

Analysts

Eyu Yu Qian

Analyst, Equity Research

eyuyuqian@u.nus.edu

Ho Jia Wen, Jane

Analyst, Equity Research

jane_ho@u.nus.edu

Hector Ang

Analyst, Equity Research

hector@u.nus.edu

Basic Information

Last Closed Price US\$49.69

12M Target Price US\$73.19

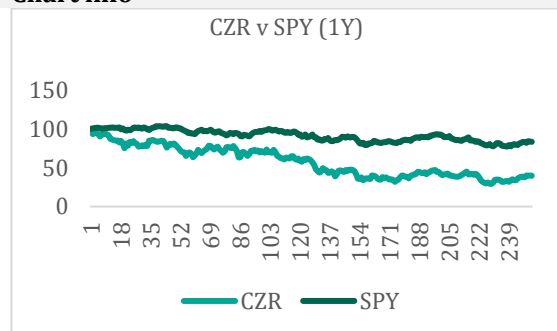
+/- Potential +47.2%

GICS Sector Consumer Discretionary

GICS Sub-industry Casinos & Gaming

Bloomberg Ticker CZR

Chart info



Company Description

Caesars Entertainment, based in Reno, Nevada, United States, is primarily a gaming and hospitality company, with both brick-and-mortar, as well as online services.

Key Financials

Market Cap	US\$10.40b
Basic Shares O/S	US\$214.57b
Free Float	6.1%
52-Wk High-Low	US\$31.31 - US\$97.39
Fiscal Year End	31-Dec-2021

(US\$m)	FY20A	FY21A	FY22E	FY23E
Revenue	3,628	9,571	11,095	13,805
Gr Rate (%)	43.5	163.8	15.9	24.4
Margin (%)	2.8	17.8	7.3	9.0
ROE (%)	-12.5	-64.0	-27.6	12.2
ROA	-0.02	-0.05	-0.07	-0.03

Key Executives

Thomas Reeg	Chief Executive Officer
Bert Yunker	Chief Financial Officer

We are initiating coverage of **Caesar Entertainment, (CZR)** with a BUY rating and a **\$73.19** 12M price target.

FY22 Earnings Highlights

- GAAP net revenues of US\$2.3b versus US\$1.8b for the comparable prior-year period.
- GAAP net loss of US\$680m compared to a net loss of US\$423m for the comparable prior-year period.
- Same-store Adjusted EBITDA of US\$296m versus US\$521m for the comparable prior-year period.
- Same-store Adjusted EBITDA, excluding our Caesars Digital segment, of US\$850m versus US\$530m for the comparable prior-year period

Investment Thesis

- Caesar Entertainment currently faces overly negative sentiments** due to high levels of debt. However, due to 1) Diminish Digital Losses, 2) Selling of LV Strip property, allows CZR to pay back their debts, despite negative sentiments.
- CZR is in a prime position to capitalise on fast-growing sports betting and gaming trends.** This is due to their exclusive partnerships with the NFL and their market dominance, owing to its first-mover advantage and dominant financial position to outlast its competition.
- CZR has been growing and capitalising on their Non-Gaming Related Advantage, contributing** to revenue growth. Their non-gaming advantages include an extensive rewards system, attractive hotels and dining venues.

Catalysts

- The continued legalisation of online sports betting in US serves as a massive tailwind for CZR, coupled with future profitability of the digital gaming segment, which would influence upward price movement.
- Announcement of new partnerships allows CZR to improve the brand image, generates buzz, as well as facilitates greater foot traffic, ultimately boosting revenues from all 3 major revenue streams and catalysing share price increase.

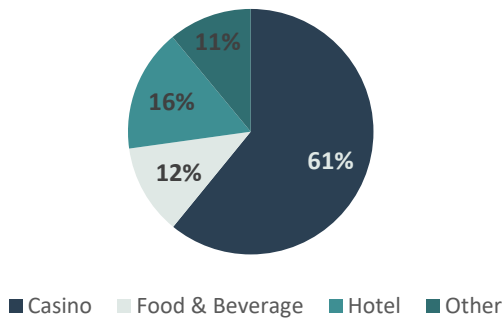
Valuations

Our 12M price target at the date of coverage is **US\$73.19**. The valuation was obtained through a discounted cash flow valuation and relative valuation.

Investment Risks

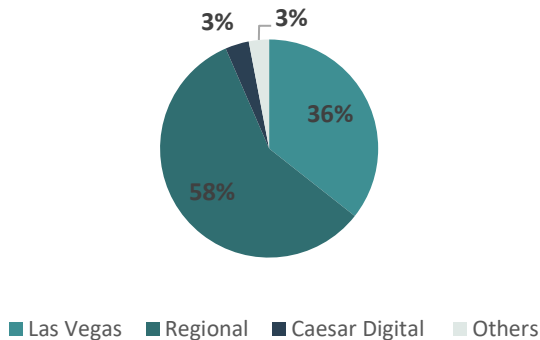
- Failure to attract guests during Recession.
- Significant debt and higher than peer leverage level

Figure 1: Revenue breakdown by Product Segment



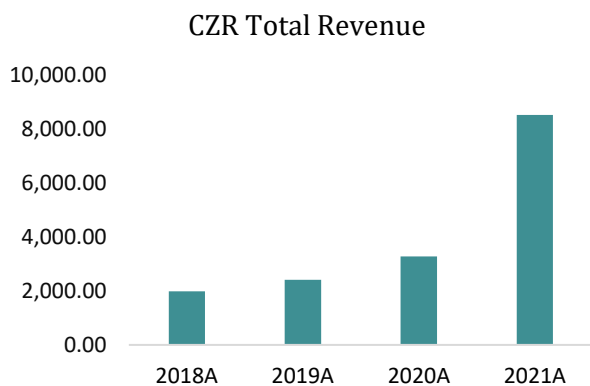
Source: Statista Research Department

Figure 2: Revenue Breakdown by Region



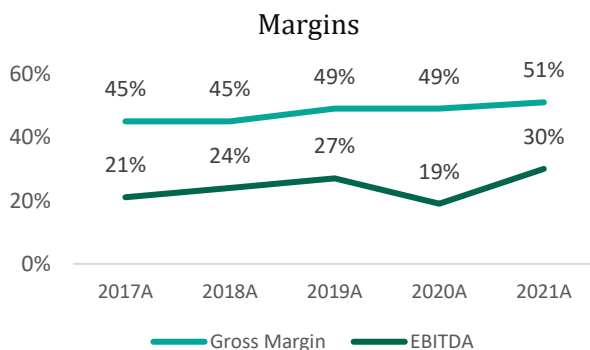
Source: Statista Research Department

Figure 3: CZR Total Revenue



Source: CZR Investor Relations

Figure 4: CZR Margin



Source: CZR Investor Relations

Company Overview

Caesars Entertainment, based in Reno, Nevada, United States, is primarily a gaming and hospitality company, with both brick-and-mortar, as well as online services. Its services encompass a wide range of gaming and hospitality related offerings, which can be split into physical, and online. For its physical offerings, CZR operates casino games such as slot machines, poker/blackjack tables, and the like, hotels, restaurants, and bars. For its online services, CZR offers sportsbooks and online casino games. Other miscellaneous services include staffing and management services, as well as product sales from its various brick-and-mortar establishments. Overall, CZR revenues have seen a year on year increase, from around US\$2b in FY2018, to just shy of US\$9b in FY2021. CZR also sees improving gross and EBITDA margins, with these margins steadily rising year to year, from 45% and 21% respectively in FY2018, to 51% and 30% respectively in FY2021.

Brick-and-mortar offerings

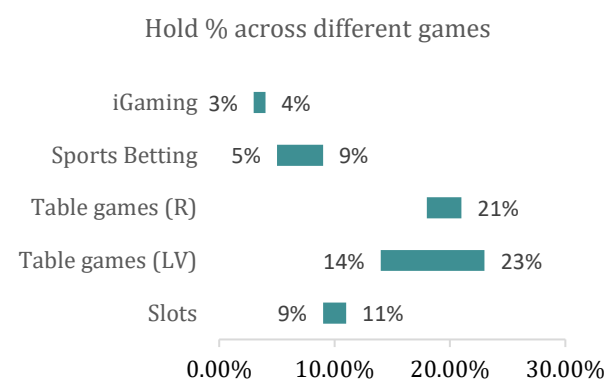
CZR currently operates over 52 domestic properties in over 16 states, with notable names such as The Flamingo, Bally's, The Linq, Rio, and Caesars Palace. Within these establishments, Caesar operates 55,700 slot machines, video lottery terminals and e-tables, and 2,900 table games, driving the bulk of its casino game revenues. Diving deeper, the hold percentage, which is the percentage of money wagered by customers that Caesar keeps as revenues, ranges from 17% to 21% for table games regionally, and 14% to 23% for table games in Las Vegas. Additionally, slot machines average a hold percentage of 9% to 11%

For hotels, Caesar runs 47,700 hotel rooms which span across these 52 establishments, and operates a multitude of restaurants, bars and eateries within these buildings. Combined, these product offerings account for around 89% of revenues. Geographically, Las Vegas is Caesars highest revenue region, accounting for 36% of sales.

