

Boyd Gaming(BYD)

\$15.34 (As of 03/13/20)

Price Target (6-12 Months): **\$16.00**

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:A

Value: B

Growth: A

Momentum: B

Summary

Boyd Gaming reported solid fourth-quarter 2019 results, with earnings and revenues beating the Zacks Consensus Estimate. Moreover, the top and the bottom line increased on a year-over-year basis. The company's initiatives to strengthen current operations and grow through capital investment as well as other strategic measures bode well. The acquisitions of Valley Forge Casino Resort and the Pinnacle Assets are likely to drive growth. Also, its EBITDAR growth over the past several quarters is quite encouraging. Notably, earnings estimate for 2020 moved up in the past 30 days that reflects on analysts' optimism regarding future growth. However, coronavirus related woes, high debt burden and increased costs from food, beverage, gaming and lodging offerings are concerns.

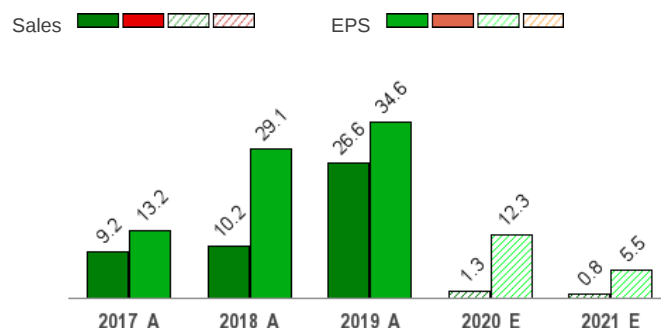
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$36.22 - \$10.41
20 Day Average Volume (sh)	2,029,585
Market Cap	\$1.7 B
YTD Price Change	-48.8%
Beta	2.14
Dividend / Div Yld	\$0.28 / 1.8%
Industry	Gaming
Zacks Industry Rank	Bottom 23% (195 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	6.4%
Last Sales Surprise	1.0%
EPS F1 Est- 4 week change	1.2%
Expected Report Date	04/23/2020
Earnings ESP	0.5%
P/E TTM	8.6
P/E F1	7.6
PEG F1	0.4
P/S TTM	0.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	849 E	868 E	851 E	852 E	3,397 E
2020	841 E	854 E	835 E	839 E	3,369 E
2019	827 A	846 A	820 A	833 A	3,326 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.54 E	\$0.60 E	\$0.51 E	\$0.53 E	\$2.12 E
2020	\$0.51 E	\$0.54 E	\$0.45 E	\$0.51 E	\$2.01 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.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/13/2020. The reports text is as of 03/16/2020.

Overview

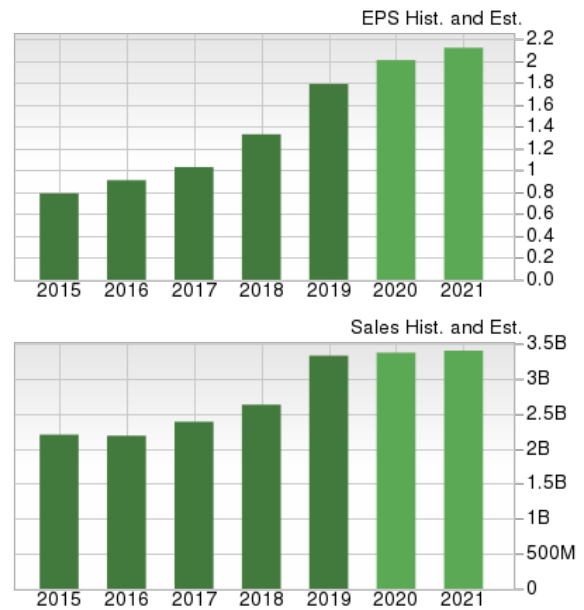
Founded in 1975 and headquartered in Las Vegas, Boyd Gaming Corporation is a multi-jurisdictional gaming company. It owns and operates gaming entertainment properties in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Ohio and Pennsylvania. As of Dec 31 2019, the company owns 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 (26.5% of 2019 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 (7.7% of 2019 total Revenues): This segment consists of three casinos, which competes with eight other casinos in the area.

Midwest and South (65.8% of 2019 total Revenues): 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:

▲ **Robust Top & Bottom-Line Growth:** Boyd Gaming has been experiencing solid earnings and revenue growth over the past three years. In 2017, 2018 and 2019, revenues grew 9.1%, 9.6% and 26.6%, respectively. On the earnings front, the metric improved 21.1%, 69.6% and 56.3% in the second, third and fourth quarters of 2019, respectively, on higher margins. Meanwhile, the top line increased 37.2%, 34% and 5.2% in the second, the third and the fourth 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 in 2019, total revenues increased \$699.4 million, or 26.6%, from the year-ago period's level primarily owing to the acquisitions of Lattner on Jun 1, 2018, Valley Forge on Sep 17, 2018 and Ameristar Kansas City, Ameristar St. Charles, Belterra Resort and Belterra Park on Oct 15, 2018.

