



## FANTINI'S GAMING REPORT®

*More Important Than Your Morning Coffee...  
... And Now More Important Than Ever™*

### Special Reporting Service

April 19, 2020

Frank Fantini – *Publisher*

Ashley Diem – *Associate Publisher and Executive Editor*

Blake Weishaar – *Editor*

### *Fantini's COVID-19 Gaming Daily – Weekend Update*

#### INDEX

LVS RISES ON DIVIDEND CUT

NEVADA PUSHES FOR CASINO RELIEF

APP DOWNLOADS RISE

SUNTRUST CHANGES RATINGS AND TARGETS

FINANCIAL EFFECTS: FLTR, FLL, MOHEGAN, TSG, TBIRD, UNIVERSAL

COMPANIES: HARRAH'S, PEARL RIVER, SUN INTL, TESQUE

US: CA, LV, ME, NV, NC, NM, NY, US

INTERNATIONAL: AUSTRALIA, CHINA, JAPAN, MACAU, PERU, S KOREA

DOING GOOD: HARD ROCK, SNOQUALMIE

CONVENTIONS, TRADE SHOWS, CONFERENCES, EXPOS

**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.

#### LVS RISES ON DIVIDEND CUT

Las Vegas Sands stock rose \$1.11 to \$47.01 a share Friday as investors rallied behind what they normally flee from – elimination of a dividend.

That is because LVS will save around \$2.4 billion annually as it works to maintain a strong balance sheet while operations are slammed by COVID-19.

“I am known for the phrase, ‘yay dividends!’, and I assure you that it is still my mantra. But a strong balance sheet is also a vital and necessary component to realizing stockholder value in the decades ahead,” CEO Sheldon Adelson said.

“I see many strategic opportunities for our company precisely because of our financial strength. It is because of this optimism that we are suspending the dividend so

that we have maximum optionality in pursuing our strategic vision and in producing future returns,” he added.

Spending in Macau and Singapore expansions will continue.

The suspension should protect the balance sheet, with debt-to-EBITDA expected to now be two to 2.5 times by the end of next year vs. prior expectations of 3.5 times, Carlo Santarelli of Deutsche Bank said. It was 1.5 times before the virus outbreak.

The decision supports the long-term value of LVS shares while the company is among the most durable stocks to own across the virus crisis, David Katz of Jefferies said.

LVS’ quarterly dividend was 79 cents a share, which provided a nearly 8 percent yield.

## NEVADA PUSHES FOR CASINO RELIEF

More casino operators would be eligible for payroll relief loans under federal legislation introduced by Nevada’s congressional delegation.

The bill would expand access for smaller casino operators to the Small Business Administration’s Payroll Protection Program, which provides loans to help retain employees during closure, the Las Vegas Review-Journal reported.

The program was already expanded to allow participation by companies that get no more than 50 percent of their revenues from gambling, up from 30 percent.

Nevada Sen. Catherine Cortez Masto called the change arrogant and said 267 small businesses in Nevada are still excluded.

The goal is to get the bill included in the next federal funding relief package, Rep. Dina Titus said.

House Speaker Nancy Pelosi reportedly supports the plan and there is bipartisan support for funneling an additional \$250 million into the program, which ran out of its initial funds.

## APP DOWNLOADS RISE

New Jersey online casino app downloads rose 72 percent in the week following casino shutdowns, according to Chris Grove of Eilers & Krejcik Gaming.

Poker app downloads were up 181 percent in that same time period.

He expects online casino and poker revenue in New Jersey and Pennsylvania to grow 15 to 30 percent in April vs. March.

Online sports betting revenue is estimated to fall 40 to 50 percent in most states in the same time period, Grove said.

The Sports & Emerging Verticals COVID Companion is available from Alex Capitle at [ACapitle@FantiniResearch.com](mailto:ACapitle@FantiniResearch.com).

## SUNTRUST CHANGES RATINGS AND TARGETS

Analysts from SunTrust upgraded ratings and lowered targets on US gaming stocks on outlooks reflecting the impact of COVID-19.

Barry Jonas upgraded Twin River to buy as the company's regional exposure and cost-focused operations should fare favorably during the recovery from the virus, he said.

He also upgraded Caesars to buy as he expects CZR's merger with Eldorado Resorts should close in the next few months.

