

Boyd Gaming's Regional Casino Strategy Is About to Get Even Better -- The Motley Fool

Written by Administrator
Monday, 01 January 2018 10:33 -

Boyd Gaming ([NYSE:BYD](#)) keeps upping the ante on regional casino gambling and the bets keep paying off. It continues to burnish its reputation as one of the premiere names in casinos not located on the Las Vegas Strip or in Atlantic City.

Boyd's latest wager is on four properties owned by **Pinnacle Entertainment** ([NASDAQ:PNK](#)), which

[agreed to be bought out](#)

by

Penn National Gaming

(

[NASDAQ:PENN](#)

)

and divest casinos in Missouri, Indiana, and Ohio. Boyd separately announced it was also buying the Valley Forge Casino Resort in King of Prussia, Pennsylvania.



Image source: Getty Images.

Catering to the locals

While Las Vegas commands most of the headlines, the shadow it casts allows smaller operators to grow relatively undisturbed out of the spotlight. Even though **Las Vegas Sands**, **MGM Resorts**

, **Wynn Resorts**

, and

Caesars Entertainment

all operate properties away from the glitz of the Strip or the Boardwalk, they still derive the lion's share of their revenues from those marquee destinations.

Boyd, Penn National, and **Eldorado Resorts** ([NASDAQ:ERI](#)) make their money servicing the

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gambling demands of other locales, with Boyd being the biggest by market capitalization, though Penn generates more revenues. That supremacy should continue with its acquisition of Pinnacle, which, when the deal is completed, will give Penn National 41 properties across 20 jurisdictions operating approximately 53,500 slot machines, 1,300 tables, and having 8,300 hotel rooms.

Yet as part of the transaction, and to ease any antitrust concerns regulators might have, Boyd will buy from **Gaming & Leisure Properties** ([NASDAQ:GLPI](https://www.nasdaq.com/markets/stocks/quotes/GLPI)) -- the real estate investment trust that owns Penn National's properties -- the Ameristar St. Charles and the Ameristar Kansas City in Missouri, the Belterra Casino Resort in Indiana, and Belterra Park in Cincinnati. [Boyd will pay \\$575 million for the quartet](#)

The acquisition gives Boyd the chance to further diversify its geography and expand its customer base. It currently owns and operates 24 properties in Nevada, Illinois, Indiana, Iowa, Kansas, Louisiana, and Mississippi. The benefit, of course, is that if any one region suffers a hardship, the others can sustain it.



Image source: Ameristar St. Charles.

Gambling is still a growth industry

Boyd's gaming revenues are up 10% this year, helped along by previous acquisitions it made, and it has enjoyed double-digit growth in adjusted earnings before interest, taxes, depreciation, and amortization in the third quarter. Had it not been for Hurricane Harvey, it would have seen such growth across the board.

Conversely, Penn National's gaming revenues are just 3% higher year to date, and Eldorado saw revenues drop 1% as a result of getting slammed by both hurricanes this year. But having acquired Isle of Capri Casinos in May, it is looking for its own growth spurt.

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Boyd is also buying into the Pennsylvania market with its purchase of Valley Forge Casino Resort for \$280.5 million, and it expects the acquisition to be free cash flow positive and immediately accretive to earnings.

A net plus

That's good, because the spending spree has ratings agency **Moody's** concerned the casino operator has about tapped itself out. It worries Boyd won't be able to maintain a debt-to-EBITDA ratio below 5.25 times to warrant a higher rating, but admits the acquisitions are beneficial long term.

"From a strategic point of view, however, there is a credit positive element to the [*sic*] these acquisitions in that they are consistent with Boyd's geographic diversification plans, something Moody's believes will be beneficial to the company over the longer-term," said Moody's Senior Vice President Keith Foley.

With shares of Boyd Gaming up 76% year to date, it seems this regional gambling player is on a hot streak that ought to continue.

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