

Gaming

Year Ahead 2024: Could the micro top the macro?

Price Objective Change

Investment Outlook: From Macro to Micro

We head into 2024 with 5 Buy, 4 Neutral, and 3 Underperform ratings. Typically, we focus on macro supply and demand trends in our Year Ahead (which we revisit here too), but after the COVID whipsaw, 2024 is shaping up for lackluster fundamentals. As such, we think “stock-specific stories” could really dominate investor sentiment.

Micro: Stock stories could dominate in 2024

We see a variety of event-driven stories, catalysts and narratives in Gaming for 2024:

MGM could seek resolution for BetMGM and Entain (CEO stepped down, activist on board). **PENN** has ESPN Bet and also an activist (HG Vora owns 18.5%). **CZR** could see a step function in deleveraging via the \$2B sale of Centaur assets to **VICI**. **RRR** will be focused on [Durango \(see report\)](#). **LVS** and **WYNN** are China stocks, but screen interesting on a deep-value, non-China basis. **DKNB** will turn EBITDA and free cash positive, but faces competition (PENN, MGM) and a new US listing from Flutter.

Macro/valuation: Soft landing winner or already priced in?

Gaming stocks are back to trading in-line with both midcycle and long-term average levels [after dislocation cited back in November \(see report\)](#). However, a soft landing and Fed pivot should still be good for Gaming. Free cash flow yields are high (11% domestic, 9% overall) and attractive if rates have peaked. Gaming OpCos are esp. sensitive with a 1x move in EV/EBITDAR = ~50% to stock prices for CZR, PENN and MGM. Macau is the most attractive vs. long-term average but visibility is the lowest, the Fed narrative applies less and our [read of the macro still leans cautious \(see report\)](#).

Fundamentals: Earnings growth harder to come by

The last 3 years have been all about COVID recovery, but 2024 should return to the laws of supply and demand, which aren't that exciting. +20% GGR growth in Macau (but just +4% from 4Q23), +2% in Las Vegas and +1% in regional gaming in 2024. By Subsector:

Las Vegas: May have the best top-line growth in 2024, as our demand checks remain strong. Group, events (Super Bowl) and international (esp. baccarat) should help the high-end properties, but there is some sign of demand fatigue in core gaming at the low end.

Macau: Will likely be the most volatile in 2024 and is the hardest to underwrite. While upside expectations are coming down, we think Macau optimists still outweigh pessimists. A China re-acceleration would be hugely positive at current valuations, but we think slowdown and hard landing risks are being overlooked.

Regionals: Lackluster is the name of the game with low single digit demand growth, a handful of new supply challenges (Illinois, Nebraska, Virginia) and some competitive flare ups. Margins have been finely tuned and likely have more downside risk than upside risk.

Online: We expect +18% online GGR growth in 2024 but performance could be back-half loaded as full valuations, share shifts and promo fears in 1H (BetMGM, ESPNBet, Fanatics) give way to more profitable business models and leverage on fixed costs in 2H.

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Exhibit 1: PO & Estimate Change Table

We raise our Macau POs on higher 2024 estimates, and tweak our estimates to reflect recent trends

	New	Prior
	PO Changes	
MGM	\$50	\$45
LVS	\$55	\$52
WYNN	\$105	\$95
	2023 EBITDA	
BYD	\$1,378	\$1,373
VICI	\$2,922	\$2,922
MGM	\$4,870	\$4,939
LVS	\$3,859	\$3,843
WYNN	\$1,975	\$1,955
PENN	\$1,891	\$1,892
CZR	\$3,928	\$3,970

Source: BofA Global Research

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Key Terms

GGR: Gross Gaming Revenue**RevPAR:** Revenue per available room**ADR:** Average daily rate**OSB:** Online Sports Betting**Handle:** Amount wagered by customers**Hold:** % operators retain from wagers

Key Research

Thematic:

[Pre-Year Ahead: Themes and outlook for 2024](#)

[Valuation update: Double digit cash flow yields now on sale at your local casino](#)

[DraftKings \(DKNG\): Investor Day: Down the fairway as profitability reigns](#)

Ratings Changes / Initiations:

[Penn Entertainment \(PENN\): ESPN Bet takes off: Upgrading to Buy](#)

[DraftKings \(DKNG\): Upgrading to Buy: It's time for the King to take the throne](#)

[First take: ESPN deal with PENN: from the Moon to the Mouse](#)

Data and High Frequency:

[Gaming: Nov. Macau: tracking below; Oct. Las Vegas: Baccarat drives growth \(again\)](#)

[December Macau Macro Activity Tracker: Slight improvement](#)

[October Sports Betting/Gaming: Sports betting growth accelerates](#)

[October Card Spending and LV Room Survey: Lodging and airlines lag](#)

Micro: Stock stories could dominate in 2024

Typically, we focus on macro supply and demand trends in our Year Ahead (which we revisit here too starting on page 6), but after the COVID whipsaw, 2024 is shaping up for fairly lackluster growth and fundamentals. As such, we think stock-specific stories could really dominate investor sentiment. We see a variety of event-driven stories, catalysts and narratives in Gaming for 2024.

MGM Resorts (MGM): could seek resolution of BetMGM joint venture

MGM could seek resolution for its 50% owned stake in BetMGM with Entain in 2024. Recall, Entain (ticker ENT LN) had its CEO step down and an activist join the Board in January. We think one scenario (of many) is MGM looks to buy a stake in the remainder of BetMGM (e.g. 10%), which would trigger consolidation, with a path to full control down the line. Additionally, MGM could agree to a (likely temporary) licensing fee for Entain's technology (Exhibit 3).

We outline potential valuation scenarios here in Exhibits 2 and 3, but would see an initial check size of a billion dollars as reasonable. Financially, a deal would likely be dilutive, but strategically important as 1) gives MGM control of their digital destiny, 2) improves future growth and free cash flow conversion, and 3) could increase execution certainty at BetMGM.

Exhibit 2: BetMGM Illustrative Valuation Scenarios

We value BetMGM at ~\$7B in our base case scenario with a 50% stake worth up to \$4.5B including a 25% change of control (COC) premium

	Low	Base	High
BetMGM NGR	\$2,000	\$2,500	\$3,000
Stabilized Margins	20%	23%	25%
EBITDA	400	563	750
EBITDA Multiple	10.0x	12.5x	15.0x
Implied Rev. Multiple	2.0x	2.8x	3.8x
BetMGM Valuation	4,000	7,031	11,250
50% Stake	\$2,000	\$3,516	\$5,625
10% Stake	400	703	1,125
COC Premium?	20%	25%	30%
50% w. Premium	\$2,400	\$4,395	\$7,313
10% w. Premium	480	879	1,463

Source: Company filings, BofA Global Research

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Exhibit 3: BetMGM Licensing Fee and NPV Scenarios

A licensing deal for Entain's technology would depend highly on terms but could imply up to \$200M of annual consideration at market terms. However, this is circular and impacts value as it weighs further on BetMGM profitability

	Low	Base	High
Licensing Fee % NGR	5.0%	8.0%	10.0%
Annual Fee	\$100	\$200	\$300
3 Yr. Fee NPV	274	547	821
Discount Rate	10%	10%	10%
MGM NPV (50%+Fee)	\$2,274	\$4,063	\$6,446
MGM 5 Yr. NPV (50%+Fee)	1,667	2,997	4,740
MGM Yr. 1 Deal Price (10%)	500	903	1,425
Implied Total Deal Mult.	11.4x	14.4x	17.2x

Source: Company filings, BofA Global Research

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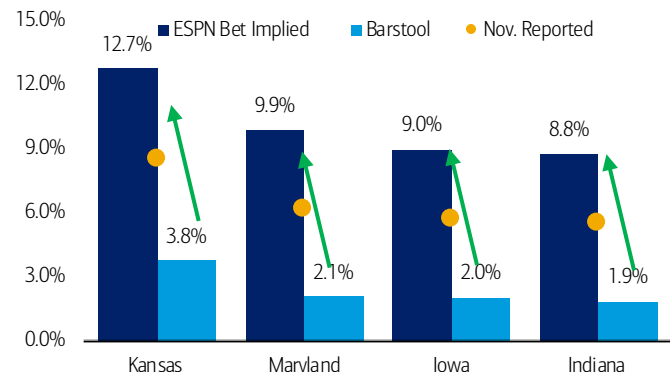
Penn Entertainment (PENN): Ramps up ESPN Bet and contends with activist

PENN is ramping up its recent November launch of ESPN Bet and also (like Entain) has an activist shareholder in HG Vora, that now owns/controls a material 18.5% interest. Recall, [we upgraded shares of PENN \(see report\)](#) back in December on better than expected initial cut-through of the ESPN Bet app. Initial state market share figures are

encouraging (trending to 9-10% - Exhibit 4), but what makes online gaming work is *retention* and this remains a big proving ground for PENN in 2024. We see the primary catalyst as better integration of ESPN Bet directly into ESPN's app with the launch of BetMode by Super Bowl this year, but also look for further product improvement and a more visible marketing campaign in 1H24.

