

Boyd Gaming Corp

First Take: 4Q beat on impressive cost control

Reiterate Rating: BUY | PO: 80.00 USD | Price: 65.50 USD

Solid beat, margins back on track

Boyd Gaming (ticker: BYD) reported Q4 revenue/EBITDA of \$954M/\$355M, ahead of our estimates of \$950M/\$340M. Following last [quarter's margin pressure \(see report\)](#), BYD reported a very strong sequential revenue to EBITDA flow-through of 74% and property level margins were 42.5%, well ahead of our estimate of 40.5%. We think this quarter's results demonstrate BYD's ability to execute and manage costs effectively. We reiterate our Buy rating, raise our 2024 EBITDA estimate by +1%, and raise our PO to \$80 based on 7x 2025E EBITDA (vs. \$70 prior on 7x 2024E EBITDA).

Midwest & South: Top and bottom-line beat

Regional revenue/EBITDA of \$498M/\$191M were above our above-consensus estimates of \$493M/\$175M. Regional margins of 38.3% were up +33bps Y/Y, following down -290bps Y/Y in Q3. While the top line was better than expected and helped by strong regional trends in December, we think BYD's cost control is impressive with non-tax operating expenses down -5.3% Q/Q and down -0.2% Y/Y. We tweak our 2024E Midwest & South 2024E EBITDA estimate up +3% primarily driven by lower operating expenses.

LV Locals: Limited cannibalization from Durango

Las Vegas (LV) Locals revenue/EBITDA of \$235M/\$120M was shy of our estimate of \$245M/\$125M, but ahead of consensus at \$233M/\$116M. We and investors had concerns about Red Rock's [Durango impact following their strong Q4 \(see report\)](#), but through early February, BYD indicated cannibalization has been limited. If visitation headwinds do worsen, we think BYD has demonstrated their ability to manage costs in-line with their top line trends. Downtown Las Vegas segment revenues/EBITDA of \$63M/\$28M were slightly ahead of our \$62M/25M estimates.

Online: Upside opportunity in 2024

Online segment revenue/EBITDA of \$124M/\$17M was in-line with our \$121M/\$18M estimates. Boyd's expectation for \$60-65M in Online EBITDA in 2024 is predicated on limited same-state Online Sports Betting growth which we think is likely conservative. We think same-state online sports betting GGR will be up double-digits in 2024 and could provide some additional upside.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	5.94	6.45	6.22	6.69	7.15
GAAP EPS	5.87	6.12	6.21	6.68	7.15
EPS Change (YoY)	33.8%	8.6%	-3.6%	7.6%	6.9%
Consensus EPS (Bloomberg)			6.25	6.56	NA
DPS	0.44	0.63	0.64	0.64	0.64
Valuation (Dec)					
P/E	11.0x	10.2x	10.5x	9.8x	9.2x
GAAP P/E	11.2x	10.7x	10.5x	9.8x	9.2x
Dividend Yield	0.7%	1.0%	1.0%	1.0%	1.0%
EV / EBITDA*	8.3x	8.3x	8.5x	8.4x	8.3x
Free Cash Flow Yield*	9.6%	6.7%	7.9%	8.1%	8.3%

* For full definitions of *IQmethod*SM measures, see page 5.

09 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	70.00	80.00
2024E Rev (m)	3,757.1	3,750.6
2025E Rev (m)	3,807.4	3,800.5
2026E Rev (m)	NA	3,852.5
2024E EPS	6.21	6.22
2025E EPS	6.64	6.69
2026E EPS	NA	7.15

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Stock Data

Price	65.50 USD
Price Objective	80.00 USD
Date Established	8-Feb-2024
Investment Opinion	B-1-8
52-Week Range	52.42 USD - 73.00 USD
Mkt Val (mn) / Shares Out (mn)	7,382 USD / 112.7
Free Float	69.5%
Average Daily Value (mn)	43.42 USD
BofA Ticker / Exchange	BYD / NYS
Bloomberg / Reuters	BYD US / BYD.N
ROE (2024E)	32.2%
Net Dbt to Eqty (Dec-2023A)	150.5%
ESGMeter™	Medium

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Timestamp: 09 February 2024 05:00AM EST

GGR: Gross Gaming Revenue

iQprofileSM Boyd Gaming Corp

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	13.5%	13.2%	12.3%	12.1%	11.7%
Return on Equity	41.4%	39.1%	32.2%	29.8%	27.3%
Operating Margin	27.6%	24.1%	25.0%	24.8%	24.4%
Free Cash Flow	707	496	580	600	614

