

Company Overview

Figure 1. MGM Revenue by Segment

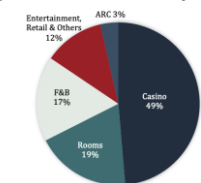
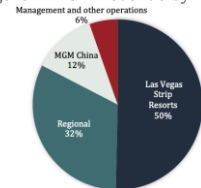


Figure 2. MGM Revenue by Region



MGM Resorts International ("MGM"), through its subsidiaries, owns and operates a portfolio of 30 unique hotel and destination gaming offerings including some of the most recognizable resort brands in the industry in the US, Macau and more. Its domestic resorts segment comprises non-gaming operations, including hotel, F&B, and entertainment. The company's casino operations include slots, table games, and race and sports book wagering.

(US\$m)	2018A	2019A	2020E	2021E
Revenue	11,763	12,900	3,612	5,171
Net Income	467	2,049	(1,685)	(1,159)
NI Gr Rate (%)	(76.1)	339.0	(182.2)	31.2
Profit Margin (%)	4.0	15.9	(46.6)	(22.4)
ROA (%)	1.5	6.1	(2.7)	(1.6)
ROE (%)	7.2	26.5	(19.1)	(7.6)
EV/EBITDA	9.8	4.9	316.5	11.8
EPS	0.81	3.88	(3.41)	(2.35)
D/E	1.9	1.7	1.7	1.6

Investment Thesis

Figure 5. Quick, Cash and D/E Ratios of MGM and Competitors

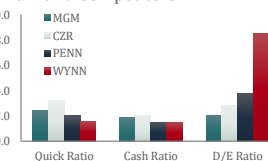


Figure 6. 5Y Outlook of Global Sports Betting Market



- A fortress balance sheet** will allow MGM to emerge from COVID-19 in a strong enough financial position to increase its ownership in its subsidiaries and affiliates at suppressed valuations. The market is overly focused on the short term contraction in MGM's revenues to recognise that MGM has very robust quick, cash and D/E ratios compared to its competitors (Fig. 5) and more cash reserves than COVID-19 can burn away. As the pandemic dies down, MGM will be able to increase ownership in undervalued subsidiaries and affiliates.
- Well-positioned in the online gambling market** – Global online gambling market is projected to grow at 11.64% CAGR. MGM is well-positioned to ride this growth. MGM's BetMGM app saw more than 126% active player growth in 2H19. Furthermore, with the Aug 2020 US\$1b investment from InterActive Corporation (IAC), MGM will benefit from IAC's digital expertise going forward.
- Legalisation of sports betting** in 17 states in March 2020 creates the new US sports betting market, projected to grow at 49.2% CAGR till 2025. MGM is well-positioned to dominate this market with its strong brand, cash reserves and existing relationships with sports brands.

12M Industry Outlook

Figure 3. Online Gambling Market Forecast (US\$b)

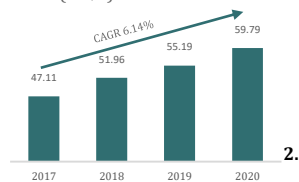
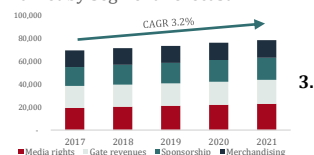


Figure 4. North American Sports Market by Segment Forecast



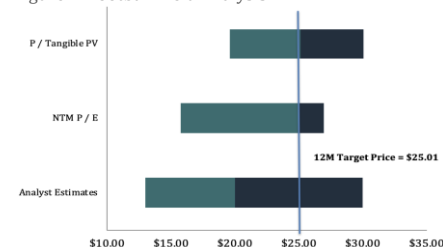
COVID-19 has caused global lockdowns and has adversely impacted the travel industry. Enplanements in 2020 are expected to decline by 55% YoY, but increase by 62% YoY in 2021. This is expected to have a detrimental effect on the hospitality and casino industries. The occupancy rate in the hospitality industry was 66.1% in 2019 and is expected to be 38.1% 2020, and 58.0% in 2021. Similarly, there is expected to be a 10.8% YoY decline in the global market for casinos due to COVID-19.

Expected growth in the North American sports market: The overall North American sports market is growing and is expected to achieve a revenue of US\$77.8b by 2021 at a CAGR of 3.2%. Sports betting has been legalised in 17 states as of March 2020. Thus, we anticipate the sports betting segment to grow at a CAGR of 9.1% (2020-2021) and estimate the sports betting market revenue to be US\$2.1b in 2020. In 2021, this is expected to reach US\$2.5b.

Growth in online gambling: COVID-19 has positively impacted the global online gambling market with an expected growth rate of 13.2% between 2019 and 2020 from US\$58.9b to US\$66.7b. This is inclusive of online casinos, lotteries and poker games.

Valuations

Figure 7. Football Field Analysis



Our 12M target price stands at US\$25.01, representing an upside of +18.6% based on the last closing price of US\$21.09 at valuation date.

Primary Valuation Method: Relative valuation was used. Given the capital-intensive nature of the casino industry, depreciation and amortization of the various companies should be accounted for in a relative valuation. Thus, NTM P/E multiple was chosen as the main multiple for our relative valuation. P/Tangible BV multiple was chosen to provide a sense check as another multiple in our relative valuation.

The NTM P/E and P/Tangible BV multiples were calculated for 4 peer companies operating in the casino and hospitality industries. Our 12M target price was derived based on the average of the mean P/E and P/Tangible BV multiples of the peer companies.

Target Price	
Blended Target Price	US\$25.01
Blended Upside	+18.6%