

Consumer Spring Training Teach-In

Gaming & Lodging Primer

MORGAN STANLEY RESEARCH
North America

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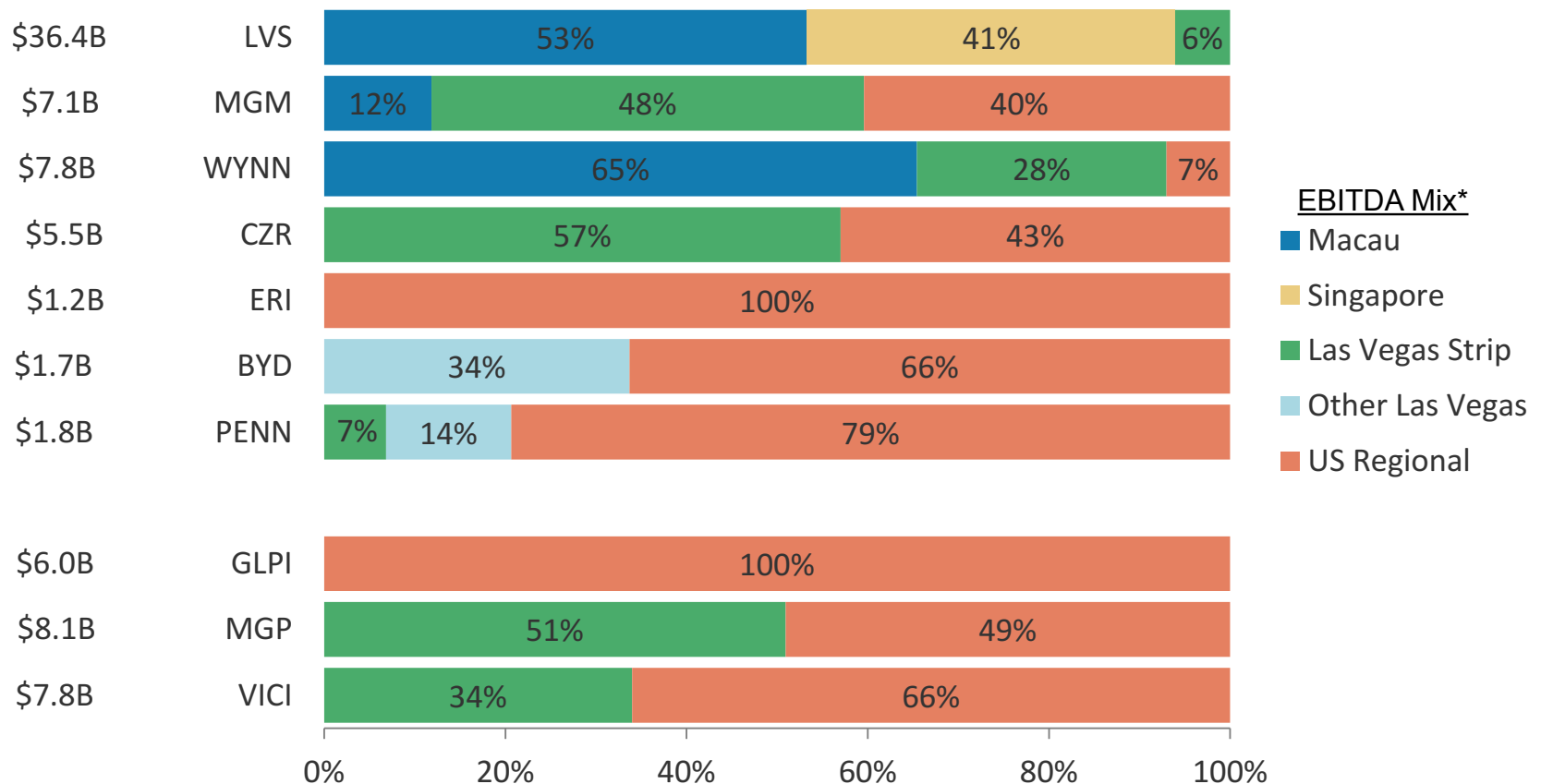
This report was originally published on May 5, 2020 as part of a larger Consumer Spring Training session report. Stock recommendations, stock prices, and price targets in this report are as of April 27, 2020, unless otherwise noted.