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.5x	1.3x	1.5x	1.6x	1.6x
Asset Replacement Ratio	1.0x	1.4x	1.1x	1.1x	1.0x
Tax Rate	22.9%	17.7%	22.9%	22.9%	22.9%
Net Debt-to-Equity Ratio	171.1%	150.5%	131.6%	114.3%	98.5%
Interest Cover	6.5x	5.2x	5.4x	5.4x	5.4x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,555	3,738	3,751	3,800	3,853
% Change	5.5%	5.2%	0.3%	1.3%	1.4%
Gross Profit	NA	NA	NA	NA	NA
% Change	NA	NA	NA	NA	NA
EBITDA	1,284	1,286	1,253	1,274	1,287
% Change	1.8%	0.2%	-2.6%	1.7%	1.0%
Net Interest & Other Income	(152)	(150)	(173)	(173)	(173)
Net Income (Adjusted)	648	653	590	594	591
% Change	28.0%	0.9%	-9.7%	0.6%	-0.5%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	640	619	589	593	591
Depreciation & Amortization	258	257	283	299	315
Change in Working Capital	(22)	(72)	0	0	0
Deferred Taxation Charge	51	(10)	0	0	0
Other Adjustments, Net	50	68	32	32	32
Capital Expenditure	(269)	(367)	(325)	(325)	(325)
Free Cash Flow	707	496	580	600	614
% Change	-12.8%	-29.8%	16.9%	3.4%	2.4%
Share / Issue Repurchase	(542)	(413)	(400)	(400)	(400)
Cost of Dividends Paid	(48)	(64)	(61)	(57)	(53)
Change in Debt	20	(69)	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	283	309	428	571	732
Trade Receivables	183	198	198	198	198
Other Current Assets	12	2	2	2	2
Property, Plant & Equipment	2,394	2,519	2,561	2,587	2,596
Other Non-Current Assets	3,439	3,343	3,343	3,343	3,343
Total Assets	6,311	6,371	6,532	6,700	6,871
Short-Term Debt	0	0	0	5	5
Other Current Liabilities	586	583	583	583	583
Long-Term Debt	3,005	2,942	2,942	2,942	2,942
Other Non-Current Liabilities	1,129	1,095	1,095	1,095	1,095
Total Liabilities	4,721	4,621	4,621	4,626	4,626
Total Equity	1,591	1,750	1,911	2,080	2,250
Total Equity & Liabilities	6,311	6,371	6,532	6,705	6,876

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Gaming

Company Description

Boyd Gaming Corporation operates approx. 30 gaming facilities located in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Pennsylvania, Missouri and Ohio.

Investment Rationale

BYD should benefit from a continued re-rating driven by 1) solid top-line growth with acceleration and recovery potential, 2) long-term margin improvement driven by promotional discipline and rationalization, 3) superior financial profile to peers and 4) sports betting upside.

Stock Data

Average Daily Volume 662,943

Quarterly Earnings Estimates

	2023	2024
Q1	1.82A	1.60E
Q2	1.58A	1.54E
Q3	1.38A	1.37E
Q4	1.67A	1.71E



Price objective basis & risk

Boyd Gaming Corp (BYD)

Our \$80 PO is based on approximately 7x 2025E 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.

Analyst Certification

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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

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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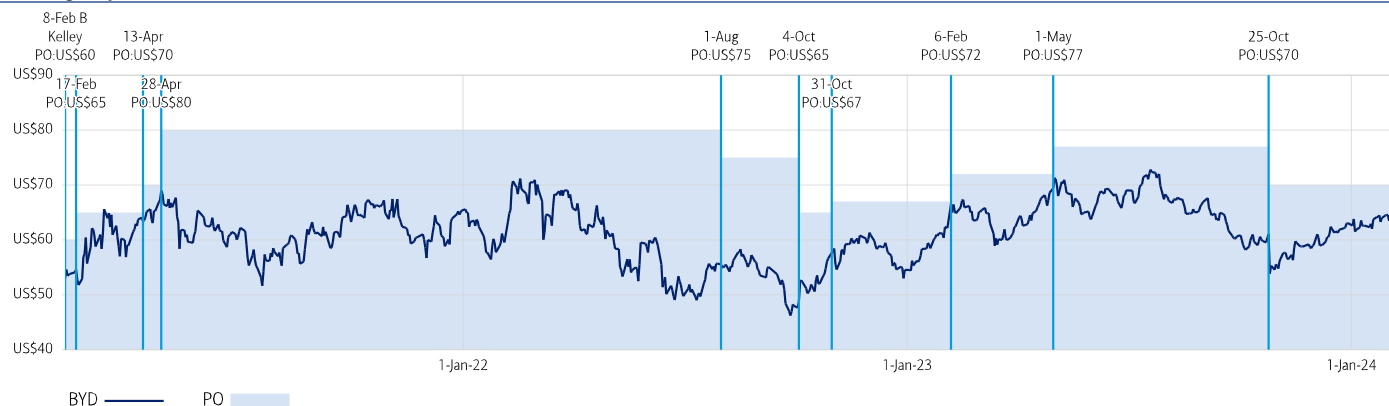
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Boyd Gaming Corp (BYD) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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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