

The Henry Fund

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Boyd Gaming Corporation (BYD)

April 18, 2025

Consumer Discretionary – Casinos and Gaming

Stock Rating

Sell

Investment Thesis

Target Price

\$59

We recommend a sell rating on BYD with a price target of \$59, implying downside of 9%. We view BYD's portfolio of relatively older physical casinos as a risk with potential to bring unexpected maintenance and CapEx charges, allowing online gaming pure plays to quickly get ahead in the space.

Rating Drivers:

- Fundamentals:** As competitive pressures intensify and companies battle to win over customers, we expect material margin contraction. Net margin will contract to 13.2% in 2029 (high of 18.0% in 2022), and earnings growth will be primarily driven by share repurchases, which we view as unsustainable in the long run.
- Fundamentals:** Many of BYD's properties are old in nature (average age of 2001) and will require elevated CapEx relative to historical levels. We question [recent property purchases](#) given our view that online gaming is the future in the space. Our forecast reflects a 5-year CAGR in CapEx of 11.8% vs. a 5-year CAGR in revenue of 2.0%.
- Fundamentals:** The need to heavily invest in maintenance and repairs over the long run make us question whether BYD will be able to keep up with online gaming pure plays (DKNG) as it relates to promotional spend to gain share and grow revenue.

Risks to Thesis:

- Positive Macroeconomic Shifts:** A stronger economy could allow for more disposable income to be spent in the industry, driving upside to our estimates.
- Regulatory Approvals:** Access to new markets could drive material revenue growth relative to our estimates.
- Project Development:** New, unannounced initiatives or ongoing projects could take share from smaller regional casinos.

Henry Fund DCF (50%)	\$56
Henry Fund DDM (0%)	\$46
EV/EBITDA (50%)	\$62

Price Data

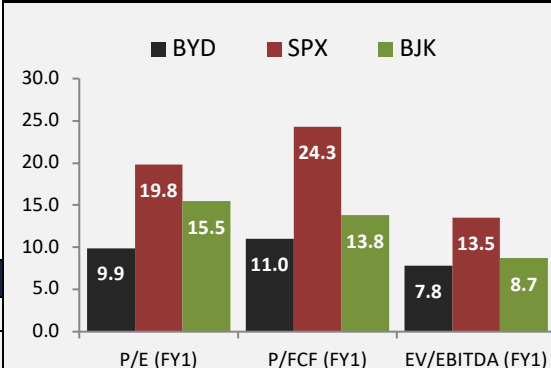
Current Price (4/17/25)	\$65
52wk Range	\$49 – 81
Consensus 1yr Target	\$81

Key Statistics

FD Market Cap (B)	\$5.5
Diluted Shares Out (M)	93.4
Institutional Ownership	72.5%
Beta	1.6
Dividend Yield	1.1%
LT Growth Rate Est.	-2.6%
Price/Earnings (LTM)	11.1
Price/Earnings (NTM)	9.9
Price/Sales (LTM)	1.6
Price/Book (LTM)	4.2

Profitability

Operating Margin (LTM)	23.9%
Net Margin (LTM)	14.7%
Return on Assets (LTM)	8.8%
Return on Equity (LTM)	34.8%



EPS Estimates

Quarter / Year	2023A	2024A	2025E	2026E	2027E
HF EPS	6.12	6.19	6.53	6.81	7.06
Street EPS	-	-	6.53	7.07	7.18

BS / CF Snapshot

Net Debt	3,417	3,609	3,379	3,149	2,918
D/E	214%	249%	191%	164%	146%
CapEx	374	400	625	625	650
FCF	542	601	431	404	405

Profitability

HF EBITDA	1,159	1,204	1,225	1,255	1,290
Street EBITDA	-	-	1,234	1,255	1,278
ROA	9.5%	8.8%	8.7%	7.9%	7.0%
ROE	37.2%	34.8%	36.6%	27.8%	22.4%
ROIC	11.6%	10.8%	17.1%	15.6%	14.8%

Company Description

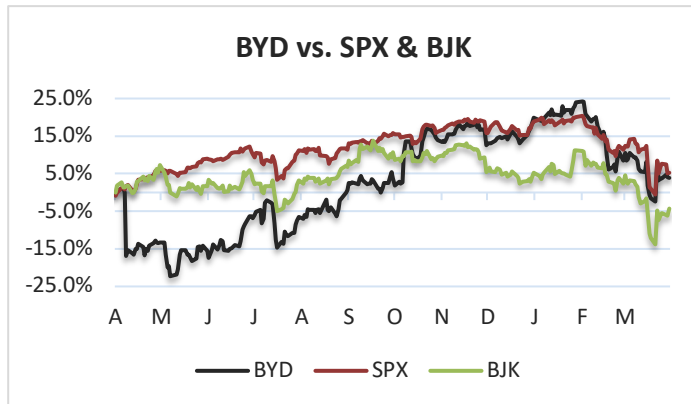
Boyd Gaming Corporation (BYD) is a leading operator in the casinos and gaming industry. BYD owns, operates, and manages gaming properties across the United States, offering casino entertainment, lodging, dining, and other amenities. The company's strategy focuses on enhancing guest experiences, expanding its regional footprint, and leveraging digital platforms to drive growth.

COMPANY DESCRIPTION

BYD is a major U.S. casino operator with 28 properties across ten states: Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Ohio, and Pennsylvania. The company focuses on regional markets through five main segments: Las Vegas Locals, Downtown Las Vegas, Midwest and South, Online Gaming, and Managed. The Online Gaming segment, primarily introduced through the 2022 Pala Interactive acquisition and 2024 Resorts Digital purchase, targets digital sports betting and iGaming.¹

BYD vs. SPX & BJK

The price chart below displays BYD's performance relative to SPX and BJK. SPX is our benchmark, and BJK is a broad Casino and Gaming ETF with a mandate requiring 50% of company revenues coming from gaming to be eligible for inclusion.



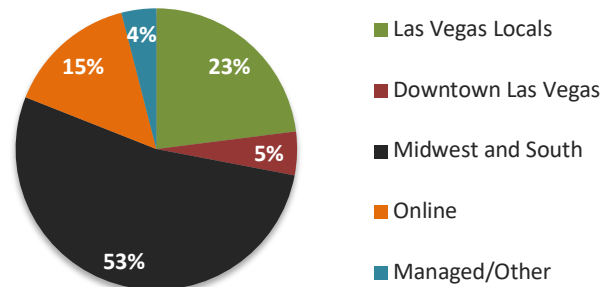
Source: Data from Yahoo Finance²

In our view, now is the time to exit BYD. BYD has closely tracked our initial thesis relating to online gaming; however, we see opportunities elsewhere in online pure plays.

Business Segments

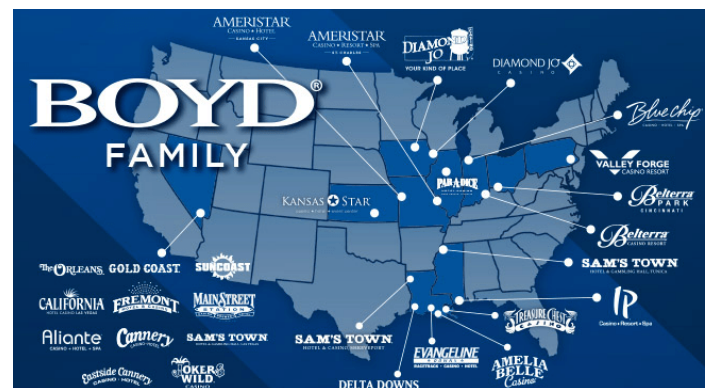
BYD operates through five segments: Las Vegas Locals (23% of Sales), Downtown Las Vegas (5% of Sales), Midwest and South (52% of Sales), Online Gaming (15% of Sales), and Managed/Other (4% of Sales).¹ F24 revenues totaled \$3.9 billion, up 5.1% Y/Y, primarily driven by online revenue (+44% Y/Y) while the company's physical casino locations continued to struggle (-1.1% Y/Y).

BYD Revenue Decomposition (FY24)



Source: BYD 10K

BYD has a significant presence in the Midwest and South regions, which in our view is the key differentiator vs. the peer group. Given that most of their casinos are not necessarily in places one would consider a tourist destination, we question the need to have such a large buildout in terms of rooms available at each casino (as reflected in the occupancy rates).

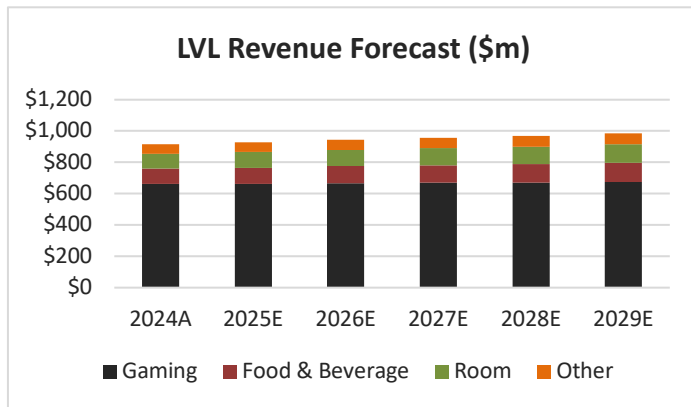


Source: Seeking Alpha

Las Vegas Locals (LVL)

The LVL segment consists of eight casinos (Gold Coast, The Orleans, Sam's Town, Suncoast, Eastside, Aliante, Cannery, and Jokers Wild) that serve the resident population in the Las Vegas metropolitan area.¹ Competition in Las Vegas is fierce, causing BYD to compete against larger casinos that have the ability to offer stronger promotions for their customers. The segment boasts 675,652 sq. ft. of casino space and 8,784 slot machines. On the hotel and resort side, LVL has 4,064 rooms with an average occupancy rate and average daily rate of 69% and \$86, respectively.¹ We note that various casinos in this segment lean on the older side (1979, 1993, and 2004), and have scheduled renovations that have potential to introduce margin pressures. In our view, this creates potential for more price conscious consumers to stay here – yet choose to dine and

game in a more modern experience. Our forecast for LVL incorporates data from LVCVA that shows visitor volume (+0.2%), hotel occupancy (+2.0%), and convention attendance (+42.7%) are on the turnaround, and thus grow revenue at a five-year CAGR of 1.5%.³