Digital

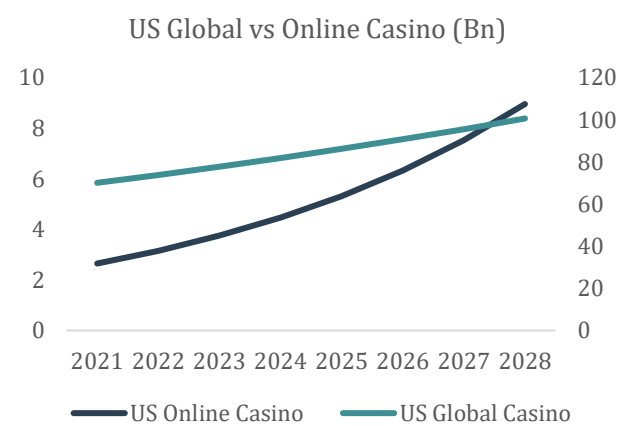
Regarding digital offerings, Caesar currently offers sportsbook, as well as online gaming services. Caesar operates Caesars sportsbook, which allows customers to bet on sports such as the NFL (American Football), NBA (Basketball), MLB (Baseball), and many other sports via the digital medium. Caesar recently acquired the sportsbook company William Hill in 2021, widening the scope of its sportsbook offerings to more than 20 states. Additionally, Caesar also operates its online casino, which offers online poker under the "World Series of Poker" name and website, as well as online blackjack, slot machines, and other offerings. These casino services are available in 5 states.

Figure 5: CZR Hold % across different games



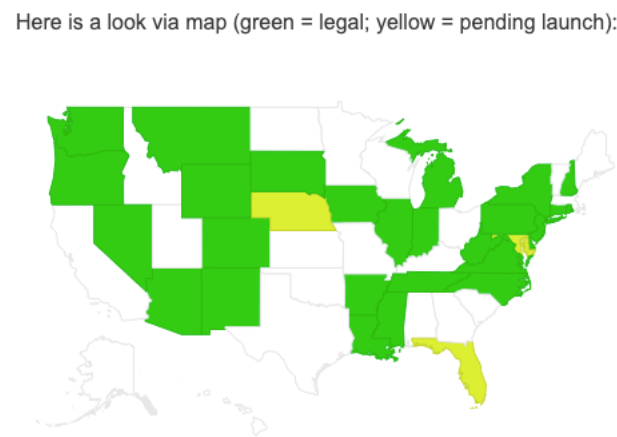
Source: CZR Investor Relations

Figure 6: CAGR



Source: GlobeNewsWire

Figure 7: Map of States that leaglise Sports Betting



Source: American Gaming Association

Industry Outlook

Caesars Entertainment, Inc. operates in the gaming and hospitality industry in the US. Its principal operating activities includes poker, keno, and race and online sportsbooks. Caesar Entertainment also provide other services such as hotels and entertainment venues.

Online casino gambling to grow at a faster CAGR than Brick-and-Mortars in US

Compared to brick and mortar casino with only an expected CAGR of 4.7% over the next few years, online gaming industry has an expected growth rate of 16.4% (Figure _). This represents changing consumer trends from physical consumption of gambling to digital, online gambling service that is convenient and easy. With huge investments in the digital segment of gambling, CZR is well-positioned to reap the fruits of its investments in this space.

Increasing number of states legalizing sports betting

By the end of next year, it is expected that 5 more states would be legalising sports betting. The increasing number of states approving sports betting would increase the TAM for the relevant sports betting players like DraftKings, MGM and Caesar. Sports betting is expected to also make up over 50% of US online gambling market size. With partnerships with big names like NFL, NBA, NHL and MLB teams, CZR would be in the pole position to gain majority of the increase in TAM as compared to its competitors.

Porter's Five Forces

Competition within industry - High

Multiple well-established entrants currently exist within the gaming industry in the United States. These players, comprising of household names such as MGM, Penn Entertainment and the like, each have a well-known roster of hotels and casinos throughout Las Vegas and other states. While food and beverage, as well as hotel stay may differentiate slightly, the core offerings of casino games differ slightly, as the core game mechanics are highly similar across all casinos, with some deviation for individual house rules. Gaming companies attempt to retain customers through loyalty programs, typically coined as reward system that is implemented throughout all their services and products, with Caesar and MGM being prime examples.

Within the iGaming and online sports betting industry, competition is even fiercer. Due to fewer service touchpoints, product differentiation is even more difficult, and industry players typically compete via price, be it in terms of sign up bonuses, or low hold percentages, both of which whittle away firms margins, and is testament to the fierce competition within the industry.

Threat of new entrants - Low

Despite the fierce competition, large barriers to entry are present in the casino and gaming market. This manifests in terms of both monetary, due to the large CAPEX required to finance new infrastructure construction/leasing and the purchase of equipment, but also regulatory, due to the licensing that is

required. Regarding online casinos and sportsbook services, the aforementioned fierce competition results in razor-thin margins, and typically negative profits. New entrants would have to face consistent losses before potentially making a profit, further deterring entry into the market.

Additionally, the stickiness of the industry makes it such that incumbents would receive high recurring revenues from regular customers, and new customers would likely visit them due to their reputation. The same can be said for sportsbooks and online casinos, where the industry also displays high stickiness due to user familiarity.

Threat of substitutes - Low

Gaming, Sportsbooks and iGaming, including other betting related forms of entertainment, cannot be effectively substituted by other entertainment types, such as shows, video games, movies etc. Due to the blatant differences in the type of entertainment and thrill. Therefore, we expect the threat of substitutes to be low, due to casino games being a unique form of entertainment that has no close proximates.

Bargaining power of customers - Moderate

Within the casino gaming industry, the main competitors mostly offer services that do not have a large fundamental difference. Furthermore, many of these companies have many locations within Las Vegas, and other outlets littered around the US making it easily accessible and inherently leads to low switching costs. This is partially offset by rewards and loyalty programmes put in place by these entertainment companies, serving to partially increase the opportunity cost of switching from company to company.

Bargaining power of suppliers - High

CZR currently relies on suppliers for hotel equipment and necessities, restaurant amenities, and most importantly casino equipment and slot machines. These machines are either homogenous across different entertainment companies, or differ slightly. Moreover, the slot machine provider industry is one with few, but highly established players, making the bargaining power of suppliers high.

Investment Thesis

1. Overly negative sentiment around Caesar Entertainment

Caesar Entertainment (CZR) has been excessively sold off from the reflection of its stock price. To put into perspective, compared to one year ago, CZR has been trading 60.48% lower. Meanwhile, its competitors like LVS and MGM has only been trading 7.55% and 34.19% lower in the same period of time. (Figure 9). Looking beyond the share prices, comparing EBITDA, CZR has been much more profitable than its competitors, reporting 2.7B in the most recent Q3'22, compared to MGM at 1.97B and PENN at 1.66B.

The huge selloff of CZR is mainly attributable to the widespread headline news perception that CZR has huge debt amounts that might potentially be difficult to pay off (Figure 8). Furthermore, more than half of CZR debt is financed with variable interest rate, which means that it's interest expense on debt repayment is highly susceptible to interest rate environment. Competitors like

Figure 8: Street perception of CZR increasing debt

Caesars Entertainment: Not Well-Positioned To Fight Rates And Inflation

Oct. 24, 2022 5:36 AM ET | Caesars Entertainment, Inc. (CZR) | 24 Comments | 1 Like



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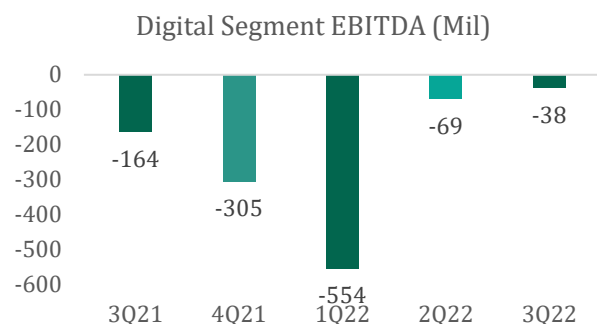
Summary

- Caesars Entertainment currently has \$5.4 billion of unhedged variable interest rate debt, expected to increase to \$6.6 billion in Jan. 2023 as swaps expire, such debt is priced with LIBOR/SOFR.