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.

▲ **EBITDAR & Margin Growth Continue to Improve:** Boyd Gaming has been generating EBITDAR growth for quite some time. The company reported EBITDAR growth in 19 out of the last 20 quarters (inclusive of fourth quarter 2019 results). Adjusted EBITDAR in fourth-quarter 2019 was \$227.6 million, up 9.1% year over year. The Las Vegas business recorded the highest fourth-quarter adjusted EBITDAR since 2005. For 2019, total adjusted EBITDAR was reported at \$896.7 million compared with \$681.3 million for 2018. 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. In the year ending Dec 31, 2019, the company repurchased 1.1 million shares for \$28.0 million under the its share repurchase program.

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

Reasons To Sell:

- ▼ **Coronavirus Likely to Hurt 2020 Results:** The recent outbreak of coronavirus in China has now taken the shape of a global crisis. The Gaming industry is currently grappling with the situation and Boyd Gaming isn't immune to the trend. Owing to the outbreak, the company recently announced that it has temporarily closed its Valley Forge Casino Resort, Belterra Casino Resort (Indiana), Blue Chip Casino Hotel and Spa (Indiana), Belterra Park (Ohio) and Par-A-Dice Casino Hotel (Illinois). Although, the company's 2020 guidance does not include any impact of the coronavirus outbreak and there have been no reported cases of COVID-19 at any Boyd Gaming property, Boyd Gaming has been following stringent CDC-recommended protocols at its properties nationwide.
- ▼ **Debt Burden:** Boyd Gaming's heavy reliance on debt financing is concerning. As of Dec 31, 2019, the company had a total debt of \$3.81 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, third and fourth quarters of 2019. Total operating costs and expenses in the second, third and fourth quarters of 2019 increased 32.6%, 30.1% and 3.1%, 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.

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 Q4 Earnings & Revenues Beat Estimates

Boyd Gaming reported solid fourth-quarter 2019 results, with earnings and revenues beating the Zacks Consensus Estimate. Moreover, the top and the bottom line increased on a year-over-year basis.

Let's Discuss

In the quarter under review, adjusted earnings came in at 50 cents per share. The figure beat the Zacks Consensus Estimate of 47 cents. The bottom line surged 56.3% year over year on strong revenues and higher margins.

Total revenues of \$833.1 million in the reported quarter beat the consensus mark of \$825 million. Moreover, the top line moved up 5.2% year over year on the back of strong segmental performance.

Total adjusted EBITDAR during the reported quarter totaled \$227.6 million, up 9.1% year over year.

Segmental Details

Las Vegas Locals

Revenues in this segment amounted to \$223.9 million, up 0.6% year over year. Moreover, the segment's adjusted EBITDAR increased 0.3% to \$73.3 million from \$73 million in the year-ago quarter. This segment recorded the highest fourth-quarter adjusted EBITDAR since 2005. Adjusted EBITDAR margins rose nearly 350 basis points (bps).

Downtown Las Vegas

Revenues in the segment moved up 3.4% from the prior-year quarter's figure to \$69.6 million. Adjusted EBITDAR of \$19.6 million also increased 6.5% from \$18.4 million in the prior-year quarter. The upside was primarily driven by consistent strength in Hawaiian customer segments and strong pedestrian traffic throughout the downtown area.

Midwest and South Segment

Revenues in this segment increased 7.6% from the year-ago quarter's figure to \$539.7 million. Adjusted EBITDAR was \$157.4 million, up 11.1% from \$141.8 million in the year-ago quarter. The company's five newly-acquired properties generated adjusted EBITDAR growth of approximately 6% from the prior-year quarter's levels. Notably, the performance was backed by solid operating results in the newly-acquired Ameristar and Belterra properties.

Other Financial Details

As of Dec 31, 2019, the company had cash on hand of \$250 million. Total debt amounted to \$3.81 billion.

2019 Highlights

In 2019, total revenues amounted to \$3.33 billion compared with \$2.63 billion in 2018.

Adjusted earnings per share for the year ended Dec 31, 2019 was at \$1.79 compared with \$1.33 in 2018.

Adjusted EBITDAR was \$896.7 million compared with \$681.3 million in 2018.

2020 Guidance

For 2020, Boyd Gaming expects total adjusted EBITDAR in the range of \$915-\$935 million.

Quarter Ending **12/2019**

Report Date	Feb 20, 2020
Sales Surprise	0.96%
EPS Surprise	6.38%
Quarterly EPS	0.50
Annual EPS (TTM)	1.78

Valuation

Boyd Gaming's shares are down 48.7% year-to-date and 45.3% in the trailing 12-month period. Stocks in the Zacks sub-industry is down by 36.9%, and Zacks Consumer Discretionary sector is down by 25.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector were down by 31.2% and 17.4%, respectively.