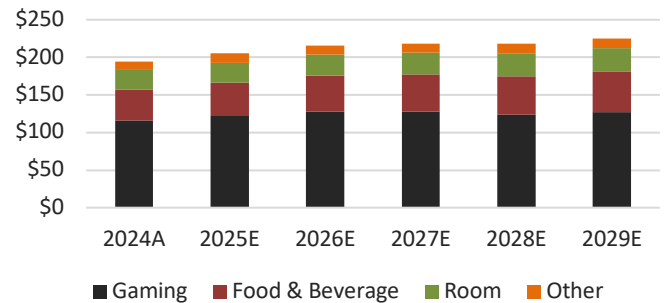
Source: BYD 10K, HF Model

Downtown Las Vegas (DVL)

The DVL segment consists of three casinos which directly compete with nine other casinos in downtown Las Vegas (California, Fremont, and Main Street Station).¹ To differentiate from competing casinos, BYD employs a rather unique strategy: focusing on customers largely from Hawaii by building relationships with Hawaiian travel agencies and building custom Hawaiian promotions.¹ The strategy appears to be quite effective, as guests from Hawaii comprised 74% of occupied room nights at the California, 35% at the Fremont, and 45% at Main Street Station. Although we foresee a reduction in travel from Hawaii to Las Vegas given recent economic trends, we note that travel will still occur (albeit in smaller numbers) given Hawaii's no gambling laws currently in place. The segment represents 104,735 sq. ft. of casino space and 2,090 slot machines. On the hotel and resort side, DVL has 1,632 rooms with an average occupancy rate and average daily rate of 71% and \$56, respectively. Similarly to LVL, these properties lean on the older side (1975, 1985, and 1993).¹

Our revenue forecast for DVL incorporates the same general view as LVL; however, we also factor in the notable increase in Average Daily Rates (ADR, +3.7%) and Revenue per Available Room (RevPAR, +6.3%).³ We note that the ADR for properties in this segment is roughly \$56 (vs. Las Vegas ADR of \$194), giving us confidence that BYD can increase prices while still attracting bargain travelers. Our assumptions result in a five-year revenue CAGR of 3.0%.

DVL Revenue Forecast (\$m)



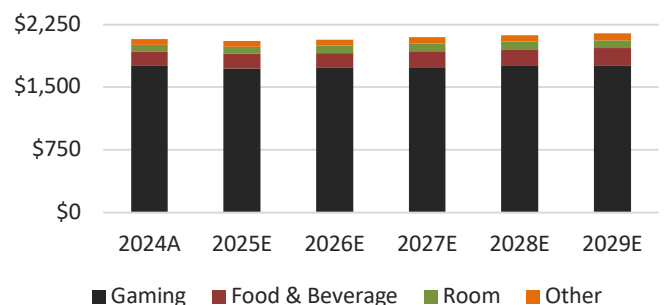
Source: BYD 10K, HF Model

Midwest and South (M&S)

The M&S segment consists of five land-based casinos, five dockside riverboat casinos, three racinos, and four barge-based casinos that operated in nine states.¹ The segment represents 983,676 sq. ft. of casino space and 17,228 slot machines. On the hotel and resort side, M&S has 4,785 rooms with an average occupancy rate and average daily rate of 50% and \$90, respectively.¹ Most of the casinos in this segment are newer in nature aside from Par-A-Dice (1996) and Blue Chip (1999).

Our forecast for M&S considers the fact that the properties under this segment have lower hotel occupancy rates relative to LVL and DVL (50% vs. 69% and 71%, respectively). Within BYD's latest 10K, they note that M&S primarily serves customers within a 100-mile radius; we feel that the dynamic of traveling to a casino in the Midwest and South is completely different relative to Las Vegas and thus assume that growth in this segment will remain muted as online takes the share. We grow revenue at a five-year CAGR of 0.7%.

M&S Revenue Forecast (\$m)

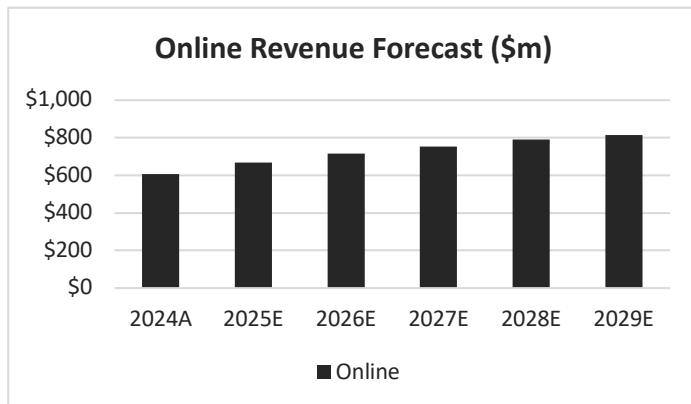


Source: BYD 10K, HF Model

Online

The online segment was introduced in 2021 through a partnership with FanDuel, in which the two companies collaborated to launch Stardust-branded online casinos in New Jersey and Pennsylvania.¹ As part of the partnership, BYD acquired a 5% equity stake in FanDuel. Since the creation of this segment, BYD has announced several partnerships & acquisitions to strengthen its presence in the online gambling market (Pala Interactive and Pala Canada in 2022, Resorts Digital Gaming in 2024). Since 2021, online revenue has quickly taken share from the company's traditional gaming revenue, moving from 5.1% of revenues in 2021 to 15.4% in 2024 (traditional gaming revenue shifted from 80.3% to 65.7%). We certainly agree that online gaming is the future for the Casinos and Gaming industry; however, we worry about the capital-intensive nature of BYD's existing 28 physical casino locations.

In our view, online gaming will continue to cause dramatic shifts in the Casino and Gaming industry. Given the commentary and statistics mentioned [here](#), we grow BYD's online gaming revenues at a five-year CAGR of 6.1%.

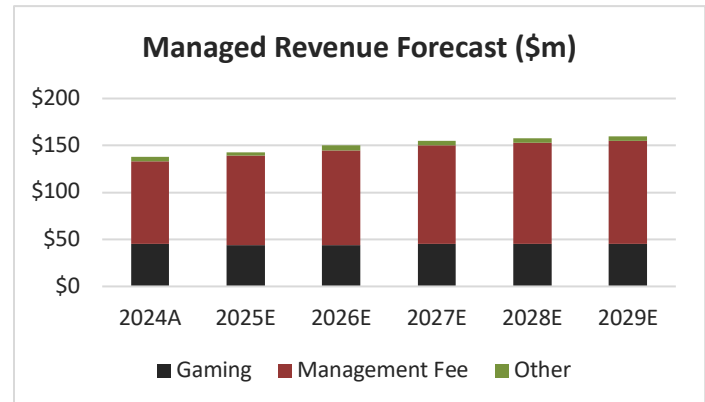


Source: BYD 10K, HF Model

Managed

Revenue for the Managed segment is directly tied to BYD's agreement with Wilton Rancheria, a federally recognized Native American tribe, to manage the Sky River Casino.¹ The casino is located in Sacramento, California, and has over 2,100 slot machines and 80 table games with 18 food and beverage options.¹ The casino has two expansion phases in the works, including adding 400 slot machines and a 1,600-space parking garage by Q1 2026, and an addition of 300 hotel rooms, two food and beverage outlets, a spa, and an entertainment center by mid-2027.¹

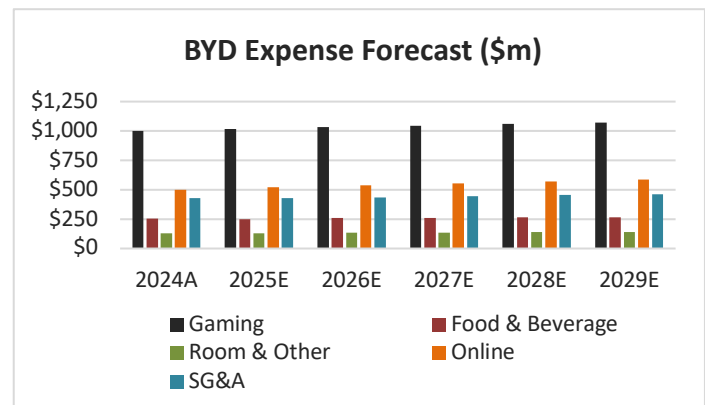
Our forecast for Managed incorporates our assumptions on the incremental revenue generation that will come through the two expansion phases discussed above. We grow revenues at a five-year CAGR of 3.0%.



Source: BYD 10K

Cost Structure Analysis

The majority of BYD's expenses (77%) are tied to gaming, food and beverage, room, online, and SG&A expenses. The remaining 23% comes through lease rental agreements, maintenance and utilities, and other corporate/project development expenses. We expect that the increasingly competitive nature of the Casino and Gaming industry will continue to contract margins and note that costs have outpaced revenue growth by a wide margin in recent years (3-year average growth rate in total expenses of 6.7% vs. a 3-year average growth rate in revenue of 5.3%). For our forecast, we assume a 5-year average growth rate in total expenses of 2.5% vs. a 5-year average growth rate in revenue of 2.0%. Further commentary as it relates to our margin assumptions can be found [here](#).



Source: BYD 10K, HF Model

Debt Maturity Analysis

BYD's weighted average interest rate on debt is 5.6%, with a mix of 59.4% (64.5% in 2023) fixed rate debt and 40.6% (35.5% in 2023) variable rate debt.¹ Total long-term debt sits at \$3,200.2 million, up \$253.5 million from 2023 levels. The total debt burden is comprised of a \$1,300.3 million Credit Facility, \$1,000.0 million in 4.75% senior notes due in 2027, and \$900 million in 4.75% senior notes due in 2031.¹ The Credit Facility can be further broken down into \$475 million attributable to a Revolving Credit Facility, \$759 million in a Term A Loan, and \$66.3 million in a Swing Loan. The Revolving Credit Facility and the Term A Loan mature on March 2, 2027. BYD holds a BB rating from S&P Global.¹ BYD's credit rating is roughly in line with the entire peer group, with LVS being the only company holding an IG rating.