Exhibit 4: ESPN Bet Share

PENN's run-rate share jumped HSD following the launch of ESPN Bet



Source: State Gaming Control Boards

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Exhibit 5: Sports Value Per Share

We think ESPN Bet is worth \$7-16 of value per share

	Downside	Base	Upside
Market Size (TAM)	\$24,358	\$24,358	\$24,358
OSB Market Share (ESPN)	5.0%	6.5%	8.0%
iGaming Market Share	1.5%	2.0%	2.5%
Gross Gaming Revenue	924	1,205	1,487
Promo %	27.5%	26.3%	25.0%
Net Gaming Revenue	670	889	1,115
% of DKNG Multiple	50.0%	50.0%	50.0%
Enterprise/Equity Value	\$1,107	\$1,469	\$1,843
Sports/Share (Revs)	\$7	\$10	\$12
EBITDA Margin	17.5%	17.5%	17.5%
EBITDA Potential	117	156	195
Multiple	7.0x	9.5x	12.0x
Sports/Share (EBITDA)	\$6	\$10	\$16
Sports Value (Average)	\$7	\$10	\$14

Source: Bloomberg, BofA Global Research

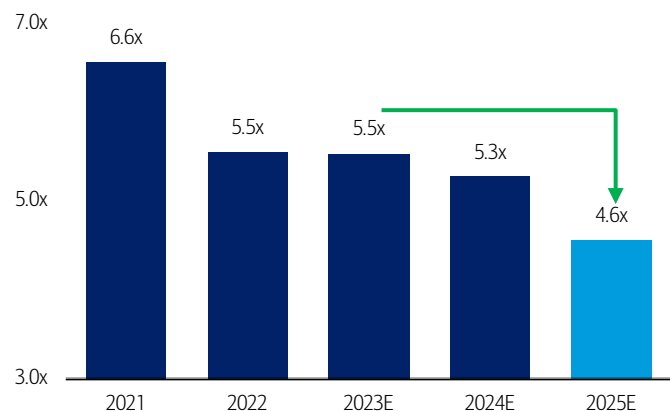
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Caesars Entertainment (CZR): Deleveraging via asset sale of Centaur

CZR remains one of the higher risk-reward equities in our coverage, and underperformed the risk-on rally to end the year. In 2024, CZR could see a step function catalyst in the anticipated sale of Centaur to VICI Properties (ticker VICI). We expect this sale to raise nearly \$2B in net proceeds that should reduce traditional and lease adjusted leverage below 5x and close to their targeted range. Coupled with accelerating free cash flow as identified project capital plans (New Orleans, Danville) come to an end, CZR could be worth watching as leverage risks fade.

Exhibit 6: CZR Net Debt to EBITDA

From 2023 to 2025 we expect CZR to deleverage to 4.6x net debt to EBITDA, driven primarily of the expected Centaur sale to VICI

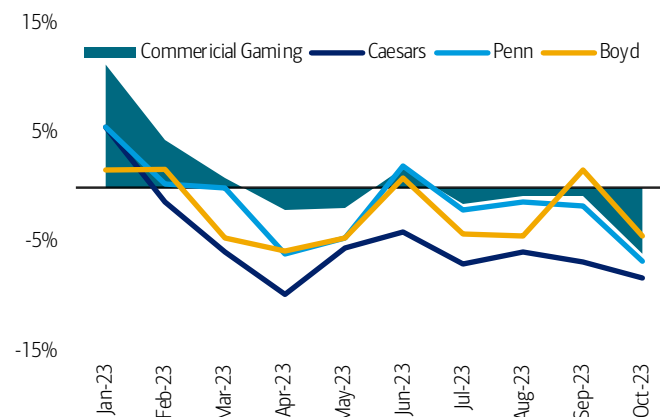


Source: Company filings, BofA Global Research

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Exhibit 7: Regional Gaming Operators vs. Industry

CZR's casino properties struggled in 2024, underperforming both the industry and BYD and PENN



Source: State Gaming Control Boards, BofA Global Research

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Las Vegas Sands (LVS) and Wynn Resorts (WYNN): From growth to deep value

LVS and WYNN trade primarily as China stocks and with the vagaries of weekly and monthly Macau gross gaming revenue data. However, Macau's reopening coupled with increased macro skepticism on China has [resulted in valuations reaching 2-standard](#)



[deviations below average \(see report\)](#). Sum of the parts stories often do not work, but at their November lows the stock prices implied nearly no value for Macau given other asset ownership (Singapore for LVS and Las Vegas, Boston and land for WYNN). A repeat or China risk-off scare could present a compelling opportunity for some of the best assets in global gaming.

Exhibit 8: WYNN Deep Value Analysis/Implied Macau Multiple

We estimate Wynn's US operations and land value could be worth in the high 80's / share depending on the allocation of Wynn's corp. expense and royalty

	2024E	2024E	2024E
EBITDA	\$896	\$896	\$896
EBITDA Multiple	10.0x	12.0x	14.0x
Plus: Land Value	756	756	756
LV Enterprise Value	9,718	11,511	13,303
EBH EBITDA	117	117	117
EBITDA Multiple	6.0x	8.0x	10.0x
EBH Enterprise Value	703	937	1,171
Corporate Adjustment*	(11)	(11)	(11)
EBITDA Multiple	9.5x	11.5x	13.5x
Total Enterprise Value	10,319	12,324	14,329
Less: US/Parent Debt	(4,585)	(4,585)	(4,585)
Plus: US/Parent Cash	2,114	2,114	2,114
Equity Value	7,847	9,853	11,858
Shares Outstanding	113	113	113
U.S. Value per Share	\$70	\$87	\$105
Impl. Macau EV/EBITDA	7.6x	5.6x	3.6x

Source: Company filings, BofA Global Research

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DraftKings (DKNG): Need a repeat after a championship year

DKNG will turn EBITDA and free cash positive in 2024, a big milestone. However, the first half of 2024 could be volatile as investors are concerned by upcoming competition including 1) the recent launch of ESPN Bet (above), 2) BetMGM's renewed promotional focus and 3) a new US listing from Flutter. We think the second half could present more of an opportunity as ramping platforms start to focus on profitability, particularly if aggressive investments do not pay off.

We are confident in DraftKings execution as well as its size, scale and upcoming cash generation starting to insulate its competitive moat. With double digit growth likely for the next several years and material upside to our existing estimates and TAM (see Exhibit 39) while maintaining a healthy growth multiple. We think this can result in shares rising to the mid 40's (+40% from here) in the next 12-18 months.

Exhibit 10: DKNG Online Sports Betting Growth Algorithm 2023-2026

Without assuming additional market share gains, we think DKNG can grow OSB NGR in the double-digits in 2025-2026

DKNG OSB Algo	2024	2025	2026
Handle	3%	3%	3%
+ Hold	5%	5%	3%
= Existing States	11%	9%	6%
+ New States	9%	8%	3%
+ Market Share Gains	5%	0%	0%
GGR Growth	25%	17%	9%
Promo Reduction	3%	2%	1%
NGR Growth	29%	19%	10%

Source: Company filings, BofA Global Research

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RRR: Durango ready to go the duration

Red Rock Resorts will be focused [on ramping its recent Durango \(see report\)](#). Early reviews and traffic indications are quite positive (see Exhibit 12) and we think puts the property on target to achieve or exceed \$150M+ of EBITDA and a strong near 20% IRR.

Exhibit 9: LVS Deep Value Analysis/Implied Macau Multiple

We estimate Marina Bay Sands for Singapore could be worth in the mid to high 30's / share for Las Vegas Sands

	2024E	2024E	SOTP
MBS 2024 EBITDA	1,906	1,906	1,906
Multiple	12.5x	14.5x	14.4x
Singapore Enterprise Value	23,823	27,635	27,401
Less: Singapore Net Debt	(1,154)	(1,154)	(1,154)
Equity Value	22,670	26,481	26,247
MBS Value per Share	\$31	\$36	\$36
LVS Share Price	\$50.18	\$50.18	\$50.18
Remain Co Value Per Share	\$19.07	\$13.84	\$14.16
Equity Value	13,896	10,084	10,319
Plus: Net Debt	6,588	6,588	6,588
Remaining EV	20,484	16,672	16,907
Remaining 2024E EBITDA	2,770	2,770	2,770
Implied Macau EV/EBITDA	7.4x	6.0x	6.1x

Source: Company filings, BofA Global Research

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Exhibit 11: DKNG Stock Price Sensitivity

On a 5% FCF yield, DKNG could reach \$47 per share, representing 40%+ upside from current price

EV/EBITDA			
Margin	15.0x	16.0x	17.0x
19.0%	\$39	\$41	\$43
21.5%	\$43	\$46	\$48
24.0%	\$48	\$50	\$53
Free Cash Flow Yield			
Margin	5.5%	5.0%	4.5%
19.0%	\$38	\$41	\$46
21.5%	\$43	\$47	\$53
24.0%	\$48	\$53	\$59

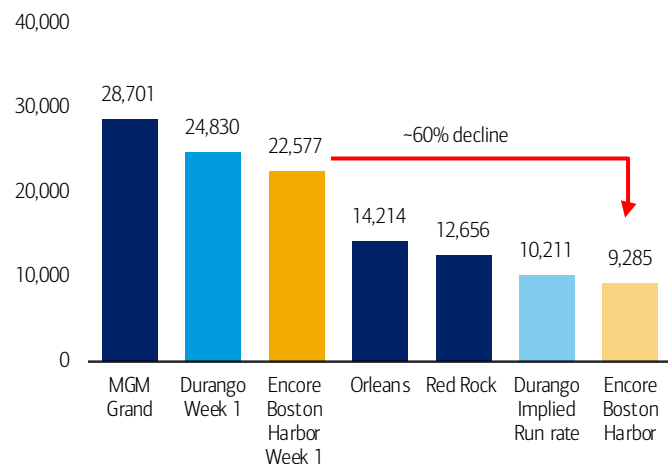
Source: Company filings, BofA Global Research

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Still unclear is the level of impact that Durango could have on existing RRR properties, most notably Red Rock in Summerlin. While our model assumes some cannibalization, even assuming zero, Red Rock trades at a 20% premium to the sector and above theoretical valuation after its strong rally (likely on Durango optimism) to end the year.