The S&P 500 index is down 15.8% in the year-to-date period, and 5.3% in the past year.

The stock is currently trading at 7.55X forward 12-month earnings, which compares to 18X for the Zacks sub-industry, 15.43X for the Zacks sector and 15.72X for the S&P 500 index.

Over the past five years, the stock has traded as high as 45.63X and as low as 7.16X, with a 5-year median of 17.51X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$16 price target reflects 7.88X forward 12-month earnings.

The table below shows summary valuation data for BYD.

Valuation Multiples - BYD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	7.55	18	15.43	15.72
	5-Year High	45.63	29.8	23.23	19.34
	5-Year Low	7.16	15.41	15.43	15.18
	5-Year Median	17.51	21.57	19.88	17.42
P/B TTM	Current	1.35	2.39	2.45	3.64
	5-Year High	4.63	5	5.04	4.55
	5-Year Low	1.28	2.2	2.29	2.85
	5-Year Median	3.1	3.6	4.25	3.63
EV/EVITDA TTM	Current	7.23	9.45	9.28	10.05
	5-Year High	16.12	24.47	17.59	12.88
	5-Year Low	7.12	8.99	8.84	8.31
	5-Year Median	10.69	13.08	12.28	10.78

As of 03/13/2020

Industry Analysis Zacks Industry Rank: Bottom 23% (195 out of 253)



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 Neutral	X Industry	S&P 500	ERI Neutral	PDYPY Neutral	WIMHY Neutral
VGM Score	A	-	-	A	A	B
Market Cap	1.71 B	1.31 B	19.05 B	1.42 B	7.07 B	977.10 M
# of Analysts	7	4	13	3	1	2
Dividend Yield	1.83%	0.00%	2.31%	0.00%	1.38%	5.25%
Value Score	B	-	-	B	B	A
Cash/Price	0.11	0.13	0.05	0.09	NA	NA
EV/EBITDA	7.95	8.19	11.57	7.09	NA	NA
PEG Ratio	0.32	1.29	1.68	0.75	NA	NA
Price/Book (P/B)	1.35	1.34	2.56	1.27	NA	NA
Price/Cash Flow (P/CF)	3.27	7.09	10.18	3.94	13.01	2.33
P/E (F1)	6.42	18.81	14.94	9.94	18.39	7.33
Price/Sales (P/S)	0.51	0.99	2.02	0.56	NA	NA
Earnings Yield	13.10%	5.24%	6.67%	10.04%	5.44%	13.66%
Debt/Equity	3.62	0.85	0.70	3.11	NA	NA
Cash Flow (\$/share)	4.69	1.42	7.01	4.62	3.21	1.95
Growth Score	A	-	-	A	B	C
Hist. EPS Growth (3-5 yrs)	34.13%	6.02%	10.85%	-10.43%	NA	NA
Proj. EPS Growth (F1/F0)	12.21%	15.83%	5.99%	24.71%	17.01%	14.81%
Curr. Cash Flow Growth	32.88%	7.96%	6.15%	24.91%	1.01%	NA
Hist. Cash Flow Growth (3-5 yrs)	17.50%	8.20%	8.52%	97.54%	NA	NA
Current Ratio	0.72	1.18	1.24	0.88	NA	NA
Debt/Capital	78.35%	53.65%	42.57%	75.65%	NA	NA
Net Margin	4.74%	1.35%	11.64%	3.20%	NA	NA
Return on Equity	16.63%	2.33%	16.74%	10.45%	NA	NA
Sales/Assets	0.50	0.45	0.54	0.42	NA	NA
Proj. Sales Growth (F1/F0)	1.30%	2.72%	3.54%	198.67%	14.03%	29.65%
Momentum Score	B	-	-	A	A	A
Daily Price Chg	5.50%	1.16%	8.21%	17.70%	-2.22%	-8.05%
1 Week Price Chg	-16.40%	-7.53%	-0.67%	-32.94%	3.23%	-7.98%
4 Week Price Chg	-54.13%	-29.50%	-22.67%	-73.21%	-26.79%	-52.56%
12 Week Price Chg	-50.16%	-33.96%	-20.46%	-68.54%	-30.07%	-52.43%
52 Week Price Chg	-45.95%	-28.57%	-10.79%	-60.72%	10.89%	-44.38%
20 Day Average Volume	2,029,585	112,651	3,061,271	4,814,321	58,311	147,415
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	1.22%	-3.48%	-0.32%	7.53%	0.00%	0.00%
(F1) EPS Est 12 week change	2.55%	-8.72%	-0.65%	-17.54%	-2.16%	0.00%
(Q1) EPS Est Mthly Chg	0.14%	-1.07%	-0.62%	52.53%	NA	NA

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	A
Momentum Score	B
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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