Peer Group Credit Ratings	
Ticker	S&P Rating
CZR	BB-
MGM	B+
DKNG	BB
LVS	BBB-
WYNN	BB-
BYD	BB

Source: FactSet

In our view, the maturities of \$44.0 million in 2025 and 2026 are manageable, as we forecast roughly \$1 billion in CFO until 2029. Additionally, we believe the maturities in 2027 and thereafter (2031 maturity) will likely require refinancing.

Fiscal Year	Payment (\$M)
2025	44.0
2026	44.0
2027	2,212.3
2028	-
2029	-
Thereafter	900.0
Total Debt Principal	3,200.3

Source: BYD 10K

ESG Analysis

BYD is positioned in-line with most of our peer group as it relates to ESG (CZR stands out with the lowest risk score and risk rating). In our view, the ratings provided by Morningstar Sustainalytics place a large weight socially

given the addictive aspect that comes with gambling or visiting any of the peer group's properties or websites. The National Council on Problem Gambling (NCPG) recently announced that roughly 5 million Americans meet the criteria for compulsive gambling, while only 8% of these individuals will ever seek help.⁴ We note that this trend is likely to magnify in the future, as a study published in the Psychology of Addictive Behaviors found that 91% of college men and 84% of college women reported they gambled.⁴

We ultimately feel as though BYD does not have a strong balance in terms of social, environmental, and governance issues. Looking at their [Corporate Social Responsibility Report](#), we find it alarming that a company that engages in providing services that can potentially ruin families or an individual's life, resorted to burying their initiatives on page 52 (out of 107).⁵

ESG Peer Comparison		
Ticker	Risk Score	Risk Rating
CZR	19.9	Low
MGM	24.3	Medium
DKNG	34.8	High
LVS	20.7	Medium
WYNN	25.0	Medium
BYD	20.2	Medium

Source: Morningstar Sustainalytics⁶

What is Smart Money Doing?

Since September 2022, sell-side recommendations have shifted from 85/15 to 56/44 (buy/sell). The company has a notable history of beating EPS expectations Q/Q, with June 2023, September 2023, and March 2023 being the only quarters to not beat since Q2 2020. A relatively similar pattern is shown through revenue.⁷ In our view, this could indicate that management consistently provides conservative guidance. See the "[Henry Fund vs. Consensus](#)" section below to see where we differ through 2027.

On the buy-side, value and deep value strategies have seen a net inflow over the past six months, while GARP and growth strategies have seen a net outflow. Short interest sits at 4.3% and has continued to decrease from the high of 7.5% in 2022.⁷

RECENT DEVELOPMENTS

Recent Earnings Announcement

BYD reported Q4 and F24 results on February 6, 2025. President and CEO Keith Smith highlighted a successful 2024, driven by a diversified business model, operational efficiencies, and recent property investments. The company achieved record full-year revenues of over \$3.9 billion and EBITDAR of nearly \$1.4 billion, with property-level operating margins exceeding 40%. For Q4, revenues surpassed \$1 billion for the first time, with EBITDAR nearing \$380 million.⁷ Crucial comments and results from the transcript include:

- **Las Vegas Locals:** operating margins above 50% and growth in core customer play
- **Downtown Las Vegas:** Q4 results supported by property enhancements, with stable Hawaiian visitation and steady pedestrian traffic
- **Midwest & South:** growth led by Treasure Chest Casino's new facility
- **Online:** generated \$108 million in full-year EBITDAR (including \$32 million in one-time fees)
- **Managed:** generated \$96 million in full-year EBITDAR

Below, we lay out management's guidance and outlook for 2025:

- **Online EBITDAR:** \$80 to \$85 million, up from \$76 million in 2024
- **Capex:** \$600 to \$650 million, including \$250 million for maintenance, \$100 million for refurbishments, \$100 million for property growth, and \$150 million for misc.

Virginia Resort Project

BYD, in collaboration with the Pamunkey Indian Tribe, broke ground on their Norfolk, VA casino and resort on October 30, 2024. The project was initially proposed in 2018 and approved by voters in 2020. In April 2021, renderings of the project estimated a \$500 million price tag and a total of 300 rooms.⁸ The project has faced numerous delays relating to regulatory approvals, which caused billionaire Jon Yarbrough to sell his majority share (80%) to BYD. Since BYD's involvement, the project has escalated to a \$750 million price tag and is scheduled to open in 2027.⁹ The resort will feature a 200-room hotel, eight food and beverage locations, and a casino with 1,500 slot machines and 50 table games. Management expects

this facility to generate roughly \$3 billion in local economic benefits during its first 10 years of operation.⁹

Eastside Cannery Land Purchase

BYD acquired the assets of Cannery Casino Resort in 2016 for \$230 million, including the Cannery Hotel & Casino in North Las Vegas and Eastside Cannery. The hotel remained operational until March 2020, when its 300-plus rooms, 64,000-square-foot casino, and 20,000 square feet of meeting and ballroom space were ordered to close to help contain the spread of COVID-19. While Nevada's casinos were allowed to reopen in June 2020, this property remained closed.¹⁰

In April 2024, Michelle Rasmusson, BYD's Chief Compliance Officer, stated in a letter to Clark County officials that "economic conditions and demand" as well as "significant workforce challenges" would determine when the property might reopen.¹⁰

In our view, it would be reasonable to assume that BYD has considered selling the property – yet the company continues to spend \$500,000 per month on maintenance, IT systems, security, and water to keep the property operational. Not to our surprise, these costs do not include the millions of dollars spent annually on rent, as BYD did not own the land beneath the property until recently.

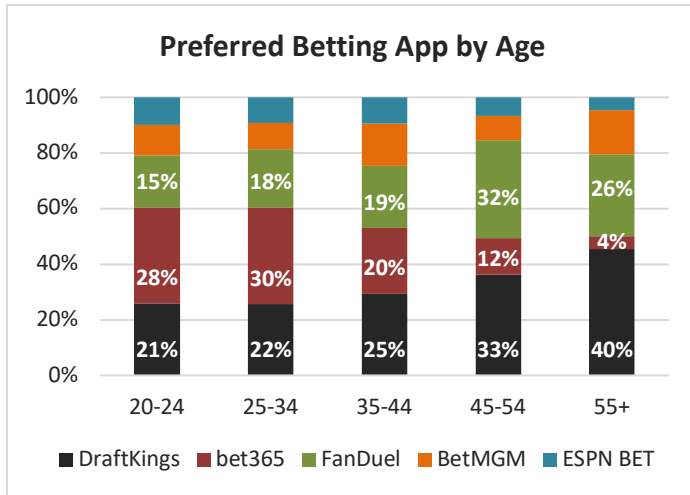
In February 2025, BYD purchased the land under the property for \$45 million. When asked about the rationale for the purchase and any plans to reopen the property, a BYD spokesperson responded, "We do not have anything additional to share at this time."¹⁰

INDUSTRY TRENDS

Online Gambling

We view online gambling as a key catalyst for the Casino and Gaming industry going forward. It is clear to us that most consumers prefer to gamble away their hard-earned dollars from the comfort of their homes, as the online gaming industry saw revenue growth of 24.6% in 2024 vs. land-based gaming's growth of 0.6%. Additionally, 95% of the money wagered on sports in 2024 was online.¹¹

In our view, the companies that prioritize investments into creating the best app experience will benefit the most as the industry continues to transition online. The following chart displays the most popular apps by age range:



Source: YouGov

We also note the following statistics to demonstrate the importance of developing the best in-app experience:¹¹

- 74% of sports bettors said that the ability to place bets easily while watching sports is essential
- 69% of bettors aged 34-44 considered live sports streaming an important feature in a betting app (DKNG: BetVision for example)
- 60% of bettors said they are more likely to use an app that is linked to a sports streaming service

MARKETS AND COMPETITION

To define our peer group, we selected companies that have a similar presence as it relates to physical casinos. We also searched for companies that provided a similar and granular revenue decomposition, enabling us to compare revenues by category. We include DKNG given our view on online gaming, and BYD's presence within the space.

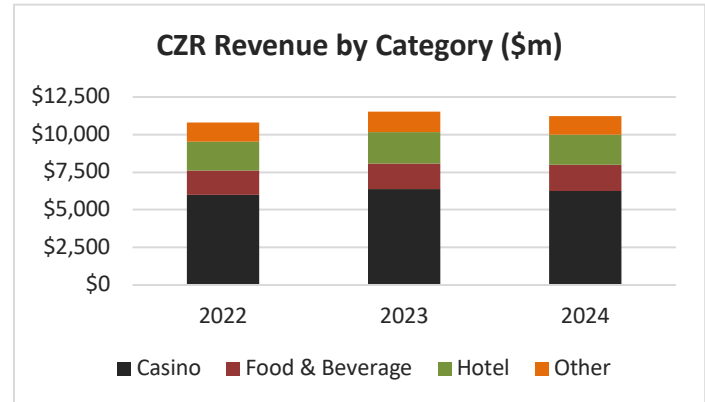
Ticker	Rev ('24, \$m)	Net Margin	# Properties
CZR	\$11,245	-2.5%	40
MGM	\$17,241	4.3%	16
DKNG	\$4,768	-10.6%	-
LVS	\$11,298	12.8%	6
WYNN	\$7,128	7.0%	4
BYD	\$3,930	14.7%	28

Source: FactSet, Company 10Ks

Caesars Entertainment (CZR)

CZR is a leading global gaming and hospitality company headquartered in Las Vegas, Nevada. It operates through

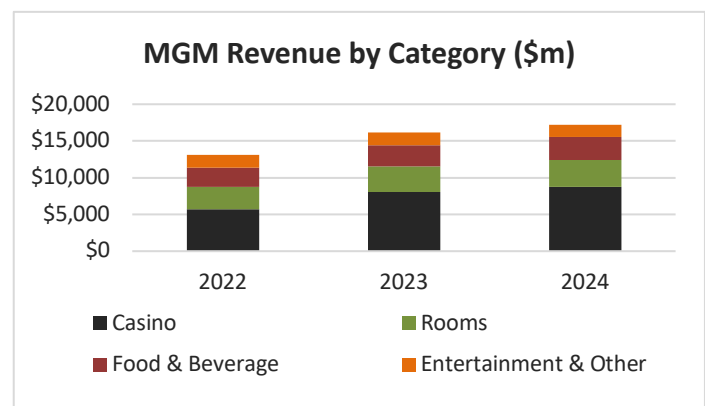
four primary segments: Las Vegas, Regional, Caesars Digital, and Managed/Branded.¹² The company continues to expand into digital gaming, with its Caesars Sportsbook platform increasingly gaining traction. On January 15, 2025, CZR announced a strategic partnership with Bragg Gaming as it relates to CZR's online technology.¹³



