

Boyd Gaming(BYD)

\$22.40 (As of 07/22/20)

Price Target (6-12 Months): **\$24.00**

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:F

Value: C

Growth: F

Momentum: F

Summary

Although shares of Boyd Gaming have outperformed the industry in the past three months, the coronavirus related woes still pose concerns for the company. Owing to the uncertainties revolving around the crisis, the company has also withdrawn its 2020 guidance. Moreover, increased costs pertaining to food, beverage, gaming and lodging offerings are pressing concerns. 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 is likely to benefit the company going forward. Notably, earnings estimates for 2020 have increased over the past 30 days, depicting analysts optimism regarding the stock growth potential

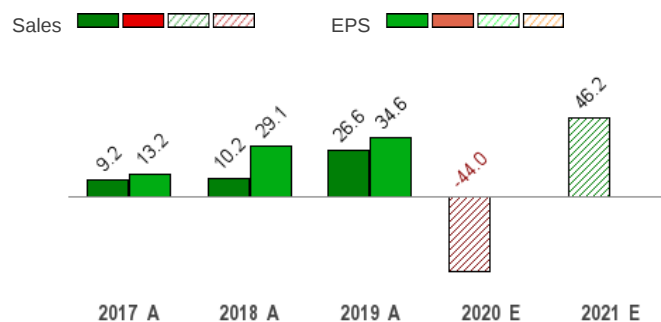
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$36.22 - \$6.44
20 Day Average Volume (sh)	2,405,508
Market Cap	\$2.5 B
YTD Price Change	-25.2%
Beta	2.35
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Gaming
Zacks Industry Rank	Bottom 32% (172 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-108.7%
Last Sales Surprise	-12.1%
EPS F1 Est- 4 week change	4.8%
Expected Report Date	07/28/2020
Earnings ESP	2.7%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	548 E	585 E	615 E	658 E	2,725 E
2020	681 A	167 E	381 E	558 E	1,864 E
2019	827 A	846 A	820 A	833 A	3,326 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.16 E	\$0.01 E	\$0.07 E	\$0.13 E	\$0.38 E
2020	-\$0.02 A	-\$1.45 E	-\$0.66 E	-\$0.25 E	-\$2.34 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	16.8
P/E F1	NA
PEG F1	NA
P/S TTM	0.8

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/22/2020. The reports text is as of 07/23/2020.

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 (26.6% of first-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.

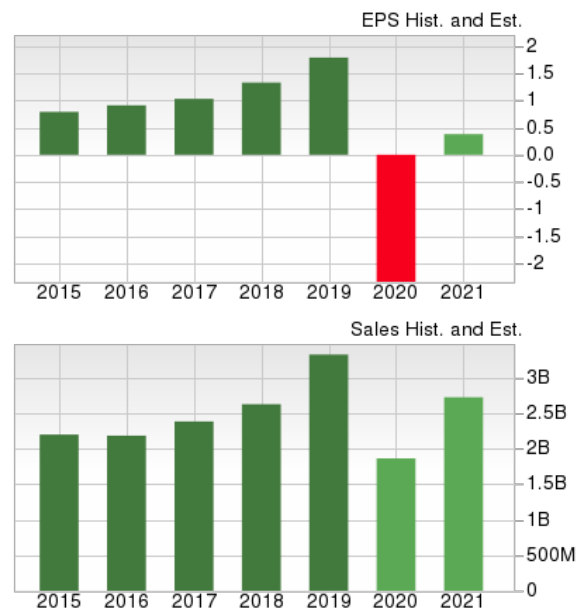
Downtown Las Vegas (7.9%): This segment consists of three casinos, which competes with eight other casinos in the area.

Midwest and South (65.5%): 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.

▲ **Local Markets to Drive Growth:** Post the 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 to be a major driver for its portfolios. With restaurants and bars open, frequent visitation of locals is likely to drive growth for the company.

