



## FANTINI'S GAMING REPORT<sup>®</sup>

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### Special Reporting Service

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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.

#### WYNN UPSIZES NOTE SALE

In a sign of investor confidence, Wynn has upsized its offering of 7.75 percent senior notes due 2025 to \$600 million from \$350 million.

The company also provided a financial update saying it is incurring \$3.5 million in costs per day in the US as its casinos remain closed.

The company expects to report first quarter adjusted EBITDA of \$58 million to \$65 million compared to \$484 million last year.

EBITDA would be \$70 million to \$80 million when adding in the provision of wages and benefits to employees.

Revenue should be \$912 million to \$969 million compared to \$1.64 billion last year.

WYNN said it is unsure when virus-preventive measures in Macau will be lifted. They include slot spacing, limiting the number of seats per table and body temperature checks.

The company incurred \$2.5 million in costs per day during Macau's 15-day casino closures in February.

#### SENATOR TO SBA: CHANGE RULES

US Sen. Mike Rounds of South Dakota is urging the federal government to allow gaming companies to take part in the Paycheck Protection Program loans designed to help small businesses keep employees on their payrolls.

Pre-existing SBA rules block companies that get more than one-third of their revenues from gambling to participate.

If unsuccessful, Rounds said he will try to put the change into the next coronavirus bill, South Dakota Public Radio reported.

Such a bill is likely to come soon as President Trump announced he will seek legislation adding another \$250 billion to the original \$350 billion authorization.

#### ANALYSTS: BYD, LVS, MGM, MGP, PENN, SGR, TAH, WYNN

• **BARCLAYS FAIR VALUE ESTIMATES.** Felicia Hendrix of Barclays said that gaming companies are oversold because of investor fears, adding that she would be a buyer of stocks as the downside is limited.

Current stock prices imply that EBITDA will decline 34 to 48 percent next year. However, her calculations, which assume casinos reopen after May and begin a slow ramp up, suggest roughly 13 to 22 percent declines next year, Hendrix said.

She favors Wynn, Las Vegas Sands, MGM, Boyd and Penn National in that order.

Gaming stocks will likely recover quicker than other leisure and hospitality companies because regional and Macau casinos do not have what she called the travel hurdles of airlines and cruise ships or conventions and meetings.

Hendrix' estimates on fair value:

Company	Fair value	Closing price Tuesday
WYNN	\$118	\$60.85
LVS	\$ 57	\$42.70

BYD	\$ 30	\$12.68
MGM	\$ 29	\$13.63
PENN	\$ 21	\$11.03

Her estimates on how long companies can go without revenues:

BYD	January 28, 2021
LVS	June 22, 2021
MGM	March 3, 2021
PENN	December 26, 2020
WYNN	April 6, 2021

- LAS VEGAS SANDS. Carlo Santarelli of Deutsche Bank cut his target to \$50 on lower earnings estimates and higher expected debt.

LVS should rebound more slowly than peers in Macau due to its focus on mass-market, which is expected to recover more slowly than VIP, Santarelli said.

LVS will likely continue to pay its dividend but not buy back shares this year, he said.

Santarelli expects EBITDA of \$1.011 billion this year and \$3.794 billion next year with a loss per share of 72 cents followed by earnings of \$1.77 a share.

- MGM GROWTH PROPERTIES. Carlo Santarelli of Deutsche Bank reduced his target to \$30 on lower earnings estimates and the company's recent draw on its revolver.

However, he reaffirmed his buy rating saying MGM's ability to continue to pay rent is undervalued.

Santarelli expects EBITDA of \$953.4 million this year and \$970.4 million next year with adjusted funds from operations per share of \$2.19 and \$2.31.

- STAR ENTERTAINMENT. David Fabris of Macquarie lowered his target to A\$3.85 on reduced earnings estimates assuming Australian casinos will be closed until July 1.

However, Fabris maintains his outperform rating saying SGR can withstand a nine-month shutdown if necessary and that earnings would then recover.

Net debt-to-EBITDA will likely peak at 8.5 times in the first half of next fiscal year but should fall to 2.5 times by the end of the first half in fiscal 2022, he said.

Star Sydney, Queen's Wharf Brisbane and Gold Coast Tower developments should help SGR grow cash flow starting in the second half next fiscal year, Fabris said.

His reduced EBITDA estimates are \$353.4 million this year, \$362.3 million next year and \$531 million in 2022 with earnings per share of 5.4, 7.7 and 21.1 cents.