Source: CZR 10K

MGM Resorts (MGM)

MGM is a global entertainment and hospitality company headquartered in Las Vegas, Nevada. It operates through four segments: Las Vegas Strip Resorts, Regional Operations, MGM China, and MGM Digital.¹⁴ A key highlight is MGM's BetMGM platform, a joint venture rapidly expanding in the online sports betting and iGaming space. On November 18, 2024, MGM unveiled plans to integrate AI-driven guest experience tools across its properties, aiming to set a new standard in personalized hospitality.¹⁵

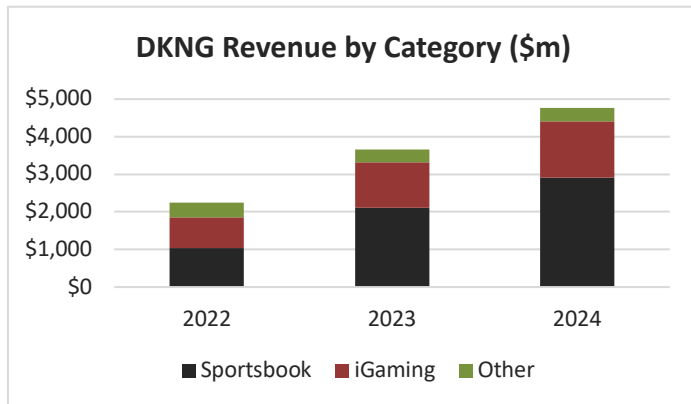


Source: MGM 10K

Draft Kings (DKNG)

DKNG is a leading digital sports entertainment and gaming

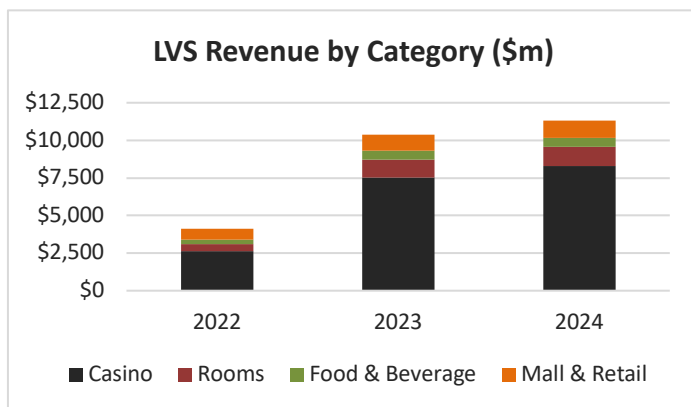
company which provides users with online and retail sports betting (Sportsbook), online casino (iGaming), and daily fantasy sports product offerings.¹⁶ The company's current technology is highly scalable with minimal incremental spend required to launch its product offerings in new jurisdictions. DKNK continues to scale in terms of Monthly Unique Payers (MUP), which hit 3.7 million in 2024 (up from 2.7 in 2023 and 1.9 in 2022).



Source: DKNK 10K

Las Vegas Sands (LVS)

LVS is a global developer and operator of integrated resorts, delivering a blend of luxury hotels, world-class gaming, entertainment, retail, and convention facilities. The company operates properties such as The Venetian Macao, The Londoner Macao, The Parisian Macao, and the Sands Macao.¹⁷

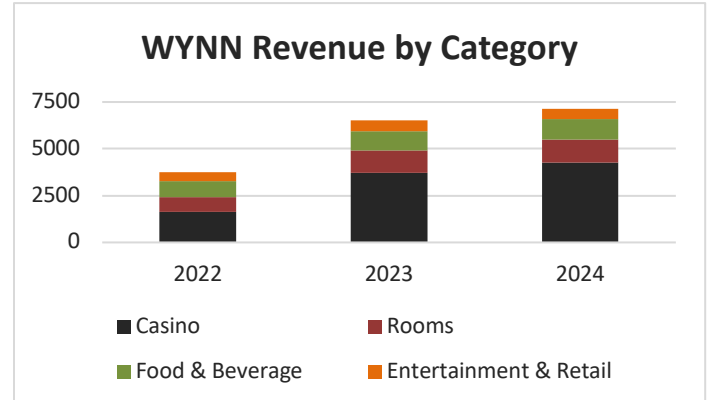


Source: LVS 10K

Wynn Resorts (WYNN)

WYNN is a well-known designer, developer, and operator of integrated resorts featuring luxury hotel rooms, high-end retail space, an array of dining and entertainment

options, convention facilities, and gaming. WYNN operates through four segments: Macau Operations, Las Vegas Operations, Encore Boston Harbor, and Corporate.¹⁸



Source: WYNN 10K

Key Operating Metrics

Although DKNK does not report many of the statistics below (due to its heavy online presence and lack of physical casinos), it stands out to us as the best-positioned to capitalize on the trend of online gaming. Due to its online-only model, DKNK avoids the lofty capital expenditures required for physical properties. With no owned casinos, hotels, or real estate – unlike CZR's 55 properties and ~3.8 million square feet of casino space – DKNK eliminates costs associated with renovations, maintenance, and even insurance on properties.

Among physical operators, CZR is best positioned due to its scale – 48,520 rooms, 85-90% occupancy rate, and \$125-140 RevPAR – spanning U.S. and international markets, but its broad footprint dilutes margins and requires significant capex upgrades. LVS and WYNN excel in luxury, with LVS achieving a 93-94% occupancy rate and \$190-215 RevPAR across 7 properties, while WYNN leads with \$240-250 RevPAR and \$270-280 ADR across 4 properties. MGM and BYD lag, primarily due to their regional focuses and ongoing capex needs.

Company	# of Properties	Square Ft. (Casino)	Occupancy %
CZR	40	3,700,000	85-90%
MGM	16	2,512,000	90-92%
DKNK ¹	-	-	-
LVS	6	1,621,000	93-94%
WYNN	4	1,167,000	92-93%
BYD	28	1,764,063	85-87%

Source: Company 10Ks

Company	RevPAR	ADR	# of Rooms
CZR	\$125-140	\$135-150	48,520
MGM	\$145-155	\$160-170	44,654
DKNG ¹	-	-	-
LVS	\$190-215	\$205-215	10,716
WYNN	\$240-250	\$270-280	8,135
BYD	\$110-115	\$130-135	10,481

Source: Company 10Ks

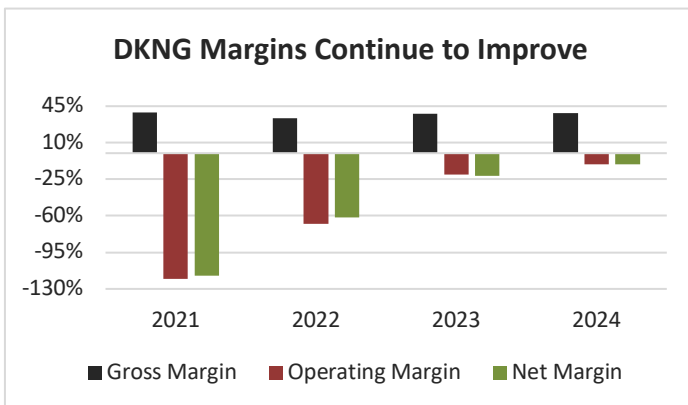
Company	Table Game Win Rate	Slot Machine Win Rate	# of Slot Machines
CZR	18-22%	6-8%	51,300
MGM	19-22%	8-8.5%	27,079
DKNG	15-20%	8-9%	-
LVS	19-21%	7-8%	6,700
WYNN	19-22%	7-8%	5,595
BYD	19-21%	7-9%	28,102

Source: Company 10Ks

Profitability

BYD leads the peer group with the highest gross margin, operating margin, and free cash flow margin. In our view, this could be a culmination of two factors: delayed capex spend (most of their casinos are old in nature) and/or lower overhead costs (regional operations with a heavy focus in the Midwest).

To support our “DKNG is the best positioned” statement above, it is important to highlight that the company is clearly heading towards a profitable future. The following chart displays DKNG’s gross margin, operating margin, and net margin over the past four years (2021 through 2024):



Source: FactSet

Company	Gross Margin	OP Margin	FCF Margin
CZR	42.3%	22.2%	4.7%
MGM	40.7%	9.6%	7.0%
DKNG	38.1%	-10.5%	8.6%
LVS	36.8%	21.8%	14.0%
WYNN	34.3%	16.0%	14.1%
BYD	45.1%	23.9%	14.2%

Source: FactSet

Company	ROIC	ROE	ROA
CZR	2.6%	19.0%	2.4%
MGM	2.1%	21.8%	1.6%
DKNG	NM	NM	NM
LVS	9.6%	41.3%	6.8%
WYNN	4.1%	NM	3.7%
BYD	10.8%	34.8%	8.8%

Source: FactSet

BS / CF Snapshot

As shown below, the capital-intensive nature of building physical and online casinos leads to extremely levered companies. Each company in the peer group is in a net debt position (total debt less cash & equivalents) with D/E ratios exceeding 100%. We label WYNN’s D/E as not-meaningful, as retained earnings turned negative during the COVID-19 pandemic after the company reported a \$2 billion loss, leading to a negative D/E ratio.