▲ **Enough Liquidity to Tide Over COVID-19 Pandemic:** At the end of the first quarter, Boyd Gaming had cash and cash equivalents of \$831.2 million, significantly up from \$250 million at fiscal 2019-end. The increase was primarily due to the borrowing of \$660 million under its Revolving Credit Facility and an additional \$10 million under the Swing Loan facility of the Credit Facility. Notably, the initiative was in line with the company's motive to increase cash and preserve financial flexibility. Nonetheless, with cash burn standing at \$60 million per month, the company expects to fund operations with available cash over the next 12 months. Moreover, at the end of first-quarter 2020, the company had total debt-to-capital ratio of 0.8, which indicates manageable debt levels.

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. To contain the spread of the virus, the company shut operations in each of its 29 properties. 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.
- ▼ **High Cost a Concern:** Despite having several margin-improvement initiatives in place, Boyd Gaming is grappling with escalating expenses across gaming, food and beverage, room, and other offerings. Costs in the coming quarters are likely to shoot up due to the coronavirus-induced shutdowns.
- ▼ **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 Misses on Q1 Earnings, Cancels EBITDAR View

Boyd Gaming reported preliminary first-quarter 2020 results, wherein both top and bottom lines missed the Zacks Consensus Estimate. Moreover, both earnings and revenues declined sharply year over year on account of the coronavirus pandemic.

The company provided preliminary first-quarter 2020 results as it has not completed final closing procedures associated with reviews of goodwill, intangibles and certain other long-lived assets for impairment and the related income tax provision adjustments.

Quarter Ending **03/2020**

Report Date	Apr 28, 2020
Sales Surprise	-12.10%
EPS Surprise	-108.70%
Quarterly EPS	-0.02
Annual EPS (TTM)	1.33

Q1 Earnings and Revenues

In the quarter under review, adjusted loss per shares came in at 2 cents. The figure lagged the Zacks Consensus Estimate of earnings of 23 cents. In the prior-year quarter, the company had reported adjusted earnings of 43 cents per share.

Total revenues of \$680.5 million missed the consensus mark of \$774 million. Moreover, the top line declined 47.7% year over year.

Total adjusted EBITDAR during the reported quarter totaled \$144.4 million, down 35.2% year over year.

Segmental Details

Las Vegas Locals

Revenues in this segment amounted to \$180.8 million, down 18.9% year over year. Moreover, the segment's adjusted EBITDAR came in at \$46.8 million compared with \$74.2 million in the year-ago quarter.

Downtown Las Vegas

Revenues in the segment declined 14.1% from the prior-year quarter's figure to \$54.1 million. Adjusted EBITDAR of \$10 million fell 50% from \$15 million in the prior-year quarter. The decline can primarily be attributed to the coronavirus pandemic.

Midwest and South Segment

Revenues in this segment decreased 17.7% from \$445.6 million in the year-ago quarter. Adjusted EBITDAR was \$105.8 million, down from \$156.5 million in the year-ago quarter. The segment performance was robust in the first two months of the quarter but the coronavirus outbreak hurt results in the last month.

Other Financial Details

As of Mar 31, 2020, the company had cash on hand of \$831.2 million, which includes \$670.0 million that was drawn from the company's revolving credit facilities on Mar 16, 2020. Total debt amounted to \$4.44 billion.

Withdraws 2020 Guidance

The company has withdrawn adjusted EBITDAR guidance citing the coronavirus outbreak. Moreover, the company announced that all Boyd Gaming properties will remain closed to the public as of Apr 28, 2020.

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 25.2% year-to-date and 16.4% in the trailing 12-month period. Stocks in the Zacks sub-industry is down by 13.1% and the Zacks Consumer Discretionary sector is down by 6.8% in the year-to-date period. Over the past year, the Zacks sub-industry and sector were down by 8.5% and 2.5%, respectively.

The S&P 500 index is up by 1.4% in the year-to-date period and 8.7% in the past year.