Exhibit 12: Daily casino visitation

Based on the decay curve, we think Durango will stabilize at 11k per day



Source: Placer AI

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Exhibit 13: Durango Annual EBITDA Bridge

On a stabilized basis, Durango could generate \$160M of annual EBITDA

Durango Bridge	
LV Locals EBITDA	789
Red Rock % of Total	25%
Red Rock Casino EBITDA	197
Run rate Red Rock Visits	12,656
Run Rate Durango Visits	10,211
Factor	81%
Implied Durango Run Rate EBITDA	159
2024E Durango EBITDA	98
2025E Durango EBITDA	138

Source: Placer AI, BofA Global Research

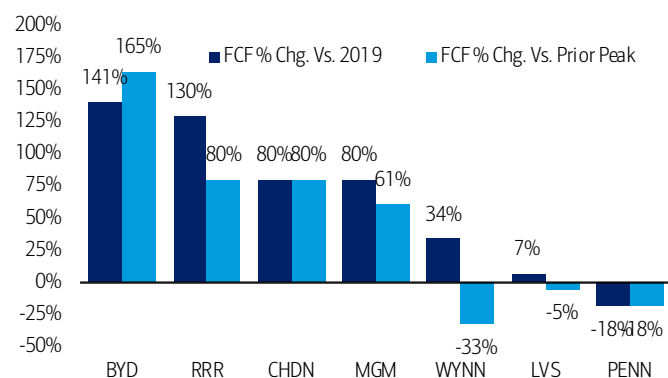
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BYD: No news is good news?

Boyd has done everything right from a capital allocation standpoint with both the highest FCF/share growth since the pandemic and the lowest net leverage level we have seen in Gaming at 2.3x. However, this has not translated into a multiple, with Boyd trading at a discount to peers at just 6.4x EV/EBITDA vs. 7.2x for domestic peers and theoretical (OpCo-PropCo implied) value of nearly 9x. While catalysts are lacking, Boyd has an 11% free cash flow yield, low debt (i.e. M&A potential), owns most of its real estate and a 5% ownership in FanDuel, all of which seem undervalued. Solid execution plus a sustainable capital return program should drive a healthy high single digit (7-8%) return even with zero growth.

Exhibit 14: 2025 Free Cash Flow / Share from 2019 and Prior Peak

Boyd has delivered the strongest Free Cash Flow/Share growth of any Gaming operator since the pandemic and even prior to that

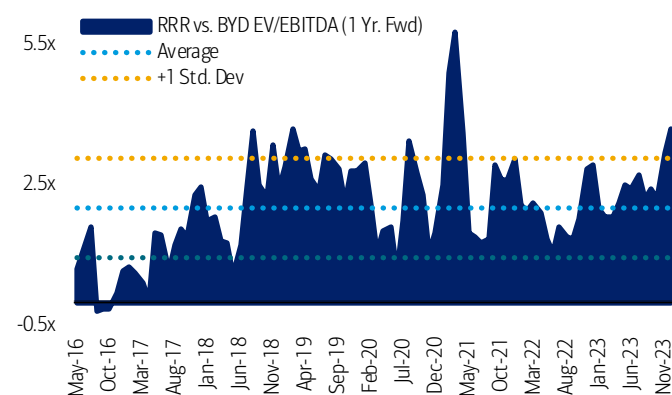


Source: Company filings, Bloomberg, BofA Global Research

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Exhibit 15: BYD vs. RRR relative EV/EBITDA multiple

Despite this, Boyd trades at a meaningful discount to both its own history and peers



Source: Company filings, Bloomberg, BofA Global Research

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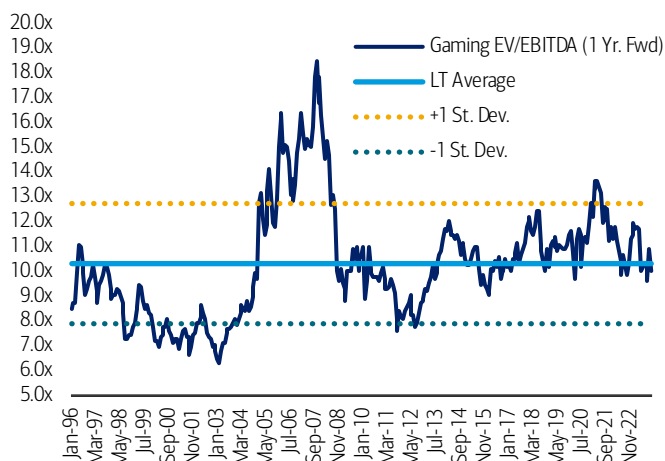


Macro: Soft landing winner or already priced in?

Gaming stocks are back to trading in-line with both midcycle and long-term average levels, [after dislocation cited back in November \(see report\)](#). However, a soft landing and Fed pivot should still be good for Gaming. Free cash flow yields are high (11% domestic, 9% overall) and attractive if rates have peaked. Gaming OpCos are esp. sensitive with a 1x move in EV/EBITDAR = ~50% to stock prices for CZR, PENN and MGM. Macau is the most attractive vs. long-term average but visibility is the lowest, the Fed narrative applies less and our [read of the macro still leans cautious \(see report\)](#).

Exhibit 16: Gaming sector (incl. REITs) 1-year Fwd. EV/EBITDA

Gaming stocks are back to trading in-line with long-term averages after some material dislocation earlier in Q4

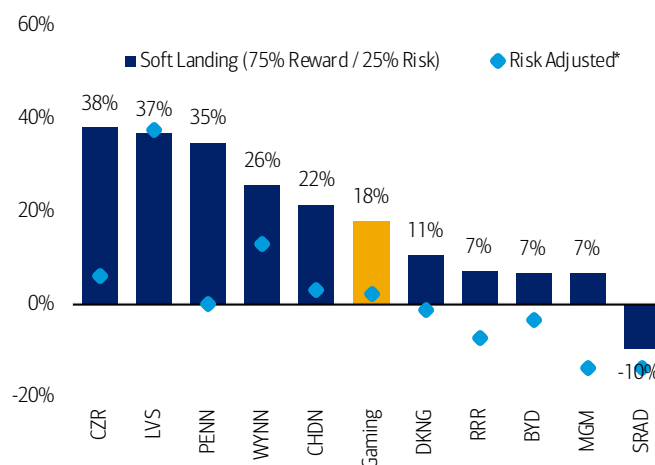


Source: Bloomberg, BofA Global Research

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Exhibit 17: Soft-Landing Midcycle Implied Stock Returns

Still, in a soft landing, implied sector returns are positive benefiting from high operating and financial leverage. Gaming OpCos and Macau generally have the most upside



Note: **Midcycle returns** are based on historical trading and do not necessarily factor in risks or our fundamental views; Risk-adjustment incl. leverage, equity beta and equity risk premium

Source: Bloomberg, BofA Global Research

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Fundamental Outlook & Themes

The last 3 years have been all about COVID recovery, but 2024 should return to the laws of supply and demand, which for Gaming aren't that exciting. We expect +20% GGR growth in Macau (but just +4% seq.), +2% in Las Vegas and +1% in regional gaming in 2024. We expect modestly declining EBITDA Y/Y in both Las Vegas and regional gaming, due to inflationary cost pressures (insurance, utilities) and higher union related costs for Las Vegas and Michigan. We think margins have already largely normalized in Macau, with positive base-mix shift offset by cost inflation (e.g. returning bonuses) and opex investments required by the concession process.

Exhibit 18: Fundamental Outlook – Demand and Supply for Gaming, Lodging & Leisure sub-sectors

Demand remains somewhat constructive but less positive than a year ago with Online the clear winner; **Supply** will remain a headwind across many verticals

	Macau Gaming	Las Vegas Gaming	Regional Gaming	Online Gaming	Lodging C-Corp	Lodging REIT	Leisure
Demand	Positive/Neutral	Positive/Neutral	Neutral/Negative	Positive	Positive/Neutral	Positive/Neutral	Neutral/Negative

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	Macau Gaming	Las Vegas Gaming	Regional Gaming	Online Gaming	Lodging C-Corp	Lodging REIT	Leisure
Measure	Growth stabilizing but still room for normalization on a run-rate basis	Tailwinds from Super Bowl, still strong group activity, Mandalay reopening and high end baccarat	Flattish same-store, but with competitive headwinds and some new supply	+18% growth estimated for 2024; tailwinds from KY, NC, VT and ME	+LSD (+2-3%) for MAR/HLT/H in US; low end CHH/WH lapping easy comps, but likely flattish	+LSD RevPAR growth could reach lower end of MSD for full-service urban and group	Leisure normalization across destination markets esp. Florida, Orlando, Caribbean
Commentary	Still room for base mass and visitation recoveries; but may be reliant on China macro	Tough comps for hotel rates	Overall pressure on consumer wallet from inflation but Stable/low unemployment helps	GGR continues to surpass expectations, should see more normalized balance of handle growth and game mix (hold)	Strength in group, corp. negotiated, and international (APAC/China); tough Europe comps in summer	Continued rebound in urban, group, business transient; easy Omicron comps in Q1; tough resort comps	Higher income consumer more insulated from macro economic challenges (MTN/SHCO)
Supply	Negative +10% hotel supply growth; since COVID, recent openings of MSC Ph. 2 and Galaxy Ph. 3	Neutral/Negative Fontainebleau and Durango openings in late 2023 (+3% room growth)	Negative ~3% growth in new casino openings (with >500 positions)	Neutral/Negative Launch of ESPN Bet; integration of Fanatics/PointsBet	Neutral/Negative HLT/H/MAR maintaining NUG at 4%+ despite US supply headwinds is a big positive	Neutral/Positive Only +1.0% in 2024 well below LT averages	Neutral/Positive MTN: No supply growth; SHCO: rationalizing openings; PLYA: Cancun +13% since 2019
Commentary	Still absorbing post-COVID additions incl. MGM tables, Galaxy SJM Lisboa Palace, Galaxy Ph. 3, Studio City Ph. 2	Fontainebleau Las Vegas opens Dec. 2023	Lapping New Openings in Nebraska, Illinois, and Virginia	ESPN Bet the biggest new threat, but FD and possible BetMGM also re-engaging some promos	Trough of development post-COVID (T+2 years) combined with high rates and inflation hurt development	Trough in supply post-COVID, weak urban demand, construction delays, cost inflation and higher rates	Limited M&A for MTN, more opportunity for small M&A and international expansion.