Company	Net Debt	D/E	FCF	FCF Conversion
CZR	24,672	566.8%	545	14.3%
MGM	29,438	1,053.5%	1,214	48.7%
DKNG	530	132.1%	408	-176.8%
LVS	10,290	483.4%	1,577	40.5%
WYNN	9,840	NM	1,006	55.9%
BYD	3,609	248.6%	557	45.8%

Source: FactSet *Values displayed are latest FY, WYNN Labeled as “NM” due to negative Shareholders’ Equity

ECONOMIC OUTLOOK

Disposable Personal Income

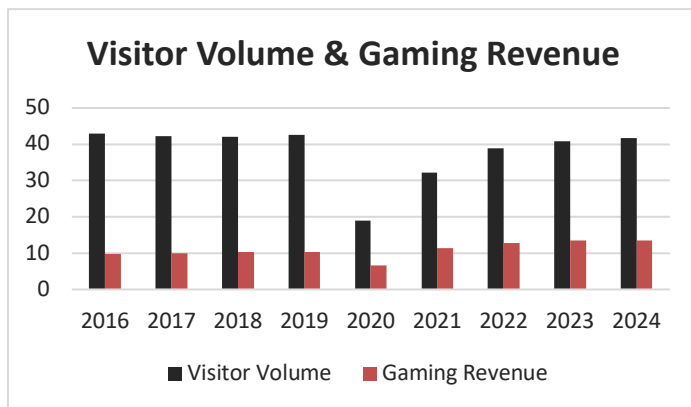
Disposable income is an important metric to track for most companies, and especially so for ones in the Casino and Gaming industry. If disposable income begins to fall, consumers are less likely to spend on discretionary items such as hotels, gambling, and events. The most recent

readings from the Bureau of Economic Analysis show a decline from the values recorded in September and October of 2024 (+0.2% and +0.4%, respectively), with November and December coming in at +0.1%.¹⁹

Given the recent threats of tariffs by the Trump Administration, we do see potential for disposable personal income to fall if implemented, and a recession would only magnify that decrease.

Las Vegas Tourism Activity

We view Las Vegas tourism activity as a key indicator for our peer group given the overwhelming amounts of assets in Las Vegas relative to their total portfolios. The following chart displays that although there has certainly been a rebound in visitor volume, we have yet to see that number break above the previous high in 2016. The other side to the equation is how much these visitors are spending, which although it shows a similar trend, hit an all-time-high of \$13.6 billion in 2024:



Source: LVCVA *Volume in mm, Revenue in bn

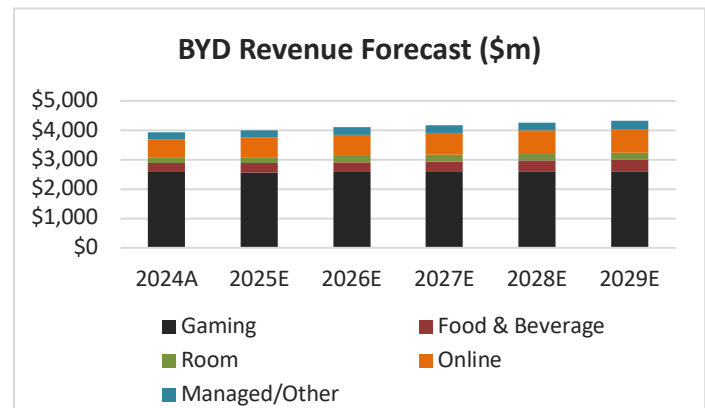
We do not have a strong view on Las Vegas tourism activity. On one hand, we could see further gains in both visitor volume and gaming revenue, and on the other, we see potential for decreasing disposable income levels causing a reduction, as mentioned above.

VALUATION

Revenue Assumptions

Our revenue assumptions are explained in detail [here](#). We differ from Street forecasts by +1% in each year throughout our forecast, primarily driven by our assumption that online revenue growth continues the momentum seen historically. On a firm wide basis, our

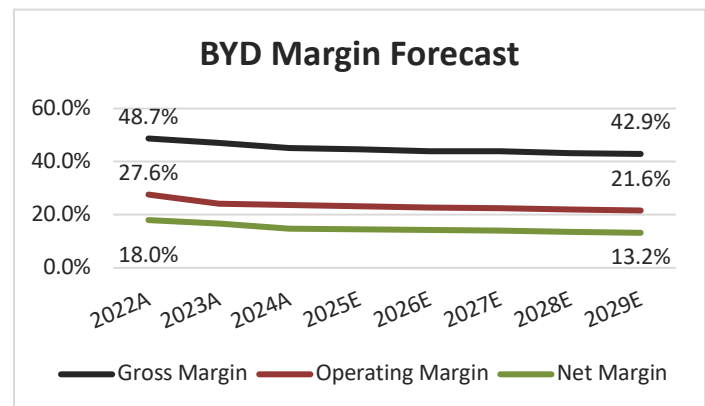
revenue forecast reflects a five-year revenue CAGR of 2.0%, resulting in \$4.3 billion in revenue by 2029.



Source: BYD 10K, HF Model

Margin Assumptions

Our margin assumptions for BYD reflect a notable contraction from the highs seen in 2022, driven by intensifying competitive pressures, particularly within online gaming. We forecast gross margin to decline from 48.7% in 2022 to 42.9% in 2029, operating margin to compress from 27.6% to 21.6% in 2029, and net margin to fall from 18.0% in 2022 to 13.0% in 2029. Our forecast is primarily driven by the cost of online revenues as a % of sales rising to 14.2% in 2029 (from 12.7% in 2024), driven by heightened promotional spending required to maintain/grow share. We also assume a slight uptick in lease payments (from 2.8% of sales to 2.9%), maintenance (from 3.8% of sales to 3.9%), and project development (relative to historical values).

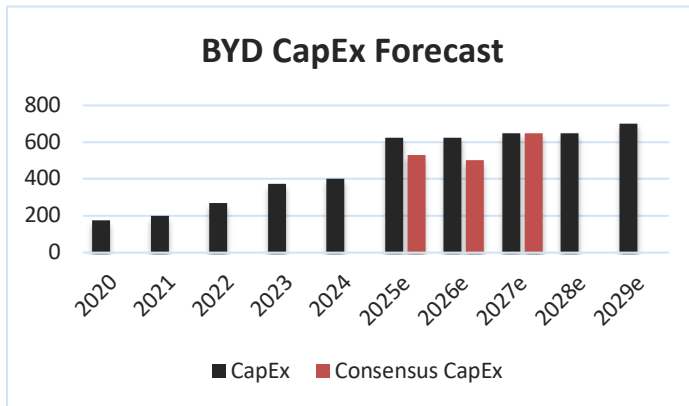


Source: BYD 10K, HF Model

CapEx

Given the old nature of the majority of BYD's assets, we forecast a sharp uptick in CapEx relative to historical

periods. Our CapEx assumption in 2025 is in-line with management guidance (between \$600 - \$650 million) and increases to \$700 million by 2029. The chart below displays our forecast relative to consensus:



Source: HF Model, FactSet

Payout Policy

We forecast BYD's dividend to increase by \$0.04 in each year throughout our forecast and maintain a dividend payout ratio roughly in-line with historical payouts.

WACC

Our discount rate for BYD is 9.12%. The cost of equity was calculated using the risk-free rate of 4.34%, a beta of 1.55 (5-year monthly beta), and an equity risk premium of 5.00%. These inputs resulted in a cost of equity of 12.09%. The after-tax cost of debt was calculated using a pre-tax cost of debt of 5.85% (sourced from FactSet) and a tax rate of 22%. These inputs resulted in an after-tax cost of debt of 4.56%. The weight of equity and debt were calculated to be 60.56% and 39.44%, respectively.

DCF and EP

Our enterprise discounted cash flow (DCF) and economic profit (EP) models resulted in an intrinsic value per share of \$56. The primary inputs used in these models consisted of TV growth of 3.00% for NOPLAT, a TV ROIC of 12.99%, and a discount rate of 9.12%.

DDM

Our dividend discount model (DDM) resulted in an intrinsic value per share of \$46. The primary inputs used in this model consisted of TV growth of 3.00% for EPS, a TV ROE of 15.85%, and a cost of equity of 12.09%.

Relative Valuation

Our relative valuation models leveraged a FY1 and FY2 P/E, P/S, and EV/EBITDA multiples. To mitigate the impact of outliers, we utilized a harmonic mean. The following table displays the values used for each multiple and the resulting implied relative value:

Multiple	Value	Implied Price
P/E (FY1)	13.1x	\$85
P/E (FY2)	12.5x	\$85
P/S (FY1)	0.9x	\$37
P/S (FY2)	0.8x	\$36
EV/EBITDA (FY1)	5.4x	\$77
EV/EBITDA (FY2)	5.4x	\$62

Source: FactSet, HF Model

We place no weight on the P/E multiple due to it being less effective for companies with inconsistent earnings (all companies in the peer group have seen wide fluctuations in earnings historically). The price target displayed on the tear sheet is a blend of our FY2 EV/EBITDA and DCF estimates, where we assigned a 50% and 50% weight, respectively. We weight EV/EBITDA heavily given it accounts for debt and non-cash charges (capital intensive industry with large property portfolios).

Henry Fund vs. Consensus

Estimates			
	Rev	2025E EPS	EBITDA
HF	4000	6.53	1225
Consensus	3958	6.53	1234
% Difference	1.1%	0.0%	-0.8%
% Growth Y/Y (HF)	1.8%	5.5%	1.7%

Estimates			
	Rev	2026E EPS	EBITDA
HF	4096	6.81	1255
Consensus	4070	7.07	1255
% Difference	0.6%	-3.6%	0.0%
% Growth Y/Y (HF)	2.4%	4.3%	2.5%

Estimates			
	Rev	2027E EPS	EBITDA
HF	4178	7.06	1290
Consensus	4156	7.18	1278
% Difference	0.5%	-1.7%	1.0%
% Growth Y/Y (HF)	2.0%	3.6%	2.8%

Source: FactSet, HF Model

Summary

We place a 50% weight on our DCF model and a 50% weight on relative valuation. In our view, BYD is slightly overvalued, and the risks of falling behind relative to online gaming pure plays due to maintenance and repairs of existing properties outweigh the potential growth drivers for the stock.

