

Coronavirus Outbreak Spells Doom for Gambling/Casino Stocks

Written by Administrator
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Major stock indexes worldwide are jittery over the coronavirus outbreak. In the United States, the NYSE, NASDAQ and S&P 500 have declined 28.4%, 19.1% and 23.2%, respectively, since mid-January. Situations are unlikely to get better soon as the number of infected and fatal cases is rising in the country despite the government's sincere efforts to contain the pandemic.

Several companies — especially belonging to airline, tourism, chemical, hotels and motels industries — have lost their growth momentum. Gambling/casino stocks have also been affected by the pandemic.

Notably, gambling stocks are grouped under the Zacks Gaming industry, which has recorded a decline of 48.6% since mid-January. It is worth noting here that the gaming industry is currently at the bottom 43% (with the rank of 145) of more than 250 Zacks industries.

Let us see the pandemic's impact on the global markets.

Impacts of Coronavirus Outbreak on Gambling Stocks

Favorite gambling destinations globally include Macau, Las Vegas, Nevada and Singapore. The pandemic has forced casino operators to take stringent measures. While many casinos have opted for shutting down operations, a few players have considered laying-off workers to lower the financial burden.

We believe that prolonged shut-downs due to the pandemic are bound to drain casinos' liquid resources and impact financials. Also, getting back to normal operations might take some time

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after the pandemic-related restrictions are lifted.

The decline in Macau's, which is considered the hottest gambling destination in the world, casino revenues is concerning. Per the official data, Macau's casino gross gaming revenue (GGR) in March contracted 79.7% from the year-ago comparable month. The decline primarily reflects the adverse impacts of lower visitors due to the pandemic-induced travel restrictions. Also, Macau's accumulated gross revenues were down 60% year over year in March as compared with a decline of 49.9% in February and 11.3% in January.

We believe that the prevalent headwinds have affected growth momentum of the majority of the gambling stocks. Since mid-January, share price of most of the gambling players have decreased sharply, while earnings estimates for many have been lowered. Below we discussed the impacts of the outbreak on some major players in the gambling space.

Badly Impacted Gambling Players

Based in Las-Vegas, PlayAGS, Inc. AGS seems to be the worst hit since mid-January, with shares plunging 86.1% compared with the industry's decline of 48.6% during the same time frame. The Zacks Rank #3 (Hold) company primarily manufactures Class III electronic gaming machines, table games and other equipment for use in casinos. You can see **the complete list of today's Zacks #1 Rank (Strong Buy) stocks here**

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In the past 60 days, earnings estimates for PlayAGS have been lowered by 52.8% for 2020 and 48.6% for 2021. The price performance of the company and a few other gambling stocks are visible in the chart below:

Eldorado Resorts, Inc.'s ERI share price has decreased more than 80% since mid-January. The Nevada-based company engages in providing casino (including casino games) and entertainment services. Its earnings estimates have been lowered by 0.5% for 2020 and 29%

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for 2021 in the past 60 days.

The Zacks Rank #3 gambling company is in the process of taking over Las Vegas-based Caesars Entertainment Corporation CZR this year.

Caesars Entertainment, with shares down 52.3% since mid-January, owns and operates casino resorts, and provides services related to casino entertainment. It currently carries a Zacks Rank #3. The company's bottom-line estimates are pegged at a loss per share of 7 cents for 2020 and a loss of 2 cents for 2021. The estimates compare unfavorably with the break-even point stated for 2020 and earnings of 7 cents per share for 2021 mentioned a couple of months ago.

Another Zacks Rank #3 gambling company, MGM Resorts International's MGM shares have declined 65.2% since mid-January. The holding company, through its subsidiaries, owns and operates casino resorts. The earnings estimates of this Las Vegas-based company have also been lowered in the past 60 days, with declines of 67.4% suggested for 2020 and 21.9% for 2021.

In addition to the abovementioned stocks, we have three gambling stocks — including Century Casinos, Inc. CNTY, Wynn Resorts, Limited WYNN and Las Vegas Sands Corp. LVS — which presently carry a Zacks Rank #4 (Sell).

Based in Colorado, Century Casinos' shares have declined 74% since mid-January. It has limited stakes in gaming casino in Cripple Creek, CO. In the past 60 days, its earnings estimates have been declined 3.6% for 2020 and 3.1% for 2021.

Wynn Resorts' shares have fallen 64.9% since mid-January. Its earnings estimates have been lowered in the past couple of months. For 2020, The company's estimates have been declined from earnings of \$5.56 per share to a loss of 9 cents for 2020. Also, earnings estimates for 2021 have been lowered by 29.2%. The company is based in Las Vegas, and owns and operates casino resorts.

Las Vegas Sands, based in Las Vegas, owns and operates casino resorts and other properties.

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Its shares have declined 44.6% since mid-January. In the past 60 days, its earnings estimates have been lowered by 15.5% for 2020 and 6% for 2021.

Looking for Stocks with Skyrocketing Upside?

Zacks has just released a Special Report on the booming investment opportunities of legal marijuana.

Ignited by new referendums and legislation, this industry is expected to blast from an already robust \$6.7 billion to \$20.2 billion in 2021. Early investors stand to make a killing, but you have to be ready to act and know just where to look.

See the pot trades we're targeting>>

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