Source: Company filings, BofA Global Research

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Exhibit 19: Investment Themes – For Gaming, Lodging & Leisure sub-sectors for 2024

Key opportunities include continued growth in conferences, groups and conventions and international markets (in Lodging and Las Vegas), parlay mix, new states and cohort maturation for Online Gaming, and further base mass recovery in Macau; risks include margins/unit level inflation and potential consumer/macro weakness

	Macau Gaming Key Opportunities	Las Vegas Gaming Key Opportunities	Regional Gaming Key Opportunities	Online Gaming Key Opportunities
Bull/Upside	Base mass still -11% below 2019	Continued growth via group (Mandalay), events (Super Bowl) and high-end baccarat	Still low unemployment and healthy job mkt; \$1TR left of consumer savings	Strong headline growth helped by new states (NC), parlay mix/new products
	Visitation still -14% below pre-Covid levels	Margins remain near peak levels amid strong event calendar	Post COVID margin gains are >50% sustainable, even in a recession scenario	Lower promo environment from cohort maturation & slowing expense/marketing
	Pent up demand surpasses expectations (similar to other markets)	ADR drives RevPAR while gaming win remains elevated	Online opportunities still likely undervalued (direct contribution and market access)	Free cash flow positive can help grow moat or reinvest for growth
	Potential Risks	Potential Risks	Potential Risks	Potential Risks
Bear/Risks	Recovery has already leveled off and pent up demand could present tough comps in 2024	Margins at risk given union costs and inflationary pressures amid lower top line growth	Cracks abound in consumer retail and services (e.g. WMT late Oct)	Rising competition risks promotional battle (ESPN Bet, BetMGM)
	Margins disappointing on promo, non-gaming and less base mass	Largest over-earner in Gaming above pre-COVID; high fixed cost structure	Elevated post-COVID margins risk higher neg. flow through (+500-1000bps)	Overshooting on parlay mix risks burnout and impacting LTV
	Capex investments/requirements weigh on capital return potential	OpCo structures weigh on free cash conversion	Additional Supply (NE, IL, VA)	Very high expectations/ consensus long
	Slowing development/pipeline/NUG given rates and higher finance costs	Higher rates = mark to market on capital structures	Timeshare: Margin normalization, financing risk on higher rates, rising delinquency risk, low vis.	Higher interest rates also reduce M&A/weigh on external growth

Source: BofA Global Research

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Gaming Demand

Las Vegas

Las Vegas may have the best top-line growth in 2024, as our demand checks remain strong with room rates up +5% Y/Y in Q1. Group, events (Super Bowl) and international (esp. baccarat) should help the high-end properties, but there is some sign of demand fatigue in core gaming at the low end. We estimate margins will see some pressure of around 50-100bps, primarily on inflation and the new union contracts going into effect. We expect EBITDA to be flat to slightly down, with WYNN faring best at the high end driven by market share gains and continued recovery in international inbound and high end baccarat play.

Exhibit 20: Las Vegas Strip Annual Gross Gaming Revenue (\$B)

After ~1% annual growth from 2015-2019, Strip GGR is +33% vs. 2019. BofA's forecast for CZR/MGM/WYNN is +2% in 2024 driven by baccarat, though we have seen core slots and table game growth level out

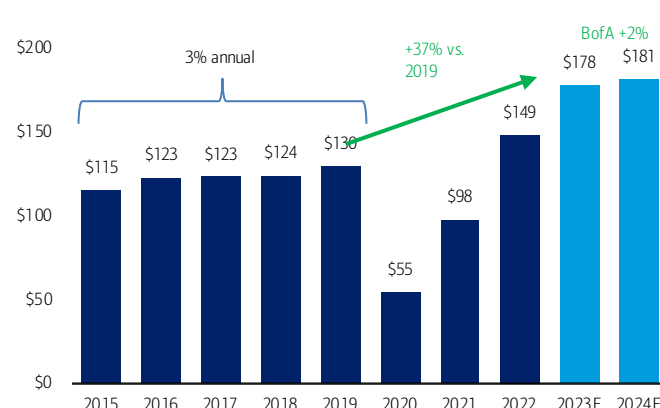


Source: Nevada Gaming Control Board, BofA Global Research

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Exhibit 21: LV Strip RevPAR Annual RevPAR (\$)

After ~3% annual growth from 2015-2019, 2023 Strip RevPAR is pacing up 37% vs. 2019. BofA's forecast for CZR/MGM/WYNN is +2% Y/Y in 2024 driven by group and events, esp. Super Bowl in 1Q24

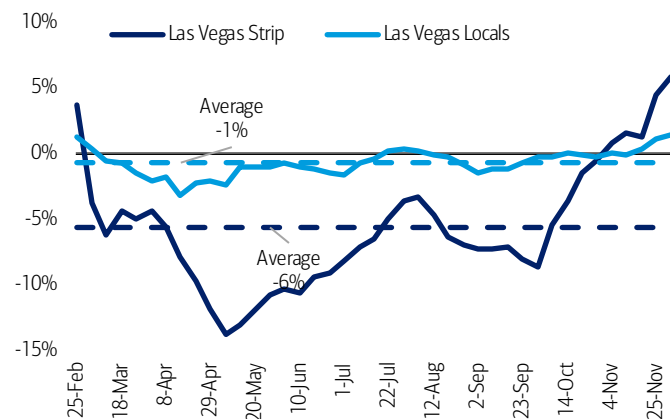


Source: LVCVA, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 22: BAC Aggregated LV Strip & Locals Card Spend (% chg. Y/Y)

Las Vegas Locals spend (T4W average) was more resilient in 2023, while Strip spend was down -6% Y/Y; the spike in November was driven by F1

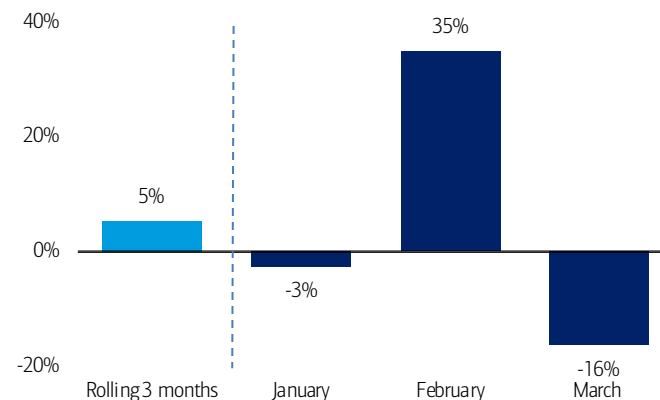


Source: BAC Internal Data Note: The 1-yr % change shows the change between the current date at the head of the table column and its comparable date a year ago. Total card spending includes total BAC card activity which captures retail sales + services which are paid with cards. Does not include ACH payments. B&M (Brick & Mortar) retail means retail purchases at the store. Spending for cardholders with addresses located in the Las Vegas MSA; Zip code-based = spending at merchants located in Strip zip codes only, regardless of cardholders' residency. >100% decline reflects refunds. See the latest [BofA on USA report](#) for a detailed explanation of methodology and limitations relating to BAC card data.

BofA GLOBAL RESEARCH

Exhibit 23: Las Vegas Room Rate Survey

On a rolling 3-month basis, rates are tracking up +5% led by the Super Bowl in February, offset by weakness in March due to a tough ConAgg comp



Source: Company Websites, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 24: Las Vegas Monthly Heatmap: KPIs % Chg. Y/Y and vs. 2019

Y/Y growth rates for Strip GGR have started to flatten out (strong in Nov. from F1) amid tough comps; RevPAR growth is still strong

Las Vegas Y/Y	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Strip GGR	26%	19%	-3%	5%	-2%	-1%	8%	1%	7%	1%	23%
Strip RevPAR	78%	42%	44%	-2%	6%	8%	4%	12%	7%	13%	38%
Locals GGR	15%	4%	-3%	-2%	4%	-10%	6%	-1%	-6%	6%	1%
Air Traffic	40%	25%	16%	13%	8%	4%	2%	0%	0%	6%	20%
Visitation	32%	18%	10%	0%	1%	3%	1%	4%	-1%	0%	1%
Las Vegas vs. 2019											
Strip GGR	34%	20%	31%	30%	38%	18%	54%	28%	27%	33%	59%
Strip RevPAR	14%	30%	55%	21%	21%	29%	20%	19%	37%	68%	76%
Locals GGR	25%	25%	29%	12%	28%	21%	17%	40%	6%	21%	41%

Source: BofA Global Research, Nevada Gaming Control Board, LVCCA

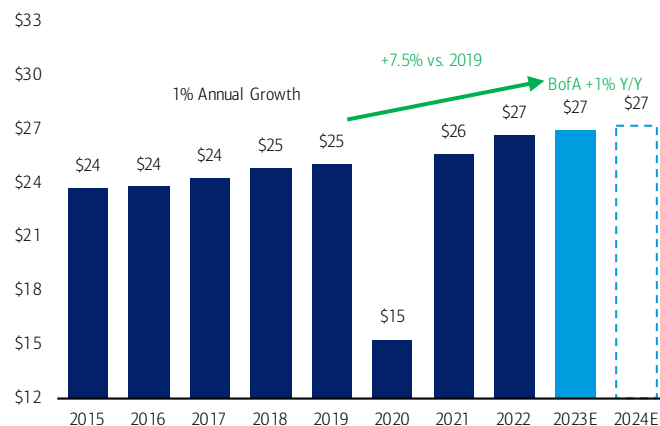
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Regional Gaming

Lackluster is the name of the game. Regional gaming saw just +1% growth in gaming revenues overall in 2023, with same-state revenues declining -2%. Only 4 states were positive (AK, KY, IL and MA) with AK, KY, and IL benefitting from new supply additions. We expect a similar anemic environment in 2024, with some modest margin erosion as solid cost controls meet the realities of multi-year inflation pressure, new supply growth that is expected to be +3% but is very weighted to the second half of the year (see Exhibit 37) and some competition, particularly where tribal or new operators are trying to get established.