Gaming



Who Are the Gaming Companies We Cover?

Mkt Cap



Source: Company Data, Morgan Stanley Research estimates

*Adjusted for Macau ownership stakes

May 2020

Consumer Spring Training Teach-In

Ratings / Theses

- **BYD** (OW) Regional gaming revenue (~65% of BYD's EBITDAR) should recover quicker from COVID-19; well-positioned to benefit from sports betting; trading below historical multiple
- **DKNG** (OW) Best-in-breed for US Sports Betting and iGaming; see mkt growing from <\$1.5B in 2019 to \$12B in 2025; COVID-19 likely to push states to legalize more, expect DKNG to achieve 20% share
- **ERI** (OW) Regional casino markets should recover quicker from COVID-19; opp to monetize sports betting assets and sell a LV Strip asset; confident can achieve targeted CZR synergies
- **GLPI** (OW) Regional casino markets should recover quicker from COVID-19 headwinds; attractive ~10% dividend yield; less cyclicity at tenants makes valuation attractive vs. peers
- **PENN** (OW) Strongly-positioned for sports betting opp given Barstool partnership, market access partners, and additional skins; regionals should recover from COVID-19 quicker than other markets
- **VICI** (OW) Regional casinos should recover quicker from COVID-19; largest, most visible growth pipeline (multiple ROFRs and options) of Gaming REITs, acquired 10 of last 15 assets in space
- **CZR** (EW) Vegas likely have a slower recovery from COVID-19; stock driven by CZR-ERI deal close; while significant upside to implied deal price, also downside if deal falls apart
- **LVS** (EW) Macau mass mkt gaming market play, supported by 44% hotel room share; Macau should recover quicker from COVID-19 but expect VIP/Premium Mass to lead the recovery
- **MGM** (EW) Vegas casino market recovery from COVID-19 headwinds could take time; long-term MGM should benefit from Vegas tailwinds such as the Raiders moving in
- **MGP** (EW) Strongest tenant liquidity; others sellers reluctant to sell to MGP given MGM ownership but BX JV to help; Vegas market recovery from COVID-19 may take some time, Regional recovery faster
- **WYNN** (EW) Macau and Vegas recoveries from COVID-19 likely to take time but VIP/Premium Mass focus makes better positioned than LVS

DKNG rating as of April 30, 2020

Macau

Companies Impacted:

US Coverage

- LVS
- MGM
- WYNN

HK Coverage*

- Galaxy Entertainment (0027.HK)
- Melco Resorts & Entertainment (MLCO.O)
- SJM Holdings(0880.HK)
- Sands China (1928.HK)
- MGM China Holdings (2282.HK)
- Wynn Macau (1128.HK)

