

Boyd Gaming(BYD)

\$24.81 (As of 08/05/20)

Price Target (6-12 Months): **\$26.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/03/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: F

Momentum: A

Summary

Shares of Boyd Gaming have outperformed the industry in the past year. The company reported second-quarter 2020 results, wherein both the top and the bottom line beat the Zacks Consensus Estimate. However, earnings and revenues declined sharply year over year on account of the coronavirus pandemic. Also, dismal traffic because of the pandemic has been hurting the top line. However, initiatives to strengthen current operations and grow through capital investment as well as other strategic measures are likely to aid the company. Also, expansion of online betting offerings along with FanDuel partnership is likely to benefit the company. Notably, earnings estimates for 2020 have risen over the past 30 days, depicting analyst optimism over the stock's growth potential.

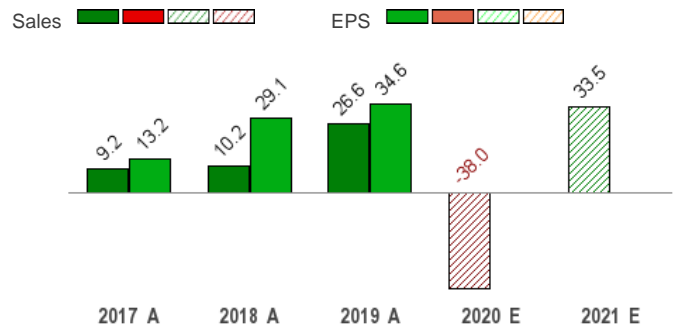
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$36.22 - \$6.44
20 Day Average Volume (sh)	2,331,346
Market Cap	\$2.8 B
YTD Price Change	-17.1%
Beta	2.34
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Gaming
Zacks Industry Rank	Bottom 19% (205 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	32.4%
Last Sales Surprise	25.5%
EPS F1 Est- 4 week change	65.0%
Expected Report Date	10/27/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	634 E	667 E	687 E	696 E	2,753 E
2020	681 A	210 A	552 E	595 E	2,062 E
2019	827 A	846 A	820 A	833 A	3,326 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.06 E	\$0.18 E	\$0.21 E	\$0.21 E	\$1.11 E
2020	-\$0.02 A	-\$0.98 A	\$0.00 E	\$0.13 E	-\$0.86 E
2019	\$0.43 A	\$0.46 A	\$0.39 A	\$0.50 A	\$1.79 A

*Quarterly figures may not add up to annual.

P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	1.1

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/05/2020. The reports text is as of 08/06/2020.

Overview

Founded in 1975 and headquartered in Las Vegas, Boyd Gaming Corporation is a multi-jurisdictional gaming company. It owns and operates gaming entertainment properties in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Ohio and Pennsylvania. As of Jul 28, 2020, the company owns and operates 29 properties, offering 1.77 million square feet of casino space, 36,977 slot machines, 809 table games and 11,090 hotel rooms. It also has 320 food and beverage outlets.

Boyd Gaming reports its operating results under the following segment:

Las Vegas Locals (23.2% of second-quarter 2020 revenues): This segment consists of nine casinos and mainly targets the people of Las Vegas metropolitan area. The segment competes directly with other locals casinos and gaming companies.

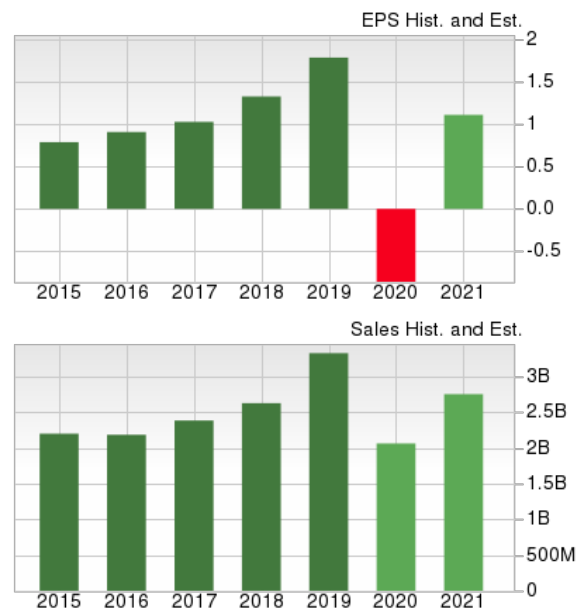
Downtown Las Vegas (2.2%): This segment consists of three casinos, which competes with eight other casinos in the area.

