



## FANTINI'S GAMING REPORT®

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### Special Reporting Service

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### *Fantini's COVID-19 Gaming Daily*

#### INDEX

MADDOX: REOPEN CASINOS IN MAY  
MACAU REINSTATING TRAVEL?  
PENN GETS DEBT WAIVERS  
RNK CUTS COSTS  
LEGISLATION EXPECTATIONS DOWN  
GOLDMAN SACHS LOWERS OPERATOR TARGETS  
MACQUARIE LOWERS MACAU OPERATOR TARGETS  
MORGAN STANLEY RAISES TSG ESTIMATES  
COMPANIES: ASIA PIONEER, CZR, GLPI, LVS, SOUTH POINT  
TRIBAL: CHEROKEE  
US: OK, US  
INTERNATIONAL: UK  
SOCIAL CASINO TO GROW  
DOING GOOD: MEREULO, SUZOHAPP  
CONVENTIONS, TRADE SHOWS, CONFERENCES, EXPOS

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#### MADDOX: REOPEN CASINOS IN MAY

Wynn Resorts CEO Matt Maddox is urging Nevada Gov. Steve Sisolak to reopen the Las Vegas Strip in May via a 23-page WYNN Health Plan.

However, the reopening would come with strict guidelines including the use of thermal cameras to measure body temperatures, implementing social distancing measures and requiring employees and guests to wear masks.

Those practices would allow the economy to reopen quicker, Maddox said.

Maddox also laid out steps for Las Vegas to take as a whole so that businesses can recover and reopen, including a Governor-appointed task force to focus on COVID-19 testing and data.

“Nevada will likely be one of the hardest-hit states in the nation and will suffer high unemployment; it is imperative to flatten this curve so we can re-emerge in a safe, sustainable way,” he said.

WYNN is spending \$3 million daily on employee costs, or \$180 million for two months. The company is paying all full-time and part-time staff for 60 days through May 15.

WYNN’s plan: <https://www.fantiniresearch.com/images/Wynn-Health-Plan.pdf>.

## MACAU REINSTATING TRAVEL?

Macau Chief Executive Ho Iat Seng is planning to negotiate with Mainland China and Guangdong on reinstating individual travel visas and tour group visas.

Macau will also ask China’s central government to increase the number of cities covered by the individual visa scheme once COVID-19 is controlled nation-wide, he said.

Seng acknowledged the virus in Macau has been controlled as the number of cases in the city has remained at 45 since April 7.

The individual visa scheme could be reinstated as early as May if the number of cases remains at 45 through the end of April, Edward Engel of Macquarie said.

Elsewhere:

- Details on the casino concession renewals in 2022 will not be revealed until next year, Seng said.

The renewals will a focus on developing mass-market and non-gaming facilities and on growing involvement with the adjacent developing non-gaming destination Hengqin Island, Seng said.

The tender process will launch after a review of Macau’s gaming law in the second half this year.

There is no plan to reduce the 35 percent gaming revenue tax, Seng said.

- Revenue fell 97 percent to just US\$3.1 million in the third week of April.

However, Vitaly Umansky of Bernstein sees April closing down 93 to 95 percent but then rise in May and June as travel restrictions loosen.

He continues to expect revenues to decline 37 percent this year then rebound 70 percent next year.

Revenue next year will reach 90 percent of last year's revenue assuming travel restrictions are relaxed, then to 60 percent by 2022, GGRAsia quoted Harry Curtis of Nomura.

Andrew Lee of Jefferies expects April to tumble 92 to 93 percent.

## PENN GETS DEBT WAIVERS

Penn National received waivers on its debt covenants, requiring the company to maintain minimum liquidity of \$400 million through the end of April, \$350 million through the end of May and \$225 million after July.

The company had \$730 million in cash as of March 31 and expects to spend \$83 million per month while casinos are closed.

That implies that casinos could be closed for six months while PENN relies solely on existing liquidity.

PENN added that the launch of the Barstool-branded sportsbook app is still on track for the third quarter.

The suspension of sports seasons should help the Barstool app gain market share once sports reopen, Chad Beynon of Macquarie said.

## RNK CUTS COSTS

Rank Group expects monthly cash costs of £10 million while venues are closed due to COVID-19.

RNK previously estimated its burn rate at £25 million a month.

The company has furloughed 7,000 employees out of 7,600 while executives and non-executive directors are taking 20 percent salary reductions. Those reductions will reduce costs by £8 million per month.

Furloughed employees will receive 80 percent of salary while they are laid off, per the UK's Coronavirus Job Retention Scheme.

RNK will not pay a dividend this year unless the company has visibility on necessary cash flow following the reopening of venues, the company said.