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15. [MGM & Cisco Agreement](#)
16. [DKNG 10K](#)
17. [LVS 10K](#)
18. [WYNN 10K](#)
19. [Bureau of Economic Analysis](#)

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Boyd Gaming
Revenue Decomposition

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Gaming Revenue	2,675	2,613	2,584	2,558	2,571	2,584	2,597	2,610
% Growth Y/Y	-1.1%	-2.3%	-1.1%	-1.0%	0.5%	0.5%	0.5%	0.5%
% of Total Revenues	75.2%	69.9%	65.7%	64.0%	62.8%	61.8%	60.9%	60.3%
Food & Beverage Revenue	276	288	304	319	334	350	366	382
% Growth Y/Y	20.0%	4.5%	5.2%	5.0%	4.9%	4.7%	4.6%	4.4%
% of Total Revenues	7.8%	7.7%	7.7%	8.0%	8.2%	8.4%	8.6%	8.8%
Room Revenue	189	199	205	213	220	228	236	245
% Growth Y/Y	22.6%	5.3%	2.8%	4.0%	3.4%	3.7%	3.6%	3.6%
% of Total Revenues	5.3%	5.3%	5.2%	5.3%	5.4%	5.5%	5.5%	5.7%
Online Revenue	254	422	606	667	717	753	790	814
% Growth Y/Y	47.2%	66.3%	43.6%	10.0%	7.5%	5.0%	5.0%	3.0%
% of Total Revenues	7.1%	11.3%	15.4%	16.7%	17.5%	18.0%	18.5%	18.8%
Management Fee Revenue	27	77	88	95	101	105	108	110
% Growth Y/Y	#DIV/0!	185.9%	14.9%	7.5%	6.0%	4.5%	3.0%	1.5%
% of Total Revenues	0.8%	2.1%	2.2%	2.4%	2.5%	2.5%	2.5%	2.5%
Other Revenue	135	139	143	148	153	158	163	169
% Growth Y/Y	25.3%	2.8%	3.6%	3.2%	3.4%	3.3%	3.3%	3.3%
% of Total Revenues	3.8%	3.7%	3.7%	3.7%	3.7%	3.8%	3.8%	3.9%
Total Revenue	3,555	3,738	3,930	4,000	4,096	4,178	4,261	4,329
% Growth Y/Y	5.5%	5.2%	5.1%	1.8%	2.4%	2.0%	2.0%	1.6%
Las Vegas Locals								
Gaming	700	685	661	663	668	670	671	676
Food & Beverage	88	90	98	102	107	111	117	122
Room	88	96	97	102	105	109	113	117
Other	55	57	59	61	63	65	67	69
Total	931	928	914	928	942	955	968	984
% Growth Y/Y	5.0%	-0.3%	-1.5%	1.4%	1.5%	1.4%	1.4%	1.7%
% of Total Revenues	26.2%	24.8%	23.3%	23.2%	23.0%	22.9%	22.7%	22.7%
Downtown Las Vegas								
Gaming	139	144	116	122	128	128	124	127
Food & Beverage	42	42	41	44	48	49	51	54
Room	25	25	26	27	28	29	30	31
Other	10	11	11	12	12	12	13	13
Total	215	222	194	205	216	218	218	225
% Growth Y/Y	38.2%	3.3%	-12.8%	5.6%	5.4%	1.0%	0.0%	3.1%
% of Total Revenues	6.1%	5.9%	4.9%	5.1%	5.3%	5.2%	5.1%	5.2%
Midwest & South								
Gaming	1,788	1,741	1,762	1,729	1,731	1,742	1,756	1,761
Food & Beverage	146	156	165	173	180	189	198	206
Room	76	78	81	84	87	90	94	97
Other	65	67	69	71	74	76	79	81
Total	2,076	2,042	2,077	2,057	2,072	2,098	2,126	2,146
% Growth Y/Y	-1.4%	-1.6%	1.7%	-1.0%	0.7%	1.3%	1.4%	0.9%
% of Total Revenues	58.4%	54.6%	52.9%	51.4%	50.6%	50.2%	49.9%	49.6%
Online	254	422	606	667	717	753	790	814
% Growth Y/Y	47.2%	66.3%	43.6%	10.0%	7.5%	5.0%	5.0%	3.0%
% of Total Revenues	7.1%	11.3%	15.4%	16.7%	17.5%	18.0%	18.5%	18.8%
Managed & Other								
Gaming	47	44	45	44	44	45	45	45
Management Fee	27	77	88	95	101	105	108	110
Other	6	3	5	4	5	5	5	5
Total	79	124	138	143	149	154	158	160
% Growth Y/Y	59.8%	56.0%	11.6%	3.7%	4.3%	3.4%	2.2%	1.2%
% of Total Revenues	2.2%	3.3%	3.5%	3.6%	3.6%	3.7%	3.7%	3.7%

Boyd Gaming

Income Statement

<i>Fiscal Years Ending Dec. 31</i>	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Net Revenue	3,555	3,738	3,930	4,000	4,096	4,178	4,261	4,342
% Growth Y/Y	5.5%	5.2%	5.1%	1.8%	2.4%	2.0%	2.0%	1.9%
Expenses:								
Gaming	1,006	1,000	1,000	1,017	1,034	1,046	1,058	1,070
Food & Beverage	231	241	254	249	261	262	266	268
Room	68	73	78	78	80	82	84	85
Online	214	359	498	519	539	554	570	585
Other	46	46	51	51	52	54	54	56
SG&A	374	390	427	427	435	445	456	463
Master Lease Rent	107	108	111	116	118	120	123	125
Maintenance & Utilities	144	151	148	158	161	162	167	170
Depreciation	248	240	260	285	314	334	373	401
Amortization	10	17	17	16	16	16	16	16
Corporate	117	116	114	114	115	115	115	115
Project Development	(19)	(9)	29	29	30	30	31	32
Impairment of Assets	41	108	11	11	11	11	11	12
Other Operating Items	(12)	(4)	5	5	6	6	6	6
Total Expenses:	2,574	2,837	3,002	3,076	3,172	3,238	3,330	3,402
EBIT	981	902	928	923	924	940	931	940
Margin	27.6%	24.1%	23.6%	23.1%	22.6%	22.5%	21.9%	21.6%
Interest Income	22	24	2	2	2	2	2	2
Interest Expense	(151)	(171)	(177)	(182)	(181)	(193)	(199)	(205)
Other Income (Expense), Net	(23)	(2)	0	0	0	0	0	0
EBT	829	753	752	743	745	749	734	737
Margin	23.3%	20.1%	19.1%	18.6%	18.2%	17.9%	17.2%	17.0%
Income Tax Benefit (Provision)	(189)	(133)	(174)	(163)	(164)	(165)	(161)	(162)
Tax Rate	22.9%	17.6%	23.2%	22.0%	22.0%	22.0%	22.0%	22.0%
Net Income	639	620	578	580	581	584	572	575
Margin	18.0%	16.6%	14.7%	14.5%	14.2%	14.0%	13.4%	13.2%
Shares Outstanding	109	101	93	89	85	83	79	75
Seq. Chg.	(5)	(8)	(8)	(5)	(3)	(2)	(4)	(4)
EPS	5.87	6.12	6.19	6.53	6.81	7.06	7.28	7.69
Y/Y Chg.	44.1%	4.2%	1.2%	5.5%	4.3%	3.6%	3.2%	5.6%
DPS	0.60	0.64	0.68	0.72	0.76	0.80	0.82	0.88
Y/Y Chg.	100.0%	6.7%	6.3%	5.9%	5.6%	5.3%	1.9%	7.9%

Balance Sheet

Balance Sheet

Boyd Gaming
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023	2024
Cash Flow from Operations							
Net Income (Loss)	115	158	(135)	464	639	620	578
Income from Discontinued Operations	(0)	-	-	-	-	-	-
D&A	230	277	281	268	258	257	277
Amortization of Debt Financing Costs	9	9	12	11	9	8	8
Non-Cash Operating Lease Expense	-	32	56	46	65	79	88
Non-Cash Expected Credit Loss	-	-	-	-	(35)	(34)	-
Share-Based Compensation Expense	25	25	9	38	34	32	30
Deferred Income Taxes	34	41	(32)	134	51	(30)	58
Non-Cash Impairment of Assets	1	-	175	8	41	108	11
Gain on Sale of Assets	-	-	(14)	-	(13)	-	-
Loss on Early Extinguishments of Debt	0	35	2	95	20	-	-
Other Operating Activities	1	3	4	10	10	2	9
Accounts Receivable	(1)	(0)	1	(36)	(17)	(29)	6
Inventories	2	(2)	(1)	3	(2)	1	(1)
Prepaid Expenses	4	(1)	6	(2)	(8)	(10)	3
Income Taxes (Receivable) Payable	(0)	(0)	6	0	(3)	(1)	(26)
Other LT Tax Assets	(0)	5	-	-	-	-	-
Other Assets	(4)	(5)	(3)	(6)	(8)	1	1
Accounts Payable	18	(1)	(30)	15	1	(10)	6
Operating Lease Liabilities	-	(32)	(56)	(46)	(65)	(79)	(88)
Other Long-Term Tax Liabilities	0	0	(4)	-	-	-	-
Other Liabilities	(0)	5	11	8	1	(0)	(2)
Net Cash Flow from Operations	435	549	289	1,010	976	915	957
Cash Flow from Investing							
Capital Expenditures	(162)	(208)	(175)	(199)	(269)	(374)	(400)
Cash Paid for Acquisitions	(934)	(6)	(11)	-	(168)	-	(30)
Payments Received on Note Receivable	-	-	-	-	-	114	0
Proceeds Received from Disposition of Assets	-	-	15	-	22	-	-
Insurance Proceeds Received from Hurricane Losses	-	-	-	63	1	-	-
Other Investing Activities	(40)	(18)	-	7	(8)	(4)	(3)
Net Cash Flow from Investing	(1,135)	(231)	(171)	(130)	(422)	(264)	(434)
Cash Flow from Financing							
Borrowings Under Bank Credit Facility	1,115	1,666	965	-	2,122	1,506	1,764
Payments Under Bank Credit Facility	(964)	(2,132)	(1,375)	(28)	(1,802)	(1,647)	(1,510)
Proceeds from Issuance of Senior Notes	700	1,000	600	900	-	-	-
Retirement of Senior Notes	-	(750)	-	(1,750)	(300)	-	-
Premium and Consent Fees	-	(26)	-	(78)	(13)	-	-
Debt Financing Costs	(14)	(16)	(17)	(14)	(17)	-	-
Share-Based Compensation Activities	(5)	(6)	(5)	(6)	(15)	(19)	(15)
Share Repurchases and Retired	(60)	(28)	(11)	(81)	(542)	(413)	(686)
Dividends Paid	(25)	(29)	(8)	-	(48)	(64)	(63)
Other Financing Activities	(0)	(1)	(2)	(2)	(1)	(0)	(0)
Net Cash Flow from Financing	746	(320)	147	(1,059)	(616)	(637)	(510)
Cash Flows from Discontinued Operations + Foreign Exchange	1	0	-	-	0	(0)	(0)
Change in Cash	46	(3)	265	(178)	(62)	13	13
Cash Beginning of Period	227	274	271	536	358	296	309
Cash End of Period	274	271	536	358	296	309	322