Midwest and South (74.6%): The segment has four land-based casinos, six dockside riverboat casinos, three racinos and four barge-based casinos. These casinos operate in nine states in the Midwest and southern United States.

During 2019, Boyd Gaming completed several transactions to improve its long-term financial position. In the fourth quarter of 2019, the company issued \$1 billion aggregate principal amount due December 2027. The proceeds from the debt issuance were used to finance the redemption of all of its outstanding 6.875% senior notes due 2023 and prepay a portion of Refinancing Term B Loans.

One of the notable initiatives by Boyd Gaming has been regarding the legalization of sports gambling. In July 2018, the company entered a partnership with MGM Resorts International, under which the companies have the opportunity to offer online and mobile gaming platforms, including sports betting, casino gaming and poker.

In 2018, Boyd Gaming opened sports books at its two Mississippi properties, IP Casino Resort Spa ("IP") in Biloxi, and Sam's Town Hotel & Gambling Hall in Tunica. It also entered a partnership with FanDuel Group to pursue sports betting and online gaming opportunities across the United States.



Reasons To Buy:

▲ **Portfolio Expansion & Acquisitions to Drive Growth:** Boyd Gaming continues to expand its portfolio by strengthening current operations and growing through capital investment as well as other strategic measures. The company extensively depends on acquisitions as a strategy to expand its brand presence. Earlier, it entered an agreement with Penn National Gaming to acquire the operations of Ameristar St. Charles; Ameristar Kansas City; Belterra Casino Resort in Florence, IN; and Belterra Park in Cincinnati, OH. Notably in 2019, the company benefitted from the acquisitions of Lattner (on Jun 1, 2018), Valley Forge (Sep 17, 2018) and Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Belterra Park (Oct 15, 2018).

Boyd Gaming is poised to benefit from portfolio expansion, acquisitions and increased focus on online betting.

▲ **Increased Focus On Online Betting Bodes Well:** Meanwhile, Boyd Gaming has also been undertaking efforts to expand online betting offerings. One of the notable initiatives by the company has been regarding the legalization of sports gambling. During the third quarter 2019, the company partnered with FanDuel Group and opened sports books at Blue Chip, Belterra Resort, Diamond Jo Dubuque and Diamond Jo Worth properties in the Midwest. It also introduced a market-leading mobile app in Pennsylvania. Moreover, courtesy of its performance in Pennsylvania and New Jersey, FanDuel launched its mobile betting app in the state of Indiana. In July 2018, it entered a partnership with MGM Resorts International, under which the companies have the opportunity to offer online and mobile gaming platforms, including sports betting, casino gaming and poker in jurisdictions, where they have physical casino resorts and online licenses. In 2018, Boyd Gaming also opened sports books at its two Mississippi properties, IP Casino Resort Spa ("IP") in Biloxi, and Sam's Town Hotel & Gambling Hall in Tunica.

During the second quarter of 2020, the company continued to expand its partnership with FanDuel Group, which includes retail sports books at seven Boyd properties, mobile sports betting apps in Pennsylvania and Indiana as well as the online gaming site in Pennsylvania. With new opportunities opening up in states such as Illinois, the partnership is likely to extend in times ahead.

▲ **Increased Focus on Interactive Gaming Bodes Well:** Since the outbreak of coronavirus, Boyd Gaming has been witnessing solid performance by the interactive gaming platform. So far this year, Interactive gaming revenues in New Jersey and Pennsylvania have totaled over \$500 million and \$250 million, respectively. Thanks to the strategic partnership with FanDuel, the company is optimistic regarding its future in the iGaming industry. During the second quarter, the company launched Stardust brand and social casino to boost presence in the interactive gaming platform.