* Covered by Morgan Stanley analyst Praveen Choudhary

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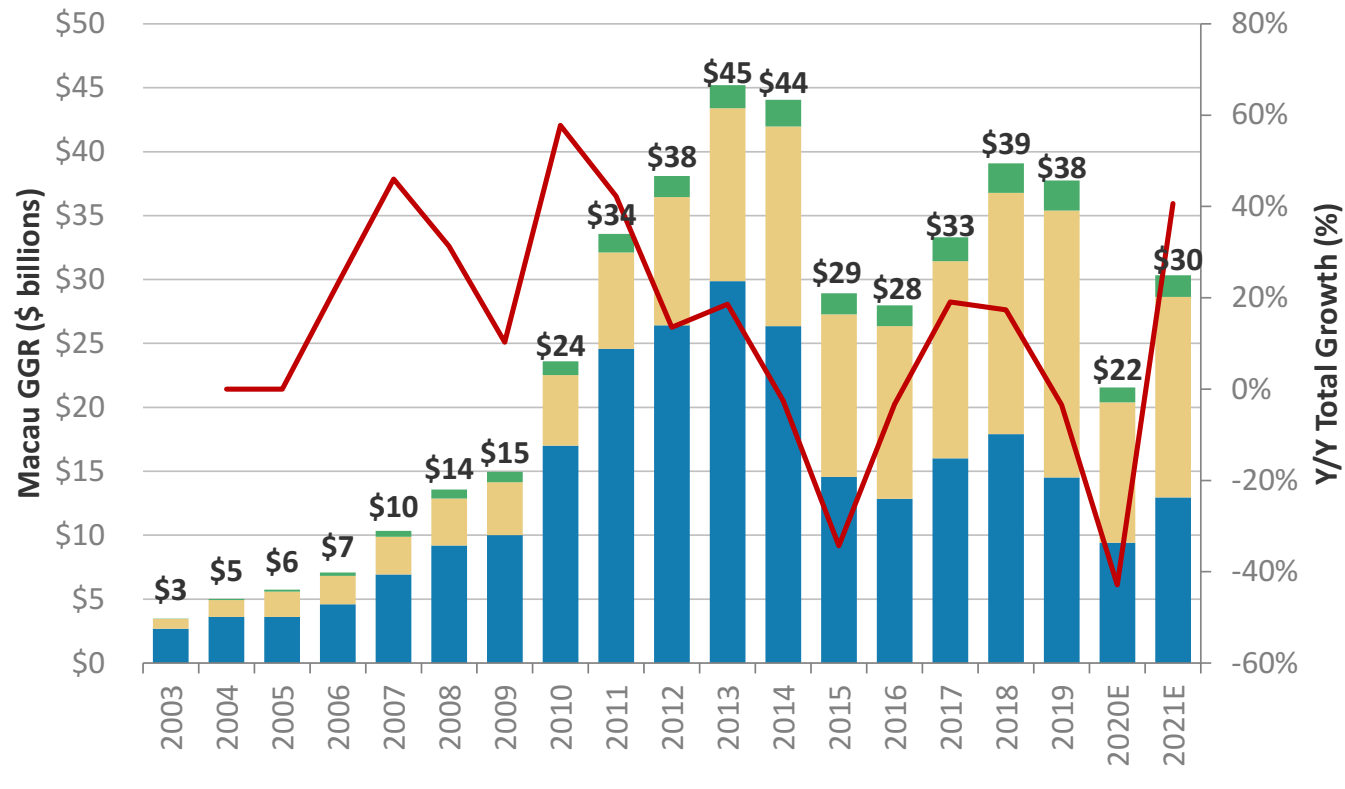
What Is Macau? A Special Administrative Region (SAR) of China, similar to Hong Kong



Source: Magellan Geographix, Morgan Stanley Research

Macau: Only Place in Greater China Legal to Gamble

Macau 2019 Gaming Revenue: \$38 billion; Las Vegas \$7 billion. Sands broke SJM monopoly in 2004, market peaked in 2013 at \$45 billion, then dropped to \$28 billion in 2016 on account of the China corruption crackdown. We expect minimal growth in 2019 because of China macro.

