

Boyd Gaming(BYD)

\$29.73 (As of 01/06/20)

Price Target (6-12 Months): **\$34.00**

Long Term: 6-12 Months

Zacks Recommendation:
Outperform

(Since: 01/03/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:B

Value: A

Growth: B

Momentum: F

Summary

Shares of Boyd Gaming have outperformed the industry in the past year. Boyd Gaming continues to expand its portfolio by strengthening current operations and growing through capital investment as well as other strategic measures. Its acquisition of Valley Forge Casino Resort and the Pinnacle Assets is likely to drive growth. The company also partnered with FanDuel Group and opened sportsbooks at Blue Chip, Belterra Resort, Diamond Jo Dubuque and Diamond Jo Worth. Further, the company's EBITDAR growth over the past several quarters is quite encouraging. However, higher debt burden remains a concern. High costs from food, beverage, gaming and lodging offerings have also been hurting the company. Over the past 30 days, earnings estimate for 2020 has remained unchanged.

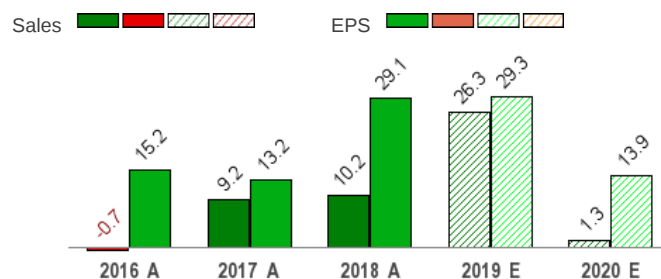
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$31.80 - \$21.76
20 Day Average Volume (sh)	754,181
Market Cap	\$3.3 B
YTD Price Change	-0.7%
Beta	2.14
Dividend / Div Yld	\$0.28 / 0.9%
Industry	Gaming
Zacks Industry Rank	Top 41% (105 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	-1.3%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/20/2020
Earnings ESP	2.5%
P/E TTM	18.6
P/E F1	15.2
PEG F1	0.8
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	840 E	851 E	837 E	833 E	3,363 E
2019	827 A	846 A	820 A	826 E	3,319 E
2018	606 A	617 A	612 A	792 A	2,627 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.50 E	\$0.53 E	\$0.46 E	\$0.50 E	\$1.96 E
2019	\$0.43 A	\$0.46 A	\$0.39 A	\$0.46 E	\$1.72 E
2018	\$0.39 A	\$0.38 A	\$0.23 A	\$0.32 A	\$1.33 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/06/2020. The reports text is as of 01/07/2020.

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 and Mississippi. As of Jun 30, 2019, the company owns and operates 29 properties, offering 1.77 million square feet of casino space, 38,000 slot machines, 815 table games and more than 11,000 hotel rooms. It also has 320 food and beverage outlets.

Boyd Gaming reports its operating results under the following segment:

Las Vegas Locals (33% of 2018 total 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.

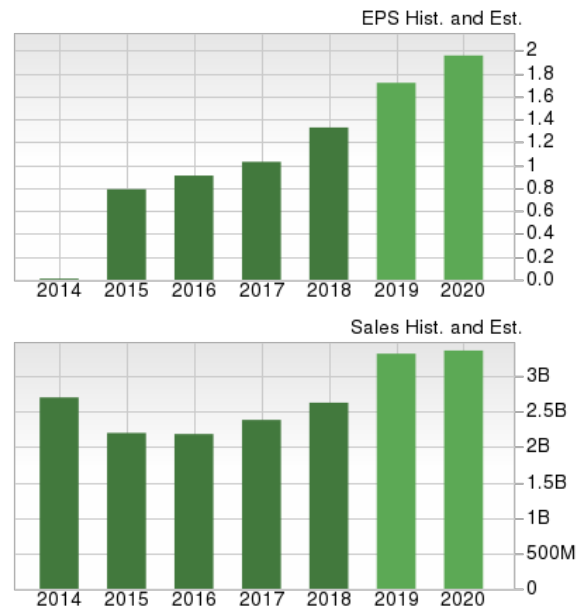
Downtown Las Vegas (9% of 2018 total Revenues): This segment consists of three casinos, which competes with eight other casinos in the area.

