

Gaming

Q4 First Take: WYNN and RRR both deliver solid beats driven by Vegas; raising POs

Price Objective Change

Healthy Las Vegas trends drive Q4 beats

After the close on Wednesday, Wynn Resorts (ticker: WYNN) and Red Rock Resorts (ticker: RRR) both reported 4Q earnings beats. Las Vegas trends were [robust in 4Q \(see report\)](#), and both companies' results reflected the strength of the market, coupled with strong margins, significant operating leverage and upside from RRR's Durango opening.

WYNN: Q4 Beat driven by share gains in Vegas and Macau

Wynn Resorts reported Q4 Revenues / Property EBITDA of \$1.84B / \$630M, ahead of our \$1.79B / \$581M and the Street's \$1.74 / \$566M. In Macau, hold adjusted EBITDA of \$290M beat our above consensus estimate of \$271M, and GGR of \$906M implies 13.4% share vs. our est. of 13.0%, and up +10bps Q/Q. In Las Vegas, hold-adjusted EBITDA of \$261M beat our \$245M and the Street's \$230M. We are raising our 2024E EBITDA estimate by +2% and raise our PO to \$115 (from \$105), still on ~10x 2024E EBITDA.

Executing and taking share in Vegas; Raising PO to \$115

We think WYNN is executing at a high level in Las Vegas as shown through margins of 38.9% and 66% Q/Q revenue to EBITDA flow through. WYNN's share gains in Vegas are driven by a strong high end market including 1) Formula 1, 2) strength in high-end baccarat, and 3) benefits from the Sphere. In 2024, Super Bowl, Sphere, and increased international traffic should all disproportionately benefit WYNN. In Macau, WYNN saw high revenue to EBITDA flow though of 46% and share stability. However, given a lack of [momentum in our MMAT \(see report\)](#), we still have concerns on the China Macro and impact on Macau, and this remains a primary concern for the stock. Reiterate Neutral on balanced risk-reward.

RRR: Q4 beat in the first quarter with Durango

Red Rock Resorts reported Q4 revenues / EBITDA of \$459/220M vs. our \$447/201M and the Street's \$436/202M. Recall, RRR opened [Durango in December \(see report\)](#), which we expected to be a drag on margins in the quarter. However, margins of 47.9% were down -130bps Y/Y vs. our estimate of -300bps and better than -170bps Y/Y in Q3. We are raising our forward EBITDA estimates by 3% in 2024E and 2% in 2025E. We raise our PO to \$52 (from \$45) based on 9x 2025E EBITDA as we roll forward to 2025E to reflect the full Durango ramp up. Reiterate Underperform based on valuation.

Durango largely in-line, but lower cannibalization

Assuming Red Rock's core Las Vegas Locals segment revenue was up modestly Y/Y in Q4, we think Durango generated ~\$30-40M in total revenue in 27 days in Q4. Management indicated the opening was nearly perfect, so we suspect Durango's initial visitation could normalize down a bit, driving to ~\$80-10M in total revenue per quarter, slightly above our prior \$80M. On costs, we think Durango opex was ~\$17M since opening, but there is room to leverage costs as Durango ramps and improves efficiency, with margins similar to or exceeding the portfolio over time. We think the cannibalization impact to Red Rock was limited and better than we anticipated. We now expect RRR core-Las Vegas Locals gaming revenues to be down -1% Y/Y in 2024 vs -3% Y/Y prior, though we do factor in modest disruption in 1H for Palace and Sunset Station.

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Exhibit 1: Summary of est. changes

We tweak our 2024E EBITDA estimates to reflect recent trends and results (\$mn)

	New	Old	% Chg
WYNN	2,242	2,196	2%
RRR	799	776	3%

Source: Company filings, BofA Global Research
BofA GLOBAL RESEARCH

Exhibit 1: Stocks mentioned

Rating and price summary

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
RRR	RRR US	Red Rock Resorts	US\$ 55.24	C-3-8
WYNN	WYNN US	Wynn Resorts Ltd	US\$ 99.83	C-2-7

Source: BofA Global Research

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Price objective basis & risk**Red Rock Resorts, Inc. (RRR)**