Jonas lowered targets for gaming operators on the continued uncertainty in the US in terms of re-openings and recovery, with lowered EBITDAR estimates of 80 percent this year and 30 percent next year, on average.

Prices will be tied more to casinos reopening and recovery expectations going forward. Regional casinos will recover quicker than those on the Las Vegas Strip, Jonas said.

Social distancing measures will impact gaming revenue the most through a reduction of gaming positions at casinos. Table games on the Strip will be hurt more by those measures as table games make up 40 percent of the Strip's total revenue while making up only 20 percent of regional gaming revenue, he said.

Jonas' outlook:

Company	Target	Change	Rating	----- EPS -----	
				2020	2021
Boyd	\$18	-\$22	Buy	(\$ 2.78)	\$0.25
Eldorado Resorts	\$34	-\$36	Buy	(\$11.97)	(\$2.06)
Penn National	\$19	-\$23	Buy	(\$ 3.61)	(\$0.32)
Red Rock Resorts	\$14	-\$17	Buy	(\$ 1.97)	(\$0.56)
Caesars	\$10	-\$2.75	Buy	(\$ 2.37)	(\$0.93)
MGM	\$15	-\$19	Hold	(\$ 3.72)	(\$0.97)
Twin River	\$16	-\$15	Buy	(\$ 1.32)	\$1.14

Company	----- EBITDAR -----	
	2020	2021
Boyd	\$217.7 million	\$687.2 million
Eldorado Resorts	\$716.1 million	\$2.721 billion
Penn National	\$489.8 million	\$1.341 billion

Red Rock Resorts	\$127.9 million	\$354.2 million
Caesars	\$489.2 million	\$1.795 billion
MGM	\$282.1 million	\$2.358 billion
Twin River	\$ 37.1 million	\$146.5 million

Matthew Thornton upgraded SciPlay to buy and raised his target to \$11 on benefits stemming from the virus quarantine.

SCPL could continue to benefit as land-based gamblers stick to mobile social gaming while exercising caution on returning to brick-and-mortar casinos, he said.

The company has a clean balance sheet with no debt and healthy free cash flow of \$130 million, he added.

Thornton expects EBITDA of \$147.1 million this year and \$156.6 million next year with earnings per share of \$1.04 and \$1.11.

#### FINANCIAL EFFECTS: FLTR, FLL, MOHEGAN, TSG, TBIRD, UNIVERSAL

- FLUTTER's revenue is down across the board from March 16, when sporting events began suspending seasons, to April 12. Paddy Power Betfair online is down 32 percent, Australia 7 percent and US is down 8 percent.

Retail operations in Ireland and the UK were also suspended March 16.

Revenue has been more resilient than initially expected due to the continuation of horse racing in Australia and the US, CEO Peter Jackson said.

FLTR's revenue increased 16 percent in the first quarter despite disruptions from the virus, with growth across all brands and benefiting from favorable sporting results prior to the shutdowns, he said.

Full report: <https://www.londonstockexchange.com/exchange/news/market-news/market-news-detail/FLTR/14505674.html>.

#### FIRST QUARTER HIGHLIGHTS:

Revenue: £547 million      +16 percent

By segment:

PPB Online:	£247 million	+9 percent
US:	£120	+51
Australia:	£109	+21
PPB Retail:	£ 71	- 8

Balance sheet: Net debt: £240 million as of March 31

- FULL HOUSE RESORTS says it has \$21.4 million in cash and is spending \$3 million a month while casinos are closed.

FLL has reduced costs by cutting staff to 30 from 1,600 and halting construction of the Bronco Billy's expansion in Colorado.

One-third of management's salaries have been deferred until at least four casinos, including Silver Slipper reopen.

Aside from COVID-19, FLL said its revenues will diversify with the opening of sports betting in Indiana and Colorado. Additionally, director Ellis Landau has decided to retire.

- MOHEGAN GAMING deferred paying \$19.7 million in interest on its 7.875 percent senior notes due 2024 in order to preserve cash.

Mohegan has a 30-day grace period to make the payments.

- THE STARS GROUP says strong first quarter revenue continues into the second quarter, with average daily revenue in the first two weeks up 33 percent vs. the first quarter.

International revenue jumped 75 percent for that same period while the UK was up 30 percent and Australia racing revenues are offsetting sports revenue losses.

TSG estimates that each month horse and dog racing and major sporting events remain suspended will reduce operating income by £10 million to £15 million monthly in the UK and by up to A\$10 million per month in Australia.

