

## Gaming

# Q4 Preview: Vegas (+); Macau (=); Regionals (=)

Estimate Change

## Expecting beats in Vegas, in-line in Macau and Regionals

We adjusted 4Q estimates in our 2024 [Gaming Year Ahead Report \(see report\)](#) and now: 1) refine our Macau market share estimates, 2) update for recent regional trends, 3) provide an early take on digital, 4) update for Caesars pre-announcement, and 5) review performance & valuation. Since Q3, gaming stocks have underperformed the broader market driven by China macro concerns, tepid regional trends, rising cost pressures, and concerns on “comping the comp” in Las Vegas in 2024.

**Bottom line:** Our Q4 '23 estimates are ahead of consensus in Las Vegas and largely in-line in regionals and Macau. In Las Vegas, we expect beats for WYNN and MGM as Formula 1 and Baccarat drive high-end outperformance. We tweaked regional estimates slightly higher as GGR ended the year on a high-note, up +7% Y/Y, but overall our companies underperformed due to consumer weakness and competition.

## Online: Tracking ahead of expectations

Despite unfavorable sport outcomes in November, digital gaming growth is tracking +5% ahead of our TAM model driven by 1) iGaming growth exceeding expectations, 2) OSB handle growth pacing ahead of expectations, and 3) a better than anticipated launch in Kentucky. On a larger TAM, we see ~11% GGR upside for DraftKings in Q4 (Ex. 14 & 15). With the launch of ESPN Bet, Fanatics, and increased investment behind BetMGM, investors have concerns on promotionality, but PA state data shows industry wide promo as a % of handle (ex-ESPN Bet) is actually down -40bps Y/Y to 2.6%.

## Macau/Singapore: largely in-line, margins in focus

**Macau:** Our Q4 EBITDA est. are in line with the Street, and by company we expect a slight beat for MGM, and a slight miss for WYNN. With market GGR known, keys for the quarter will be: 1) margin recovery and operating expense base changes Q/Q and vs. 2019, 2) changes in market share, and 3) the promotional environment. Investor sentiment is mixed as improving GGR trends and discounts to historical multiples are offset by China macro concerns and de-rating in China stocks. **Singapore:** Our Q4 Marina Bay Sands est. is \$475M, slightly ahead of cons. at \$471M.

## Las Vegas: Positive on F1, Regionals: Watch the weather

**Strip:** Caesars pre-announced Las Vegas Q4 EBITDA of \$486-492M, below our prior estimate of \$520M, and implying down -LSD% Y/Y after adjusting for room renovations, Rio divestiture, union contract catch up, and hold rates. Our EBITDA estimates for WYNN/MGM are +8%/+4% above consensus, as we expect them to outperform Strip RevPAR and GGR given their higher-end skew (see ex. 27 & 28).

**Regionals:** Same state GGR improved through the quarter, -4%/0%/+5% in Oct./Nov./Dec. We think the outperformance in December was driven by 1) favorable holiday timing, and 2) favorable weather. We expect these trends to mean revert in January, and we are already seeing declines in regional casino visitation (see Ex. 26). Overall our regional Revenue/EBITDA estimates are in-line, but we expect slight beats for BYD and PENN, and a miss for MGM.

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### Exhibit 1: Stocks Mentioned

Overview of stocks mentioned in this report

BofA Ticker	Bloomberg Ticker	Price	Rating
BYD	BYD US	\$64.18	B-1-8
CZR	CZR US	\$46.76	C-2-9
CHDN	CHDN US	\$125.16	B-2-7
DKNG	DKNG US	\$37.62	C-1-9
GLPI	GLPI US	\$46.51	B-3-7
LVS	LVS US	\$48.85	B-2-7
MGM	MGM US	\$43.00	C-2-9
PENN	PENN US	\$23.28	C-1-9
RRR	RRR US	\$54.01	C-3-8
SRAD	SRAD US	\$11.28	C-3-9
VICI	VICI US	\$30.56	B-1-7
WYNN	WYNN US	\$94.23	C-2-7

Source: BofA Global Research

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### Key Terms:

**GGR:** Gross Gaming Revenue**OSB:** Online Sports Betting**Hold:** % operators retain from wagers**LSD:** low-single-digits

WYNN: Wynn resorts

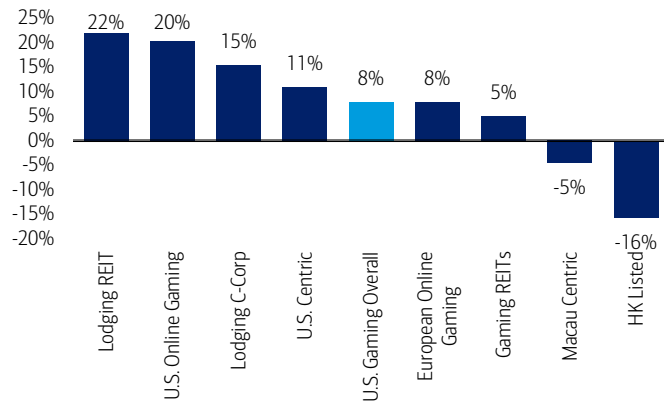
MGM: MGM resorts

PENN: Penn Entertainment

## Stock Performance & Valuation

### Exhibit 2: Gaming & Lodging stock performance since Q3

Lodging REITs performed the best since Q3

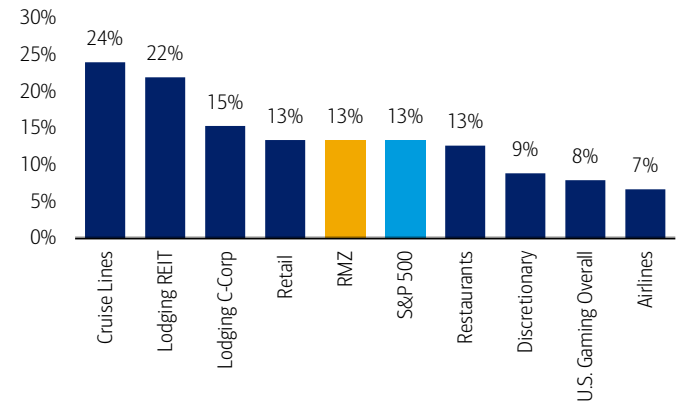


Source: BofA Global Research, Bloomberg

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### Exhibit 3: Consumer stock performance since Q3