The stock is currently trading at 1.08X forward 12-month sales, which compares to 2.44X for the Zacks sub-industry, 2.3X for the Zacks sector and 3.61X 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 \$24 price target reflects 1.15X 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	1.08	2.44	2.3	3.61
	5-Year High	1.84	2.89	3.2	3.61
	5-Year Low	0.26	1.39	1.67	2.53
	5-Year Median	0.96	2.29	2.49	3.02
P/B TTM	Current	2.24	3.97	3.17	4.46
	5-Year High	4.63	5.09	5.01	4.56
	5-Year Low	0.69	1.87	2.2	2.83
	5-Year Median	2.88	3.75	4.2	3.71
EV/EVITDA TTM	Current	9.51	13.74	10.51	12.12
	5-Year High	16.12	24.96	17.63	12.86
	5-Year Low	6.23	7.67	8.29	8.25
	5-Year Median	10.69	13.16	12.21	10.88

As of 07/22/2020

Industry Analysis Zacks Industry Rank: Bottom 32% (172 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Churchill Downs, Incorporated (CHDN)	Neutral	3
Eldorado Resorts, 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	3
WILLIAM HIL ADR (WIMHY)	Neutral	3
Wynn Resorts, Limited (WYNN)	Neutral	3

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	F	-	-	D	F	A
Market Cap	2.49 B	1.44 B	22.74 B	3.77 B	23.07 B	1.57 B
# of Analysts	7	4	14	5	1	3
Dividend Yield	0.00%	0.00%	1.81%	0.00%	0.00%	7.81%
Value Score	C	-	-	B	F	A
Cash/Price	0.36	0.25	0.06	0.33	0.02	0.36
EV/EBITDA	9.04	9.52	13.19	10.55	60.97	10.07
PEG Ratio	NA	1.96	3.05	NA	NA	NA
Price/Book (P/B)	2.25	2.82	3.14	3.16	2.40	3.21
Price/Cash Flow (P/CF)	4.78	9.05	12.31	8.27	26.25	4.35
P/E (F1)	NA	23.94	22.34	NA	102.19	NA
Price/Sales (P/S)	0.78	1.39	2.40	1.59	NA	NA
Earnings Yield	-10.45%	-7.97%	4.27%	-20.55%	0.98%	-2.50%
Debt/Equity	4.67	1.93	0.75	4.10	0.06	2.56
Cash Flow (\$/share)	4.69	0.81	6.94	4.62	2.84	1.38
Growth Score	F	-	-	F	D	A
Hist. EPS Growth (3-5 yrs)	23.13%	4.94%	10.82%	-9.91%	NA	NA
Proj. EPS Growth (F1/F0)	-230.73%	-157.34%	-9.08%	-634.69%	-61.74%	-127.78%
Curr. Cash Flow Growth	32.88%	1.50%	5.51%	24.91%	-9.96%	-10.44%
Hist. Cash Flow Growth (3-5 yrs)	17.50%	9.15%	8.55%	9.28%	NA	NA
Current Ratio	1.92	1.81	1.30	1.61	0.41	0.66
Debt/Capital	82.38%	67.53%	44.41%	80.39%	5.58%	71.90%
Net Margin	2.95%	-5.34%	10.46%	-5.62%	NA	NA
Return on Equity	12.60%	-1.04%	15.29%	7.93%	NA	NA
Sales/Assets	0.47	0.43	0.54	0.40	NA	NA
Proj. Sales Growth (F1/F0)	-43.96%	-2.86%	-2.27%	72.68%	-19.57%	-5.72%
Momentum Score	F	-	-	D	F	F
Daily Price Chg	1.86%	-0.09%	0.60%	-0.42%	1.25%	0.67%
1 Week Price Chg	14.36%	0.00%	3.82%	1.55%	8.91%	7.17%
4 Week Price Chg	5.61%	-1.35%	7.55%	-7.09%	5.61%	-6.54%
12 Week Price Chg	27.49%	0.00%	7.51%	70.64%	27.61%	1.87%
52 Week Price Chg	-16.42%	-24.50%	-3.37%	-15.77%	74.39%	-26.87%
20 Day Average Volume	2,405,508	96,996	2,037,153	7,687,735	33,413	96,996
(F1) EPS Est 1 week change	-2.70%	0.00%	0.00%	7.45%	0.00%	0.00%
(F1) EPS Est 4 week change	4.82%	0.00%	0.14%	-2.54%	-60.86%	-7.14%
(F1) EPS Est 12 week change	-2,363.16%	-207.75%	-3.51%	-384.91%	-29.98%	-1,600.00%
(Q1) EPS Est Mthly Chg	-1.27%	-0.64%	0.00%	-18.46%	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	F
VGM Score	F

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.

Disclosures

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