Figure 9: Bond Rating for MGM, CZR and WYNN

	CZR	WYNN	MGM
Bond Rating	B	B+	B+

Source: Cbonds

Figure 10: CZR Digital Segment EBITDA

Source: CZR Investor Relations

Figure 11: CZR's Long-Term Debt Breakdown

Long-Term Debt		Final Maturity	Rates
Secured Debt			
	CRC Revolving Credit Facility	2022	Variable
	Baltimore Revolving Credit Facility	2023	Variable
	Baltimore Term Loan	2024	Variable
	CRC Term Loan	2024	Variable
	CEI Revolving Credit Facility	2025	Variable
	CRC Incremental Term Loan	2025	Variable
	CRC Senior Secured Notes	2025	5.75%
	CEI Senior Secured Notes	2025	6.25%
	Convention Center Mortgage Loan	2025	7.85%
Unsecured Debt			
	CEI Senior Notes	2027	8.125%
	Senior Notes	2029	4.625%
	Special Improvement District Bonds	2037	4.30%

Source: CZR Investor Relations

WYNN, and MGM mainly has fixed rate debts, which means that the rising inflationary environment is advantageous towards them.. Headwinds like the ever-increasing FED interest rate hikes and talks about the impending recession further supported the bears in the fact that CZR might not be able to fulfil its interest repayment obligation. As of now, CZR's EBIT/Interest Expense is 0.67, much lower than its competitors of MGM and PENN at 1.37 and 1.63 respectively. At a higher risk of defaulting, CZR corporate bond is also rated at B, lower than its peers at around B+ (Figure 9).

However, despite the impending headwinds, we firmly believe that there are multiple strong tailwinds that would enable CZR to not only fulfil its interest payment obligation, but also generate larger cash flow than ever before. 1) Diminish Digital Losses, 2) Selling of LV Strip property, 3) Strong financial position and performance in times of recessions. On point 1, the management initially expected cumulative losses from digital to be approximately \$1.5bn before turning profitable. However, after the better-than-expected earnings call on Q3'22, management revised their statement to expect digital segment to start generating profit by the end of 2023. Looking at the digital segment EBITDA (Figure 3), it is clear that digital losses have peaked, and it will gradually improve over the next few quarters, implying strong incoming cash flows forecasted. On point 2, the management expect itself to sell off a LV Strip property, which will potentially net them \$1bn to pay off debt. This is largely due to the fact that the property is cannibalising its own other property along the same strip, management expects the room occupancy rate of these other properties to improve after selling off 1 other LV Strip Property. Last but not least, CZR has a robust financial strength with close to 1 billion in Cash and 1 billion in OCF. This would definitely enable them to meet any of their debt obligations if needed. Fears of recession affecting CZR top line is unfounded too as casino tends to perform better during recession as evident from 2008-09 financial crisis.

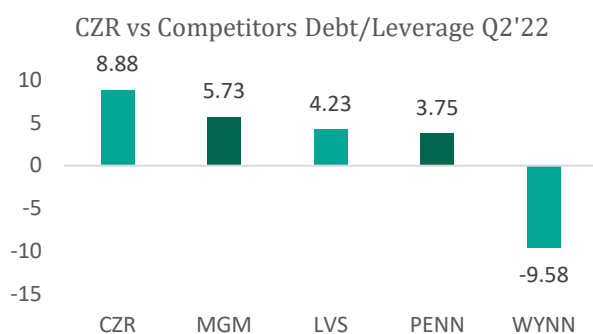
2. CZR in a prime position to capitalise on fast-growing sports betting and igaming trends

Sports betting

Amongst its peers of other traditionally brick-and-mortar casinos, CZR has exclusive partnerships with the NFL (National Football League), which allows CZR to use the NFL's branding and images in its marketing collateral. This is highly significant as the NFL owns the lion's share of sports betting in the United States. With regards to total sports betting volume, the NFL is currently responsible for slightly more than 20% of it, with the next runner-up, the NBA, responsible for around 10%. CZR leverages this popularity and utilises the NFL's branding and logo in its marketing collaterals to achieve more effective marketing which leads to greater sportsbook popularity, something which established casino companies are unable to do

In continuation, CZR also has a dominant position in the sports betting market. Surveys done on over-21 sports bettors who bet at least once a month show that ZR sportsbook currently has around 65% familiarity, where 65% of respondents indicated that they are at least somewhat familiar with the CZR sportsbook. This is compared against its closest competitor BetMGM which

Figure 12: CZR vs Competitor Debt/Leverage Q2'22



Source: CZR and competitors' Investor Relations

Figure 13: MGM's long-term debt is mainly financed through fixed rates notes

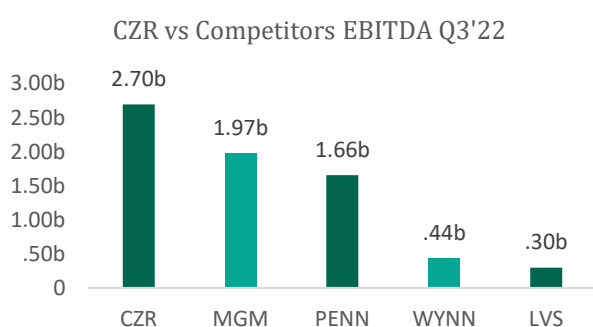
NOTE 9 — LONG-TERM DEBT

Long-term debt consisted of the following:

	December 31,	
	2021	2020
	(In thousands)	
Operating Partnership senior credit facility	\$ 50,000	\$ 10,000
MGM China first revolving credit facility	360,414	770,034
7.75% senior notes, due 2022	1,000,000	1,000,000
6% senior notes, due 2023	1,250,000	1,250,000
5.625% Operating Partnership senior notes, due 2024	1,050,000	1,050,000
5.375% MGM China senior notes, due 2024	750,000	750,000
6.75% senior notes, due 2025	750,000	750,000
5.75% senior notes, due 2025	675,000	675,000
4.625% Operating Partnership senior notes, due 2025	800,000	800,000
5.25% MGM China senior notes, due 2025	500,000	500,000
5.875% MGM China senior notes, due 2026	750,000	750,000
4.5% Operating Partnership senior notes, due 2026	500,000	500,000
4.625% senior notes, due 2026	400,000	400,000
5.75% Operating Partnership senior notes, due 2027	750,000	750,000
5.5% senior notes, due 2027	675,000	675,000
4.75% MGM China senior notes, due 2027	750,000	—
4.5% Operating Partnership senior notes, due 2028	350,000	350,000
4.75% senior notes, due 2028	750,000	750,000
3.875% Operating Partnership senior notes, due 2029	750,000	750,000
7% debentures, due 2036	552	552
	12,860,966	12,480,586
Less: Premiums, discounts, and unamortized debt issuance costs, net	(90,169)	(103,902)
	12,770,797	12,376,684
Less: Current portion	(1,000,000)	—
	\$ 11,770,797	\$ 12,376,684

Source: MGM Investor Relations

Figure 14: CZR vs Competitors EBITDA Q3'22



Source: CZR and competitors' Investor Relations

has a 55% familiarity, and against other smaller sportsbooks such as Barstool, Bet365, PointBet etc. Which typically have familiarities of around 35% - 55%. The same trend can be observed for % users, where CZR has 41% of its regular sport bettors as its users, compared to around 30% - 35% that its competitors see (Figure 9). This high familiarity rate thereby proves the effectiveness in the marketing efforts for CZR regarding their sportsbook.

Additionally, 3 in 4 sports bettors indicate their preference to stick with one sportsbook for their sports betting, making online sportsbooks an inherently sticky service, as customers are unwilling to go through the hassle of familiarising themselves with new user interfaces, as well as rewards systems in place. Caesar rewards, which is intertwined throughout Caesar sportsbook, results in higher stickiness as well.

As mentioned, the sports betting industry is poised for explosive growth in the following years, driven by the legalisation of sports betting across more states, and a rise in online sports bettors from both new and existing states. CZR's continuous marketing efforts will serve to attract this influx of new sports bettors, while their rewards system and the stickiness of the industry will foster customer retention, driving rapid, yet sustainable growth.

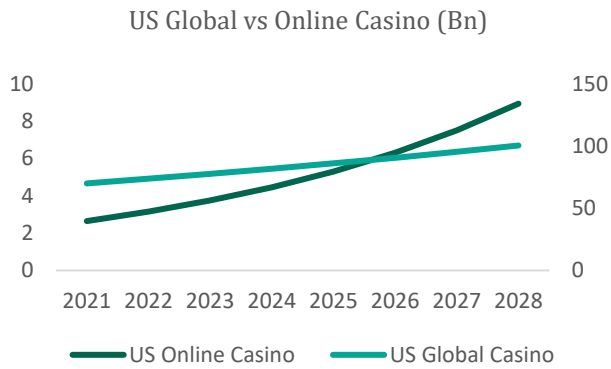
iGaming

iGaming consists of online gambling products such as online casinos, online poker, blackjack and slots. Seeing as to how CZR's core product offerings are casino gaming, venturing into iGamings is a step towards digitalisation. In this regard, Caesar currently exerts a large amount of market dominance, owing to its first-mover advantage and dominant financial position to outlast its competition. CZR owns the brand "World Series of Poker" (WSOP) and has a monopoly on the online poker scene in Nevada, United States. This contrasts with other states, where the poker scene is competitive across various online casinos.