Midwest and South (58% of 2018 total Revenues): The segment has three land-based casinos, five dockside riverboat casinos, two racinos and two bargebased casinos. These casinos operate in six states in the Midwest and southern United States.

During 2018, Boyd Gaming completed several transactions to improve its long-term financial position. The company issued \$700 million aggregate principal amount due August 2026. The proceeds from the debt issuance were used in funding the acquisition of Valley Forge Convention Center Partners, L.P.

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:

▲ **Share Price Gains on Robust Top & Bottom-Line Growth:** Shares of Boyd Gaming have surged 27.1% in the past year, outperforming the industry's 19% rally. The appreciation in share price can be attributed to the company's robust top and bottom-line growth. In 2017 and 2018, revenues grew 9.1% and 9.6%, respectively. On the earnings front, the metric increased a respective 21.9%, 46.2%, 4.5% and 45.5% in the first, second, third and fourth quarters of 2018. On a year-over-year basis, the bottom line improved 21.1% and 69.6% in the second and third quarter of 2019, respectively, on higher margins. Meanwhile, the top line increased 37.2% and 33.9% the second and third quarter of 2019, respectively, on a year-over-year basis.

▲ **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, third-quarter revenues worth \$212.9 million were realized from its acquisitions of Ameristar Kansas City, Ameristar St. Charles, Belterra Resort, Belterra Park and Valley Forge Casino Resort.

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, 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.

▲ **EBITDAR & Margin Growth Continue to Improve:** Boyd Gaming has been generating EBITDAR growth for quite some time. In third-quarter 2019, the company reported EBITDAR growth in 18 out of the last 19 quarters. Adjusted EBITDAR was \$213.5 million, up 43.5% year over year. The Las Vegas business recorded the highest third-quarter adjusted EBITDAR since 2005, backed by The Orleans and Aliante. For 2019, Boyd Gaming continues to expect total adjusted EBITDA within \$885-\$910 million. The company has also been reporting robust operating margin expansion for the past several quarters.

▲ **Share Buybacks:** In order to enhance shareholder value, Boyd Gaming consistently increases its share repurchase authorization and provides dividends. In 2017, the company had repurchased 1.2 million of shares. In 2018, the company returned nearly \$58 million to its shareholder through share repurchases. Moreover, in the first nine months of 2019, Boyd Gaming paid \$21 million in dividends and repurchased \$28 million shares.

Boyd Gaming continues to expand portfolio by strengthening current operations and growing through capital investment as well as other strategic measures.

Risks

- **Debt Burden:** Boyd Gaming's heavy reliance on debt financing is concerning. As of Sep 30, 2019, the company had a total debt of \$3.85 billion. The company might fail to finance upcoming projects due to higher debt burden. Moreover, any downturn in the macroeconomic and credit market conditions might make it difficult for the company to pay or refinance its debt moving ahead.
 - **High Cost Ails:** Despite having several margin improvement initiatives in place, Boyd Gaming faces higher expenses across gaming, food and beverage, room, and other offerings. The company also witnessed high SG&A costs in the second and third quarter of 2019. Total operating costs and expenses in the second and third quarters of 2019 increased 32.6% and 30.1%, respectively, on a year-over-year basis. SG&A expenses were driven by food and beverage, room and other.
 - **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.
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Last Earnings Report

Boyd Gaming Q3 Earnings Meet Estimates, Revenues Lag

Boyd Gaming reported mixed third-quarter 2019 results, wherein earnings met the Zacks Consensus Estimate, while revenues missed the same. Nevertheless, both the top and bottom lines grew impressively on a year-over-year basis.