RNK had cash of £166 million as of March 31 with an undrawn revolver of £85 million.

Online operations grew strongly in the fiscal third quarter ended March 31 as retail operations were closed.

RNK has implemented responsible gambling initiatives in response to the higher levels of online play.

Full report: <https://www.londonstockexchange.com/exchange/news/market-news/market-news-detail/RNK/14507611.html>.

#### FIRST QUARTER HIGHLIGHTS:

Revenue: +5 percent

By segment:

Digital: +21 percent

Stride: + 3

Grosvenor: - 5

International: - 12

Mecca: - 17

#### LEGISLATION EXPECTATIONS DOWN

COVID-19's impact on legislative sessions has dampened expectations for the number of states that will legalize sports betting this year, Chris Grove of Eilers & Krejcik Gaming said.

Ohio, Massachusetts and California have long enough sessions that could provide for enough time to resume sports betting discussions, he added.

Colorado's online sports betting will likely be competitive and productive with low license fees, low taxes and little competition from retail sportsbooks, he said.

The 20-page US Sports Betting Policy Monitor for January is available by contacting Alex Capitle at [ACapitle@FantiniResearch.com](mailto:ACapitle@FantiniResearch.com).

#### GOLDMAN SACHS LOWERS OPERATOR TARGETS

Steve Grambling of Goldman Sachs lowered his targets on US casino operators on updated estimates due to COVID-19 effects on the US and Macau.

He thinks Las Vegas Sands, MGM, Red Rock Resorts and Wynn to last through this year without the need for additional fundraising.

Las Vegas' casinos will likely be closed beyond May 1 while Macau's revenue will likely continue to decline in the second quarter as long as travel restrictions are in place, he said.

The focus in Macau will remain investment projects and the likelihood of pent-up demand in the second half, Grambling said.

Wynn will likely focus on recapturing VIP market share in Macau while Las Vegas Sands will have a more visible pathway to recovery having suspended its dividend, Grambling said.

Red Rock Resorts should reopen its casinos earlier than Las Vegas Strip operators as its properties are smaller and serve local customers, he said.

Grambling's calculation on the number of months companies can go with casinos closed:

LVS	36 months
MGM	14
RRR	15
WYNN	13

Grambling's outlook:

Company	Target	Change	Rating	----- EBITDA (in billions) -----		
				2020	2021	2022
LVS	\$63	-\$5	Buy	\$1.946	\$4.295	\$4.575
MGM	\$17	-\$1	Neutral	\$0.927	\$2.451	\$2.749
RRR	\$13	NA	Buy	\$0.236	\$0.432	\$0.488
WYNN	\$95	-\$9	Buy	\$0.528	\$1.602	\$1.760

## MACQUARIE LOWERS MACAU OPERATOR TARGETS

Edward Engel of Macquarie lowered targets and earnings estimates on Macau casino operators.

First quarter industry-wide EBITDA will likely be above break-even though luck-adjusted EBITDA may be negative thanks to low VIP win rates, he said.

Sands China and Galaxy Entertainment's first quarter EBITDA likely held up the best vs. peers due to their shopping mall operations which have 70 percent EBITDA margins, Engel said.

Melco Resorts and Wynn Macau will likely rebound stronger than peers due to strength in VIP and premium mass-market, Engel said.

SJM should benefit well from the opening of Grand Lisboa Palace and its focus on VIP and premium mass-market, he said.

Engel said MGM Macau's focus on core gamblers is underappreciated while MGM Cotai was likely one of Macau's worst-performing properties in the first quarter due to high fixed costs and low market share.

Engel's outlook, figures in Hong Kong dollars unless otherwise noted:

Company	Target	Change	Rating	EPS		
				2020	2021	2022
Galaxy	\$64	NA	Outperform	\$0.80	\$2.92	\$3.52
MLCO	US\$27	NA	Outperform	(\$0.61)	\$1.16	\$1.37
MGM China	\$13	NA	Outperform	(\$0.51)	\$0.65	\$0.85
Sands China	\$37	-\$3	Neutral	\$0.03	\$0.26	\$0.29
SJM	\$10	NA	Outperform	\$0.07	\$0.44	\$0.66
Wynn Macau	\$16	-\$1	Neutral	(\$0.28)	\$0.85	\$0.98

Company	EBITDA (in billions)		
	2020	2021	2022
Galaxy	\$6.486	\$16.536	\$20.072
MLCO	US\$0.750	\$ 1.726	\$ 1.884
MGM China	\$1.610	\$ 6.067	\$ 6.863
Sands China	\$1.319	\$ 3.338	\$ 3.697
SJM	\$1.328	\$ 5.601	\$ 7.061
Wynn Macau	\$2.954	\$ 9.311	\$ 9.972

#### MORGAN STANLEY RAISES TSG ESTIMATES

In the ill wind department, Thomas Allen of Morgan Stanley raised earnings estimates on The Stars Group as casinos remain closed.