CZR presses this advantage by sponsoring WSOP events, which are large-scale poker tournaments that have been running since the 1970s. Out of the top 30 poker tournaments in history by prize pool size, WSOP tournaments account for 22 of them, with the top 6 being WSOP main event tournaments. These tournaments also typically gain viewership of over 1 million viewers. The popularity and influence off these tournaments adds to the level of exposure poker fans have to WSOP, thereby funnelling them to play, and stay, on the WSOP online poker website. Additionally, Nevada being extremely gaming-heavy, has reaped more than 13 Billion in gaming revenue in 2021, the highest across all states, and close to 4 times that of Pennsylvania, the 2nd highest. This monopoly and WSOP influence therefore serves as a stable revenue stream, that is poised to grow in the long run.

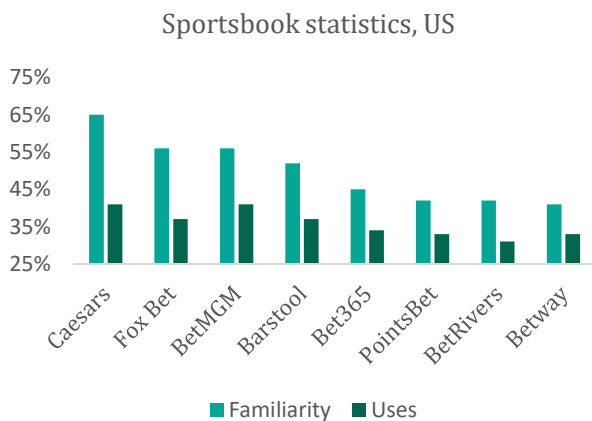
Moreover, CZR is not lacking in other aspects of iGaming. According to online user reviews, CZR is ranked second overall across 5 other online casinos, including other large competitors such as MGM and DraftKings being placed at 5th and 4th place respectively. Additionally, the top spot, held by Golden Nugget Casino, only operates in 1 state, vs CZR's online gaming in 5 states,

Figure 15: US global vs Online Casino (Bn)



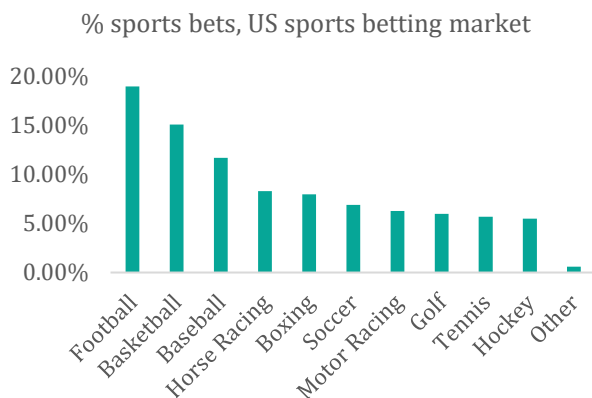
Source: GlobeNewsWire

Figure 16: Sportsbook Statistic



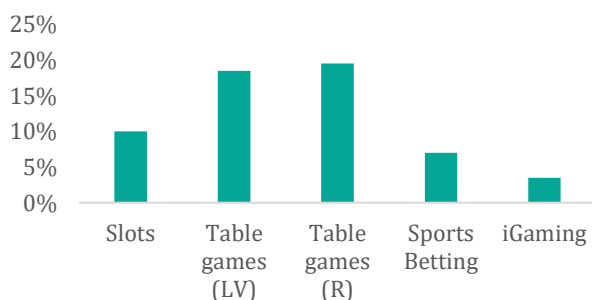
Source: Morning Consult

Figure 17: % sports bets in US Sports betting market



Source: Getwizer

Figure 18: Percentage of Games



Source: CZR Investor Relations

owing to the superior financial position of CZR, and its first-mover advantage. This reach disparity therefore allows CZR to shine despite being marginally outclassed by Golden Nugget, and therefore, due to the aforementioned industry stickiness of customers, reap long term profits in the long run through more potent customer acquisition and retention.

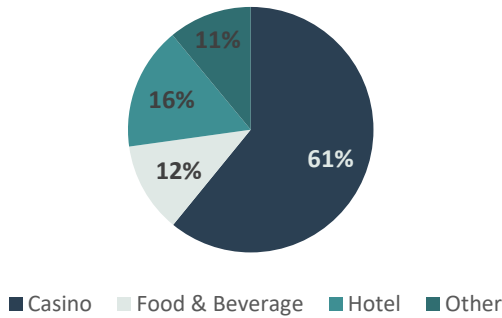
3. Non-Gaming Related Advantage

Caesars Rewards, with a network of more than 60 million people, enables CZR to compete more effectively and capture a larger share of their customers' entertainment spending when they travel among regions versus that of a standalone property and engage in online wagering and gaming, which is core to our crossmarket strategy. Members who have joined Caesars Rewards can earn Reward Credits for qualifying gaming activity, including sports betting, online gaming and wagering, and qualifying hotel, dining and retail spending at all Caesars-affiliated properties in the United States, Canada and Dubai. Members can also earn additional Reward Credits when they use their Caesars Rewards VISA credit card or make a purchase through a Caesars Rewards partner. Members can redeem their earned Reward Credits with Caesars for hotel amenities, retail and online casino free play and other items such as merchandise, gift cards, and travel. Caesars Rewards is structured in tiers (designated as Gold, Platinum, Diamond or Seven Stars), each with increasing member benefits and privileges. Members are provided promotional offers based on their Tier Level, their engagement with Caesars-affiliated properties, aspects of their retail and online casino gaming play, and their preferred spending choices outside of gaming. These perks have been effective in increasing consumer spending as can be seen from the Caesar Rewards program being valued at \$523 million, while Company's revenues included complimentary and loyalty point redemptions totaling \$1.0 billion in 2021, which is close to double the value of Caesar Rewards program. These non-gaming advantages has a growing significance for CZR as the revenue share of the Casino segment, which has been a major contributor to the overall revenue, has declined from 62.8% in Q2 2021 to 56% in Q3 2021 (Figure 13). This is also supported by the results from their implementation of Cloudera that uses machine learning to help Caesars understand each customer's journey based on their interactions across channels, including reservations, social media, credit cards, and kiosks. This technology allowed CZR to spot a shift to non-gaming expenditures, such as retail, entertainment, and dining. This data fuelled the drive towards developing non-gaming advantages for CZR.

Program Reach

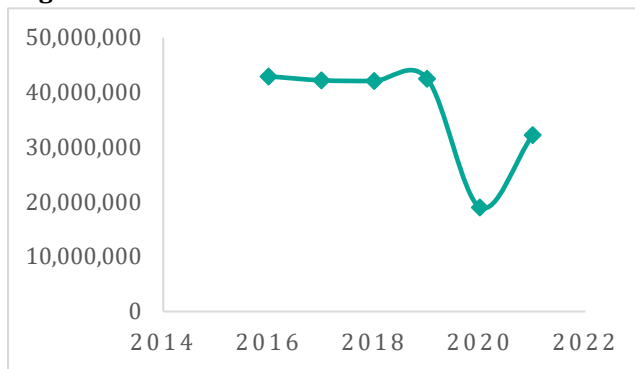
MGM Rewards is the loyalty program for MGM Resorts' 32 properties — including iconic Vegas casinos such as Bellagio, Mandalay Bay, The Mirage and MGM Grand. Outside of its home base of Vegas, you'll find eight MGM Resorts properties across several U.S. states plus a couple of international casinos in Macao. In comparison, Caesars Rewards is the loyalty program of Caesars Entertainment, another giant in the industry. Members can earn and redeem Caesars Rewards at over 50 destinations across 17 states plus international locations in Dubai and Canada. In

Figure 19: Revenue Breakdown of CZR



Source: Statista Research Department

Figure 20: Trend of International Visitation to Las Vegas



Source: LVCVA Visitor Statistic

addition to Caesars-branded locations, Caesars Rewards also includes popular brands such as Harrah's and Horseshoe. The wider program reach can appeal to more consumers as it provides a wider variety of hotels at more locations to cater to each individual's wants. This can be seen by the 5,537 million in revenue earned in other operations outside of Las Vegas and with complementaries and loyalty point redemptions totalling \$1.0 billion. While CZR's competitors can choose to develop more casinos and hotels, it will take a lot of time before they can catch up CZR's wide program reach. Moreover, CZR has been consistently developing new developments too. For example, Caesars Entertainment and developer SL Green have announced a joint bid for a casino located in New York's Times Square. The proposed casino would be called Caesars Palace Times Square. These new developments will bring in greater revenue and help CZR maintain their advantage in program reach.