Exhibit 25: Same State Regional Gross Gaming Revenue (GGR) \$B

After ~1% annual growth from 2015-2019, 2022 is tracking 7% above 2019. BofA est. 2023 regional revenue +0.5% Y/Y (ex M&A)



Source: BofA Global Research, State Gaming Control Boards

Note: States incl. NJ, IL, CO, MI, IN, MO, IA, LA, MS, PA, WV, ME, NM, FL, NY, DE, RI

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Exhibit 26: 2024 Regional Revenue & EBITDA Y/Y Growth

We expect regional revenues to be down slightly in 2024; CZR benefits from Danville and Nebraska openings

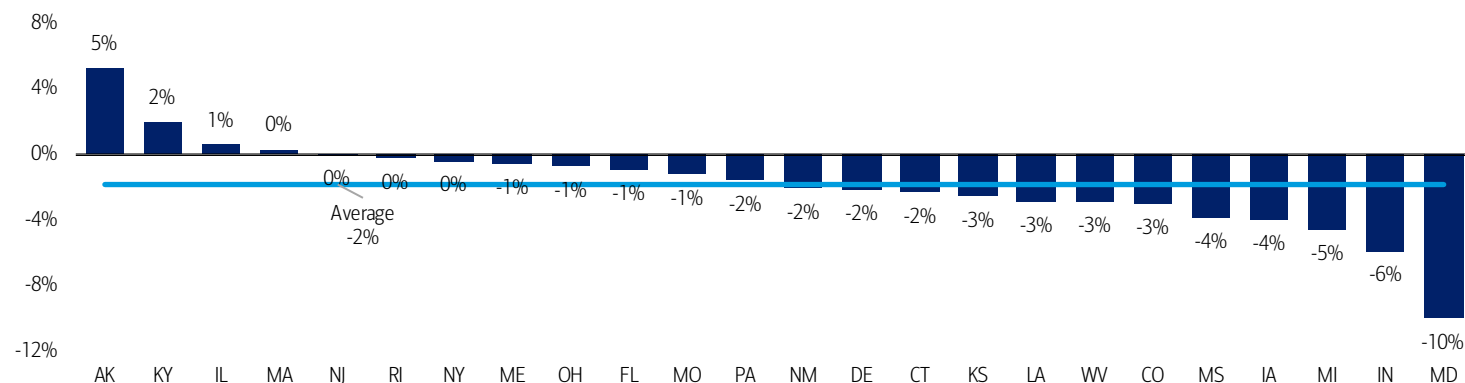
Company	2023E	2024E	Y/Y %
Revenue			
PENN	\$5,613	\$5,559	-1.0%
BYD	\$2,026	\$2,019	-0.3%
MGM	\$3,667	\$3,652	-0.4%
WYNN	\$729	\$735	0.9%
CZR	\$5,773	\$5,828	0.9%
Average			0.0%
EBITDAR			
PENN	\$1,999	\$1,947	-2.6%
BYD	\$761	\$746	-2.0%
MGM	\$1,152	\$1,140	-1.0%
WYNN	\$257	\$259	0.7%
CZR	\$1,955	\$1,931	-1.2%
Average			-1.2%

Source: BofA Global Research

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Exhibit 27: 2023 YTD Y/Y change in GGR by state

YTD regional gaming GGR is down -2%, with Maryland the biggest laggard down -10% Y/Y. AK, KY, IL, and MA are the only states with positive GGR growth



Source: State Gaming Control Boards

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Exhibit 28: Same Store Regional GGR Monthly Heatmap

Recent Y/Y growth rates have been flat to negative while visitation (esp. vs. 2019) is decelerating, implying elevated spend/visit which could be susceptible to reversion

Same Store GGR	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23*
M/M	1%	-1%	11%	-5%	-2%	-3%	7%	-5%	-2%	-2%	-4%
Y/Y	11%	4%	0%	-2%	-2%	1%	-1%	-1%	-2%	-4%	-2%
vs. 2019	24%	18%	9%	17%	11%	12%	15%	9%	12%	11%	12%
Aggregated Visits											
M/M	-4%	0%	12%	-4%	-3%	5%	15%	-14%	-6%	-5%	-3%
Y/Y	18%	10%	9%	0%	2%	10%	8%	3%	1%	-9%	-5%
vs. 2019	-19%	-21%	-28%	-21%	-28%	-26%	-18%	-27%	-27%	-29%	-33%
Y/Y Visits by Operator											
BYD	17%	9%	6%	-4%	0%	4%	7%	0%	5%	-7%	-3%
CZR	28%	14%	16%	7%	7%	16%	11%	3%	1%	-6%	0%
PENN	7%	3%	2%	-5%	-4%	6%	1%	3%	-2%	-7%	-1%

Source: State Gaming Control Boards, Placer AI

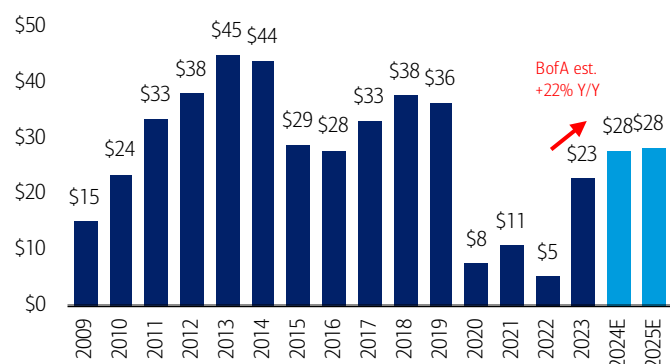
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Macau

Macau's recovery was the big uncertainty (and ultimately disappointment) in 2023 and could again be the most volatile in 2024. In 2024, we expect +22% GGR growth driven largely by easy recovery comps in the first half. Sequentially, we expect very low single digit growth from 4Q's level. We are raising our POs for LVS (\$55 from \$45, on 11x 2024E EBITDA), WYNN (\$105 from \$95 on 10x 2024E EBITDA), and MGM (\$50 from \$45 on 7x 2024E EBITDA) on a slightly higher 2024 Macau outlook. **Positive catalysts** could be a recovery in infrastructure, airlift, and visa availability all driving visitation which is still -14% below pre-pandemic. **Negative risks** could be lapping pent up demand at the high end and consumer macro weakness for the lower end mass market.

Exhibit 29: Macau annual gross gaming revenue (GGR)

BofA's forecast is for \$27B USD in GGR in 2024, which is +22% Y/Y, and up ~4% from the 4Q run-rate

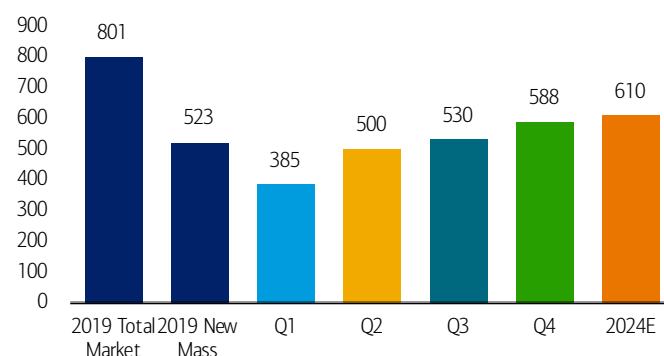


Source: Macau DICJ, BofA Global Research

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Exhibit 30: Macau Recovery: Average Daily Revenue (ADR)

We est. the mass market + direct VIP will be +16% above 2019 levels in 2024, but just +4% from Q4's run-rate (similar to its LT cyclical adj. growth)



Source: Macau DICJ, BofA Global Research

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Exhibit 31: Macau Average Daily Revenue (ADR) EBITDA Sensitivity

Our 2024 EBITDA estimates are aligned with an ADR of 610 M MOP, and we sensitize -25% downside to +15% upside scenarios

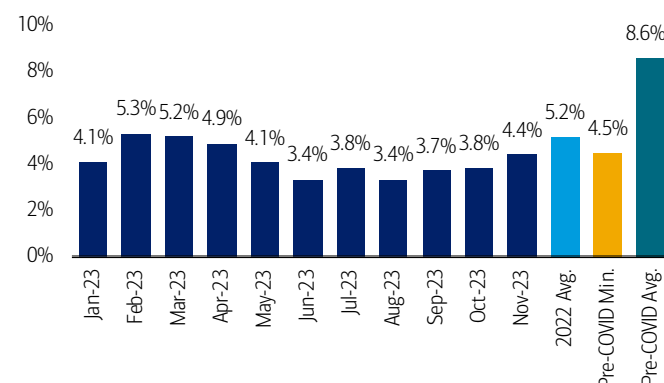
ADR	LVS	WYNN	MGM
457	2,202	815	715
518	2,530	955	826
579	2,867	1,102	940
610	3,059	1,178	1,008
640	3,255	1,257	1,077
701	3,613	1,418	1,201

Source: BofA Global Research

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Exhibit 32: BofA Macau Monthly Activity Tracker (MMAT) in 2023

Our MMAT is now above the trough levels and has improved for 3 straight months; however, current levels are still below both the *trough* level pre-COVID AND 2022 *during* COVID, highlighting China's anemic macro growth



Source: Bloomberg, BofA Global Research

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Exhibit 33: Macau Heatmap

Macau ended on a high note in Q4 driven by Golden Week in October and a healthy Christmas/Western NY period in late December. Visitation is still 11% below 2019.