▲ **Local Markets to Drive Growth:** Post coronavirus-induced shutdowns, increased traffic from local and regional customer base is likely to benefit the company. Notably, the company considers the local market in Las Vegas as a major driver for its portfolios. With restaurants and bars open, frequent visitation of locals is likely to drive growth for the company. Post reopenings, the locals business witnessed solid EBITDAR growth. Also, the company witnessed solid business across Orleans and Gold Coast owing to a rise in out-of-state visitation.

▲ **Enough Liquidity to Tide Over Pandemic:** At the end of the second quarter, Boyd Gaming had cash and cash equivalents of \$1.31 billion, significantly up from \$0.25 billion at 2019-end. The increase reflects \$670.0 million drawn from the company's revolving credit facilities on Mar 16, 2020, as well as \$600 million of 8.625% senior notes (due 2025) issued on May 21, 2020. Further, the company stated that it has enough liquidity to survive a zero-revenue scenario for 19 months.

Reasons To Sell:

- ▼ **Coronavirus Likely to Hurt 2020 Results:** Boyd Gaming's financials in 2020 are likely to be impacted by the outbreak of coronavirus. Although majority of the properties have reopened, the company is facing dismal traffic owing to coronavirus fears. Since the severity and duration of the outbreak's impact on its business cannot be estimated at present, the company has not only suspended its share repurchase programs but has also withdrawn its 2020 guidance.
- ▼ **Valuation Looks Stretched:** Boyd Gaming's valuation looks a bit stretched compared with its own range as well as the industry average. Looking at the company's EV/EBITDA ratio (Enterprise Value/Earnings before Interest Tax Depreciation and Amortization), which is the best multiple for valuing gaming companies as they are highly capital-intensive, investors might not want to pay any premium further. Currently, it has a trailing 12-month EV/EBITDA ratio of 14.19. The stock is relatively overvalued right now compared with its peers as the industry average EV/EBTDA multiple currently stands at 12.61x.
- ▼ **Intense Competition Hurts:** Boyd Gaming is persistently facing intense competition from various casinos and hotel casinos. The company faces competition from not only gaming services but also from other non-gaming resorts and vacation destination. The company's operations, therefore, are facing heightened competition with new entries in the already high-supply market.
- ▼ **Dependence on Discretionary Spending:** The gambling industry is cyclical and a worsening of global economic conditions might in turn dent Boyd Gaming's revenues and profits. Consumer demand for services is closely linked to the performance of the general economy, and is sensitive to business and personal discretionary spending levels. Declines in consumer demand due to adverse general economic conditions, poor travel patterns, lower consumer confidence and high unemployment can lower the revenues and profitability of Boyd Gaming.

Boyd Gaming is persistently facing intense competition from various casinos and hotel casinos. Also coronavirus-related woes are pressing concerns.

Last Earnings Report

Boyd Gaming Q2 Earnings Beat Estimates, Decline Y/Y

Boyd Gaming reported second-quarter 2020 results, wherein both the top and the bottom line beat the Zacks Consensus Estimate. However, earnings and revenues declined sharply year over year on account of the coronavirus pandemic.

The company also stated that it is making significant progress in its digital platform with the launch of the Stardust Social Casino mobile app. Moreover, the company along with FanDuel Group rolled out the online casino product in Pennsylvania. Notably, the company intends to capitalize on the growth opportunity with interactive gaming and mobile sports betting.

Quarter Ending **06/2020**

Report Date	Jul 28, 2020
Sales Surprise	25.47%
EPS Surprise	32.41%
Quarterly EPS	-0.98
Annual EPS (TTM)	-0.11

Q2 Earnings and Revenues

In the quarter under review, adjusted loss per shares came in at 98 cents, narrower than the Zacks Consensus Estimate of a loss of \$1.45. In the prior-year quarter, the company had reported adjusted earnings of 46 cents per share.

Total revenues of \$209.9 million beat the consensus mark of \$167 million by 25.7%. However, the top line declined 75.2% on a year-over-year basis.

Total adjusted EBITDAR during the reported quarter came in at \$16.1 million, down 93.1% year over year.