...while gaming lagged the overall market



Source: BofA Global Research, Bloomberg

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### Exhibit 4: Gaming & Lodging Relative Performance

U.S Online Gaming continued its outperformance in Q4

Gaming & Lodging	Since 3Q23	2023
Lodging REIT	22%	17%
U.S. Online Gaming	20%	110%
Lodging C-Corp	15%	37%
U.S. Centric	11%	19%
U.S. Gaming Overall	8%	25%
European Online Gaming	8%	7%
Gaming REITs	5%	2%
Macau Centric	-5%	-3%
HK Listed	-16%	-20%

Source: Bloomberg, BofA Global Research

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### Exhibit 5: Consumer Relative Performance

US Overall gaming lagged in Q4 driven by Macau concerns

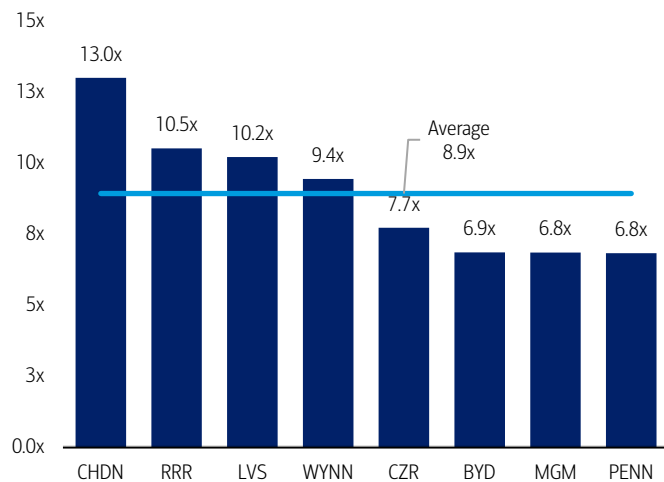
Gaming & Lodging	Since 3Q23	2023
Cruise Lines	24%	119%
Lodging REIT	22%	17%
Lodging C-Corp	15%	37%
Retail	13%	22%
RMZ	13%	14%
S&P 500	13%	26%
Restaurants	13%	15%
Discretionary	9%	40%
U.S. Gaming Overall	8%	35%

Source: Bloomberg, BofA Global Research

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### Exhibit 6: 2024 EV/EBITDA Multiples for Gaming Operators

Gaming operators carry an average 8.9x multiple

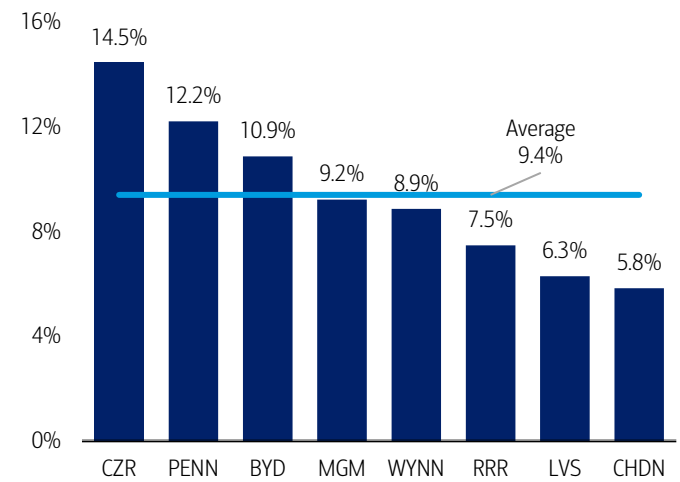


Source: Bloomberg, BofA Global Research

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### Exhibit 7: FCF Yield for Gaming Operators

Gaming operators carry an average 11.4% FCF Yield



Source: Bloomberg, BofA Global Research

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## Q4 2023 Estimates

### Exhibit 8: BofA vs. Cons. Revenue Estimates (\$M)

BofA's estimates are in-line or slightly ahead of consensus, with outperformance driven by Las Vegas

Stock	BofA	BBG Cons.	VA Cons.	% Var. vs. Cons.
BYD	\$950	\$928	\$919	3%
CZR	\$2,826	\$2,883	\$2,916	-3%
GLPI	\$364	\$361	\$363	1%
LVS	\$2,898	\$2,893	\$2,968	-1%
MGM	\$4,193	\$4,124	\$4,143	1%
PENN	\$1,546	\$1,556	\$1,558	-1%
RRR	\$447	\$439	\$441	2%
SRAD	€ 248	€ 249	€ 250	-1%
VICI	\$930	\$918	\$915	1%
WYNN	\$1,787	\$1,732	\$1,725	3%

Source: Bloomberg, Visible Alpha, BofA Global Research estimates

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### Exhibit 9: BofA vs. Cons. EBITDA Estimates (\$M)

BofA's estimates are in line / slightly ahead of cons with PENN a notable outlier as we expect larger losses in Online than consensus

Stock	BofA	BBG Cons.	VA Cons.	% Var. vs. Cons.
BYD	\$340	\$323	\$327	5%
CZR	\$932	\$958	\$966	-3%
GLPI	\$333	\$333	\$332	0%
LVS	\$1,073	\$1,091	\$1,088	-1%
MGM	\$1,276	\$1,213	\$1,216	5%
PENN	\$242	\$280	\$277	-13%
RRR	\$190	\$183	\$183	4%
SRAD	€ 35	€ 37	€ 38	-5%
VICI	\$762	\$753	\$750	1%
WYNN	\$541	\$511	\$482	9%