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Macau GGR (B MOP)	11.6	10.3	12.7	14.7	15.6	15.2	16.7	17.2	14.9	19.5	16.0	18.6
vs. 2019	-54%	-59%	-51%	-38%	-40%	-36%	-32%	-29%	-32%	-26%	-30%	-19%
ADR (M MOP)	373.5	368.6	411.0	490.7	502.1	506.7	537.4	554.8	498.0	629.1	534.8	599.0
Visitation vs. 2019	-59%	-55%	-34%	-34%	-35%	-29%	-22%	-11%	-17%	-14%	-11%	

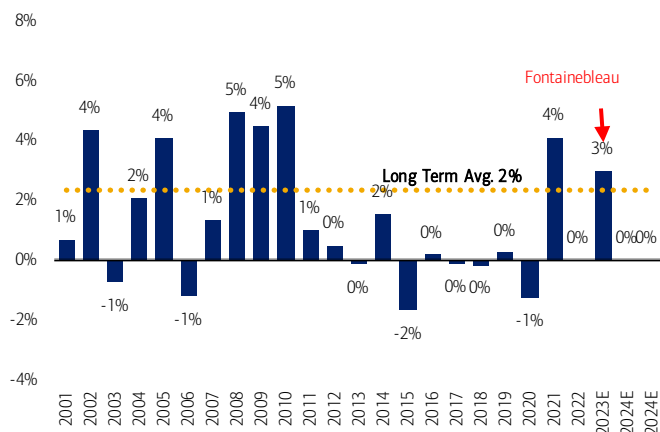
Source: Macau DICJ, Bloomberg

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Gaming Supply

Exhibit 34: Las Vegas room growth (Y/Y % chg.)

Las Vegas room count is expected to grow +3% in 2024 driven by the Fontainebleau opening of 4K rooms in December 2023

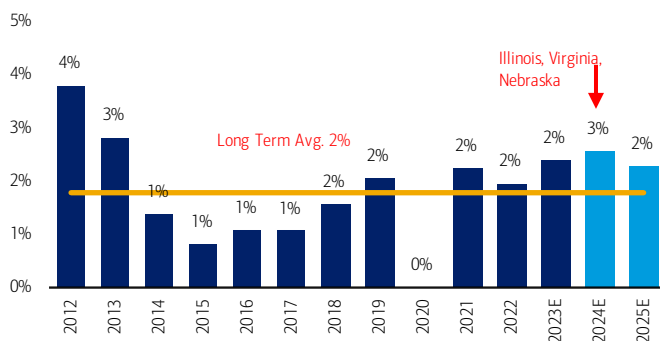


Source: BofA Global Research, Eilers & Krejcik

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Exhibit 36: U.S. Regional Casino Openings (Y/Y % chg.)

We expect growth of ~3% growth in new casinos (with >500 positions) during 2024 driven by Illinois, Virginia, and Nebraska

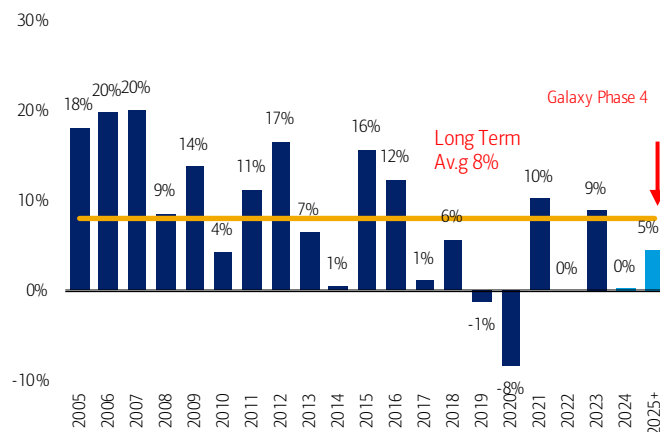


Source: BofA Global Research, Eilers & Krejcik

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Exhibit 35: Macau room growth (Y/Y % chg.)

Macau rooms grew by +9% in '23 driven by the openings of Galaxy Phase 3 and Macau Studio City Ph. 2; no major room openings are expected in 2024



Source: BofA Global Research, Company Events and Presentations

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Exhibit 37: Exhibit 37: 2024 Regional Casino Openings

Overview of regional casinos openings throughout 2024 (>500 positions); most openings are weighted to 4Q with the big ones to watch being Virginia (CHDN and CZR) and Chicago South Suburbs

Opening	City	State	Operator	Gaming Positions (est)
2Q 2024	Omaha	NE	Warhorse	740
2Q 2024	Hochatwon	OK	Choctaw Nation	664
3Q 2024	Devol	OK	Apache	860
3Q 2024	Lincoln	NE	Warhorse	1,400
3Q 2024	Rockford	IL	Hardrock	950
4Q 2024	Dumfries	VA	Churchill Downs	1,150
4Q 2024	Nashua	NH	Clairvest	1,375
4Q 2024	Wichita	KS	Phil Ruffin	1,000
4Q 2024	Phoenix	AZ	Tohonoa O'odham	1,080
4Q 2024	Chicago South Suburbs	IL	Wind Creek	1,236
4Q 2024	Cicero	NH	Hawthorne	1,200
4Q 2024	Danville	VA	Caesars	970

Source: BofA Global Research, Eilers & Krejcik; *Gaming positions estimated

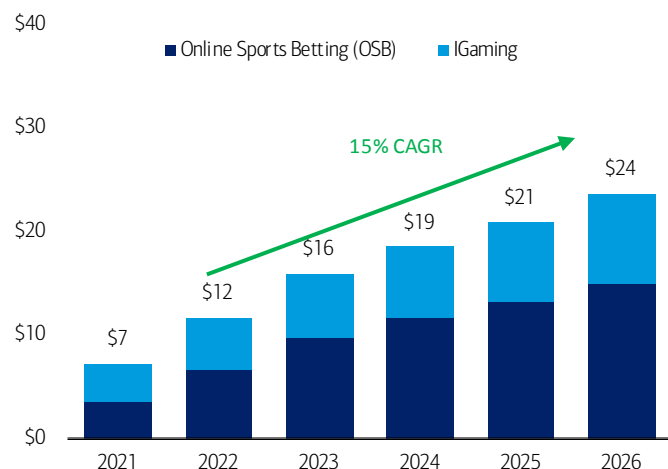
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Online Gaming

We expect +18% online gross gaming revenue (GGR) growth in 2024. Fundamental growth should continue to be driven by 1) the combination of new states legalizing (NC, VT, KY and ME), 2) existing states ramping productivity (win/adult), 3) positive mix shift to higher holding parlay games (market wide hold is). New entrants (ESPN Bet mostly) could also help growth the market with new audiences, but run the risk of rejiggering market share. 2024 should also see a material inflection to profitability for FanDuel, DraftKings and Caesars, with BetMGM and PENN/ESPN Bet following in 2025 and 2026, respectively.

Exhibit 38: Online Sports Betting and iGaming Market Growth

We expect digital growth of +15% through 2026 driven by a combination of productivity/e improvement, hold/mix improvement and new state openings

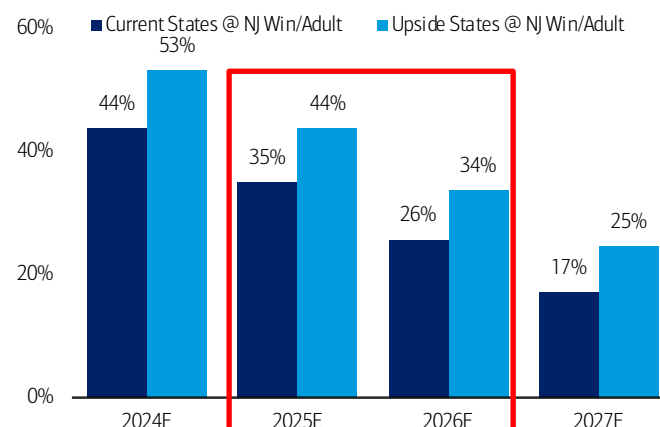


Source: State Gaming Control Boards, BofA Global Research

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Exhibit 39: BofA Digital Market (TAM) Upside Potential

We estimate 20-40% upside to our current TAM estimates if 1) existing states were to reach NJ's level of OSB productivity and 2) we probability weight new state legalization/expansion

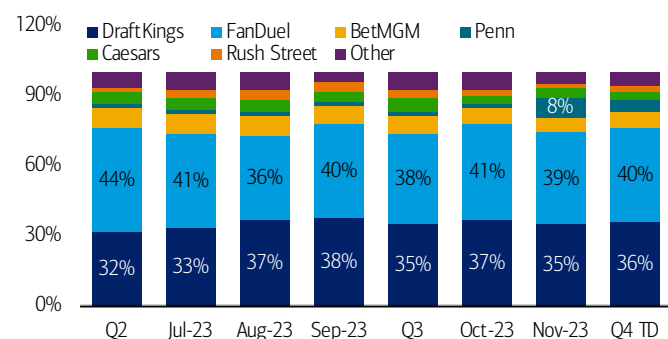


Source: State Gaming Control Boards, BofA Global Research

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Exhibit 40: Online sports betting market share by operator

DraftKings is tracking to 36% share in Q4

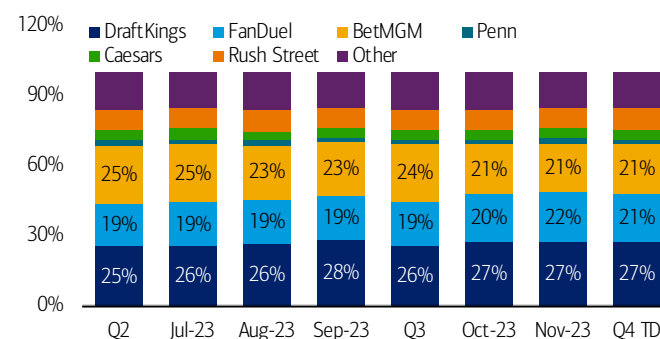


Source: BofA Global Research, State Gaming Control Boards

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Exhibit 41: iGaming market share by operator

DKNG Q4 iGaming share is 27%, up from 26% in Q3



Source: BofA Global Research, State Gaming Control Boards

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Exhibit 42: Online Gaming Monthly Heatmap

Online Sports Betting (OSB) GGR growth has decelerated in the latter part of 2023 on tougher comps and volatile hold, while iGaming GGR growth has been steady