- TABCORP. Larry Gandler of Credit Suisse cut his target to A\$3.20 on a lower earnings outlook due to some retail betting and lottery closures.

He expects three months of those closures but assumes some racing and lottery shops will remain open.

He also sees net debt-to-EBITDA to rise to 3.8 times by June 30.

Gandler's EBITDA estimates fall to \$993.2 million this year, \$1.026 billion next year and \$1.049 billion in 2022 with earnings per share of 13.9, 13.5 and 14.4 cents.

## MARCH REVENUES PLUMMET

COVID-19 slammed gaming revenues in Detroit, New York and Ohio in March as casinos were closed half of the month but play also declined heading into the closures.

Detroit fell 59.08 percent with only 16 days of operation. Average daily casino revenue fell 20.72 percent.

Ohio dropped 60.96 percent as casinos closed on the 14<sup>th</sup>. Average daily revenue fell 13.56 percent during the 14 days of operation this year compared to the full month of last year.

New York gaming revenue tumbled 61.51 percent. Casinos and racinos closed March 16. Daily average revenue for the first 16 days was down 25.42 percent compared to the full month last year.

## COMPANY UPDATES: ASIA PIONEER, DNA, ELITE, GOLDEN NUGGET, RRR, RPM, TAH, UK TOTE, WIND CREEK

- ASIA PIONEER ENTERTAINMENT. The Macau-based gaming equipment distributor expects casino closings in the Philippines and Cambodia to hit first-half results.

Those markets are only two of the company's markets of operation.

- DONACO expects to burn US\$800,000 to \$900,000 in cash monthly due to casino closings. The company had \$11.6 million in cash as of March 31.

DNA is reducing staff and implementing mandatory leave for other employees to lower costs.

Star Vegas and Aristo casinos closed April 1.

- ELITE CASINO RESORTS' Grand Falls Casino in Iowa will pay employees through the end of April and has been paying them since closing last month, Keloland Media reported.

The casino has fulfilled payments of \$730,000 total for three pay periods.

- GOLDEN NUGGET Owner Tilman Fertitta is seeking a \$250 million loan to free up cash while casinos are closed, Reuters reported.

The \$250 million would be attached to an existing loan that matures in 2023.

- RED ROCK RESORTS. CEO Frank Fertitta and Vice Chairman Lorenzo Fertitta are forgoing their salaries for the duration of the COVID19 crisis.

- RPM GAMING launched simulated online cricket game CricketSim as a way for sports bettors to find a realistic way to bet during the live sports shutdown.

- TABCORP plans to cut spending by A\$40 million to A\$120 million and is furloughing 700 employees and offering at least one day of leave per week for full-time employees who are not furloughed to cut costs.

The number of technology suppliers has been reduced by 40 percent. CEO David Attenborough has taken a 20 percent salary cut and director fees have been reduced by 10 percent.

The company's online lottery, keno, wagering and media channels continue to operate along with some retail lottery venues.

- UK TOTE will receive horse racing data and streamed races from Happy Valley and Sha Tin racecourses in Hong Kong to replace canceled races in Britain and Ireland.

- WIND CREEK will continue to pay employees at Wind Creek Bethlehem in Pennsylvania through May 31.

US: NM, WA

- NEW MEXICO. Horse tracks are urging Gov. Michelle Grisham to reopen racetracks immediately, the El Paso Times reported.

The owners are asking Grisham to look at other states where racing continues.

Live racing in the state ceased March 15.

- WASHINGTON. Cowlitz, Jamestown S'Klallam, Kalispel, Lummi, Muckleshoot and Yakama casinos have closed indefinitely.

INTERNATIONAL: ICE, PHILIPPINES

- ICE Asia will move online. The now digital event will keep the same dates as the original in-person show of June 8-10.

- PHILIPPINES. Casinos on the main island of Luzon will close until April 30.

## DOING GOOD: MOHEGAN, PECHANGA, TCSJOHNHUXLEY

- MOHEGAN organized a drive-thru food drive and donated 100 cases of gloves and two cases of N95 masks to the state of Connecticut.
- PECHANGA donated 3,000 N95 masks to Riverside County hospitals in California.
- TCSJOHNHUXLEY will donate disposable face shields to National Health Service workers in the UK.

## 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 has established a web address for donations to its employee relief fund: <https://donorbox.org/covid-19-donations-for-impacted-william-hill-us-employees>.

## 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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