Source: Bloomberg, Visible Alpha, BofA Global Research estimates

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### Exhibit 10: BofA vs. Cons. Macau Estimates (\$M)

BofA's estimates are largely in line with consensus

Revenue	BofA	VA Cons.	% Var. vs. Cons.
LVS	\$1,883	\$1,889	0%
MGM	\$898	\$879	2%
WYNN	\$876	\$860	2%
Property EBITDAR	BofA	VA Cons.	% Var. vs. Cons.
LVS	\$684	\$684	0%
MGM	\$248	\$245	1%
WYNN	\$271	\$273	-1%
Margins	BofA	VA Cons.	% Var. vs. Cons.
LVS	36.3%	36.2%	13 bps
MGM	27.7%	27.9%	(26) bps
WYNN	30.9%	31.7%	(81) bps

Source: Bloomberg, Visible Alpha, BofA Global Research estimates

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### Exhibit 11: BofA vs. Cons. LV Strip Estimates (\$M)

BofA's estimates for MGM and WYNN are ahead of the Street as we think they will benefit from F1 and Baccarat play

Revenue	BofA	VA Cons.	% Var. vs. Cons.
CZR	\$1,091	\$1,167	-6.5%
MGM	\$2,292	\$2,265	1.2%
WYNN	\$667	\$620	7.5%
Property EBITDAR	BofA	VA Cons.	% Var. vs. Cons.
CZR	\$489	\$516	-5.2%
MGM	\$840	\$812	3.5%
WYNN	\$241	\$224	7.9%
Margins	BofA	VA Cons.	% Var. vs. Cons.
CZR	44.8%	44.2%	63 bps
MGM	36.7%	35.8%	83 bps
WYNN	36.2%	36.0%	11 bps

Source: Bloomberg, Visible Alpha, BofA Global Research estimates

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### Exhibit 12: BofA vs. Cons. Regional Estimates (\$M)

BofA's estimates are mixed, we expect beats for BYD and WYNN and a slight miss for MGM

Revenue	BofA	VA Cons.	% Var. vs. Cons.
BYD	\$493	\$484	2%
CZR	\$1,363	\$1,394	-2%
MGM	\$870	\$882	-1%
PENN	\$1,349	\$1,341	1%
WYNN	\$224	\$217	3%
CHDN	\$225	\$225	0%
EBITDAR	BofA	VA Cons.	% Var. vs. Cons.
BYD	\$176	\$172	2%
CZR	\$431	\$446	-3%
MGM	\$256	\$261	-2%
PENN	\$455	\$457	0%
WYNN	\$65	\$62	5%
CHDN	\$113	\$110	3%

Source: Bloomberg, Visible Alpha, BofA Global Research estimates

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### Exhibit 13: BofA vs. Cons. Singapore Estimates (\$M)

BofA's estimates are slightly ahead of consensus for Marina Bay Sands

Marina Bay Sands	BofA	VA Cons.	% Var. vs. Cons.
Revenue	\$1,003	\$993	1.0%
Property EBITDA	\$475	\$471	0.8%
Margins	47.3%	47.4%	(10) bps

Source: Bloomberg, Visible Alpha, BofA Global Research estimates

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## Online

### Exhibit 14: DKNG OSB Sensitivity

In our base case, we see 11% upside from our current model

	Downside	Base	Upside
December OSB	1,220	1,284	1,349
Q4 OSB Implied	3,214	3,278	3,343
DKNG Q4 Share	35%	36%	37%
DKNG US OSB GGR	1,116	1,171	1,228
December iGaming	555	585	614
Q4 iGaming Implied	1,646	1,675	1,704
DKNG Q4 Share	26%	27%	28%
DKNG US iGaming GGR	432	457	482
Canada	42	42	42
Total Digital	1,591	1,671	1,752
Current Model	1,512	1,512	1,512
<b>Upside</b>	<b>5%</b>	<b>11%</b>	<b>16%</b>

Source: State Gaming Control Boards, BofA Global Research estimates

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### Exhibit 15: DKNG EBITDA Sensitivity

Which could translate to +20% EBITDA upside

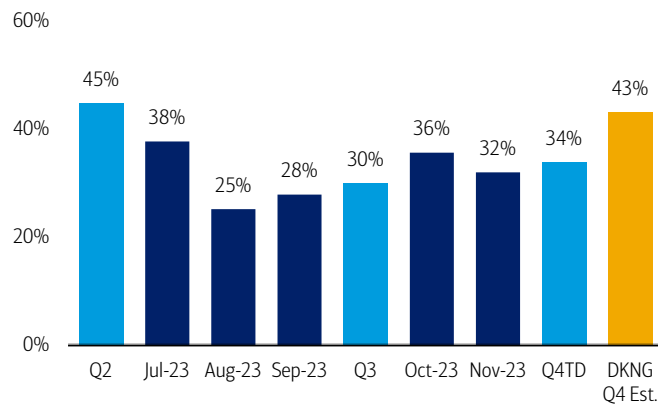
	Downside	Base	Upside
Q4 Digital GGR	1,591	1,671	1,752
Promo as % of GGR	25%	26%	27%
DKNG Q4 NGR	1,193	1,236	1,279
Daily Fantasy	106	106	106
Total Net Revenue	1,299	1,342	1,385
4Q22 Net Revenue	850	850	850
Incremental Revenue	449	492	534
Flowthrough	50%	50%	50%
Incremental EBITDA	224	246	267
4Q22 EBITDA	-50	-50	-50
Q4 EBITDA	175	196	217
Current Model	166	166	166
<b>Upside</b>	<b>5%</b>	<b>18%</b>	<b>31%</b>

