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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. In addition, you may reach Editor Blake Weishaar at BWeishaar@FantiniResearch.com or by phone at +1 302 730 3793.

MGM TRADING UPDATE, UPSIZES OFFERING

MGM Resorts said it has had high levels of room and convention cancellations through the third quarter and some re-bookings in the fourth quarter and next year.

The company estimates \$270 million in cash burn per month while casinos are closed. MGM has no debt maturing until 2022.

“Our strong balance sheet, valuable assets and aggressive cost reduction initiatives will enable MGM to fund current obligations for the foreseeable future,” the company said.

MGM also priced an upsized offering of \$750 million in 6.750 percent senior notes due 2025. The company initially proposed \$500 million in notes.

Funds will be used to strengthen liquidity and could be used to invest in short-term interest-bearing accounts or other investments.

The transaction is expected to close May 4.

MGM China amended its credit agreement for a waiver of its maximum debt-to-EBITDA ratio extending through the second quarter next year and a waiver of minimum interest coverage ratio through the second quarter next year.

Full release: <http://d18rn0p25nwr6d.cloudfront.net/CIK-0000789570/1f167a65-efc-4153-a17e-e94d46d00d40.pdf>.

Preliminary First Quarter Highlights:

Revenue: \$2.253 billion vs. \$3.177 billion
Adjusted EBITDAR: \$295.092 million vs. \$747.728 million

By segment:

Las Vegas:	\$267.599 million	vs.	\$403.651 million
Regional:	\$151.720		\$211.797
MGM China:	(\$ 21.990)		\$192.811

Balance sheet: Cash: \$6 billion as of March 31
Debt: \$11.8 billion

PUSH CONTINUES FOR CASINO RELIEF

Congress members from several states are sponsoring legislation to include casino companies in federal relief for small businesses.

Legislators from Alabama, Arizona and Mississippi have signed on to HR 6594, which is being pushed by Nevada's congressional delegation, to allow companies that get more than 50 percent of revenue from gambling to receive loans under the program.

The latest Paycheck Protection Program will give the SBA \$310 billion to lend to companies with 500 or fewer employees.

ANALYSTS: LVS, MGM, MCRI, SANDS CHINA

- LAS VEGAS SANDS. Analysts had mixed reactions for LVS following the company's first quarter earnings.

Carlo Santarelli of Deutsche Bank raised his target to \$54 and reaffirmed his buy rating on raised earnings expectations and an expected recovery in Macau by 2022.

The current stock price of around \$40 is a good buying point based on LVS' strong balance sheet, the expected Macau recovery, financial flexibility after the recovery from COVID-19 and a quick resumption of its dividend, he said.

Saving \$3 billion annually on the dividend should open opportunities to explore initiatives that could drive strong returns on investment, Santarelli added.

His EBITDA estimates are \$1.326 billion this year, \$3.678 billion next year and \$4.211 billion in 2022 with a loss per share of 39 cents for this year and earnings per share of \$1.81 and \$2.36 for the following two years.

Stephen Grambling of Goldman Sachs raised his target to \$64 on a positive outlook on Macau in 2022.

He lowered estimates for Marina Bay Sands based on the casino closure through June and lowered estimates on Las Vegas on an expected longer ramp up period.

Grambling expects Macau to ramp up in the third quarter following the potential re-opening to Chinese citizens.

He expects EBITDA of \$2.115 billion, \$4.3 billion and \$4.801 billion.

David Katz of Jefferies lowered his target to \$61 on downward EBITDA revisions this year and next.

He expects EBITDA of \$2.567 billion and \$4.657 billion and earnings per share of 90 cents and \$2.92.

Other analysts:

Firm/ Analyst	Target	Change	Rating	EPS		
				2020	2021	2022
Barclays Felicia Hendrix	\$73	NA	Overweight	(\$1.79)	\$1.00	\$3.33
Macquarie Chad Beynon	\$60	-\$4	Outperform	\$0.40	\$3.00	\$3.43
Morgan Stanley Thomas Allen	\$49	-\$1	Equal weight	\$0.31	\$2.33	\$2.91
Stifel Steve Wieczynski	\$65	NA	Buy	\$0.27	\$2.92	\$3.26

Firm/ Analyst	EBITDA		
	2020	2021	2022
Barclays Felicia Hendrix	(\$74 million)	\$2.948 billion	\$5.322 billion

Macquarie			
Chad Beynon	\$2.148 billion	\$4.699 billion	\$5.059 billion
Morgan Stanley			
Thomas Allen	\$1.925 billion	\$3.947 billion	\$4.560 billion
Stifel			
Steve Wieczynski	\$2.140 billion	\$4.724 billion	\$5.090 billion

- **MGM RESORTS.** Barry Jonas of SunTrust raised EBITDA estimates on MGM's first quarter pre-announcement and greater cost cutting than expected.

He estimates MGM can cut costs up to 75 percent while casinos are closed.

However, there is still a concern over the long-term demand along the Las Vegas Strip, Jonas said.