His estimates reflect higher online poker and casino revenue.

Allen maintained his \$25 target and equal weight rating due to the pending merger with Flutter.

TSG reported 33 percent average daily revenue growth in the first two weeks of the second quarter, with international revenue up 75 percent.

His EBITDA forecasts are \$1.148 billion this year, \$1.135 billion next year and \$1.230 billion in 2022 with earnings per share of 94 cents, \$1.07 and \$1.47.

#### COMPANIES: ASIA PIONEER, CZR, GLPI, LVS, SOUTH POINT

- ASIA PIONEER expects a 70 percent decline in first quarter revenue to US\$297,000 compared to the same period last year and a loss of \$516,000, which is more than double last year's loss, due to COVID-19.

The virus caused a slowdown in gaming machine orders, especially from major customers such as Macau casino operators, the company said.

Full announcement: <http://www.apemacau.com/wp-content/uploads/2017/05/2020041701264.pdf>.

- CAESARS. The World Series of Poker in Las Vegas was postponed until the fall.
- GAMING AND LEISURE PROPERTIES said it has received 98.6 percent of rent from tenants in April.
- LAS VEGAS SANDS. Sheraton Grand Macau at Sands Cotai Central is being used as a quarantine venue for infected Macau residents until the end of the month, Inside Asian Gaming reported.

- SOUTH POINT is furloughing most employees indefinitely beginning May 3.

Health benefits will be available for employees through July 31.

#### TRIBAL: CHEROKEE

- The Cherokee Nation in Oklahoma is granting optional furloughs to employees after suspending casino operations March 16.

#### US: US

- UNITED STATES. Handle at the five racetracks still operating rose 129 percent to \$154.819 million compared to last year benefiting from the cancellation at other tracks, Horse Racing Nation reported.

Stronach Group's Gulfstream Park in Florida enjoyed a 111 percent leap with handle at \$113.220 million.

Fonner Park's average daily handle skyrocketed 1,320 percent to \$4.043 million so far in April with the same number of race days this year and last. Total handle at the Nebraska racetrack in the first two weeks of the month was \$28.300 million.

Tampa Bay Downs handle rose 79.1 percent to \$46.849 million despite one race day.

Will Rogers in Oklahoma saw an increase in handle of 455.1 percent to \$28.836 million. Oaklawn in Arkansas' handle jumped 74 percent to \$57.910 million.

- UNITED STATES II. Stop Predatory Gambling is sending letters to attorneys general and governors in 45 states to ask for lotteries to be shut down immediately until at least 30 days after federal stimulus checks are received, Fox Business reported.

The move would be aimed at halting draw-based lottery, instant games and video lottery.

Gordon Medenica, director of the Maryland State Lottery and Gaming Control Agency, dismissed the suspension of lotteries, saying it was an excuse for anti-gambling groups to push their agenda.

#### INTERNATIONAL: UK

- UNITED KINGDOM's Horserace Betting Levy Board and the Racing Foundation pledged £22 million in emergency support to the UK horseracing industry amid shutdowns related to the virus.

#### RE-OPENINGS: NEW ZEALAND, SOUTH KOREA

- NEW ZEALAND is mulling reopening essential businesses but SkyCity expects its casinos to remain closed, Asia Gaming Brief reported.

- SOUTH KOREA businesses could return to normal May 6 if COVID-19 remains under control, Asia Gaming Brief quoted Prime Minister Chung Sye-Kyurn.

Korea might also relax social distancing on that date.

On Sunday, Korea had only eight new cases, the fewest number in a 24-hour period since February.

#### SOCIAL CASINO TO GROW

Social casino revenues should grow 5 percent annually to \$6.8 billion by 2023, Adam Krejcik of Eilers and Krejcik Gaming said.

Social casino companies are benefiting from COVID-19 as revenues have surged since land-based gambling closed, he said.

First quarter revenue was estimated to have grown 9.9 percent to \$1.51 billion.

Playtika is estimated to have led market share with 28.1 percent followed by Aristocrat at 11 percent and SciPlay at 7.9 percent.

The 45-page Second Quarter Social Casino Tracker is available from Alex Capitle at [ACapitle@FantiniResearch.com](mailto:ACapitle@FantiniResearch.com).

#### DOING GOOD: MEREULO, SUZOHAPP

- MEREULO GROUP's SAHARA Las Vegas is providing up to 300 meals per day to healthcare workers in Las Vegas.



- SUZOHAPP donated 6,000 surgical masks to MPAC Healthcare in Chicago.

## 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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