Our \$52 PO is based on approximately 9x our 2025E 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

Wynn Resorts Ltd (WYNN)

Our \$115 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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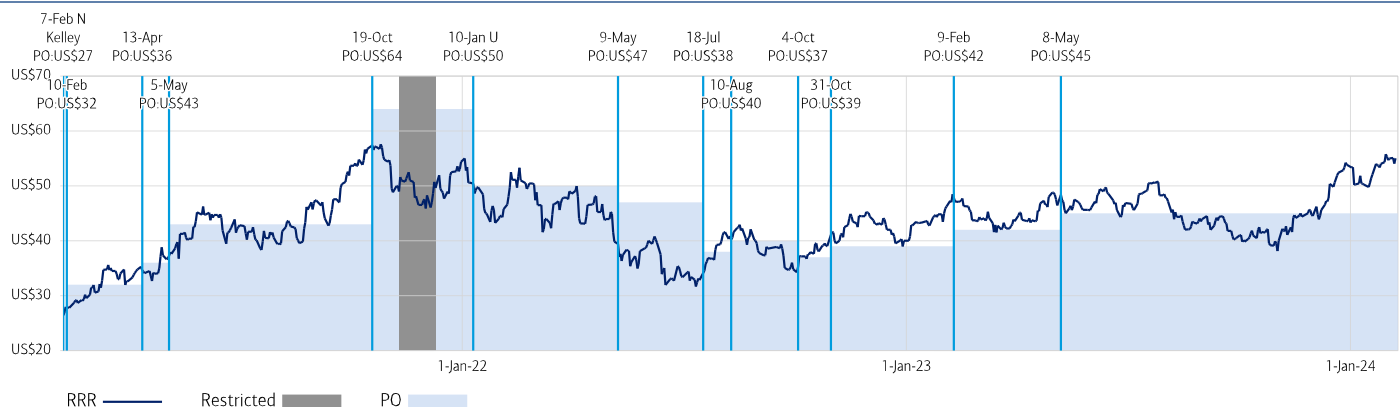
US - Gaming, Lodging and Leisure Coverage Cluster

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

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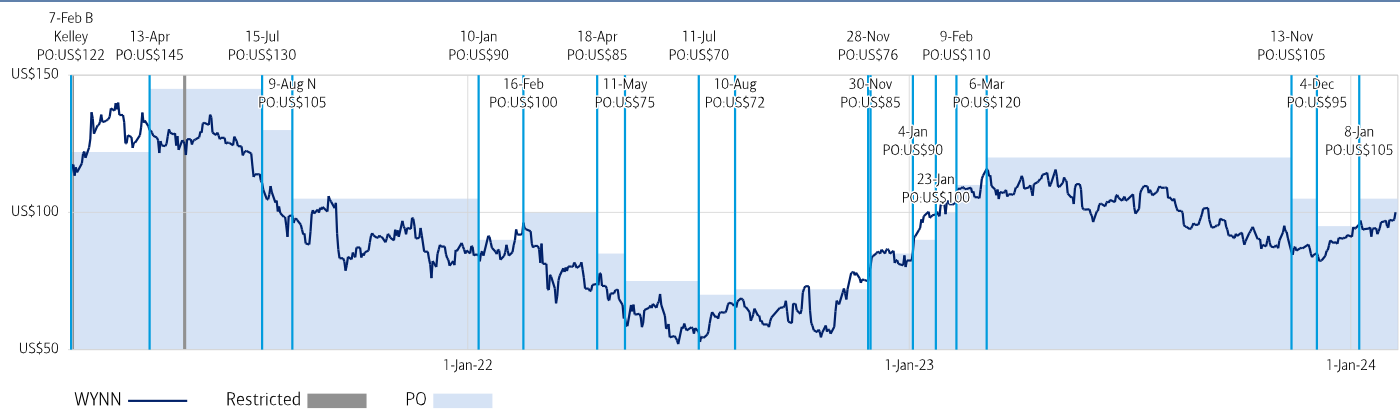
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Red Rock Resorts (RRR) Price Chart



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

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Wynn Resorts Ltd (WYNN) Price Chart

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

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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%

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