Boyd Gaming*Forecasted Cash Flow Statement*

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E
Cash Flow from Operations					
Net Income	580	581	584	572	575
D&A	301	331	350	389	417
Receivables	15	(11)	(4)	0	(5)
Inventories	(2)	0	(0)	(1)	(0)
Prepaid Expenses & Other	(2)	(3)	(0)	(2)	(1)
Accounts Payable	6	0	3	3	2
Accrued Payroll	(0)	3	2	2	2
DTA	(30)	(30)	(30)	(29)	(29)
DTL	134	133	129	103	126
Operating ROU Assets	(93)	(85)	(87)	(76)	(82)
Operating Lease Liabilities	90	76	77	67	72
Other Assets	(1)	(1)	(1)	(1)	(1)
Other Liabilities	4	2	(0)	2	1
Other ST Liabilities	9	2	6	6	4
Income Tax Payable	-	-	-	-	-
Dividends Payable	1	0	0	(1)	0
Net Cash Flow from Operations	1,013	999	1,028	1,035	1,081
Cash Flow from Investing					
PPE, Gross	(625)	(625)	(650)	(650)	(700)
LT Investments	(1)	(1)	(1)	(1)	(1)
Net Cash Flow from Investing	(626)	(626)	(651)	(651)	(701)
Cash Flow from Financing					
LT Debt	(19)	196	196	171	186
Common Stock & Paid-In Capital	1	1	-	-	-
Unrealized Gain/Loss Marketable Securities	-	-	-	-	-
ST Debt & Curr. Portion LT Debt	1	9	3	1	4
Dividends	(64)	(65)	(66)	(64)	(66)
Repurchases	(5)	(3)	(2)	(4)	(4)
Net Cash Flow from Financing	(85)	137	130	104	121
Change in Cash	303	510	507	489	501
Cash Beginning of Period	322	625	1,135	1,643	2,132
Cash End of Period	625	1,135	1,643	2,132	2,633
BS Cash	625	1,135	1,643	2,132	2,633
CF Check	OK	OK	OK	OK	OK

Boyd Gaming
Common Size Income Statement

<i>Fiscal Years Ending Dec. 31</i>	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Net Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses:								
Gaming	28.3%	26.8%	25.4%	25.4%	25.2%	25.0%	24.8%	24.6%
Food & Beverage	6.5%	6.4%	6.5%	6.2%	6.4%	6.3%	6.2%	6.2%
Room	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Online	6.0%	9.6%	12.7%	13.0%	13.2%	13.3%	13.4%	13.5%
Other	1.3%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Management Fee	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SG&A	10.5%	10.4%	10.9%	10.7%	10.6%	10.6%	10.7%	10.7%
Master Lease Rent	3.0%	2.9%	2.8%	2.9%	2.9%	2.9%	2.9%	2.9%
Maintenance & Utilities	4.0%	4.0%	3.8%	4.0%	3.9%	3.9%	3.9%	3.9%
Depreciation	7.0%	6.4%	6.6%	7.1%	7.7%	8.0%	8.8%	9.2%
Amortization	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Corporate	3.3%	3.1%	2.9%	2.8%	2.8%	2.7%	2.7%	2.6%
Project Development	-0.5%	-0.2%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Impairment of Assets	1.1%	2.9%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Other Operating Items	-0.3%	-0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total Expenses:	72.4%	75.9%	76.4%	76.9%	77.4%	77.5%	78.1%	78.4%
EBIT	27.6%	24.1%	23.6%	23.1%	22.6%	22.5%	21.9%	21.6%
Interest Income	0.6%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Expense	-4.3%	-4.6%	-4.5%	-4.5%	-4.4%	-4.6%	-4.7%	-4.7%
Other, Net	-0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT	23.3%	20.1%	19.1%	18.6%	18.2%	17.9%	17.2%	17.0%
Income Tax Benefit (Provision)	-5.3%	-3.6%	-4.4%	-4.1%	-4.0%	-3.9%	-3.8%	-3.7%
Net Income	18.0%	16.6%	14.7%	14.5%	14.2%	14.0%	13.4%	13.2%

Boyd Gaming
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E
Cash & Equivalents	8.3%	8.3%	8.2%	15.6%	27.7%	39.3%	50.0%	60.6%
Receivables	3.1%	3.8%	4.1%	3.7%	3.9%	3.9%	3.8%	3.9%
Inventories	0.6%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%
Prepaid Expenses & Other	1.4%	1.6%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%
Total Current Assets	13.5%	14.2%	14.3%	21.3%	33.6%	45.2%	55.9%	66.5%
PPE, Net	67.3%	68.0%	68.2%	75.5%	81.3%	87.3%	92.1%	97.2%
Operating ROU Assets	23.4%	21.2%	18.7%	20.7%	22.3%	24.0%	25.3%	26.7%
Goodwill	29.1%	25.3%	24.4%	23.9%	23.4%	22.9%	22.5%	22.1%
Intangibles	40.1%	37.3%	35.4%	34.4%	33.2%	32.1%	31.1%	30.2%
LT Investments	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
DTA	6.4%	6.7%	5.9%	6.6%	7.1%	7.7%	8.3%	8.8%
Other	3.8%	1.5%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Total Assets	183.9%	174.5%	168.6%	184.1%	202.6%	220.9%	236.8%	253.2%
ST Debt & Curr. Portion LT Debt	3.7%	3.8%	3.7%	3.7%	3.8%	3.8%	3.8%	3.8%
Accounts Payable	3.7%	3.3%	3.3%	3.4%	3.4%	3.4%	3.4%	3.4%
Income Tax Payable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividends Payable	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Accrued Payroll	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Other	6.6%	6.2%	6.2%	6.3%	6.2%	6.2%	6.3%	6.2%
Total Current Liabilities	16.5%	16.0%	15.8%	16.0%	16.0%	16.0%	16.0%	16.0%
LT Debt	84.5%	76.8%	79.7%	77.9%	80.8%	83.9%	86.3%	89.0%
Operating Lease Liabilities	21.3%	19.0%	16.6%	18.6%	20.0%	21.4%	22.6%	23.8%
Deferred Tax Liabilities	15.3%	14.4%	14.8%	17.9%	20.7%	23.3%	25.3%	27.7%
Other Liabilities	1.5%	1.6%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%
Total Liabilities	139.1%	127.8%	128.3%	131.8%	139.0%	146.2%	151.7%	158.0%
Common Stock & Paid-In Capital	8.6%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%
Retained Earnings	36.2%	46.7%	40.3%	52.4%	63.6%	74.7%	85.1%	95.2%
Unrealized Gain/Loss Marketable Securities	0.0%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Total Shareholders' Equity	44.7%	46.7%	40.2%	52.3%	63.6%	74.7%	85.1%	95.1%
Liabilities + Equity	183.9%	174.5%	168.6%	184.1%	202.6%	220.9%	236.8%	253.2%
CHECK	OK	OK	OK	OK	OK	OK	OK	OK

Boyd Gaming
Value Driver Estimation

Fiscal Years Ending Dec. 31	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E
NOPLAT:								
Revenue	3,555	3,738	3,930	4,000	4,096	4,178	4,261	4,342
Less: Gaming Expenses	1,006	1,000	1,000	1,017	1,034	1,046	1,058	1,070
Less: Food & Beverage Expenses	231	241	254	249	261	262	266	268
Less: Room Expenses	68	73	78	78	80	82	84	85
Less: Online Expenses	214	359	498	519	539	554	570	585
Less: Other Expenses	46	46	51	51	52	54	54	56
Less: Management Fee	-	-	-	-	-	-	-	-
Less: SG&A	374	390	427	427	435	445	456	463
Less: Master Lease Rent	107	108	111	116	118	120	123	125
Less: Maintenance & Utilities	144	151	148	158	161	162	167	170
Less: Depreciation	248	240	260	285	314	334	373	401
Less: Amortization	10	17	17	16	16	16	16	16
Less: Corporate	117	116	114	114	115	115	115	115
Less: Project Development	(19)	(9)	29	29	30	30	31	32
Less: Other Operating Items	(12)	(4)	5	5	6	6	6	6
Plus: Implied Interest on Operating Leases	49	46	43	48	53	59	63	68
EBIT	1,071	1,056	981	982	989	1,010	1,006	1,019
Tax Rate	22.9%	17.6%	23.2%	22.0%	22.0%	22.0%	22.0%	22.0%
Provision for Income Taxes	189	133	174	163	164	165	161	162
Plus: Tax Shield on Implied Interest on Operating Leases	11	8	10	11	12	13	14	15
Plus: Tax Shield on Impairment of Assets	9	19	2	2	2	2	3	3
Plus: Tax Shield on Interest Expense	35	30	41	40	40	42	44	45
Less: Tax Shield on Interest Income	5	4	0	0	0	0	0	0
Less: Tax Shield on Other Income (Expense), Net	(5)	(0)	0	0	0	0	0	0
Adjusted Taxes	245	186	227	216	217	222	221	224
Change in Deferred Taxes	(283)	(71)	(43)	61	46	47	38	43
NOPLAT	543	799	711	827	817	835	822	838
Invested Capital (IC):								
Normal Cash	30	24	25	27	52	94	136	176
Receivables	112	141	162	147	158	163	162	167
Inventories	22	21	21	23	23	23	24	24
Prepaid Expenses & Other	49	59	56	58	61	61	62	64
Operating Current Assets	212	245	265	255	293	340	384	431
Accounts Payable	130	125	131	138	138	141	145	147
Income Tax Payable	-	-	-	-	-	-	-	-
Dividends Payable	15	16	15	16	16	17	16	16
Accrued Payroll	74	82	86	86	89	91	93	95
Operating Current Liabilities	219	223	232	240	244	249	253	258
Operating Working Capital	(7)	23	33	15	49	91	131	173
PPE, Net	2,394	2,543	2,679	3,019	3,330	3,646	3,923	4,222
Intangible Assets	1,427	1,393	1,391	1,375	1,358	1,342	1,326	1,310
ROU Assets	830	793	736	829	914	1,001	1,077	1,159
Other Assets	134	55	55	56	57	58	59	60
Long-Term Operating Assets	2,392	2,241	2,181	2,259	2,329	2,401	2,463	2,530
Long-Term Operating Liabilities	52	61	56	61	63	62	64	66
Invested Capital	4,727	4,745	4,837	5,233	5,646	6,076	6,452	6,860
Free Cash Flow (FCF):								
NOPLAT	543	799	711	827	817	835	822	838
Change in IC	63	18	92	396	413	430	376	407
FCF	480	780	619	431	404	405	446	431
Return on Invested Capital (ROIC):								
NOPLAT	543	799	711	827	817	835	822	838
Beginning IC	4,664	4,727	4,745	4,837	5,233	5,646	6,076	6,452
ROIC	11.63%	16.89%	14.98%	17.10%	15.61%	14.79%	13.54%	12.99%
Economic Profit (EP):								
Beginning IC	4,664	4,727	4,745	4,837	5,233	5,646	6,076	6,452
x (ROIC - WACC)	2.51%	7.77%	5.86%	7.98%	6.49%	5.66%	4.41%	3.87%
EP	117	367	278	386	340	320	268	250