Source: State Gaming Control Boards, BofA Global Research estimates

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### Exhibit 16: Digital (Online sports betting +iCasino) GGR Growth Y/Y

Digital GGR market wide is tracking up +34% Q4TD, but in-line with our DKNG model before accounting for share gains

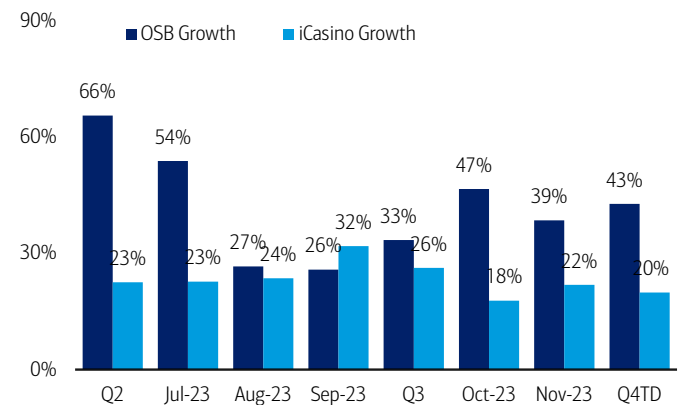


Source: BofA Global Research, State Gaming Control Boards

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### Exhibit 17: Online sports betting vs. iCasino Growth Y/Y

Q4TD OSB growth is +43% vs. 33% in Q3 and iGaming growth is +20% vs. +26% in Q3

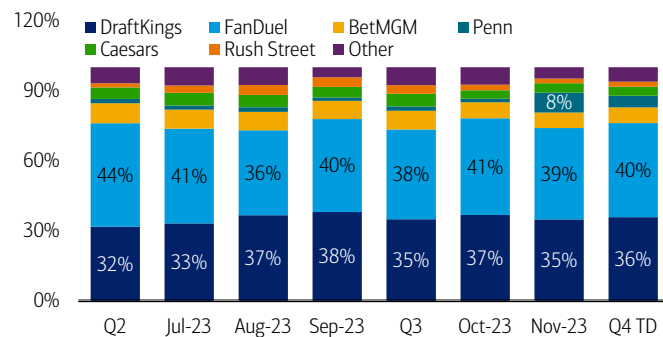


Source: BofA Global Research, State Gaming Control Boards

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### Exhibit 18: Online sports betting market share by operator

DraftKings is tracking to 36% share in Q4

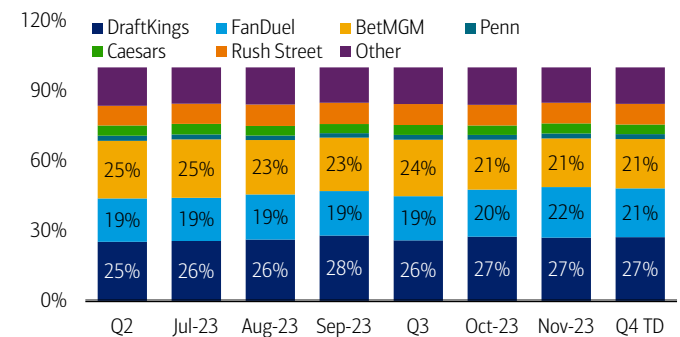


Source: BofA Global Research, State Gaming Control Boards

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### Exhibit 19: iGaming market share by operator

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

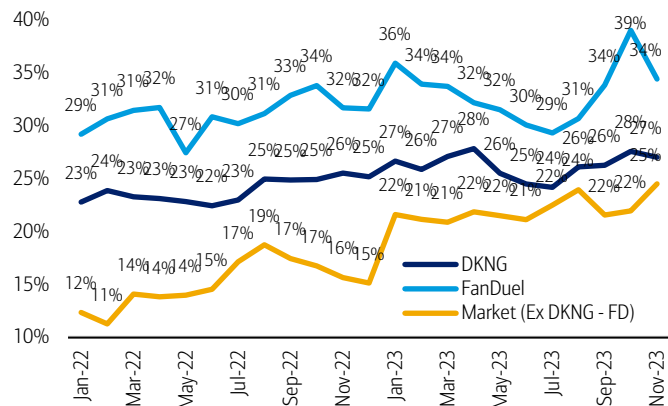


Source: BofA Global Research, State Gaming Control Boards

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**Exhibit 20: November Illinois Parlay Mix**

Parlay mix slowed for DKNG and FD, but improved for the rest of the market

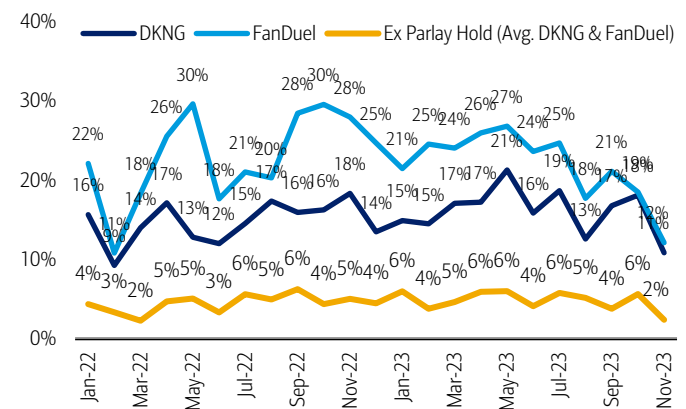


Source: BofA Global Research, State Gaming Control Boards

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**Exhibit 21: November IL Parlay vs. Overall hold (win) rates**

Consistent with overall OSB trends, hold rates were low in November from unfavorable game outcomes

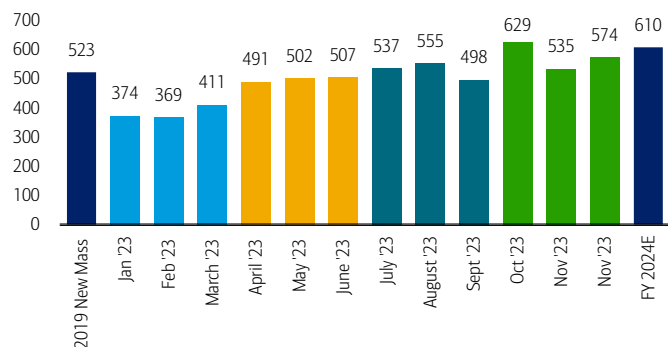


Source: BofA Global Research, State Gaming Control Boards

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**Macau****Exhibit 22: ADR Comparison: 2019 vs. 2023 (MOP M)**

Converting GGR (MOP B) to ADR (MOP M) provides a daily run rate; Q4's ADR was +5% Q/Q.

