

MGM Resorts International

Q4 Review: Top line beat, but EBITDA miss on regionals

Reiterate Rating: NEUTRAL | PO: 50.00 USD | Price: 45.66 USD

Strength and share gains in Las Vegas and Macau

MGM Resorts (ticker: MGM) reported Q4 Revenues of \$4.38B vs. our \$4.30B (+2%) and the Street's \$4.14B estimates. Despite stronger revenues, EBITDAR of \$1.22B was ~4% below our \$1.28B estimate, driven by 1) \$20M weaker regional results that are mostly one-time (strike & tough high end comp in Maryland), 2) a \$30M hit in the other line from LeoVegas UK launch costs, offset by 3) a modest Vegas beat to our above-Street number. Property margins of 30.8% were -160bps below our estimate of 32.4%, mostly on regionals.

Bottom Line: Shares traded lower after the close given the headline miss and lower-than-expected flow-throughs in Las Vegas and Macau, plus the pressure in regionals/management stated above. We reiterate Neutral and maintain our PO of \$50 based on ~7x 2024E EBITDAR.

Las Vegas: High-end drives Q4 beat as expected

Revenues of \$2.37B were +2% vs. our \$2.32B est, and EBITDAR of \$864M beat our \$853M and the Street's \$812M ests. Q4 margins of 36.5% were -170bps Y/Y, driven by union costs & higher player-related expenses. Events are driving strength with 1) Formula 1 adding ~\$50-70M in Q4, and 2) the Super Bowl achieving three of the best room revenue days in history. Super Bowl demand sounded more widespread than the [high-end skew of F1 \(see report\)](#). Despite tough comps & the union contract, MGM thinks it can grow in 2024 from 1) continued strength in group & international baccarat, 2) contribution from the [Marriott deal \(see report\)](#), and 3) lapping the \$100M cyber impact, all helping offset expense pressure from the union contract & inflation. We make minimal tweaks and model Vegas EBITDA up slightly in 2024 with margins of 35.5%, down -70bps Y/Y.

Macau off to a strong 2024; Regional one-time headwinds

Macau revenues/EBITDAR of \$983B/\$262M were in-line with our \$982M/\$261M, and market share of ~16.1%, was shy of our 16.5% estimate. Margins of 26.7% were down -110bps Q/Q and a 23% revenue to EBITDA flow-through was below expectation. MGM indicated that promo has been stable but a strong ~20% market share in January is likely to mean-revert. Our estimates are unchanged. **Regional** revenues of \$873M were in-line with our \$873M but EBITDAR of \$233M was well below our \$256M est. \$60M of the \$64M Y/Y decline was driven by the strike in Detroit & a tough comp at National Harbor. We expect continued margin pressure in 2024, with margins down -60bps Y/Y to 30.3%.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(19.87)	2.36	3.15	3.26	3.40
EPS Change (YoY)	NM	NM	33.5%	3.5%	4.3%
Consensus EPS (Bloomberg)			2.27	2.60	NA
DPS	0.01	0.01	0.01	0.01	0.01
Valuation (Dec)					
P/E	NM	19.3x	14.5x	14.0x	13.4x
EV / EBITDA*	11.0x	8.4x	8.0x	7.7x	7.6x
Free Cash Flow Yield*	4.9%	8.8%	5.9%	5.3%	5.9%

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

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Refer to important disclosures on page 6 to 8. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 14 February 2024 05:00AM EST

14 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	16,918.3	17,160.4
2025E Rev (m)	17,032.2	17,310.9
2026E Rev (m)	NA	17,405.9
2025E EPS	3.61	3.26
2026E EPS	NA	3.40

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Stock Data

Price	45.66 USD
Price Objective	50.00 USD
Date Established	8-Jan-2024
Investment Opinion	C-2-9
52-Week Range	34.12 USD - 51.35 USD
Mrkt Val (mn) / Shares Out (mn)	20,147 USD / 441.2
Free Float	75.6%
Average Daily Value (mn)	189.02 USD
BofA Ticker / Exchange	MGM / NYS
Bloomberg / Reuters	MGM US / MGM.N
ROE (2024E)	24.5%
Net Dbt to Eqty (Dec-2023A)	80.2%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM MGM Resorts International

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	3.2%	4.1%	3.8%	4.2%	4.3%
Return on Equity	-100.9%	17.7%	24.5%	23.5%	20.9%
Operating Margin	25.8%	25.7%	23.1%	23.8%	24.0%
Free Cash Flow	991	1,767	1,187	1,072	1,183