Elite status perks

In addition to basic privileges, with Caesars Rewards Diamond you have a guaranteed room in Las Vegas or Atlantic City with 72 hours' notice, 15% off the best available rates for rooms and suites, access to the VIP Laurel Lounge, two free nights at Caesars Palace Dubai and even up to \$260 in free online sports betting each year. This is also boosted by strategic partnerships that offers more perks compared to its competitors. Caesars Rewards elites can score discounts on Norwegian Cruises, a free night stay at Atlantis Resorts in the Bahamas and a two-night free stay at Caesars Dubai. The perks depend on your Caesars status, with Norwegian Cruise discounts ranging from 10% to 30% and free Atlantis stays ranging from two to five nights. If you reach the top tier of Caesars Seven Stars, you can score a "Congratulatory Voyage with Norwegian Cruise Line" Meanwhile, MGM Gold elites are offered an enhanced room upgrade at check-in. While room upgrades are absent from the published benefits for Caesars Diamonds, room upgrades can often be granted at check-in. In comparison, the partners rewards formed by MGM is more limited which can be seen from how MGM partners with Royal Caribbean and Celebrity Cruises to only offer an onboard credit and welcome amenity to Gold and higher elites. This allows Caesar Entertainment to retain its top spenders better compared to MGM, which can increase their spending at gaming, which will positively impact their revenue. Hence, it is more strategic for Caesar Entertainment to target its top tier benefits towards their top spenders compared to providing better benefits for lower tier members who may not bring in as much revenue. This is supported by their RevPar value. CZR's Caesars Palace, their most luxurious hotel in Las Vegas, has a RevPar value of \$855, compared to MGM with a RevPar of \$215 for their equivalent hotel, Bellagio.

Hotel

Occupancy for Caesars' Las Vegas properties was at 86% for the fourth quarter on 2021. In comparison, MGM's hotel occupancy in Las Vegas has been just over 70%. Hotel occupancy rates are likely to increase as international visitation return to precovid levels, which is supported by current hotel occupancy rates increasing from 47.2% in 2020 to 82.1% in 2021. International visitation to Las Vegas represented 3% of visitors in 2021

Figure 21: States with potential for legalisation of Sports Betting



Source: Action Network, compiled on MapChart.net

compared to the 10% to 15% in pre-pandemic years (Figure 20). Caesar Entertainment anticipates international guests will return in force as international flight capacity is expected to reach over 80% of summer 2019 levels, and international customers have longer stay patterns than domestic guests. This trend is boosted by the upcoming events calendar for Las Vegas that can attract more international travellers to Las Vegas. The city is home to the Golden Knights NHL team and Raiders NFL team. It will host the Sweet 16 and Elite Eight rounds of the NCAA men's tournament next year as well as its first Formula One race. In February 2024, the city will host the Super Bowl. The 16 hotels at Las Vegas that Caesar Entertainments owns will be able to house this influx of guests. These perks provided by the hotel has been effective in drawing in more guests which can be seen from the revenue share to the overall revenue also grew from 16% in Q2 2021 to 19% in Q3 2021 and revenue growth of 27.5% on a quarter-on-quarter basis, when compared to \$0.4 billion in Q2 2021.

Retail - Dining:

Has restaurants under celebrity chefs (well-known TV personalities) E.g. Gordon Ramsey's Hell's Kitchen and Guy Fieri. This is unique selling point to attract consumers to their properties as they are the only hotel that offers these exclusive dining experience. In comparison, MGM Resorts most notable restaurants are Wolfgang Puck and Joël Robuchon which are less popular compared to the restaurants under Caesars. This can be seen from how Gordon Ramsay is the top 6th chef and Guy Fieri's relatively recent Food Network series gaining international attention. Compare this with Wolfgang Puck who rose to fame in the 1990s. Their food and beverage operations generate revenues from dining venues, bars, nightclubs, and lounges located throughout casinos and represented approximately 12% of our total net revenues in 2021 (1.140 bil). Many properties include several dining options, ranging from upscale dining experiences to moderately-priced restaurants, some of which offer pickup or in-room delivery options. These benefits are effective as it caused the contribution of the food and beverage segment to the overall revenue to increase from 11.2% in Q2 2021 to 13% in Q3 2021. Moreover, the revenue grew approximately by 25% on a quarter-on-quarter basis, when compared to \$0.28 billion in Q2 2021.

Attractive Shopping Experience:

Dubbed "the shopping wonder of the world," the Forum Shops offer 160 shops, restaurants and attractions set amidst stunning Roman architecture. You'll find the biggest names in fashion including Versace, Gucci, and Armani.

Catalysts

- Continued legalisation of online sports betting
- Currently, only around 20 states have legalized online sports betting, with around 2 dozen states legalising sports betting (some of which only via a retail medium). This specifically applies to states that are on the fence regarding online sports betting. For example, in Georgia, OSB is not legal. Efforts to get a motion passed in 2022 failed. However, a new motion will be brought up in 2023 that can hopefully legalize Georgia sports betting. If online sports betting does get legalised in these

Figure 22: CZR's COE and COD

Market Values	
Risk Free Rate	4.16%
Country Risk Premium	4.24%
Cost of Equity	13.1%
Market Cap	9,024
Adjusted Beta	2.11
Cost of Debt	
Market Value of Debt	12,927
Pre-Tax Cost of Debt	17.34%
After-Tax Cost of Debt	13.47%

Source: NUS Investment Society Estimates

Figure 23: CZR's WACC

Capital Structure	
Debt Weightage	59%
Equity Weightage	41%
WACC	13.32%
No. of Outstanding Shares	215
Current Share Price	\$49.74
Blended Share Price	\$73.19
	47.15%

Source: NUS Investment Society Estimates

countries that are on the fence, (around 9 projected 2023) this would serve as a massive tailwind for CZR, coupled with future profitability of the digital gaming segment, which would influence upward price movement. There 8 states are where bills have been proposed but there is no clear gauge on whether the bills will be passed (Figure 21). Hence, due to the uncertainty of the outcome of legislation, its effects have not been priced in.

- Announcement of new partnerships (sports betting)
Caesars Entertainment, Inc. and the New York Mets announced a multi-year partnership to make Caesars Sportsbook an Official Sports Betting Partner of the team. This is scheduled to launch during the 2022 Major League Baseball season. More than likely especially due to the continued reopening of different sporting events etc. Upcoming events that will be hosted in Las Vegas: It will host the Sweet 16 and Elite Eight rounds of the NCAA men's tournament next year as well as its first Formula One race. In February 2024, the city will host the Super Bowl. Through the reopening of different hotel and entertainment venues, an influx of new partnerships would be expected, similarly to what we have seen with the New York Mets. This improves brand image and buzz, as well as facilitates greater foot traffic, ultimately boosting revenues from all 3 major revenue streams and catalysing share price increase.

Financial Analysis

(US\$m)	2020A	2021A	2022E	2023E
Revenue	3628	9571	11095	13805
EBITDA	685	2833	2162	2796
Revenue Gr Rate (%)	43.5%%	163.80 %	15.90%	24.40%
EBITDA (%)	2.20%	313.60 %	-23.70%	29.30%
E/EBITDA	11.7x	11.8x	11.0x	9.3x
EPS	-13.36	-4.69	-3.78	-3.41
D/E	84.30%	85.60%	84.00%	83.50%

Overview

The chart above gives a brief idea of CZR's financial prospects in the near long term, highlighting our assumptions. Most of the indicators yield positive and favourable trends that are supportive of our overall buy recommendation.

Revenue Growth

We expect revenue to grow significantly due to the recovery from Covid-19 pandemic as well as increase in the number of visitors in LV Strip. Furthermore, with the main bulk of the digital cost being accounted for, we can expect an improvement in the profit margins after CZR starts seeing the fruits of its investments.

