savings.

Savings include £103 million by lopping off the second-half dividend.

He sees no need for GVC to draw on its £550 million revolver as the company limits its cash burn. Davies expects debt-to-EBITDA of 3.2 times at year-end.

- PLAYTECH. Davies lowered his target to 181 pence saying that Italy and China, two of PTEC's top three markets, have been at the heart of the COVID-19 spread and, sports betting has been hit by sporting event cancellations and retail by social distancing measures.

He expects a monthly EBITDA hit of €32 million from the shutdowns of Snaitech, sports betting and live casino. Davies assumes a four-month closure for Snaitech and sports betting and a two-month closure for live casino.

Davies' outlook:

Company	Target	Change	Rating	----- EPS -----		
				2020	2021	2022
888	153 pence	- 22 pence	Buy	\$0.11	\$0.13	NA
GVC	930 pence	+ 30 pence	Buy	50.26	73.63	91.03
Playtech	181 pence	-169 pence	Hold	€0.10	€0.19	€0.24

Company	----- EBITDA (millions) -----		
	2020	2021	2022
888	\$83	\$93	NA
GVC	£653	£813	£907
Playtech	€271	€309	€326

- **INSPIRED.** Todd Eilers of Eilers & Krejcik Gaming dropped his earnings estimates on the assumption that player demand will be lower when casinos and slot routes reopen.

He expects EBITDA of \$33.3 million this year and \$59.8 million next year with losses per share of \$3.04 and \$1.84.

- **JEFFERIES LOWERS TARGETS.** David Katz of Jefferies cut targets on US casino operators however, he expects them to survive the shutdowns, which could last through the end of May, and for the Eldorado-Caesars merger to close June 15.

Debt-to-EBITDA, capital needs and real estate ownership will be the key in differentiating each operator in this challenging environment, he said.

- **Boyd.** Katz expects BYD to have \$98 million in maintenance Cap-Ex and to reduce project spending by \$35 million.

Downtown Las Vegas operations should be impacted by the restrictions on flights from Hawaii, Katz said.

- **Golden Entertainment** is in the unique position of having no debt-to-EBITDA covenants and no spending requirements, Katz said.

There is no imminent risk to the company's high expected debt-to-EBITDA, he added.

- Penn National. Property closures should offset any benefits from the Barstool Sports purchase. Risks include high debt-to-EBITDA and not owning any large property real estate, he said.

Katz's debt-to-EBITDA estimates:

	2020	2021
Boyd	9.2 times	4.6 times
Churchill Downs	5.2	4.0
Caesars	7.7	NA
Eldorado Resorts	7.6	NA
Golden Entertainment	11.6	6.2
Monarch	3.3	0.7
Penn National	8.4	5.7

His outlook:

Company	Target	Change	Rating	-----EPS-----	
				2020	2021
BYD	\$ 12	- \$23	Hold	(\$0.72)	\$1.66
CHDN	\$123	- \$39	Buy	\$2.17	\$4.68
CZR	\$ 7	- \$ 5	Hold	(\$0.78)	NA
ERI	\$ 29	- \$42	Buy	(\$0.61)	NA
GDEN	\$ 15	- \$ 8	Buy	(\$2.28)	nil
MCRI	\$ 38	- \$16	Buy	\$0.86	\$2.83
PENN	\$ 10.50	- \$23.50	Hold	(\$1.85)	\$1.45

Company	-----EBITDA-----	
	2020	2021
BYD	\$486 million	\$852.5 million
CHDN	\$364.1 million	\$514.6 million
CZR	\$1.639 billion	NA
ERI	\$323.6 million	NA
GDEN	\$94.9 million	\$172.5 million
MCRI	\$40.8 million	\$89.9 million
PENN	\$1.074 billion	\$1.570 billion

• MGM GROWTH PROPERTIES doesn't expect MGM Resorts to ask for any rent deferrals or reductions, Robin Farley of UBS quoted management.

MGP has 2.5 years of cash for operations, interest costs and dividends even if the company doesn't collect any more rent, she added.

• SUNTRUST ON BALANCE SHEETS. Barry Jonas of SunTrust said he prefers gaming REITs which have significantly strong balance sheets with stable rent streams.

Boyd Gaming and Red Rock Resorts have the strongest balance sheets among casino operators while MGM has strong cash due to its recent property sales, he said.