Segmental Details

Las Vegas Locals

Revenues at this segment amounted to \$48.7 million, down 78% year over year. Moreover, the segment's adjusted EBITDAR came in at \$2.9 million compared with \$71.4 million in the year-ago quarter.

Downtown Las Vegas

Revenues at the segment declined 92.8% from the prior-year quarter's figure to \$4.7 million. Adjusted EBITDAR came in at (\$7.2) million against \$15.9 million reported in the year-ago quarter. The decline can primarily be attributed to reduced visitation to Las Vegas as well as lower business volumes from the company's Hawaiian customer base.

Midwest and South Segment

Revenues at this segment fell 72.1% from the prior-year quarter's figure to \$156.5 million. Adjusted EBITDAR was reported at \$32.7 million, down from \$165.1 million in the year-ago quarter. Although the segment performed exceptionally well post reopenings, dismal traffic due to the coronavirus outbreak is likely to hurt margins going forward.

Other Financial Details

As of Jun 30, 2020, the company had cash on hand of \$1.31 billion. This reflects \$670.0 million that was drawn from the company's revolving credit facilities on Mar 16, 2020 as well as \$600 million of 8.625% senior notes (due 2025) issued on May 21, 2020. Total debt amounted to \$4.98 billion.

Recent News

Boyd Gaming Continues to Reopen Casinos With Limited Amenities – Jun 26, 2020

Post the coronavirus-induced shutdowns in mid-March, Boyd Gaming recently resumed operations at Valley Forge Casino Hotel in King of Prussia, PA, on Jun 26. It also announced plans to reopen Par-A-Dice Hotel Casino in East Peoria, IL, on Jul 1. With these re-openings, management stated that of the total 29 properties nationwide, 26 Boyd Gaming properties will resume operations.

Boyd Gaming to Reopen Casinos in Louisiana & Mississippi – May 18, 2020

Following the closure of properties in mid-March due to the COVID-19 outbreak, Boyd Gaming recently announced that it will reopen seven properties across Louisiana and Mississippi. The company stated that these will be the first Boyd Gaming properties to reopen amid the pandemic. However, upon reopening, these are likely to operate with limited amenities and capacity restrictions in accordance with state and local guidelines aimed at mitigating and minimizing the virus spread.

Boyd Gaming Suspends Dividend on Coronavirus Concerns - Mar 25, 2020

Boyd Gaming Corporation recently suspended dividend in an effort to preserve cash and maintain ample liquidity in case of a possible financial crisis triggered by the coronavirus outbreak. The company has also withdrawn adjusted EBITDAR guidance. The company will also not provide any guidance, until further notice.

Valuation

Boyd Gaming's shares are down 17.1% year-to-date but up 3.9% in the trailing 12-month period. Stocks in the Zacks sub-industry is down by 27.5% and the Zacks Consumer Discretionary sector is down by 4.6% in the year-to-date period. Over the past year, the Zacks sub-industry were down by 12.2% while sector was up by 6.2%.

The S&P 500 index is up by 2.7% in the year-to-date period and 15% in the past year.

The stock is currently trading at 1.12X forward 12-month sales, which compares to 2.8X for the Zacks sub-industry, 2.38X for the Zacks sector and 3.63X for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.84X and as low as 0.26X, with a 5-year median of 0.96X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$26 price target reflects 1.17X forward 12-month sales.

The table below shows summary valuation data for BYD.

Valuation Multiples - BYD					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	1.12	2.8	2.38	3.63
	5-Year High	1.84	3.26	2.95	3.63
	5-Year Low	0.26	1.62	1.68	2.53
	5-Year Median	0.96	2.47	2.5	3.04
P/B TTM	Current	2.48	3.24	3.26	4.52
	5-Year High	4.63	4.99	4.95	4.56
	5-Year Low	0.69	1.91	2.22	2.83
	5-Year Median	2.88	3.8	4.21	3.73
EV/EVITDA TTM	Current	14.19	12.61	10.73	12.8
	5-Year High	16.12	19.74	17.81	12.85
	5-Year Low	6.23	7.75	8.34	8.24
	5-Year Median	10.82	13.19	12.24	10.89