Figure 24: Sensitivity Analysis for EV/Handle

DCF - EV / Handle						
WACC	\$32.70	0.7x	0.8x	0.9x	1.0x	1.1x
	12.32%	13.18	25.96	38.74	51.51	64.29
	12.82%	10.69	23.19	35.68	48.18	60.68
	13.32%	8.26	20.48	32.71	44.93	57.15
	13.82%	5.89	17.85	29.80	41.76	53.72
	14.32%	3.58	15.28	26.98	38.67	50.37

Source: NUS Investment Society Estimates

Figure 25: Sensitivity Analysis for EV/EBITDA

Exit Multiple - EV / EBITDA							
WACC		\$69.52	11.5x	11.8x	12.1x	12.4x	12.7x
	12.32%	69.62	73.43	77.23	81.04	84.84	
	12.82%	65.89	69.61	73.33	77.05	80.77	
	13.32%	62.25	65.89	69.53	73.17	76.81	
	13.82%	58.71	62.27	65.83	69.39	72.95	
	14.32%	55.25	58.73	62.22	65.70	69.19	

Source: NUS Investment Society Estimates

Figure 26: Sensitivity Analysis for EV/Revenue

Exit Multiple - EV/Revenue						
WACC	\$117.36	3.1x	3.4x	3.6x	3.9x	4.1x
	12.32%	98.50	112.59	126.68	140.78	154.87
	12.82%	94.13	107.92	121.70	135.48	149.27
	13.32%	89.88	103.36	116.84	130.32	143.81
	13.82%	85.73	98.92	112.11	125.30	138.48
	14.32%	81.69	94.59	107.49	120.40	133.30

Source: NUS Investment Society Estimates

Improving Solvency Ratios

CZR had high debt ratios due to huge lending of capital for historical expansion previously. Currently, CZR's debt/equity ratio shows that it is 85.5%, which means it is highly leveraged with debt. However, with the improved profitability of digital segment as well as the return of business in the casinos, we can potentially see CZR using majority of

Valuation

Valuation Price Target: US\$73.19

The target price is calculated from a blended average of 3 different target prices derived from (1) EV/Handle Multiples method, (2) EV/EBITDA Multiples method and (3) EV/Revenue Multiples method.

Relative Valuation

We picked comparable companies that operate largely in the same industry and region as CZR. We calculated the TEV, LTM EV/EBITDA, EV/Handle and LTM EV/Revenues. We then used the median of all the numbers as a proxy of how much CZR should be valued at. From our results, the median LTM EV/EBITDA is 12.1x compared to CZR 11.4x, also the EV/Handle is 0.9x compared to EV/Handle of 0.7 for CZR. Last but not least, the LTM EV/Revenue median is 3.6x while CZR is 3.2x. The company is actually trading at a huge discount on all metrics compared to its similar competitors.

Intrinsic Valuation

A discounted cash flow analysis was used to derive the intrinsic value of CZR. The DCF model is forecasted over a 5-year period and is most sensitive to the factors discussed below.

WACC

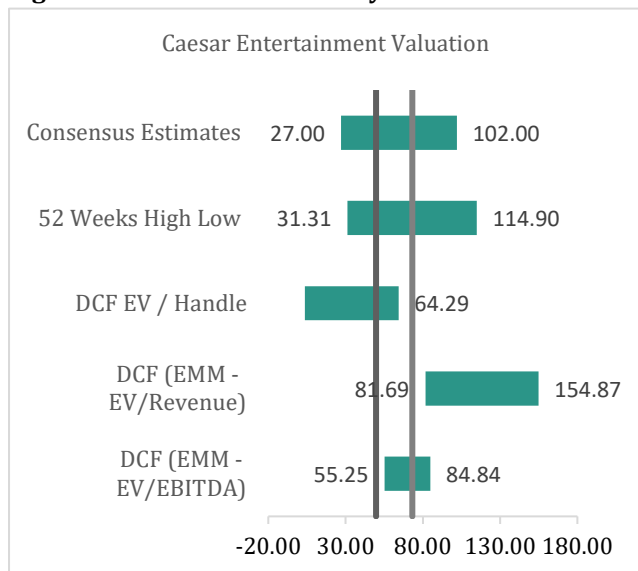
Beta was derived from Barrons and the market risk premium is from Professor Damodaran's website. CAPM was then used to calculate the cost of equity, which is around 13.1%. The risk-free rate used in this calculation is the 10Y US Treasury. Pre-tax cost of debt is derived from taking the current interest payment on debt divided by the market value of debt currently.

Revenue Projects

For revenue breakdown, we decided to breakdown by the different revenue streams that CZR have. Casinos, food and beverage, hotels and digital revenue. Among each of the revenue stream, we breakdown further by country of operation as according to the annual report. Since CZR revenue stream is very erratic due to fluctuations coming out of Covid-19. We took a conservative approach in our forecast of its revenue streams. Steadily decreasing it throughout the forecasted years.

In the projected numbers, we are mainly looking at a recovery of the economy gradually after the pandemic, with the casino industry expected to improve from the less stringent travelling restrictions. Also, we are expecting CZR digital revenue to improve as per the management guidance as well as the feasibility of its occurrence.

Figure 27: Football Field Analysis



Source: NUS Investment Society Estimates

Cost of Sales

As there isn't much guidance on its cost of sales, we projected it by taking the average of its historical 3Y the project it to be constant throughout.

Investment Risks

Market Risk 1(M1)

Recession Risk:

Since CZR generated 45% of its EBITDA from LV Strip, a market that is susceptible to economic cycles, upcoming recession might be a huge hit to CZR top line. Furthermore, CZR the upcoming recession might cause consumers to tighten their spending, disincentivising them from traveling. This trend will come at odds with the trend of expected increase in international visitation due to the upcoming events hosted in LV. Hence, if consumers are more swayed by the upcoming recession, they might choose not to travel, despite the events as stated in Thesis 3, affecting their top line.

During a recession, people face an increasing fear of losing their job and those fired undergo the pressure of having to find new employment when the job market stagnates. Anxiety and stress have been shown to be positively correlated to gambling behavior. Hence, simultaneous attempts at self-control (such as trying to avoid gambling while also coping with stress) may lead to poorer self-control overall. This is because adapting to stress consumes self-control strength, resulting in poorer subsequent self-control performance. Emotional stress arising from difficulties is often associated with problem gambling and reports of problem gamblers reveal that gambling intensity is highest during periods of emotional stress. Hence, this behaviour of gamblers allows casinos to maintain their revenue stream during a recession, thus mitigating the impact of a recession of CZR's top line.

Business Risk 2 (B2)

Significant debt and higher than peer leverage level

As the debt-ratio increases, so does the risk of defaulting on loans, if interest rates were to increase. This is concerning given the high inflation rate environment (8.8%) that we are facing today, which can increase their risk of defaulting on loans. Hence, if they are unable to deleverage it as per Thesis 1, it would affect their financial statement greatly.

Caesars Entertainment, Inc. has shared plans for a \$39 million investment to expand the casino gaming floor of Harrah's Hoosier Park Racing & Casino, further enhancing the casino operator's commitment to racing and gaming in Indiana. Harrah's Hoosier Park, located in Anderson, will add approximately 30,000 square feet to the northwest end of the casino, allowing for 150 brand-new slot machines and 16 additional table games. The opening of Harrah's Hoosier Park will continue to allow CZR to provide better racing and gaming options, attracting more guests which can increase help with their top line growth

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Appendix:

Financial Statements

Revenue and Expense Projections:		Units:	Historical			Projected				
			FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue by Segment:										
Casino and Pari-mutuel Commissions	\$ M	\$ 1,808.0	\$ 2,482.0	\$ 5,827.0	\$7,596.98	\$9,402.51	\$11,242.02	\$12,979.08	\$14,467.89	
Hotels	\$ M	\$ 300.0	\$ 450.0	\$ 1,551.0	\$2,016.30	\$2,520.38	\$3,024.45	\$3,478.12	\$3,825.93	
Food and Beverage	\$ M	\$ 301.0	\$ 342.0	\$ 1,140.0	\$1,482.00	\$1,882.14	\$2,333.85	\$2,823.96	\$3,332.28	
Other Revenue:										
Revenue: Other	\$ M	\$ 119.0	\$ 354.0	\$ 1,053.0	\$983.40	\$1,292.55	\$1,642.85	\$2,017.77	\$2,393.02	
Total Revenue:	\$ M	\$ 2,528.0	\$ 3,628.0	\$ 9,571.0	\$ 11,095.3	\$ 13,805.0	\$ 16,600.3	\$ 19,281.2	\$ 21,626.1	
Annual Growth Rate:	%	23.0%	43.5%	163.8%	15.9%	24.4%	20.2%	16.1%	12.2%	
Growth Rates by Segment:										
Casino and Pari-mutuel Commissions	%	16.4%	37.3%	134.8%	30.4%	23.8%	19.6%	15.5%	11.5%	
Hotels	%	63.0%	50.0%	244.7%	30.0%	25.0%	20.0%	15.0%	10.0%	
Food and Beverage	%	12.2%	13.6%	233.3%	30.0%	27.0%	24.0%	21.0%	18.0%	
Growth Rate of other revenue:										
Revenue: Other	%	4.8%	197.5%	197.5%	(6.6%)	31.4%	27.1%	22.8%	18.6%	
Costs of Goods Sold:										
Casino and Pari-mutuel Commissions	\$ M									
Hotels	%	\$ 905.0	\$ 1,271.0	\$ 3,129.0	\$4,168.27	\$4,908.12	\$5,565.87	\$6,072.19	\$6,367.31	
Food and Beverage		\$ 99.0	\$ 170.0	\$ 438.0	\$530.61	\$663.22	\$801.41	\$935.64	\$1,055.14	
Operating Expenses Other		\$ 239.0	\$ 265.0	\$ 707.0	\$724.72	\$905.85	\$1,094.59	\$1,277.94	\$1,441.15	
		\$ 46.0	\$ 140.0	\$ 373.0	\$385.56	\$481.92	\$582.33	\$679.87	\$766.70	
Total Costs of Goods Sold:		\$ 1,289.0	\$ 1,846.0	\$ 4,647.0	\$ 5,809.2	\$ 6,959.1	\$ 8,044.2	\$ 8,965.6	\$ 9,630.3	
Growth Rates by in COGS:										
Casino and Pari-mutuel Commissions	%	9.8%	40.4%	146.2%	33.2%	17.7%	13.4%	9.1%	4.9%	
Hotels	%	52.3%	71.7%	157.6%	21.1%	25.0%	20.8%	16.8%	12.8%	
Food and Beverage	%	117.7%	10.9%	166.8%	2.5%	25.0%	20.8%	16.8%	12.8%	
Operating Expenses Other	%	117.9%	204.3%	166.4%	3.4%	25.0%	20.8%	16.8%	12.8%	
% Increase in Cost of Revenue::	%	14.0%	43.2%	151.7%	25.0%	19.8%	15.6%	11.5%	7.4%	
% of Revenue as COGS		51.0%	50.9%	48.6%	52.4%	50.4%	48.5%	46.5%	44.5%	
Operating Expenses:										
SG&A	\$ M	\$ 569.0	\$ 1,097.0	\$ 2,091.0	\$3,003.34	\$3,753.99	\$4,536.13	\$5,295.94	\$5,972.31	
R&D Expenses		\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Depreciation and amortization		\$ 222.0	\$ 583.0	\$ 1,126.0	\$1,474.29	\$1,842.76	\$2,226.70	\$2,599.68	\$2,931.70	
Other Operating Expenses/(Income)	\$ M	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Total Operation Expenses:	\$ M	\$ 791.0	\$ 1,680.0	\$ 3,217.0	\$ 4,477.6	\$ 5,596.7	\$ 6,762.8	\$ 7,895.6	\$ 8,904.0	
		35.4%	112.4%	91.5%	39.2%	25.0%	20.8%	16.8%	12.8%	
% Increase in Operating Expenses:										
SG&A	%	33.3%	92.8%	90.6%	43.6%	25.0%	20.8%	16.8%	12.8%	
R&D Expenses	%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Depreciation and amortization		41.4%	162.6%	93.1%	30.9%	25.0%	20.8%	16.8%	12.8%	
Other Operating Expenses/(Income)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Operating Income:										
	\$ M	\$ 448.0	\$ 102.0	\$ 1,707.0	\$ 808.5	\$ 1,249.2	\$ 1,793.3	\$ 2,419.9	\$ 3,091.8	

Financial Projections

Caesar Entertainment - FCF Projections:	Units:	Historical			Projected				
		FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue:	\$ M	\$ 2,528.0	\$ 3,628.0	\$ 9,571.0	\$ 11,095.3	\$ 13,805.0	\$ 16,600.3	\$ 19,281.2	\$ 21,626.1
Revenue Growth Rate:	%	(65.3%)	43.5%	163.8%	15.9%	24.4%	20.2%	16.1%	12.2%
Operating Income (EBIT):	\$ M	448.0	102.0	1,707.0	808.5	1,249.2	1,793.3	2,419.9	3,091.8
Operating Margin:	%	17.7%	2.8%	17.8%	7.3%	9.0%	10.8%	12.6%	14.3%
Growth Rate:	%	31.4%	(77.2%)	1,573.5%	(52.6%)	54.5%	43.6%	34.9%	27.8%
(-) Taxes, Excluding Effect of Interest:	\$ M	(99.9)	(22.7)	(380.7)	(180.3)	(278.6)	(399.9)	(539.6)	(689.5)
Net Operating Profit After Taxes (NOPAT):	\$ M	348.1	79.3	1,326.3	628.2	970.6	1,393.4	1,880.3	2,402.3
Adjustments for Non-Cash Charges:									
(+) Depreciation & Amortization:	\$ M	222.0	583.0	1,126.0	1,354.2	1,546.9	1,694.1	1,774.9	1,774.5
% Revenue:	%	8.8%	16.1%	11.8%	12.2%	11.2%	10.2%	9.2%	8.2%
(+) Stock-based compensation expense:	\$ M	20.0	79.0	82.0	141.5	176.0	211.7	245.9	275.8
% Revenue:	%	0.8%	2.2%	0.9%	1.3%	1.3%	1.3%	1.3%	1.3%
(+/-) Deferred income taxes:	\$ M	2.0	(176.0)	283.0	(67.1)	(83.5)	(100.4)	(116.7)	(130.9)
% Taxes:	%	0.1%	(4.9%)	3.0%	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)
(+) Asset Writedown:	\$ M	-	116.0	102.0	157.7	196.2	235.9	274.0	307.3
% Revenue:	%	0.0%	3.2%	1.1%	1.4%	1.4%	1.4%	1.4%	1.4%
Net Change in Working Capital:	\$ M	24.0	(76.0)	297.0	16.1	28.7	29.6	28.4	24.8
% Change in Revenue:	%	5.1%	(6.9%)	5.0%	1.1%	1.1%	1.1%	1.1%	1.1%
% Revenue:	%	0.9%	(2.1%)	3.1%	0.7%	0.7%	0.7%	0.7%	0.7%
(-) Capital Expenditures:	\$ M	(171.0)	(164.0)	(540.0)	(626.0)	(778.9)	(936.6)	(1,087.9)	(1,220.2)
% Revenue:	%	(6.8%)	(4.5%)	(5.6%)	(5.6%)	(5.6%)	(5.6%)	(5.6%)	(5.6%)
Unlevered Free Cash Flow:	\$ M	\$ 445.1	\$ 441.3	\$ 2,676.3	\$ 1,514.0	\$ 1,943.3	\$ 2,392.1	\$ 2,841.5	\$ 3,257.2
Growth Rate:	%	N/A	(0.9%)	506.5%	(43.4%)	28.4%	23.1%	18.8%	14.6%
EBITDA:	\$ M	\$ 670.0	\$ 685.0	\$ 2,833.0	\$ 2,162.7	\$ 2,796.0	\$ 3,487.4	\$ 4,194.8	\$ 4,866.3
Growth Rate:	%	N/A	2.2%	313.6%	(23.7%)	29.3%	24.7%	20.3%	16.0%

Revenue and Expense Projections:	Units:	Historical			Projected				
		FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue Breakdown									
Casinos		1782	2387	5490	7036.35	8749.857	10499.5005	12154.0032	13572.9536
% Growth			34%	130%	28%	24%	20%	16%	12%
Food and Beverage		301	342	1140	1482	1882.14	2333.8536	2823.96286	3332.27617
			14%	233%	30%	27%	24%	21%	18%
Hotels		300	450	1551	2016.3	2520.375	3024.45	3478.1175	3825.92925
			50%	245%	30%	25%	20%	15%	10%
Digital		26	95	337	560.63	652.65	742.52	825.07	894.94
			265%	255%	66%	16%	14%	11%	8%
Others*		119	354	1052	983	1,293	1,643	2,018	2,393
* consists of managed and branded, corporate			197%	197%	-7%	31%	27%	23%	19%
Total revenue (excluding others)		2,409	3,274	8,518	11,095	13,805	16,600	19,281	21,626
Total revenue		2,528	3,628	9,570	12,079	15,098	18,243	21,299	24,019
% Growth			44%	164%	26%	25%	21%	17%	13%
Assumptions									
Casinos									
Las Vegas		0	319	1226	1655.1	2184.732	2818.30428	3551.06339	4367.80797
% Growth			#DIV/0!	284%	35.0%	32.0%	29.0%	26.0%	23.0%
Regional		1782	2079	4305	5381.25	6565.125	7681.19625	8602.9398	9205.14559
% Growth			17%	107%	25.0%	22.0%	17.0%	12.0%	7.0%