IGT and Scientific Games are protected by having lottery and online non-sports betting operations, Jonas said.

Jonas' estimates of how long companies can go without revenues:

#### REITs

VICI Properties	170 months
MGM Growth Properties	85
Gaming and Leisure Prop.	23

#### Casino operators

Las Vegas Sands	55 months
Wynn	40
Red Rock Resorts	27
Eldorado	26
MGM	25
Boyd	14
Caesars	14
Twin River	12
Penn National	8

#### Suppliers

Number of months

IGT	39 months
Scientific Games	14
AGS	8
Everi	7

#### CARES ACT ON GAMING

The direct benefit of the US' \$2 trillion CARES Act will be most felt by gaming companies, Thomas Allen of Morgan Stanley said.

Eldorado and Caesars could benefit the most from the deduction on interest costs as a percentage of last year's EBITDA, saving up to \$77 million.

VICI Properties would also save up to 30 percent in interest costs, he said.

#### COMPANY UPDATES: CZR, GVC

- CAESARS will be able to hit the ground running when its properties reopen, CEO Tony Rodio said in a YouTube video update.

The company had its best two months ever in January and February, he noted.

Video: [https://www.youtube.com/watch?v=4PLHpQv\\_fJk](https://www.youtube.com/watch?v=4PLHpQv_fJk).

- GVC expects to reduce the EBITDA impact from sporting event cancellations and retail closures by £50 million per month with further cost reduction to achieve break-even cash flow.

The company initially expected EBITDA to be impacted by £100 million per month.

GVC is eligible to receive government grants toward employment costs and business rate relief in the UK. Additionally, online sports betting marketing and costs are being lowered to offset EBITDA declines.

GVC withdrew its dividend which was to have been paid on April 23 in an effort to mitigate the effects of the virus.

The company has £500 million in bonds issued and a £550 million undrawn revolver.

GVC also issued a first quarter trading update:

Revenue: + 1 percent

By segment:

Online: +16 percent

European retail: - 3

UK retail: - 19

Full planning and trading update: <https://gvc-plc.com/newsrelease/q1-trading-and-covid-19-planning-update/>.

## LATVIA BANS iGAMING

Latvia banned iGaming as part of the country's bill to bar land-based gambling and lotteries as part of measures to counter COVID-19.

The iGaming ban wasn't clarified when the bill was first implemented.

The ban is in effect until April 14 but could be extended.

iGaming provider Enlabs said it now plans to migrate its Latvian business to a new platform during the suspension and plans to expand iGaming in Belarus.

The development was not expected and could push players towards unregulated operators, CEO George Ustinov said.

## US CLOSINGS: CA, IL, LV, MI, NY

COVID-19 has claimed one unusual closing in Las Vegas – it's colorful, former city Mayor Oscar Goodman.

The Las Vegas Convention and Visitors Authority canceled Goodman's contract as its chief ambassador due to the threat of the virus, the Las Vegas Review-Journal reported.

More conventional closings:

- California. Bear River casino; until further notice.
- Illinois. The National Council of Legislators from Gaming States summer meeting was postponed until September.
- Michigan. Kewadin Casinos; until April 30.
- New York. Oneida Nation casinos.

## INTERNATIONAL CLOSINGS: PHILIPPINES, RUSSIA, SINGAPORE, SOUTH KOREA

- Philippine casinos could be closed until the end of April.
- Russia's casinos are closed indefinitely.
- Singapore. Singapore Pools is suspending lottery draws and totalizator sales.
- South Korea casinos have extended closings until April 20.

## DOING GOOD: DELTA, INSE, RRR, TRWH

• DELTA CORP subsidiary Deltin Group, donated \$67,000 to Goa's Chief Minister Relief Fund.

• INSPIRED. UK iGaming operators raised £2.6 million in profits from the Virtual Grand National to donate to the UK's National Health Service.

• RED ROCK RESORTS contributed \$1 million to Nevada's COVID-19 Emergency Response Fund.

• TWIN RIVER's namesake casino in Lincoln, Rhode Island, will serve as a drive-through site for COVID-19 testing.

## RELIEF FUNDS: PENN, SGMS, WMH

• PENN NATIONAL employee relief funds contributions can be made at [www.pnggaming.com/community](http://www.pnggaming.com/community).

- SCIENTIFIC GAMES launched the Hardship Relief Fund for employees.

- 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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