His EBITDAR estimates go to \$723.1 million this year, \$2.746 billion next year and \$3.962 billion in 2022 and a loss per share of \$2.90 followed by earnings per share of 70 and 84 cents.

- **MONARCH CASINO.** Chad Beynon of Macquarie lowered his target to \$42 on lower EBITDA estimates through 2022.

Beynon expects debt-to-EBITDA to peak at 4.8 times later this year following the completion of the Black Hawk expansion. That should be the lowest among regional casino operators and fall to over two times by the end of next year, he said.

His lowered EBITDA estimates are \$31.8 million this year, \$89.3 million next year and \$96.1 million in 2022 with earnings per share of 37 cents, \$2.66 and \$2.93.

David Katz of Jefferies lowered estimates for this year to reflect a cautious outlook for the next couple of quarters and a challenging outlook for Reno as a significant fly-in market.

He maintained his \$38 target and reiterates his buy rating, saying MCRI is among his top picks.

Katz's EBITDA estimates are \$19.1 million this year and \$89.9 million next year with a loss per share of 10 cents followed by earnings of \$2.77 a share.

- **SANDS CHINA.** Kenneth Fong of Credit Suisse raised his target to HK\$44 and maintained his outperform rating saying he sees long-term growth intact with property upgrades and the Londoner project.

Those developments should help the company gain market share next year, he said.

Sands remains attractive in terms of both growth and the dividend that yields 6.5 percent, Fong said.

He estimates EBITDA of \$1.175 billion this year and \$3.416 billion next year with earnings per share of 2 and 29 cents.

COMPANIES: AESE, GENTING MALAY, RUFFIN, SKC, VEIKKAUS

- ALLIED ESPORTS says viewership, registration, participation and engagement has increased for World Poker Tour and Allied eSports operations due to COVID-19.

AESE has been hosting more online tournaments, the first of which saw a 30 percent increase in participation.

The number of Club World Poker Tour players has risen 148 percent from last year and revenue is up 33 percent.

- GENTING MALAYSIA. Revenue might not return to last year's levels until 2022, GGRAsia quoted Nomura analyst Tushar Mohata.

Nomura forecasts this year's revenue at just under US\$1 billion, next year at \$1.95 billion and 2022 revenue to be around 98 percent of last year's \$2.38 billion.

Business at Resorts World Genting in Malaysia should rebound quickly from pent-up demand as 70 percent of its customers are local, Mohata said.

International business will be hit especially in COVID-19 stricken New York and UK, Mohata said.

- RUFFIN ACQUISITION. Treasure Island in Las Vegas will reopen May 15, the casino's website says.

However, Nevada Gov. Steve Sisolak recently said that casinos will likely remain closed for an undetermined amount of time.

- SKYCITY. Construction on SkyCity's US\$900 million Auckland convention center will resume Tuesday.

Demolition on the fire-damaged upper floors and roof began in January, but work was suspended at the end of March due to COVID-19.

SKC changed its target completion date to December 2023 before the shutdown.

- VEIKKAUS. Revenues of Finland's gambling monopoly have dropped almost 41 percent to €95 million since venues were shut down March 13. The average daily revenue is now €20 million from €30 million.

US: NV

- NEVADA. Las Vegas Mayor Carolyn Goodman's call to reopen the city is an outrageous experiment that it doesn't want its members to be part of, the Culinary Union says.

"Workers will be the reason we get through this pandemic and workers have to be protected," the Culinary Union said. "We demand it."

The union's statement: <https://www.culinaryunion226.org/news/press/statement-regarding-mayor-of-las-vegas-comments-2020-04-22>.

INTERNATIONAL: FRANCE, MACAU, SWEDEN

- FRANCE. Horse racing may resume May 11 under strict conditions such as limiting the number of spectators.

Horses must have been trained in France and jockeys with a license from another country may not participate at least until the end of May.

Since bars and restaurants could stay closed into the summer, the retail network may only partially resume.

Racing was suspended March 17.

- MACAU International Airport's first quarter passenger volume dropped 50 percent and cargo fell 25 percent, GGRAsia reported.

The number of passengers in the first two months totaled 331,710, of which 68 percent were from Mainland China.

- SWEDEN will enforce new iGaming rules starting June 1 and add more through the end of the year to protect players during heightened gambling during the virus outbreak.

Customers will be limited to depositing \$495 weekly and they must set limits on playing time. Operator bonuses will be limited to about \$10.

CLOSURES

- ARGENTINA. The SAGSE Gaming Expo in Buenos Aires has been postponed until next March.

- HAVASU CASINO, owned by the Chemehuevi Indians at Lake Havasu, Arizona will remain closed until further notice instead of reopening in early May.

FANTINI'S VIRTUAL TRADE SHOW

See products, demos, and news from exhibitors at www.FantinisGamingShow.com.

As COVID-19 has caused the cancellation of many trade shows, now is the time to turn to a virtual show to display and advertise all your product lines and news events too.

To exhibit your company, contact Dee Wild-Shyver at DWild@FantiniResearch.com.

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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