Let's Delve Deeper

In the quarter under review, adjusted earnings came in at 39 cents per share, in line with the Zacks Consensus Estimate. The bottom line increased a notable 69.6% year over year on strong revenues and higher margins.

Revenues came in at \$819.6 million, which missed the consensus mark of \$830.5 million but improved 33.9% on a year-over-year basis. The revenue growth can be primarily attributed to strong segmental performance.

Notably, third-quarter revenues worth \$212.9 million were realized from its acquisitions of Ameristar Kansas City, Ameristar St. Charles, Belterra Resort, Belterra Park and Valley Forge Casino Resort.

Total adjusted EBITDAR during the reported quarter totaled \$213.5 million, up 43.5% year over year. Of these, \$62.1 million was contributed from the above-mentioned acquisitions.

Segmental Details

Las Vegas Locals

Revenues at this segment amounted to \$213.3 million, up 2.2% year over year. Moreover, the segment's adjusted EBITDAR also increased 6.7% to \$64.1 million from \$60 million in the year-ago quarter. This segment recorded the highest third-quarter adjusted EBITDAR since 2005, backed by The Orleans and Aliante. Adjusted EBITDAR margins improved nearly 130 basis points (bps).

Downtown Las Vegas

At this segment, revenues rose 2.5% from the prior-year quarter to \$60.6 million. Adjusted EBITDAR of \$11.9 million also increased 4.7% from \$11.4 million in the prior-year quarter. The upside was mainly driven by continued strength in Hawaiian customer segments and strong pedestrian traffic throughout the downtown area.

Midwest and South Segment

Revenues at this segment improved 58.5% from the year-ago quarter to \$545.7 million. Adjusted EBITDAR was \$156.2 million, up 59.7% from \$97.8 million in the year-ago period. The company's five newly acquired properties generated adjusted EBITDAR growth of approximately 6% from a year ago.

However, same-store sales were negatively impacted by flooding and property closures, caused by tropical storms along the Gulf Coast in July and September.

Other Financial Details

As of Sep 30, 2019, the company had cash on hand of \$235.1 million. Total debt amounted to \$3.85 billion.

For 2019, Boyd Gaming continues to expect total adjusted EBITDA within \$885-\$910 million.

Quarter Ending **09/2019**

Report Date	Oct 22, 2019
Sales Surprise	-1.31%
EPS Surprise	0.00%
Quarterly EPS	0.39
Annual EPS (TTM)	1.60

Valuation

Boyd Gaming's shares are up 21.2% over the trailing 12-month period. Over the past year, stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are up by 15.9% and 21.2%, respectively.

The S&P 500 index is up 24.5% in the past year.

The stock is currently trading at 10.13x trailing 12-month EV/EBITDA, which compares to 12.89x for the Zacks sub-industry, 12.75x for the Zacks sector and 11.99x for the S&P 500 index.

Over the past five years, the stock has traded as high as 16.07x and as low as 8.08x, with a 5-year median of 10.71x. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$34 price target reflects 17.34X forward 12-month Price to Earnings value.

The table below shows summary valuation data for BYD.

Valuation Multiples - BYD					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	10.13	12.89	12.75	11.99
	5-Year High	16.07	24.16	17.77	12.86
	5-Year Low	8.08	10.53	11.08	8.48
	5-Year Median	10.71	13.06	12.44	10.67
P/E F12M	Current	15.16	21.7	20.41	18.71
	5-Year High	60.42	29.8	23.34	19.34
	5-Year Low	10.59	15.41	16.17	15.17
	5-Year Median	18.52	21.65	20.09	17.44
P/B TTM	Current	2.65	4.3	3.55	4.41
	5-Year High	4.63	5	5.04	4.45
	5-Year Low	1.89	2.22	3.13	2.85
	5-Year Median	3.18	3.61	4.29	3.6