The company expects to report revenue growth of 27 percent to a record \$735 million in the first quarter, with strong momentum continuing into April on strong poker and iGaming revenue.

Those trends, TSG's diverse business and strong balance sheet should help the company navigate COVID-19 challenges, CEO Rafi Ashkenazi said.

Full report: <https://www.prnewswire.com/news-releases/the-stars-group-provides-first-quarter-and-general-business-update-301042595.html>.

#### FIRST QUARTER EXPECTATIONS:

Adjusted diluted earnings per share: 62 cents to 65 cents

Diluted earnings per share: (27 cents) to (23 cents)

Revenue: \$735 million

Adjusted EBITDA: \$140 million to \$149 million

Diluted shares: 292 million

Balance sheet: Cash: \$285 million as of March 31

- THUNDERBIRD RESORTS announced it will not be able to file its year-end annual report by the April 30 deadline but estimates June 30 instead, due to the stay-at-home orders.

TBIRD also postponed its annual meeting from May 22. A new date is yet to be determined.

- UNIVERSAL ENTERTAINMENT's Okada Manila could reduce spending if gaming operations in the Philippines are suspended beyond June according to analysts from Union Gaming, GGRAsia reported.

The firm estimates cash costs of \$15 million per month during the shutdown and \$200 million in cash as of December 2019, which could last more than a year.

#### COMPANIES: HARRAH'S, PEARL RIVER, SUN INTL, TESQUE

- HARRAH'S Northern California has extended pay and benefits to its employees from April 15 to the 30<sup>th</sup>.

- PEARL RIVER RESORT in Mississippi furloughed its employees on Saturday.

- SUN INTERNATIONAL has permanently closed Carousel and Naledi casinos in South Africa.

Both casinos had lost money for several years, Sun said.

- TESQUE CASINO in New Mexico furloughed its employees indefinitely.

#### US: CA, LV, ME, NV, NC, NM, NY, US

- LAS VEGAS. A worker on the Circa casino construction site in downtown has tested positive for COVID-19 and is being quarantined, KVVU-TV reported.

- MAINE. Lottery sales have dropped by \$1 million since January, News Center Maine reported.

Five percent of lottery retailers have closed and fewer people are leaving their homes with the state's stay-at-home order.

Scientific Games is the state's primary lottery contractor.

- NEVADA Gov. Steve Sisolak said that he will soon provide criteria on changes and the pace of reopening businesses, AP reported.

I'm putting the lives of my fellow Nevadans ahead of dollars, he said.

- **NEW MEXICO.** Horse owners are pushing to lift the ban on live racing, but with strict protocols such as not allowing spectators, AP reported.

Restarting racing by May could help the state recover from some economic pains from the virus, New Mexico Horsemen's Association Executive Director Richard Erhard said.

Horse racing was halted in March.

- **NEW YORK.** The 51-day spring-summer meet at Belmont Park will not start next Friday as scheduled.

No date has been announced for opening and the Belmont stakes are still scheduled for June 6.

- **NORTH CAROLINA.** Fewer people have spent money on state lottery tickets in March, the Raleigh News and Observer reported.

The lottery reduced marketing to prevent people from making unnecessary trips to the store for tickets.

Officials expect sales to be reduced by \$131.4 million for the fiscal year ending in June.

Scientific Games is the state's primary lottery contractor.

- **UNITED STATES.** Thirty-three percent of Americans are canceling trips in the US while 56 percent have postponed travel plans, according to a Morgan Stanley survey.

In the prior survey two weeks ago, 34 percent canceled trips.

**INTERNATIONAL: AUSTRALIA, CHINA, JAPAN, MACAU, PERU, SOUTH KOREA**

- **AUSTRALIA's** Capital Territory government is offering to buy slots from restaurants and clubs for A\$15,000 as long as proceeds go towards retaining and supporting staff during COVID-19, G3Newswire reported.

The proposal is capped at 250 machines. The government will also waive gaming machine tax liabilities for the first quarter.

- **CHINA.** Macau's biggest feeder market has declined.

China's economy shrank 6.8 percent in the first quarter, the first contraction since 1976. Average income fell 3.9 percent.

The economy is expected to grow 1.2 percent this year compared to 6.1 percent growth last year.

- **JAPAN.** Nagasaki and Wakayama are maintaining their schedules for selecting preferred casino developers.