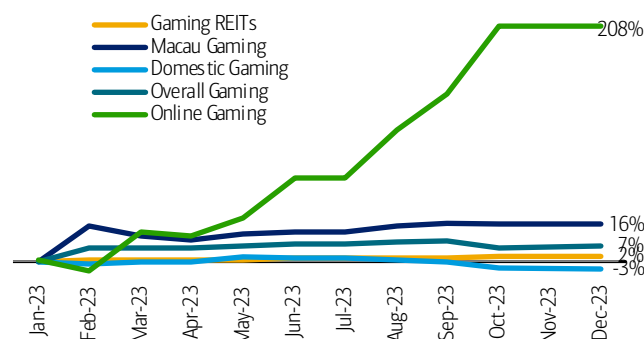
Y/Y Growth	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Digital GGR	55%	53%	59%	47%	41%	47%	38%	25%	28%	36%	32%
OSB GGR	81%	88%	85%	71%	54%	76%	54%	27%	26%	47%	39%
iGaming GGR	21%	21%	27%	21%	22%	24%	23%	24%	32%	18%	22%
OSB GGR Share											
DraftKings	26%	29%	30%	31%	31%	33%	33%	37%	38%	37%	35%
FanDuel	50%	48%	42%	45%	45%	43%	41%	36%	40%	41%	39%
BetMGM	9%	8%	9%	8%	8%	9%	8%	8%	8%	7%	7%
Caesars	4%	4%	5%	5%	5%	5%	5%	5%	4%	4%	4%
Penn	2%	2%	3%	2%	2%	2%	2%	2%	1%	2%	8%

Source: State Gaming Control Boards, BofA Global Research

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Estimates, Stocks and Valuation**Exhibit 43: 2024E EBITDA Estimate revisions**

Online gaming had the most positive EBITDA estimate revisions, while domestic gaming had slightly negative revisions

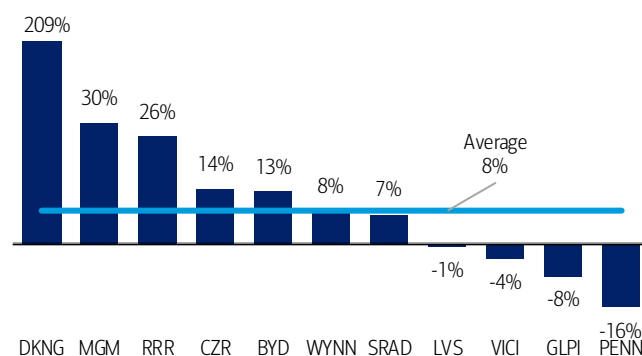


Source: Visible Alpha, BofA Global Research

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Exhibit 44: 2023 Full Year Gaming Stock Performance

DraftKings was the notable outperformer in gaming, while PENN and the Gaming REITs underperformed

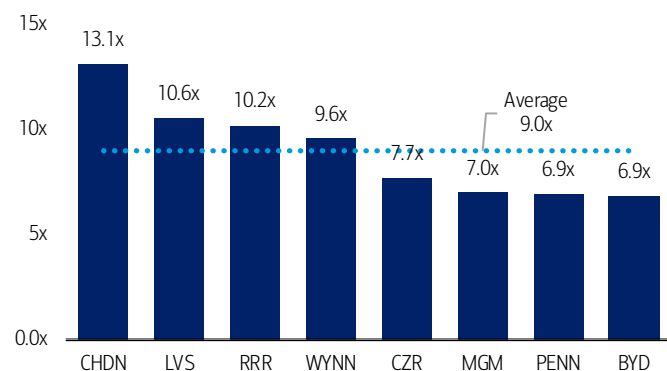


Source: Bloomberg, BofA Global Research

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Exhibit 45: 2024E EV/ EBITDA: Gaming Operators

Gaming trades at ~8x 2023 EV/EBITDA, with CHDN carrying the highest multiple

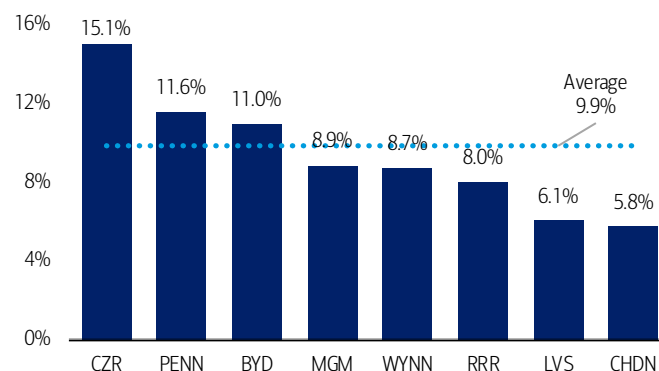


Source: BofA Global Research

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Exhibit 46: 2023E FCF Yield (ex-sports): Gaming Operators

...while carrying an average FCF yield of ~10% with domestic gaming operators carrying the highest FCF yields

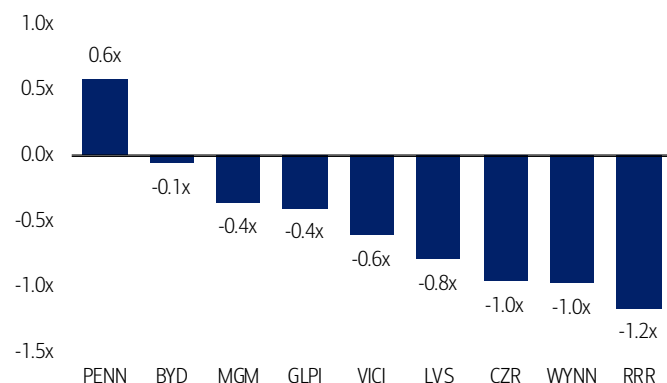


Source: BofA Global Research

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Exhibit 47: Change in Leverage 2023 to 2025

We expect most gaming operators to deleverage through 2025, with PENN being the outlier

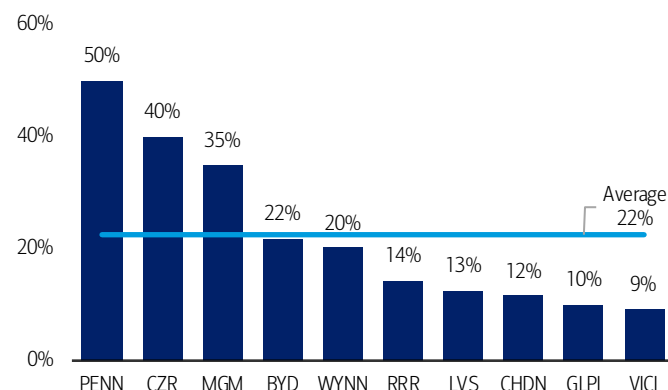


Source: Company filings, BofA Global Research

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Exhibit 48: Upside from 1 turn of 2024 EV/EBITDA multiple

If EBITDA Multiples expanded 1 turn, gaming stocks would go up 23% on average



Source: Company filings, BofA Global Research

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Exhibit 49: Current 2024 Multiples vs. Historical Multiples

Gaming stocks are trading ~6% below their last cycle averages

Subsector	EV/EBITDA 2024	Long-Term Average	Last Cycle Average	2024 Difference	Cumulative Distribution	Theoretical LT Avg.	2024 Difference	Cumulative Distribution
All Gaming	10.0x	10.3x	10.7x	-6%	71%	10.6x	-6%	68%
Macau	10.2x	13.9x	13.4x	-24%	98%	12.0x	-15%	89%
Las Vegas	7.3x	10.2x	10.6x	-31%	100%	8.0x	-9%	71%
Regionals	8.0x	8.9x	8.8x	-9%	75%	7.9x	1%	48%
Gaming REITs	15.1x	14.7x	14.7x	3%	34%	14.7x	3%	34%
Gaming								
Las Vegas Sands	10.7x	14.6x	13.5x	-20%	96%	12.4x	-13%	85%
Wynn Resorts	9.6x	13.7x	13.2x	-28%	98%	11.6x	-18%	87%
MGM Resorts	7.0x	10.6x	10.8x	-35%	100%	7.5x	-7%	65%
Penn National	6.9x	7.9x	7.8x	-11%	73%	7.5x	-8%	66%
Caesars Entertainment	7.7x	9.1x	10.0x	-23%	92%	8.6x	-10%	70%
Boyd Gaming	6.9x	8.4x	8.3x	-17%	93%	8.1x	-15%	89%
Red Rock Resorts	10.2x	10.3x	10.3x	-1%	54%	8.2x	24%	7%
Churchill Downs	13.3x	9.6x	12.8x	4%	42%	12.8x	4%	42%
Gaming & Leisure Properties	14.1x	13.8x	13.8x	2%	41%	14.7x	-4%	69%
VICI Properties	16.2x	15.6x	15.6x	4%	37%	14.7x	10%	21%
Overall Gaming	10.0x	10.3x	10.7x	-6%	71%	10.6x	-6%	68%

Source: Bloomberg, BofA Global Research

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Exhibit 50: Gaming Soft Landing Mid-cycle analysis

In a soft landing, implied sector returns are positive benefiting from high operating and financial leverage

Company	Current Price	Trough	Midcycle	Peak	% Delta	Risk Factor	Risk Adj.
CZR	\$45	\$41	\$62	\$69	38%	1.43	6%
MGM	\$45	\$29	\$48	\$54	7%	1.17	-14%
PENN	\$25	\$19	\$33	\$38	35%	1.40	0%
BYD	\$62	\$47	\$77	\$87	23%	0.99	-4%
RRR	\$50	\$38	\$64	\$72	26%	1.11	-7%
CHDN	\$127	\$77	\$155	\$180	22%	0.96	3%
LVS	\$51	\$52	\$69	\$75	37%	0.69	37%
WYNN	\$96	\$79	\$120	\$134	26%	0.97	13%
Average					18%	1.09	5%

Source: Bloomberg, BofA Global Research

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Exhibit 51: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BYD	BYD US	Boyd Gaming Corp	US\$ 62.28	B-1-8
CZR	CZR US	Caesars Ent	US\$ 44.91	C-2-9
DKNG	DKNG US	DraftKings, Inc.	US\$ 33.18	C-1-9
GLPI	GLPI US	Gaming & Leisure	US\$ 48.17	B-3-7
LVS	LVS US	Las Vegas Sands	US\$ 50.81	B-2-7
MGM	MGM US	MGM Resorts	US\$ 44.83	C-2-9
PENN	PENN US	Penn Entertainment	US\$ 24.55	C-1-9
RRR	RRR US	Red Rock Resorts	US\$ 50.45	C-3-8
SRAD	SRAD US	Sportradar	US\$ 11.08	C-3-9
VICI	VICI US	VICI Properties	US\$ 31.68	B-1-7
WYNN	WYNN US	Wynn Resorts Ltd	US\$ 95.65	C-2-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk**Boyd Gaming Corp (BYD)**

Our \$70 PO is based on approximately 7x 2024E EBITDAR. Our valuation multiple is in line with the historical multiple range for regional gaming companies of 5-12x.