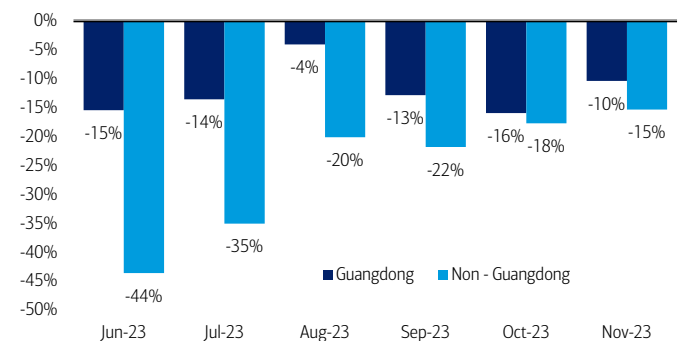


Source: Macau DICJ, BofA Global Research

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**Exhibit 23: Macau Visitation vs. 2019**

Visitation remains below 2019 levels, especially for Non-Guangdong, but continues to improve each month



Source: BofA Global Research, Bloomberg

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**Exhibit 24: Q4 GGR Bridge**

Our Q4 GGR estimates align with our market share assumptions

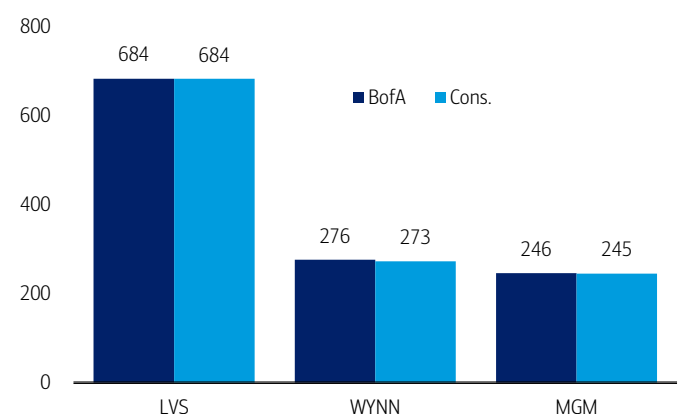
Macau Revenues	Oct-23	Nov-23	Dec-23	4Q23E
GGR (MOP B)	19.5	16.0	18.6	54.1
ADR (MOP M)	629	535	599	588
GGR (USD)	2,438	2,005	2,321	6,764
Market Share Est.				
LVS	26.0%	24.5%	25.0%	25.2%
WYNN	13.0%	13.0%	13.0%	13.0%
MGM	15.5%	16.5%	17.5%	16.5%
Implied GGR				
LVS	634	491	580	1,705
WYNN	317	261	302	879
MGM	378	331	406	1,115

Source: Macau DICJ, BofA Global Research estimates

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**Exhibit 20: BofA's Q4 EBITDA estimates vs. Cons. (\$M)**

BofA's EBITDA estimates are in-line with consensus



Source: Visible Alpha, BofA Global Research estimates

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## Las Vegas

### Exhibit 21: Las Vegas monthly heatmap

Overview of monthly trends for Las Vegas, underlying data for Q4 is healthy, and particularly in November due to Formula 1

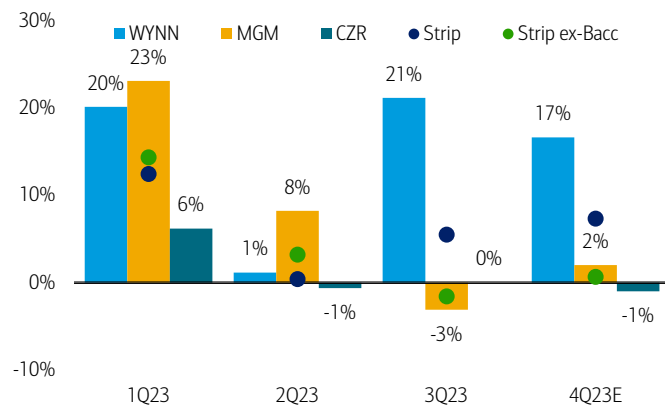
Las Vegas Y/Y	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Strip GGR	26%	19%	-3%	5%	-2%	-1%	8%	1%	7%	1%	23%
Strip RevPAR	78%	42%	44%	-2%	6%	8%	4%	12%	7%	13%	38%
Locals GGR	15%	4%	-3%	-2%	4%	-10%	6%	-1%	-6%	6%	1%
Air Traffic	40%	25%	16%	13%	8%	4%	2%	0%	0%	6%	20%
Visitation	32%	18%	10%	0%	1%	3%	1%	4%	-1%	0%	1%
Las Vegas Absolute Values											
Strip GGR	\$713	\$712	\$725	\$625	\$716	\$727	\$835	\$667	\$741	\$714	\$821
Strip ADR	\$206	\$188	\$228	\$183	\$195	\$176	\$173	\$168	\$216	\$251	\$270
Strip Occ. %	81%	85%	91%	87%	87%	89%	88%	84%	85%	90%	85%