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	3.0x	2.0x	2.2x	2.3x
Asset Replacement Ratio	0.2x	0.9x	1.0x	1.3x	1.3x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	53.9%	80.2%	85.7%	66.4%	42.3%
Interest Cover	2.4x	4.1x	3.8x	4.6x	5.8x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	13,127	16,164	17,160	17,311	17,406
% Change	35.6%	23.1%	6.2%	0.9%	0.5%
Gross Profit	4,000	5,123	5,323	5,539	5,638
% Change	39.6%	28.1%	3.9%	4.1%	1.8%
EBITDA	3,569	4,662	4,883	5,086	5,181
% Change	43.6%	30.6%	4.7%	4.2%	1.9%
Net Interest & Other Income	(2,486)	(2,682)	(2,619)	(2,617)	(2,601)
Net Income (Adjusted)	(8,169)	845	1,029	1,016	1,032
% Change	NM	NM	21.8%	-1.3%	1.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(1,744)	(949)	(1,145)	(1,850)	(1,129)
Depreciation & Amortization	3,482	814	845	884	922
Change in Working Capital	113	273	0	0	0
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(95)	2,400	2,336	3,209	2,560
Capital Expenditure	(765)	(772)	(850)	(1,170)	(1,170)
Free Cash Flow	991	1,767	1,187	1,072	1,183
% Change	12.3%	78.2%	-32.8%	-9.6%	10.4%
Share / Issue Repurchase	(2,775)	(2,169)	(1,200)	(600)	(400)
Cost of Dividends Paid	(211)	(169)	0	0	0
Change in Debt	78	(2,279)	352	(1,675)	(650)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	5,912	2,928	3,263	2,057	2,187
Trade Receivables	2,243	1,983	1,983	1,983	1,983
Other Current Assets	NA	NA	NA	NA	NA
Property, Plant & Equipment	5,224	5,450	5,454	5,741	5,988
Other Non-Current Assets	32,314	32,008	31,761	31,494	31,224
Total Assets	45,692	42,369	42,461	41,274	41,382
Short-Term Debt	0	0	0	5	5
Other Current Liabilities	2,606	3,066	3,066	3,066	3,066
Long-Term Debt	8,719	6,404	6,756	5,081	4,431
Other Non-Current Liabilities	29,157	28,565	28,565	28,565	28,565
Total Liabilities	40,482	38,034	38,386	36,716	36,066
Total Equity	5,210	4,334	4,075	4,563	5,321
Total Equity & Liabilities	45,692	42,369	42,461	41,279	41,387

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

Company Sector

Gaming

Company Description

MGM, a hotel and gaming company, owns and operates 29 properties located in NV, NY, MA, MS, MI, OH, IL and Macau.

Investment Rationale

We are Neutral rated on MGM as we believe domestic recovery potential and sports betting/iGaming upside potential are balanced by 1) near-term headwinds on the Strip and in Macau, 2) increasingly complicated corporate structure, and 3) limited ownership/control of the online opportunity.

Stock Data

Average Daily Volume 4,139,692

Quarterly Earnings Estimates

	2023	2024
Q1	0.77A	0.85E
Q2	0.62A	0.72E
Q3	0.39A	0.69E
Q4	0.96A	0.89E

Exhibit 1: MGM Reported Results vs. BofA estimates (\$M)

Top line results were solid, though EBITDAR was lower than our forecasts

Revenue	Reported	BofA Est.	Delta \$	Delta %
Las Vegas Strip	2,147	2,136	10	0%
Regionals	926	885	41	5%
MGM China	741	736	5	1%
Mgmt. & Other	129	139	(11)	-8%
Total Net Revenue	3,942	3,896	46	1%
Adj. EBITDAR	Reported	BofA Est.	Delta \$	Delta %
Las Vegas Strip	777	788	(12)	-2%
Regionals	294	295	(1)	0%
MGM China	209	218	(9)	-4%
Unconsolidated	(19)	(20)	1	-6%
Mgmt. & Other	2	1	2	319%
Property Level EBITDAR	1,263	1,282	(19)	-1%
Corporate Expense	(110)	(95)	(15)	15%
Total EBITDAR	1,153	1,187	(33)	-3%

Source: Company Presentations, BofA Global Research estimates

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Exhibit 2: MGM Estimate Changes (\$M)

Overview of BofA's Adj. EBITDAR estimate changes

FY 2023		FY 2024		FY 2025	
New	Prior	New	Prior	New	Prior
4,763	4,822	5,094	5,107	5,197	5,204

Source: Company Presentations, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

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.

Analyst Certification

I, Shaun C. Kelley, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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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

US - Gaming, Lodging and Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

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

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

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

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

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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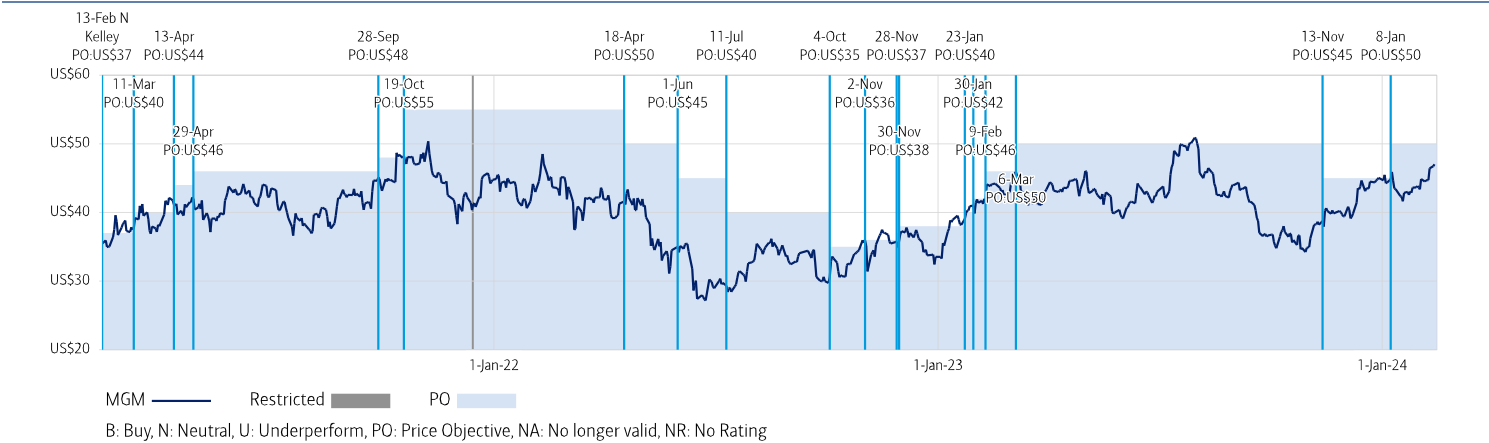
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MGM Resorts (MGM) Price Chart



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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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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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