

BofA Slashes Casino Price Targets, Sees Buying Opportunities

Written by Administrator
Thursday, 19 March 2020 12:13 -

Casino stocks have been among the hardest hit during the COVID-19 market sell-off due to mandatory shutdowns around the country and heavy debt loads among leading operators.

On Thursday, BofA Securities slashed its price targets for the casino group, but said there are buying opportunities among the carnage.

The Analyst

[Shaun Kelley](#) made the following adjustments to his casino stock coverage on Thursday:

- **Wynn Resorts, Limited** (NASDAQ: [WYNN](#)), reiterated Buy rating, cut price target from \$135 to \$85.
- **Las Vegas Sands Corp.** (NYSE: [LVS](#)), reiterated Buy rating, cut price target from \$67 to \$61.
- **Boyd Gaming Corporation** (NYSE: [BYD](#)), reiterated Buy rating, cut price target from \$38 to \$22.
- **Penn National Gaming, Inc** (NASDAQ: [PENN](#)), reiterated Buy rating, cut price target from \$39 to \$12.
- **MGM Resorts International** (NYSE: [MGM](#)), reiterated Neutral rating, cut price target from \$35 to \$14.
- **Eldorado Resorts Inc** (NASDAQ: [ERI](#)), reiterated Neutral rating, cut price target from \$63 to \$15.
- **Red Rock Resorts Inc** (NASDAQ: [RRR](#)), reiterated Neutral rating, cut price target from \$27 to \$9.

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The Thesis

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Despite the near-term headwinds for casino stocks, Kelley said there are still themes he likes within the space.

Kelley is bullish on U.S. gaming companies with exposure to the Macau market, such as Wynn. He's also bullish on Penn National as the highest-beta U.S. casino stock in the event of a recovery. Kelley names Boyd as the lowest-risk casino stock given its strong balance sheet. Finally, Kelley said gaming REITs, such as **Gaming and Leisure Properties Inc** (NASDAQ: [GLPI](#))

) and

VICI Properties Inc

(NYSE:

[VICI](#)

), provide security for investors.

Kelley said his new estimates and price targets for casino stocks are not based on shutdown-driven projections given he believes shutdowns are only temporary. Instead, they're based on updated 2021 recession-level earnings outlooks, which he said triggered the aggressive price target cuts.

"That said, our stocks are already pricing in significant liquidity concerns and we have long been aware of the financial/operational leverage in these companies," Kelley wrote in a note.

Benzinga's Take

Kelley said U.S. casino stocks with exposure to Macau are the "best positioned for a recovery" in the near-term. That makes sense given Macau casinos are back up and running already and is good news for Wynn and Las Vegas Sands in particular.

Do you agree with this take? Email feedback@benzinga.com with your thoughts.

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