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

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### Exhibit 22: LV Strip GGR vs. WYNN/MGM/CZR

We think WYNN GGR will meaningfully outperform the Strip. MGM adjusted for the Mirage divestiture

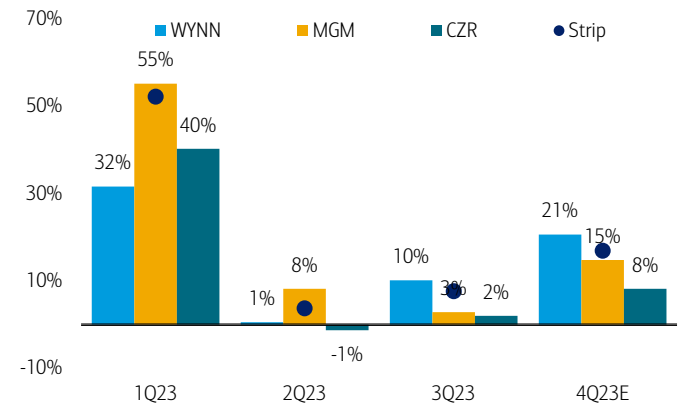


Source: Nevada Gaming Control Board, BofA Global Research estimates

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### Exhibit 23: LV Strip RevPAR vs. WYNN/MGM/CZR

Similarly, we think WYNN will outperform on RevPAR while CZR lags

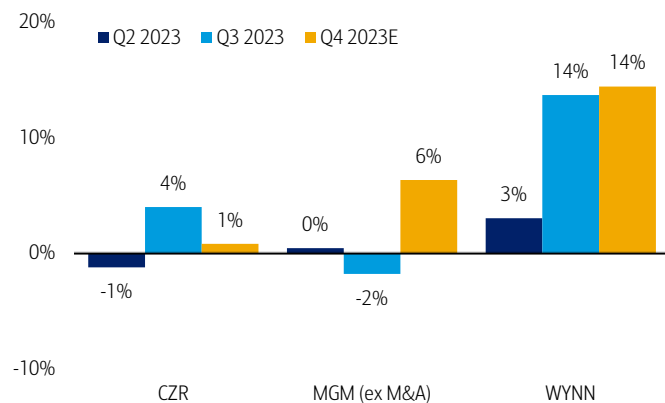


Source: LVCVA, BofA Global Research estimates

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### Exhibit 24: Las Vegas Strip Y/Y Revenue Growth

We est. +7% revenue growth in Q4, a sequential improvement from Q3

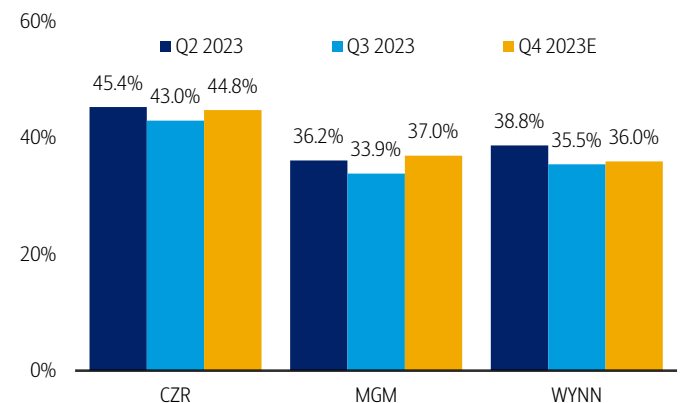


Source: Company filings, BofA Global Research estimates

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### Exhibit 30: LV Strip Property EBITDAR Margins

We estimate margins up sequentially for MGM and CZR and down for WYNN

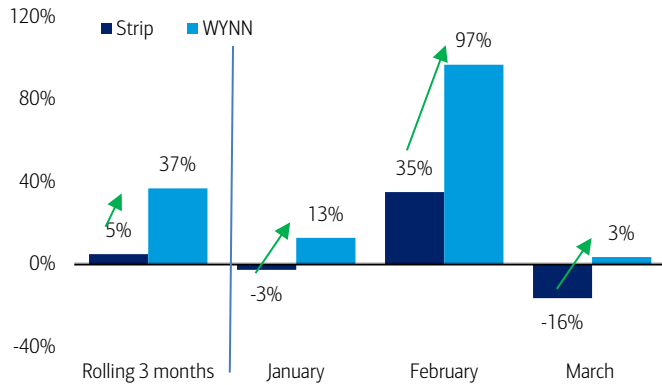


Source: Company filings, BofA Global Research estimates

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**Exhibit 31: LV Room Rate Survey**

Room rates are tracking up +5% Y/Y driven by the Super Bowl in February, and WYNN is outpacing peers each month

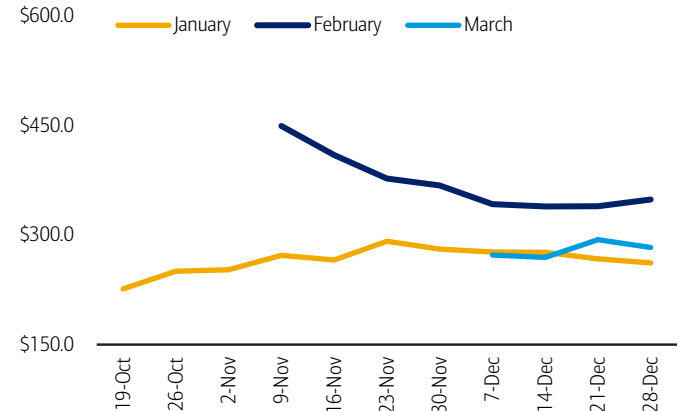


Source: Company Websites, BofA Global Research

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**Exhibit 32: LV Room Rate Survey Absolute \$**