Assumptions									
Casinos									
Las Vegas	0	319	1226	1655.1	2184.732	2818.30428	3551.06339	4367.80797	
% Growth		#DIV/0!	284%	35.0%	32.0%	29.0%	26.0%	23.0%	
Regional	1782	2079	4305	5381.25	6565.125	7681.19625	8602.9398	9205.14559	
% Growth		17%	107%	25.0%	22.0%	17.0%	12.0%	7.0%	
Food and Beverage									
Las Vegas	0	130	702	912.6	1159.002	1437.16248	1738.9666	2051.98059	
% Growth		#DIV/0!	440%	30.0%	27.0%	24.0%	21.0%	18.0%	
Regional	301	211	438	569.4	723.138	896.69112	1084.99626	1280.29558	
% Growth		-30%	108%	30.0%	27.0%	24.0%	21.0%	18.0%	
Hotel									
Las Vegas	0	186	968	1258.4	1573	1887.6	2170.74	2387.814	
% Growth		#DIV/0!	420%	30.0%	25.0%	20.0%	15.0%	10.0%	
Regional	300	264	583	757.9	947.375	1136.85	1307.3775	1438.11525	
% Growth		-12%	121%	30.0%	25.0%	20.0%	15.0%	10.0%	
Others*									
Las Vegas	0	116	513	666.9	833.625	1000.35	1150.4025	1265.44275	
% Growth		#DIV/0!	342%	30.0%	25.0%	20.0%	15.0%	10.0%	
Regional	111	106	211	316.5	458.925	642.495	867.36825	1127.57873	
% Growth		-5%	99%	50.0%	45.0%	40.0%	35.0%	30.0%	
Digital									
Sports betting handle		30.00	6,046.00	7,255.20	8,488.58	9,676.99	10,741.45	11,600.77	
% growth			20053%	20.0%	17.0%	14.0%	11.0%	8.0%	
iGaming handle	1,040.00	2,448.00	5,621.00	6,595.68	7,607.46	8,622.29	9,600.06	10,496.71	
% growth		135%	130%	17.3%	15.3%	13.3%	11.3%	9.3%	
Sports betting hold %				5.0%	5.0%	5.0%	5.0%	5.0%	
iGaming hold %	2.50%	3.88%		3.0%	3.0%	3.0%	3.0%	3.0%	
Weighted hold %	2.50%	3.80%	2.89%						

Costs of Goods Sold:									
Casino and Pari-mutuel Commissions	\$ M	\$ 905.0	\$ 1,271.0	\$ 3,129.0	\$ 4,168.3	\$ 4,908.12	\$ 5,565.87	\$ 6,072.19	\$ 6,367.31
% Revenue		35.80%	35.03%	32.70%	34.5%	32.5%	30.5%	28.5%	26.5%
Hotels	\$ M	\$ 99.0	\$ 170.0	\$ 438.0	\$ 530.61	\$ 663.22	\$ 801.41	\$ 935.64	\$ 1,055.14
% Revenue		3.92%	4.69%	4.58%	4.4%	4.4%	4.4%	4.4%	4.4%
Food and Beverage	\$ M	\$ 239.0	\$ 265.0	\$ 707.0	\$ 724.72	\$ 905.85	\$ 1,094.59	\$ 1,277.94	\$ 1,441.15
% Revenue		9.45%	7.30%	7.39%	6.0%	6.0%	6.0%	6.0%	6.0%
Operating Expenses Other	\$ M	\$ 46.0	\$ 140.0	\$ 373.0	\$ 385.56	\$ 481.92	\$ 582.33	\$ 679.87	\$ 766.70
% Revenue		1.82%	3.86%	3.90%	3.2%	3.2%	3.2%	3.2%	3.2%
Total Costs of Goods Sold:	\$ M	\$ 1,289.0	\$ 1,846.0	\$ 4,647.0	\$ 5,809.2	\$ 6,959.1	\$ 8,044.2	\$ 8,965.6	\$ 9,630.3
		50.99%	50.88%	48.56%	48.09%	46.09%	44.09%	42.09%	40.09%
Operating Expenses:									
SG&A	\$ M	\$ 569.0	\$ 1,097.0	\$ 2,091.0	\$ 3,003.34	\$ 3,753.99	\$ 4,536.13	\$ 5,295.94	\$ 5,972.31
% Revenue		22.51%	30.24%	21.85%	24.9%	24.9%	24.9%	24.9%	24.9%
R&D Expenses	\$ M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% Revenue		0.00%	0.00%	0.00%	-	-	-	-	-
Depreciation and amortization	\$ M	\$ 222.0	\$ 583.0	\$ 1,126.0	\$ 1,474.29	\$ 1,842.76	\$ 2,226.70	\$ 2,599.68	\$ 2,931.70
% Revenue		8.78%	16.07%	11.77%	12.2%	12.2%	12.2%	12.2%	12.2%
Other Operating Expenses/(Income)	\$ M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% Revenue		0.00%	0.00%	0.00%	-	-	-	-	-
Total Operation Expenses:	\$ M	\$ 791.0	\$ 1,680.0	\$ 3,217.0	\$ 4,477.6	\$ 5,596.7	\$ 6,762.8	\$ 7,895.6	\$ 8,904.0
		35.4%	112.4%	91.5%	39.2%	25.0%	20.8%	16.8%	12.8%

Relative Valuation

Company Name	Price (\$/share)	Shares Outstanding Latest (mm)	Market Capitalization Latest (\$M)	TEV	LTM EV/EBITDA x	EV/Handle x	LTM EV/Revenues
Caesars Entertainment, Inc. (NasdaqGS:CZR)	42.05	214.6	9,023.9	33,832.6	11.4x	0.7x	3.2x
MGM Resorts International (NYSE:MGM)	33.1	384.0	12,710.4	41,814.2	12.1x	1.4x	3.61
PENN Entertainment, Inc. (NasdaqGS:PENN)	31.83	156.9	4,994.1	16,180.9	9.6x	1.0x	2.6x
Wynn Resorts, Limited (NasdaqGS:WYNN)	69.03	112.8	7,786.6	16,743.1	34.3x	0.9x	4.2x
Las Vegas Sands Corp. (NYSE:LVS)	39.38	764.1	30,090.3	38,260.7	102.9x	0.8x	9.7x
Summary Statistics							
High					34.3x	1.0x	4.2x
Low					11.4x	0.8x	3.2x
Mean					34.1x	1.0x	4.6x
Median					12.1x	0.9x	3.6x

Valuation

Market Values		Capital Structure	
Risk Free R	4.16%	Debt Weightage	59%
Country Ris	4.24%	Equity Weightage	41%
Cost of Eqi		WACC	
Market Caj	13.1%		13.32%
Adjusted B	9,024		
	2.11	No. of Outstanding Share	215
Cost of Debt		Current Share Price	\$49.74
Market Val	12,927	Blended Share Price	\$73.19
Pre-Tax Co	17.34%		47.15%
After-Tax C	13.47%		

Valuation - EV / Handle						
Terminal Growth Rate						0.9x
Terminal Value						44,114
PV of Terminal Value						23,606
Enterprise Value						31,565
(+) Cash & Cash Equivalents						944
(-) Total Debt						25,492
Implied Equity Value						7,017
Valuation Share Price						\$32.70
DCF - EV / Handle						
WACC		0.7x	0.8x	0.9x	1.0x	1.1x
	12.32%	13.18	25.96	38.74	51.51	64.29
	12.82%	10.69	23.19	35.68	48.18	60.68
	13.32%	8.26	20.48	32.71	44.93	57.15
	13.82%	5.89	17.85	29.80	41.76	53.72
	14.32%	3.58	15.28	26.98	38.67	50.37

Valuation - EV/EBITDA Multiples						
Exit Multiple - LTM EV / EBITDA						12.1x
Terminal Value						58,882
PV of Terminal Value						31,508
Enterprise Value						39,467
(+) Cash & Cash Equivalents						944
(-) Total Debt						25,492
Implied Equity Value						14,919
Valuation Share Price						\$69.52
Exit Multiple - EV / EBITDA						
WACC		11.5x	11.8x	12.1x	12.4x	12.7x
	12.32%	69.62	73.43	77.23	81.04	84.84
	12.82%	65.89	69.61	73.33	77.05	80.77
	13.32%	62.25	65.89	69.53	73.17	76.81
	13.82%	58.71	62.27	65.83	69.39	72.95
	14.32%	55.25	58.73	62.22	65.70	69.19

Unlevered FCF	\$USDM	1,514	1,943	2,392	2,841	3,257
Period		1	2	3	4	5
Present Value of FCF		1,336	1,513	1,644	1,723	1,743
Cumulative Present Value		7,959				
Valuation - EV/Revenue Multiples						
Exit Multiple - LTM EV / Revenue						3.6x
Terminal Value						78,070
PV of Terminal Value						41,775
Enterprise Value						49,734
(+) Cash & Cash Equivalents						944
(-) Total Debt						25,492
Implied Equity Value						25,186
Valuation Share Price						\$117.36
Exit Multiple - EV/Revenue						
WACC		3.1x	3.4x	3.6x	3.9x	4.1x
	12.32%	98.50	112.59	126.68	140.78	154.87
	12.82%	94.13	107.92	121.70	135.48	149.27
	13.32%	89.88	103.36	116.84	130.32	143.81
	13.82%	85.73	98.92	112.11	125.30	138.48
	14.32%	81.69	94.59	107.49	120.40	133.30