Nagasaki will accept applications from next January to July.

Wakayama's request-for-proposal deadline remains August with selection in mid-November, GGRAsia reported.

- MACAU. G2E Asia will be postponed once again to December 1. The event had been initially postponed from this spring to July.

- PERU tourism will reopen in stages starting July 15 and casinos will open in the final stage in August, Minister of National Production Rocio Ingrid Barrios Alvarado said.

- SOUTH KOREA. Kangwon Land will extend its casino closure to May 4 in line with other Korean casino operators Paradise Co and Grand Korean Leisure.

#### DOING GOOD: HARD ROCK, SNOQUALMIE

- HARD ROCK INTERNATIONAL and Seminole Gaming donated 350,000 bars of soap to global health organization Clean the World.

- SNOQUALMIE Casino in Washington State has donated 4,000 meals to not-for-profits to be distributed to those in need.

#### 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.*

#### **SUBSCRIBER RIGHTS AND CONDITIONS:**

*Copyright®: Fantini's Gaming Report® and Fantini Research are divisions of Morning Report Research, Inc. All rights reserved. Our reports and content are protected by copyright and we reserve all rights except for as granted in this paragraph, and subject to the conditions stated below. We grant each subscriber and secondary recipient the right to receive, read, and utilize the reports and report contents for their individual use only. Your Subscriber Rights and Conditions give subscribers and secondary recipients the right to receive, read, and utilize the copyrighted reports and report contents for their individual use only. This right of individual use does not authorize providing whole or partial copies to others (even in your company) in any way, such as forwarding, posting, printing, file sharing, scanning, making photocopies, circulating, selling,*

*publishing or otherwise. The right does not authorize any use by a person before he or she becomes a subscriber or secondary recipient. Any other right must be granted in writing by Morning Report Research, Inc. You agree to inform paid subscribers and recipients of the conditions on their use, and you authorize us, in our discretion, to employ tracking services to check their compliance. Unauthorized copying or distribution violates copyright law and may carry serious consequences.*

## **SUBSCRIPTIONS:**

*Subscriptions to Fantini's Gaming Report are available for \$7,099 a year for the Full Service Suite, \$1,999 for the Enhanced Service, and \$1,099 for the Basic level. Subscriptions are limited to one primary subscriber who may, with permission, add a secondary recipient at the same company and URL at no additional charge, with Morning Report Research, Inc. first giving you written permission to do so. Affordable multi-user licenses are available and can be customized for any number of designated recipients. See Subscriber Rights and Conditions above. For additional information, call +1-302-730-3793. Subscriptions can be ordered by phone or online at <http://www.FantiniResearch.com>. Credit card payments and bank transfers are available or send payment to Morning Report Research, Inc., P.O. Box 1676, Dover, DE, USA 19903-1676.*

T041220/ds

## **STAFF/CONTACT US:**

Frank Fantini, publisher. [FFantini@FantiniResearch.com](mailto:FFantini@FantiniResearch.com)

Ashley Diem, associate publisher and executive editor. [ADiem@FantiniResearch.com](mailto:ADiem@FantiniResearch.com)

Dee Wild-Shyver, associate editor and VP of Virtual Trade Show. [DWild@FantiniResearch.com](mailto:DWild@FantiniResearch.com)

Laura Briggs, public policy editor. [LBriggs@FantiniResearch.com](mailto:LBriggs@FantiniResearch.com)

Blake Weishaar, editor. [BWeishaar@FantiniResearch.com](mailto:BWeishaar@FantiniResearch.com)

Hannah Wilmarth, writer. [HWilmarth@FantiniResearch.com](mailto:HWilmarth@FantiniResearch.com)

Dylan Kaplan, writer and project team member. [DKaplan@FantiniResearch.com](mailto:DKaplan@FantiniResearch.com)

Alex Capitle, marketing specialist. [ACapitle@FantiniResearch.com](mailto:ACapitle@FantiniResearch.com)

Cindy Konowitz, office manager. [CKonowitz@FantiniResearch.com](mailto:CKonowitz@FantiniResearch.com)

Subscription inquiries: [Subscriptions@FantiniResearch.com](mailto:Subscriptions@FantiniResearch.com)

Analyst notes: [Analysts@FantiniResearch.com](mailto:Analysts@FantiniResearch.com)

News releases: [Editor@FantiniResearch.com](mailto:Editor@FantiniResearch.com)