Boyd Gaming

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.34%
Beta	1.55
Equity Risk Premium	5.00%
Cost of Equity	12.09%

ASSUMPTIONS:

10yr. Treasury Yield (4/17/2025)

5yr. Monthly Beta

Domodaran ERP Estimate

Cost of Debt:

Risk-Free Rate	4.34%
Implied Default Premium	1.51%
Pre-Tax Cost of Debt	5.85%
Marginal Tax Rate	22%
After-Tax Cost of Debt	4.56%

10yr. Treasury Yield (4/17/2025)

Rate Sourced from FactSet

Market Value of Common Equity:

Total Shares Outstanding	93
Current Stock Price	\$64.68
MV of Equity	6,035.55

MV Weights

60.56%

Market Value of Debt:

Current Portion of LTD + ST Debt	147
Long-Term Debt	3,133
PV of Operating Leases	652
MV of Total Debt	3,931.20

39.44%

Market Value of the Firm

9,966.75 100.00%

Estimated WACC 9.12%

Boyd Gaming

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	3.00%
CV Year ROIC	12.99%
WACC	9.12%
Cost of Equity	12.09%
CV Year NOPLAT	838

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E
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DCF Model:

Free Cash Flow (FCF)	431	404	405	446	431
Continuing Value (CV)					10,528
PV of FCF	395	339	312	315	7,426
Value of Operating Assets:	8,786				
Non-Operating Adjustments					
Plus: LT Investments	12				
Plus: Excess Cash	295				
Less: Total Debt	(3,931)				
Less: ESOP	(4)				
Value of Equity	5,158				
Shares Outstanding	93				
Intrinsic Value of Last FYE	\$ 55.27				
Implied Price as of Today	\$ 56.02				

EP Model:

Economic Profit (EP)	386	340	320	268	250
Continuing Value (CV)					4076
PV of EP	354	285	246	189	2875
Total PV of EP	3,949				
Invested Capital (last FYE)	4,837				
Value of Operating Assets:	8,786				
Non-Operating Adjustments					
Plus: LT Investments	12				
Plus: Excess Cash	295				
Less: Total Debt	(3,931)				
Less: ESOP	(4)				
Value of Equity	5,158				
Shares Outstanding	93				
Intrinsic Value of Last FYE	\$ 55.27				
Implied Price as of Today	\$ 56.02				

Boyd Gaming

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2025E	2026E	2027E	2028E	2029E
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EPS	\$ 6.53	\$ 6.81	\$ 7.06	\$ 7.28	\$ 7.69
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Key Assumptions

CV growth of EPS	3.00%
CV Year ROE	15.85%
Cost of Equity	12.09%

Future Cash Flows

P/E Multiple (CV Year)					8.92
EPS (CV Year)					\$ 7.69
Future Stock Price					\$ 68.57
Dividends Per Share	0.72	0.76	0.80	0.82	
Discounted Cash Flows	0.64	0.60	0.57	0.52	43.43

Intrinsic Value as of Last FYE	\$ 45.77
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Implied Price as of Today	\$ 46.38
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Boyd Gaming

Relative Valuation Models

Ticker	Company	Price	EPS 2025E	EPS 2026E	P/E 24	P/E 25	SPS 2025E	SPS 2026E	P/S 25	P/S 26	Enterprise Value	EBITDA 2025E	EBITDA 2026E	EV/EBITDA 2025E	EV/EBITDA 2026E		
CZR	Caesars Entertainment	\$25.51	\$0.80	\$1.56	31.89	16.35	53.61	54.85	0.48	0.47	16784	3839	3902	4.37	4.30		
MGM	MGM Resorts	\$28.90	\$2.24	\$2.74	12.90	10.55	55.90	57.06	0.52	0.51	12600	3104	3400	4.06	3.71		
DKNG	Draft Kings	\$33.61	\$1.23	\$2.09	27.33	16.08	13.28	15.72	2.53	2.14	18103	928	1499	19.51	12.08		
LVS	Las Vegas Sands	\$32.77	\$2.68	\$3.01	12.23	10.89	16.53	17.49	1.98	1.87	33586	4860	5266	6.91	6.38		
WYNN	Wynn Resorts	\$74.77	\$5.25	\$5.49	14.24	13.62	64.47	66.20	1.16	1.13	18444	2300	2380	8.02	7.75		
					Mean	13.07	12.45			Mean	0.86	0.83			Mean	8.57	6.84

BYD	Boyd Gaming	\$64.68	6.53	6.81	9.90	9.49	42.86	43.89	1.51	1.47	9645	1225	1255	7.87	7.69
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Implied Relative Value:

P/E (EPS25)	\$	85.40
P/E (EPS26)	\$	84.85
P/S (25)	\$	36.97
P/S (26)	\$	36.51
EV/EBITDA (25)	\$	77.09
EV/EBITDA (26)	\$	62.05

Boyd Gaming*Key Management Ratios*

<i>Fiscal Years Ending Dec. 31</i>	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Liquidity Ratios:								
Current Ratio (CA/CL)	0.8	0.9	0.9	1.3	2.1	2.8	3.5	4.2
Quick Ratio ((Cash + A/R)/CL)	0.7	0.8	0.8	1.2	2.0	2.7	3.4	4.0
Cash Ratio (Cash/CL)	0.5	0.5	0.5	1.0	1.7	2.5	3.1	3.8
FCF Conversion (FCF/EBITDA)	38.7%	67.3%	51.4%	35.2%	32.2%	31.4%	33.8%	31.7%
Asset-Management Ratios:								
Inventory Turnover (COGS/Inventory)	70.6	83.1	88.6	83.6	86.4	86.0	84.9	85.2
Days Sales Outstanding ((Beg. A/R / Sales)*365)	9.2	10.9	13.1	14.8	13.1	13.8	13.9	13.7
Asset Turnover (Sales / Beg. TA)	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.4
Financial Leverage Ratios:								
Debt/Capital (Total Debt/Total Capital)	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.6
D/E Ratio (TL/TSE)	3.1	2.7	3.2	2.5	2.2	2.0	1.8	1.7
Interest Coverage (EBIT/Interest Expense)	6.5	5.3	5.2	5.1	5.1	4.9	4.7	4.6
Profitability Ratios:								
Gross Margin (Gross Profit / Sales)	56.0%	54.0%	52.2%	52.1%	52.0%	52.2%	52.3%	52.5%
Operating Margin (EBIT/Sales)	27.6%	24.1%	23.6%	23.1%	22.6%	22.5%	21.9%	21.6%
Profit Margin (NI/Sales)	18.0%	16.6%	14.7%	14.5%	14.2%	14.0%	13.4%	13.2%
Return on Assets (NI/Beg. TA)	10.3%	9.5%	8.9%	8.7%	7.9%	7.0%	6.2%	5.7%
Return on Equity (NI/Beg. TSE)	41.6%	39.0%	33.1%	36.6%	27.8%	22.4%	18.3%	15.9%
ROIC (NOPLAT/Beg. Invested Capital)	11.6%	16.9%	15.0%	17.1%	15.6%	14.8%	13.5%	13.0%
Payout Policy Ratios:								
Dividend Payout Ratio (Dividend/EPS)	10.2%	10.5%	11.0%	11.0%	11.2%	11.3%	11.2%	11.4%
FCF Payout Ratio (Divs. / FCF)	13.6%	8.3%	10.2%	14.8%	16.1%	16.4%	14.3%	15.3%

Boyd Gaming*Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares):	76
Average Time to Maturity (years):	<u>1.94</u>
Expected Annual Number of Options Exercised:	39

Current Average Strike Price:	\$ 16.56
Cost of Equity:	12.09%
Current Stock Price:	\$64.68

<i>Fiscal Years Ending Dec. 31</i>	2025E	2026E	2027E	2028E	2029E
Increase in Shares Outstanding:	0.04	0.04	0	0	0
Average Strike Price:	\$ 16.56	\$ 16.56	\$ 16.56	\$ 16.56	\$ 16.56
Increase in Common Stock Account:	1	1	-	-	-
Share Repurchases (\$)	300	250	200	375	375
Expected Price of Repurchased Shares:	\$ 64.68	\$ 71.94	\$ 80.01	\$ 88.99	\$ 98.97
Number of Shares Repurchased:	5	3	2	4	4
Shares Outstanding (beginning of the year)	93	89	85	83	79
Plus: Shares Issued Through ESOP	0	0	0	0	0
Less: Shares Repurchased in Treasury	5	3	2	4	4
Shares Outstanding (end of the year)	89	85	83	79	75

Boyd Gaming

Valuation of Options Granted under ESOP

Current Stock Price	\$64.68
Risk Free Rate	4.34%
Current Dividend Yield	0.87%
Annualized St. Dev. of Stock Returns	26.91%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
\$11.57	23	11.57	0.90	\$ 53.05	\$ 1.24
\$17.75	29	17.75	2.90	\$ 47.42	\$ 1.36
\$19.98	24	19.98	1.80	\$ 45.20	\$ 1.10
Total	76	\$ 16.56	1.94	\$ 49.45	\$ 3.70