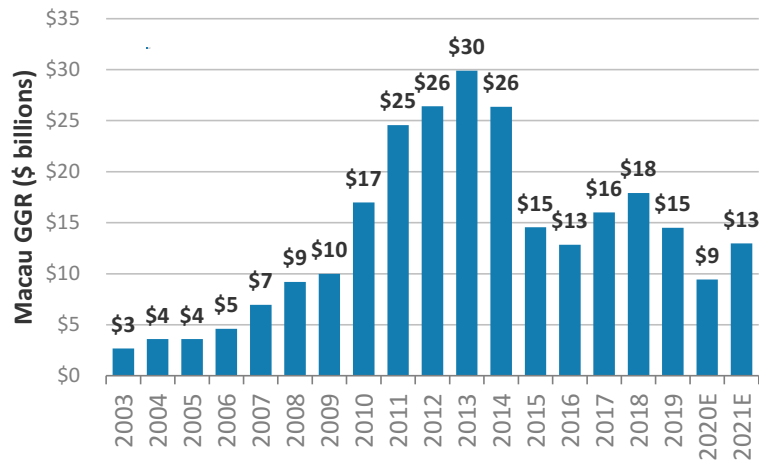


Source: Macau DSEC, Macau DICJ, Company data

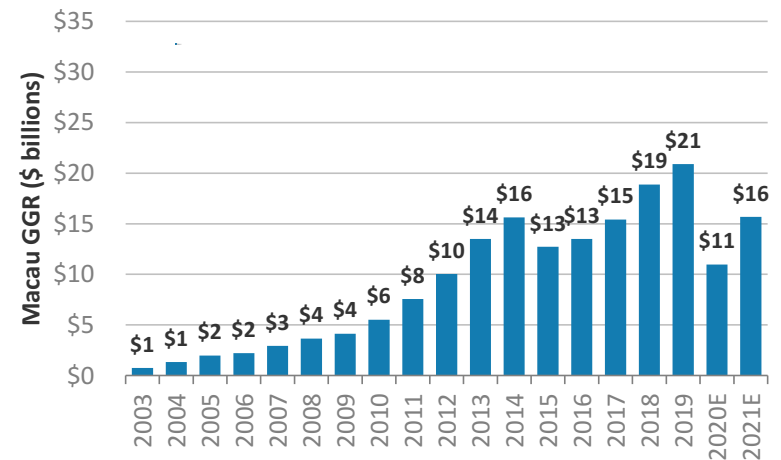
Macau: Market Is ~90% Gaming. Within Gaming, Two Sub-segments, VIP and Mass

Mass outpaced VIP in 2019. We expect VIP to recover quicker from COVID-19, but MT growth more mass mkt

VIP Market



Mass Market



Number of tables: ~1,400
2019 win/table/day: ~\$33,000
2019 growth: (19)%
Margins: 10-15%
Top 5 VIP Properties (based on 2019 gross revenue)
 Galaxy Cotai (Galaxy)
 City of Dreams (MLCO)
 Wynn Palace (WYNN)
 Wynn Macau (WYNN)
 Grand Lisboa (SJM)

Number of tables: ~5,300
2019 win/table/day: ~\$9,200
2019 growth: +11%
Margins: ~40%
Top 5 Mass Properties (based on 2019 gross revenue)
 Galaxy Cotai (Galaxy)
 Venetian Macau (LVS)
 City of Dreams (MLCO)
 Sands Cotai Central (LVS)
 Wynn Palace (WYNN)

Source: Macau DSEC, Macau DICJ, Company data, Morgan Stanley Research estimates

Macau Drivers / Headwinds

-
- Fundamental drivers**
1. **China macro / sentiment** – Growing PCE, liquidity, and outbound tourism key positives
 2. **Hotel room / gaming capacity** – Significant new supply opened / opening in 2015-2021
 3. **Infrastructure improvement** – Ferry terminal expansion (May 2017), Macau-Zhuhai-HK bridge (Oct 2018), Hengqin train station (Nov 2019), and Cotai Light Rapid Transit (Dec 2019)
 4. **Junket liquidity and availability of capital**