As of 08/05/2020

Industry Analysis Zacks Industry Rank: Bottom 19% (205 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Churchill Downs, Incorporated (CHDN)	Neutral	3
Caesars Entertainment, Inc. (CZR)	Neutral	3
FLUTTER ENT PLC (PDYPY)	Neutral	3
Penn National Gaming, Inc. (PENN)	Neutral	3
Red Rock Resorts, Inc. (RRR)	Neutral	2
Ubisoft Entertainment Inc. (UBSFY)	Neutral	2
WILLIAM HIL ADR (WIMHY)	Neutral	3
Wynn Resorts, Limited (WYNN)	Neutral	4

Industry Comparison Industry: Gaming				Industry Peers		
	BYD	X Industry	S&P 500	CZR	PDYPY	WIMHY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	D	F	A
Market Cap	2.76 B	1.47 B	22.93 B	3.50 B	24.18 B	1.75 B
# of Analysts	6	3	14	4	1	3
Dividend Yield	0.00%	0.00%	1.76%	0.00%	0.00%	7.04%
Value Score	C	-	-	B	F	A
Cash/Price	0.32	0.23	0.07	0.23	0.02	0.41
EV/EBITDA	9.39	9.55	13.16	10.14	63.92	10.93
PEG Ratio	NA	1.94	2.99	NA	NA	NA
Price/Book (P/B)	2.49	2.76	3.20	2.94	2.52	3.56
Price/Cash Flow (P/CF)	5.29	9.43	12.45	7.69	27.52	4.83
P/E (F1)	NA	28.36	21.78	NA	107.12	NA
Price/Sales (P/S)	1.09	1.30	2.47	1.48	NA	NA
Earnings Yield	-3.47%	-3.47%	4.33%	-23.16%	0.93%	-2.25%
Debt/Equity	4.67	1.93	0.77	4.10	0.06	2.56
Cash Flow (\$/share)	4.69	0.68	6.94	4.62	2.84	1.38
Growth Score	F	-	-	D	D	A
Hist. EPS Growth (3-5 yrs)	18.49%	0.54%	10.46%	-9.91%	NA	NA
Proj. EPS Growth (F1/F0)	-148.14%	-147.17%	-7.14%	-659.69%	-61.74%	-127.78%
Curr. Cash Flow Growth	32.88%	-0.77%	5.47%	24.91%	-9.96%	-10.44%
Hist. Cash Flow Growth (3-5 yrs)	17.50%	9.19%	8.55%	97.54%	NA	NA
Current Ratio	1.92	1.71	1.32	1.61	0.41	0.66
Debt/Capital	82.38%	68.14%	44.59%	80.39%	5.58%	71.90%
Net Margin	-2.48%	-6.82%	10.15%	-5.62%	NA	NA
Return on Equity	-0.88%	-6.72%	14.46%	7.93%	NA	NA
Sales/Assets	0.37	0.37	0.51	0.40	NA	NA
Proj. Sales Growth (F1/F0)	-37.99%	-2.86%	-1.68%	102.50%	-19.57%	-5.72%
Momentum Score	A	-	-	F	F	F
Daily Price Chg	-0.24%	0.00%	0.59%	4.75%	1.89%	8.65%
1 Week Price Chg	6.62%	0.00%	0.14%	-8.00%	2.17%	-6.80%
4 Week Price Chg	34.04%	2.01%	5.31%	-10.59%	14.76%	13.46%
12 Week Price Chg	61.31%	10.90%	19.84%	75.25%	30.81%	28.57%
52 Week Price Chg	2.86%	-19.35%	2.73%	-12.57%	93.00%	-5.73%
20 Day Average Volume	2,331,346	82,183	2,098,555	9,065,415	43,659	119,244
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-8.48%	0.00%	0.00%
(F1) EPS Est 4 week change	64.95%	0.00%	1.10%	-1.66%	0.00%	0.00%
(F1) EPS Est 12 week change	64.14%	-29.87%	1.04%	-391.69%	-29.98%	-1,600.00%
(Q1) EPS Est Mthly Chg	100.44%	0.00%	0.39%	-5.77%	NA	NA

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	F
Momentum Score	A
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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