Risks to the upside are 1) continued margin improvement, 2) balance sheet deleverage quicker than anticipated, 3) a significantly deleveraging acquisition or transaction, and 4) sports betting upside.

Risks to the downside are 1) continued impacts of COVID-19 and a broader economic slowdown, 2) slower-than-anticipated deleverage, and 3) execution on integration from recent transactions.

Caesars Entertainment Inc (CZR)

Our \$50 PO is based on approximately 7.5x 2024E EV/EBITDAR. This multiple is slightly below CZR's long-term historical average and mid-cycle multiple.

Risks to the upside mainly revolve around management's ability to significantly exceed its forecast which could come from 1) de-levering, 2) late cycle growth in Las Vegas, 4) digital gaming share gains, 5) opportunistic asset sales, land sales, JVs or licensing deals

Risks to the downside stem from 1) high financial and operating leverage, 2) lack of meaningful growth in digital market share 3) potential margin deterioration

DraftKings, Inc. (DKNG)

Our \$45 PO is based on approx. 25x 2025E Adj. EBITDA, a premium to other "proven" best of breed disruptors. We believe this premium multiple is justified given the early stage enthusiasm for the vertical and the scarcity value associated with DKNG, as well as its revenue trajectory and inflection to positive Adj. EBITDA

Upside risks to our PO are higher-than-expected growth, faster-than-anticipated state legalizations and quicker and higher profitability than we model.

Downside risks are lower enthusiasm for growth stocks, slower legalization of sports betting, increased competition, and a slower ramp to profitability.

Gaming & Leisure Properties, Inc. (GLPI)

Our \$48 PO is based on an approximately 8% cap rate to reflect higher rates and GLPI's fewer guaranteed rent escalators and less contractual CPI protection than others.

Risks to the downside are: 1) Avg. lease duration of 10+ yrs. makes rents difficult to reprice in a rising rate environment, 2) Fewer rent escalators and CPI adjustments than other TNL gaming REITs 3) Still heavily exposed to Penn National at approx. 67% of pro-forma rent, 4) Erosion in underlying gaming fundamentals.

Risks to the upside are: 1) External and accretive growth 2) Yield attractive relative to senior credit costs for tenants (often in the mid 4% range), 3) Regionals provide a more stable cash flow stream and are less cyclical than Las Vegas, and 4) Meaningfully improved diversification following Cordish acquisition.

Las Vegas Sands (LVS)

Our \$55 PO is based on approximately 11x our 2024 EBITDAR estimate, a modest discount to historical average of 13x given slowing recovery, China macro and lower FCF conversion due to the concession capex.

Risks to the downside are: 1) a delayed recovery in Macau, 2) continued COVID-related disruption, 3) increased uncertainty surrounding the implications of the concession process, 4) the pace of re-opening in Singapore, and 5) a worse ramp than expected for new properties.

Risks to the upside are: 1) faster than expected return to Pre-COVID Macau environment, 2) potential border re-openings, 3) better than expected returns on recent projects, 4) mass market growth in Macau, and 5) potential entry into the sports betting and iGaming vertical

MGM Resorts International (MGM)

Our \$50 PO is based on approximately 7x our 2024 EBITDAR estimate. This multiple is a discount to MGM's historical average since 2010, due to the the company's evolving corporate structure.

Upside risks are: a stronger than anticipated recovery in Las Vegas, sports betting/iGaming ownership changes and improving consumer sentiment and its majority ownership stake in MGM China.

Downside risks are: execution risks related to sports betting and iGaming, increased Strip promotional competition, and a slower than expected recovery in the Macau market and US.

Penn Entertainment (PENN)

Our \$30 PO is based on approximately 6.5x 2024E land-based EBITDAR plus \$8 for sports. This multiple is in line with PENN's historical multiple, but a discount to other consumer growth stocks with longer track records of growth and greater brand power.

Downside risks are potential margin deterioration, uncertainty on growth projects, and that the sports opportunity is less than we anticipate.

Red Rock Resorts, Inc. (RRR)

Our \$45 PO is based on approximately 9x our 2024E EBITDA. We believe this multiple is appropriate given 1) Tough comps, and 2) Labor inflation is also a bigger concern in Las Vegas (LV Locals is RRR's core market) than regionals due to a higher proportion of fixed

operating expenses.

Risks to the downside are as follows: 1) Revenue comps are tough as Las Vegas Locals (RRR's core market) meaningfully outperformed the broader US with Gaming revenue +25% above pre-COVID levels. 2) RRR has higher fixed operating leverage than peers owing to lower gaming tax rate. 3) Following recap/special dividend, incremental cash flow will be targeted at Durango project. 4) Wage and cost inflation as well as competition from the Strip are possible.

Risks to the upside are: 1) Record margins (highest among regionals) and cash flows, 2) RRR's attractive balance sheet and leverage profile, 3) Less of a drag from the Palms and closed properties, and 4) RRR owns 100% of its real estate providing substantial security and flexibility for borrowing

Sportradar Holding AG (SRAD)

Our \$10 PO is based on approximately 14x 2024E EBITDA, broadly in line with select business-to-consumer (B2C) and business-to-business (B2B) online gaming companies. We believe that the company is demonstrating its stable, picks and shovel model.

However, we believe that there are several headwinds (international exposure, sports rights costs) that could pressure margins.

Upside risks are growth rate of online sports betting (OSB) total addressable market, additional markets, and increased adoption of new products and offerings.

Downside risks are rising costs and data rights inflation, contract expirations, and direct competition for data, rights, and customers.

VICI Properties (VICI)

Our \$34 PO is based on an approximate 7% cap rate. Our valuation reflects higher interest rates and is closer to other category leading triple-net REITs reflecting VICI's growth prospects following the MGP transaction.

Upside risks to our PO are new accretive M&A both within and outside of the CZR portfolio, as well as non-gaming assets. Downside risks to our PO are inability to execute M&A, overexposure to one operator, and general interest rate risks.

Wynn Resorts Ltd (WYNN)

Our \$105 PO is based on approximately 10x our 2024 EBITDAR estimate, roughly in line with its long term average, justified given Macau's recovery potential, strength in Las Vegas and stable regional trends.

Upside risks: faster than expected recovery in Macau and improvements on the LV Strip

Downside risks: slower than expected recovery in Macau and domestically, higher-than-expected operating leverage and increasing financial leverage.

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US - Gaming, Lodging and Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Boyd Gaming Corp	BYD	BYD US	Shaun C. Kelley
	Choice Hotels International	CHH	CHH US	Dany Asad
	DraftKings, Inc.	DKNG	DKNG US	Shaun C. Kelley
	Hilton Worldwide	HLT	HLT US	Shaun C. Kelley
	Host Hotels & Resorts Inc.	HST	HST US	Shaun C. Kelley
	Hyatt Hotels	H	H US	Shaun C. Kelley
	Marriott International Inc.	MAR	MAR US	Shaun C. Kelley
	Penn Entertainment	PENN	PENN US	Shaun C. Kelley
	Ryman Hospitality Properties	RHP	RHP US	Shaun C. Kelley
	Soho House & Co Inc	SHCO	SHCO US	Shaun C. Kelley
	Vail Resorts, Inc	MTN	MTN US	Shaun C. Kelley
	VICI Properties	VICI	VICI US	Shaun C. Kelley
	Wyndham Hotels & Resorts, Inc.	WH	WH US	Dany Asad
NEUTRAL				
	Apple Hospitality REIT Inc.	APLE	APLE US	Dany Asad
	Caesars Entertainment Inc	CZR	CZR US	Shaun C. Kelley
	Churchill Downs Incorporated	CHDN	CHDN US	Shaun C. Kelley
	Hilton Grand Vacations Inc	HGV	HGV US	Dany Asad
	Las Vegas Sands	LVS	LVS US	Shaun C. Kelley
	MGM Resorts International	MGM	MGM US	Shaun C. Kelley
	Park Hotels & Resorts Inc.	PK	PK US	Dany Asad
	Wynn Resorts Ltd	WYNN	WYNN US	Shaun C. Kelley
UNDERPERFORM				
	DiamondRock Hospitality	DRH	DRH US	Dany Asad
	Gaming & Leisure Properties, Inc.	GLPI	GLPI US	Shaun C. Kelley
	Marriott Vacations Worldwide	VAC	VAC US	Shaun C. Kelley
	Pebblebrook Hotel Trust	PEB	PEB US	Shaun C. Kelley
	Playa Hotels & Resorts	PLYA	PLYA US	Shaun C. Kelley
	Red Rock Resorts, Inc.	RRR	RRR US	Shaun C. Kelley
	RLJ Lodging Trust	RLJ	RLJ US	Dany Asad
	Sportradar Holding AG	SRAD	SRAD US	Shaun C. Kelley
	Summit Hotel Properties	INN	INN US	Dany Asad
	Sunstone Hotel Investors	SHO	SHO US	Dany Asad
	Travel + Leisure Co	TNL	TNL US	Dany Asad

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Gaming Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	22	50.00%	Buy	10	45.45%
Hold	12	27.27%	Hold	6	50.00%
Sell	10	22.73%	Sell	3	30.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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