

Insight: Why Different Regions Garner Differing Valuation Ranges

Valuations for gaming companies are based on many different factors however there are several key indicators that are more significant in determining value. These factors include size and scale, exclusivity and operating history and regulatory environment. To illustrate the differences of how gaming companies are valued, we categorized gaming companies by geographic locale as follows:

I. International and Asian Operators

- Markets include Las Vegas and Macau
- More stable because they attract a wealthier demographic from larger distances
- Casino infrastructure in LV and Macau tend to be larger, creating barriers for new competitors
- Operators tend to be larger and better capitalized
- Valuations tend to be the highest at 10.0x-14.0x

II. Australian Operators

- Australian casinos are comparable in size to those in Las Vegas and Macau
- There are only three publicly held land based gaming companies in this region
- There is a limited regulatory risk because there are limited licenses
- For example there is only one casino in Melbourne, the most populous city
- Valuations are between 9.0x-12.0x

III. US Regional Operators

- Companies in this category tend to operate multiple smaller properties often in limited license markets
- Lower valuation reflects smaller capital investment and often higher financial leverage (especially operators leasing real estate from gaming REIT's) thereby increasing equity risks to investors
- These markets depend on a lower value local customer then Las Vegas which depends on destination customer
- Valuations are supported by greater diversification as these companies tend to have assets in multiple jurisdictions
- Valuations are between 6.5x – 9.0x

IV. US Microcap Operators

- Lower valuation relates to small size and capitalization of the owners of these casinos
- Small regional casinos are most vulnerable to local market volatility
- Subject to limited liquidity as many investors are restricted from microcap investing
- Valuations are between 4.5x-6.5x

V. Emerging Markets Operators

- Casinos located in jurisdictions with short gaming history and limited regulation
- Regions include tertiary Asian markets and Latin America
- Gaming regulation is limited and is often not enforced; there are concerns of corruption
- Often, casinos in these regions depend on patrons ability to cross the border with cash
- Valuations are between 4.0x-6.0x

On the next page we illustrate valuation multiples for gaming companies in each of the five geographic categories.

NOTE: To access Gaming industry analytics please visit our website at www.spectrumgamingcapital.com/analytics. There we provide equity and debt comparisons for global gaming companies and gaming technology companies, a list of recent debt financings and a list of recent M&A transactions, updated weekly.

RELATIVE VALUATION OF PUBLIC GAMING COMPANIES

(\$ Millions)	Company	Ticker	Shares Outs.	Price	Market Cap	Net Debt	Enterprise Value	2016E EBITDA	EV/EBITDA 2016
International Operators									
	Las Vegas Sands Corp	LVS	795	\$57.43	45,657	7,674	53,331	3,863	13.8x
	MGM Resorts International	MGM	565	\$25.26	14,272	11,264	25,536	2,299	11.1x
	Wynn Resorts	WYNN	102	\$104.97	10,707	7,123	<u>17,830</u>	<u>1,285</u>	<u>13.9x</u>
	Median						25,536	2,299	13.8x
Asian Operators									
	Wynn Macau	1128-HK	5196	\$1.79	9,301	3,188	12,489	679	18.4x (1)
	Sands China	1928-HK	8070	\$4.67	37,687	2,094	39,781	2,108	18.9x (1)
	SJM Holdings	880-HK	5657	\$0.79	4,463	1,344	5,807	444	13.1x
	Melco Crown	MPEL	544	\$15.34	8,345	2,005	10,350	939	11.0x
	Galaxy Entertainment	27-HK	4,265	\$3.83	16,318	(910)	15,408	1,220	12.6x
	Kangwon Land Corporation	035250-KR	214	\$34.33	7,344	(1,904)	5,440	635	8.6x
	Macau Legend	1680-HK	6,302	\$0.11	706	103	809	40	20.3x (1)
	Paradise Co. Ltd	034230-KR	91	\$14.35	1,305	(98)	1,207	105	11.5x
	Grand Korea Leisure	114090-KR	62	\$22.17	1,371	(439)	932	137	6.8x
	Bloomerry	BLOOM-PH	11,002	\$0.11	1,229	459	<u>1,688</u>	<u>199</u>	<u>8.5x</u>
	Median						5,623	539	12.1x
Australian Operators									
	Crown Resorts	CWN-AU	728	\$8.62	6,279	2,034	8,312	667	12.5x (1)
	Echo Entertainment Group	SGR-AU	826	\$4.47	3,690	487	4,177	432	9.7x
	Sky City Entertainment	SKC-NZ	657	\$3.43	2,254	433	<u>2,686</u>	<u>256</u>	<u>10.5x</u>
	Median						4,177	432	10.5x
US Regional									
	Penn National Gaming	PENN	82	\$13.16	1,079	5,032	6,111	851	7.2x
	Pinnacle Entertainment	PNK	61	\$11.72	715	3,404	4,119	660	6.2x
	Boyd Gaming	BYD	112	\$18.65	2,089	3,047	5,136	649	7.9x
	ElDorado	ERI	47	\$13.95	657	787	1,444	175	8.3x
	Isle of Capri	ISLE	41	\$22.05	904	841	<u>1,745</u>	<u>216</u>	<u>8.1x</u>
	Median						4,119	649	7.9x
US Microcap									
	Full House Resorts	FLL	19	\$1.76	33	51	84	19	4.4x
	Century Casinos	CNTY	24	\$6.38	156	8	164	26	6.3x
	Golden Entertainment	GDEN	22	\$12.85	284	108	392	47	8.3x
	Nevada Gold	UWN	18	\$1.72	31	10	<u>40</u>	<u>7</u>	<u>5.8x</u>
	Median						124	23	6.0x
Emerging Markets									
	Donaco Entertainment	DNA-AU	831	\$0.32	270	65	335	71	4.7x
	NagaWorld	3918-HK	2,270	\$0.68	1,540	(143)	<u>1,397</u>	<u>252</u>	<u>5.5x</u>
	Median						866	162	5.1x

(1) Higher than normal due to construction-in-progress

Source: Factset, Bloomberg, First Call

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