December room rates decelerated slightly into the day of arrival

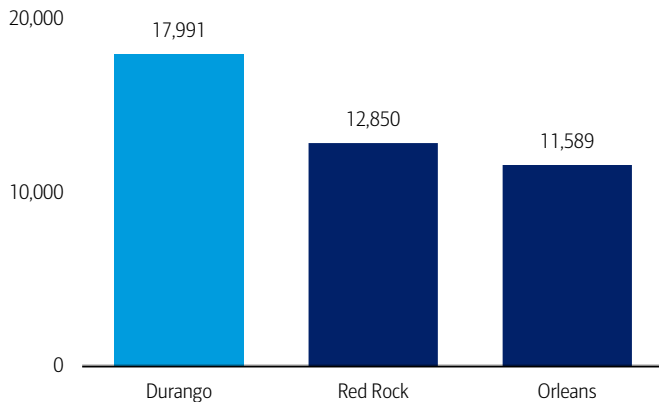


Source: BofA Global Research

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**Exhibit 33: Average daily visitation since Durango opening**

Since Durango's opening in early December, their average daily foot traffic is 40% higher than Red Rock and 55% higher than the Orleans

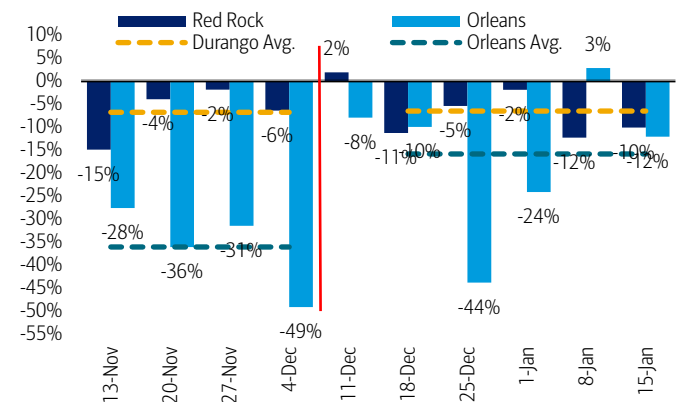


Source: Placer AI

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**Exhibit 25: Y/Y Foot Traffic to Red Rock and Orleans**

Despite Durango's opening, it has been hard to detect a cannibalization impact to Red Rock or Orleans



Source: Placer AI

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**Regional****Exhibit 34: Regional Gaming Heatmap**

Trends were mixed in Q4, but ended on a high note, which we think is helped by an extra weekend day, and favorable weather

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	Dec-23*
M/M	1%	-1%	11%	-5%	-2%	-3%	7%	-5%	-2%	-2%	-1%	10%
Y/Y	11%	4%	0%	-2%	-1%	1%	0%	0%	-1%	-4%	0%	7%
vs. 2019	24%	18%	10%	17%	11%	13%	16%	10%	13%	11%	10%	17%
Aggregated Visits												
M/M	-4%	0%	12%	-4%	-3%	5%	15%	-14%	-6%	-8%	-3%	15%
Y/Y	18%	10%	9%	0%	2%	10%	8%	3%	1%	-9%	-5%	1%
vs. 2019	-19%	-21%	-28%	-21%	-28%	-26%	-18%	-27%	-27%	-29%	-33%	-24%
Y/Y Visits by Operator												
BYD	17%	9%	6%	-4%	0%	4%	7%	0%	5%	-3%	-8%	6%
CZR	28%	14%	16%	7%	7%	16%	11%	3%	1%	-5%	0%	5%
PENN	7%	3%	2%	-5%	-4%	6%	1%	3%	-2%	-9%	-2%	2%

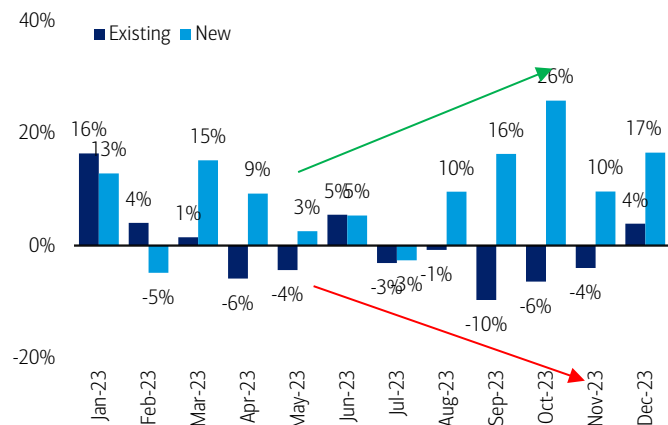
Source: State gaming reports, Placer AI

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**Exhibit 35: New Jersey New vs. Existing Casino GGR Growth**

New casinos in New Jersey has taken meaningful share from existing operators

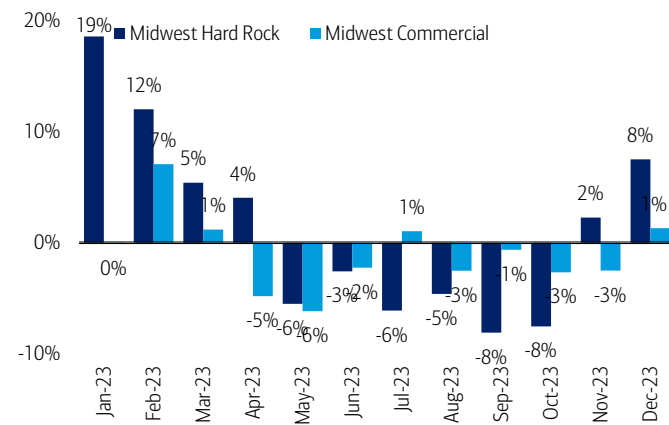


Source: New Jersey Gaming Control Board, BofA Global research

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**Exhibit 36: Hard Rock vs. Commercial Casino**

In the Midwest, the trends has been more mixed, but in more recent months Hard rock has outperformed commercial casinos