As of 01/06/2020

Industry Analysis Zacks Industry Rank: Top 41% (105 out of 254)



Top Peers

Churchill Downs, Incorporated (CHDN)	Neutral
Eldorado Resorts, Inc. (ERI)	Neutral
FLUTTER ENT PLC (PDYPY)	Neutral
Penn National Gaming, Inc. (PENN)	Neutral
Red Rock Resorts, Inc. (RRR)	Neutral
Amaya Inc. (TSG)	Neutral
Ubisoft Entertainment Inc. (UBSFY)	Neutral
WILLIAM HIL ADR (WIMHY)	Neutral

Industry Comparison Industry: Gaming				Industry Peers		
	BYD Outperform	X Industry	S&P 500	ERI Neutral	PDYPY Neutral	WIMHY Neutral
VGM Score	B	-	-	C	D	B
Market Cap	3.30 B	2.77 B	23.72 B	4.57 B	10.58 B	2.13 B
# of Analysts	6	4	13	5	1	1
Dividend Yield	0.94%	0.00%	1.79%	0.00%	0.92%	2.41%
Value Score	A	-	-	D	D	B
Cash/Price	0.08	0.11	0.04	0.06	NA	NA
EV/EBITDA	12.81	11.96	13.90	17.41	NA	NA
PEG Ratio	0.76	1.64	2.00	1.23	NA	NA
Price/Book (P/B)	2.65	2.94	3.34	4.06	1.88	6.55
Price/Cash Flow (P/CF)	8.51	11.58	13.67	15.84	19.48	5.08
P/E (F1)	15.17	21.36	18.72	29.11	26.94	15.95
Price/Sales (P/S)	1.01	1.45	2.66	1.75	NA	NA
Earnings Yield	6.59%	4.50%	5.31%	3.44%	3.71%	6.27%
Debt/Equity	3.70	1.18	0.72	3.68	NA	NA
Cash Flow (\$/share)	3.49	1.79	6.94	3.71	3.21	1.95
Growth Score	B	-	-	B	C	C
Hist. EPS Growth (3-5 yrs)	67.19%	6.08%	10.56%	-13.53%	NA	NA
Proj. EPS Growth (F1/F0)	13.87%	34.93%	7.42%	37.41%	13.73%	24.00%
Curr. Cash Flow Growth	13.25%	13.25%	14.83%	90.34%	1.01%	NA
Hist. Cash Flow Growth (3-5 yrs)	6.63%	6.61%	9.00%	50.85%	NA	NA
Current Ratio	0.71	1.09	1.23	2.32	NA	NA
Debt/Capital	78.74%	57.79%	42.92%	78.64%	NA	NA
Net Margin	4.76%	1.41%	11.08%	3.61%	NA	NA
Return on Equity	15.34%	4.85%	17.16%	8.99%	NA	NA
Sales/Assets	0.51	0.46	0.55	0.43	NA	NA
Proj. Sales Growth (F1/F0)	1.34%	4.17%	4.15%	0.28%	12.29%	-1.80%
Momentum Score	F	-	-	F	F	D
Daily Price Chg	0.17%	0.00%	0.10%	1.36%	-0.16%	0.41%
1 Week Price Chg	-2.27%	0.00%	-0.30%	-1.94%	2.86%	0.87%
4 Week Price Chg	2.52%	3.89%	2.33%	11.11%	9.01%	10.44%
12 Week Price Chg	14.26%	10.30%	7.02%	38.78%	30.83%	-2.56%
52 Week Price Chg	27.11%	20.48%	24.61%	44.12%	44.01%	15.00%
20 Day Average Volume	754,181	55,357	1,589,897	1,137,502	9,120	35,393
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-3.96%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	-12.17%	0.00%	0.00%
(F1) EPS Est 12 week change	-0.65%	-8.86%	-0.56%	-14.68%	0.87%	5.08%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-25.00%	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	B
Growth Score	B
Momentum Score	D
VGM Score	A

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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