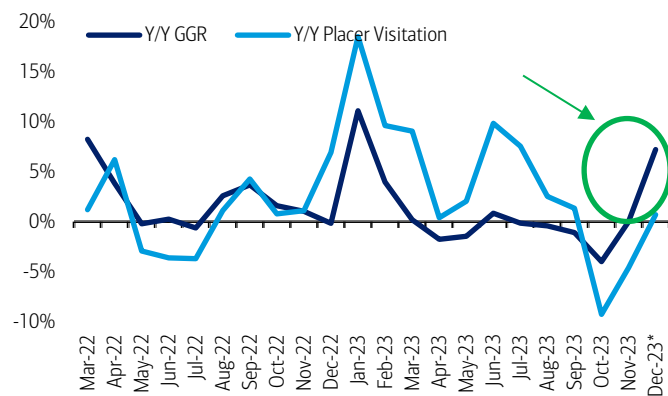


Source: State Gaming Control Boards, BofA Global Research

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**Exhibit 37: Placer visitation data vs. GGR data**

Placer visitation data for CZR/BYD/PENN regionals spiked in December, in-line with GGR data

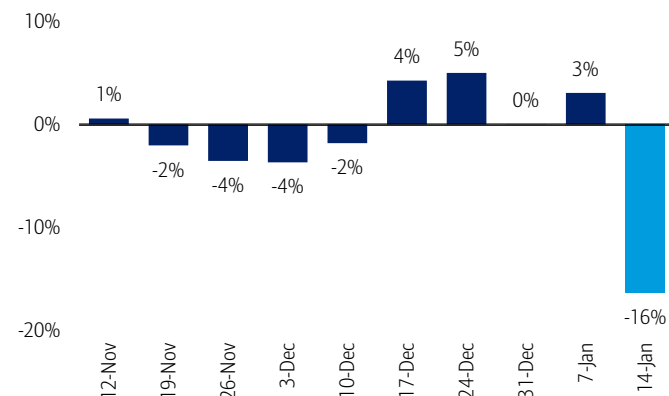


Source: Placer AI

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**Exhibit 38: Placer visitation data**

Despite the strong December GGR growth, we expect trends to normalize in January on calendar shifts and colder weather

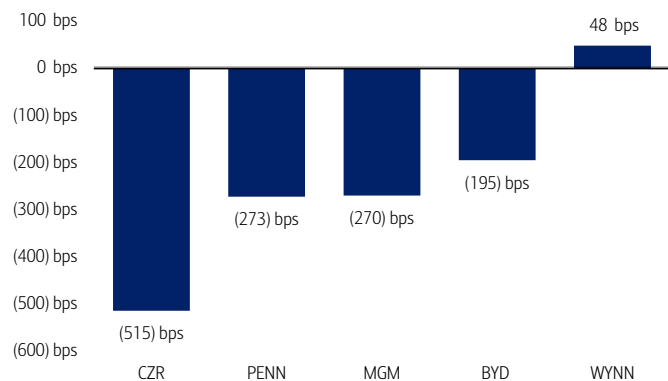


Source: Placer AI

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**Exhibit 39: BofA's Q/Q Margin Estimates for Q4**

We expect margins down -247bps sequentially driven by seasonality

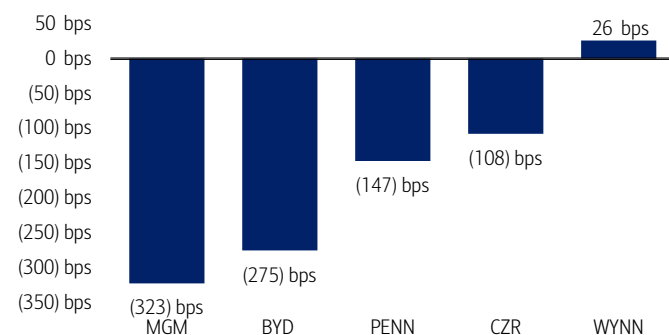


Source: Company filings, BofA Global Research estimates

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**Exhibit 40: BofA's Y/Y Margin Estimates for Q4**

We expect margins down -165bps Y/Y, and expect MGM to have the most deleverage from Detroit Unions, Atlantic City Casinos, and lapping a record at National Harbor



Source: Company filings, BofA Global Research estimates

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## Estimate Changes

### Exhibit 41: Estimate changes (\$M)

Overview of BofA's Adj. EBITDAR estimate changes

	2023 EBITDA		2024 EBITDA	
	New	Prior	New	Prior
BYD	\$1,379	\$1,378	\$1,347	\$1,343
MGM	\$4,710	\$4,725	\$4,860	\$4,804
PENN	\$1,896	\$1,892	\$1,851	\$1,850
CZR	\$3,902	\$3,928	\$3,985	\$4,003
RRR	\$734	\$734	\$776	\$772

Source: BofA Global Research

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## 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



**Churchill Downs Incorporated (CHDN)**

Our \$135 PO is based on approximately 13x 2025E EBITDA. This is a premium to both CHDN's historic average valuation and domestic gaming peers which we view as warranted given 1) the one-of-a-kind and irreplaceable nature of the Kentucky Derby, 2) the substantial future growth pipeline coming via the company's HRM expansion and developments and 3) an established, unique, and profitable online growth platform in TwinSpires.

Downside risk to our PO comes from 1) slower and less profitable development of HRM facilities, 2) failure to maintain elevated EBITDA margins, and 3) a smaller valuation premium being awarded to category defining consumer companies. Upside risk is driven by 1) quicker and more meaningful EBITDA growth than we anticipate, 2) better ROI on project capex, and 3) continued multiple inflation across consumer stocks.

**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.

**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
<b>BUY</b>				
	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
<b>NEUTRAL</b>				
	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
<b>UNDERPERFORM</b>				
	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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## Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>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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