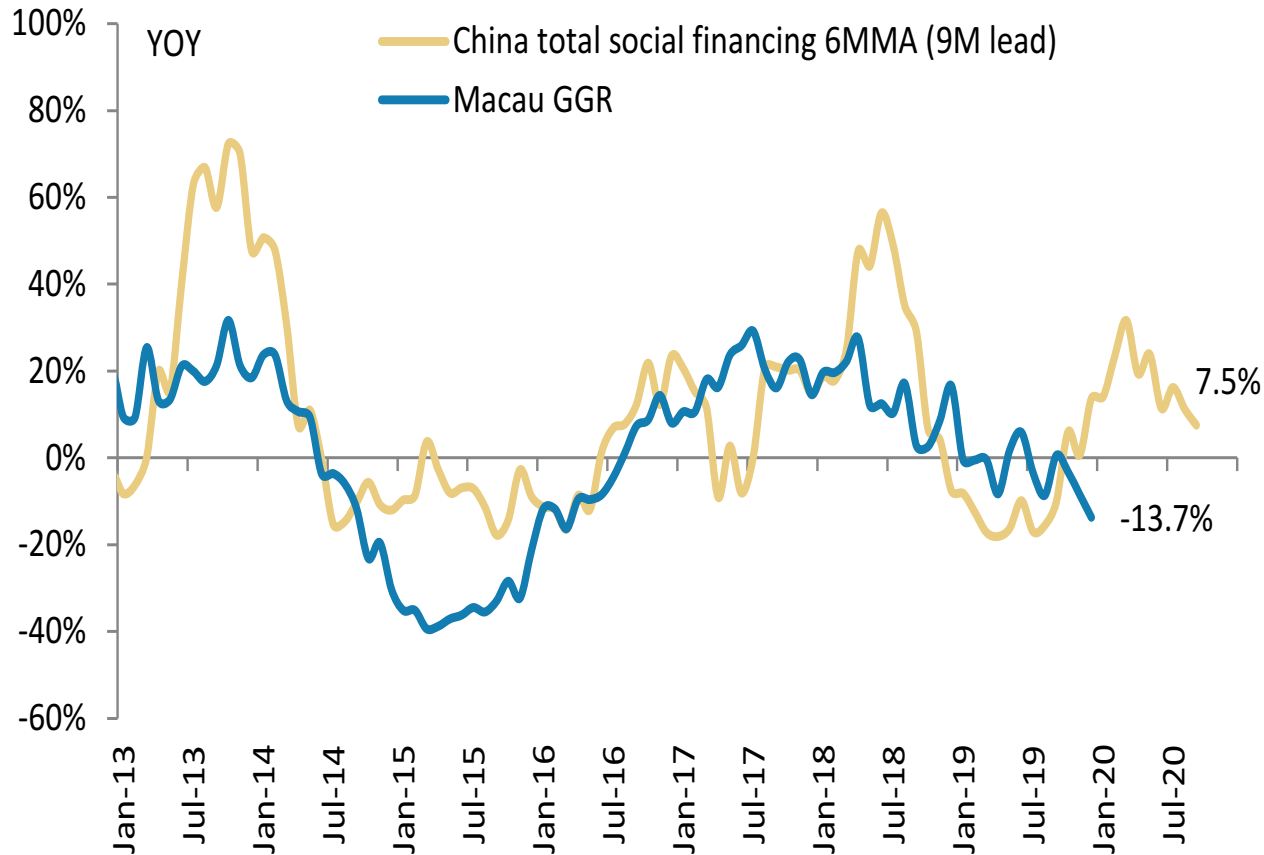
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- Regulatory Risk**
1. **Anti-corruption campaign** – Had a severe negative impact in 2014-2016
 2. **Cutback of China capital outflows / UnionPay card usage** – Illegal devices were banned end of June 2014; Pawn shops were removed from casino floors in December 2014; ATM withdrawal limits enforced in December 2016; Ongoing risk of pawn shop monitoring and/or further restrictions
 3. **Transit visa restrictions** – COVID-19 driven halt of two main Chinese visa programs to Macau, the Individual Visitor Scheme (~47% of Chinese visitation) and package tour program (~30% of visitation)
 4. **Smoking ban** – Partial ban effective Jan 1, 2013; Full ban on mass floors on Oct 6, 2014; Full smoking ban (including VIP areas) January 1, 2019 (but lounges allowed)
 5. **License renewal needed in 2022**
 6. **Table cap – # of tables capped at ~6,500, growing at 3%**. New Cotai projects have received 100 incremental tables initially and an extra 25 in year 2 and sometimes also year 3

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- Liquidity Risk**
1. **Regulatory crackdown, increasing regulations, junket thefts, and weaker China macro trends all hurt junket liquidity**
 2. **Limited visibility on junkets' balance sheets and velocity of payment**
 3. **Junkets have consolidated, where the largest 3 have ~80% of market share**

-
- Competition**
1. **New supply** – LVS new rooms ('20), SJM Grand Lisboa Palace ('21) and Galaxy Phase III ('21-'22)
 2. **Potential competitive impact from casinos in Australia, Taiwan, Korea, Cambodia, Japan, Saipan, Vietnam, and Philippines**
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Macau: VIP Driven by China's Financial Liquidity

Total social financing leads Macau GGR by 9M



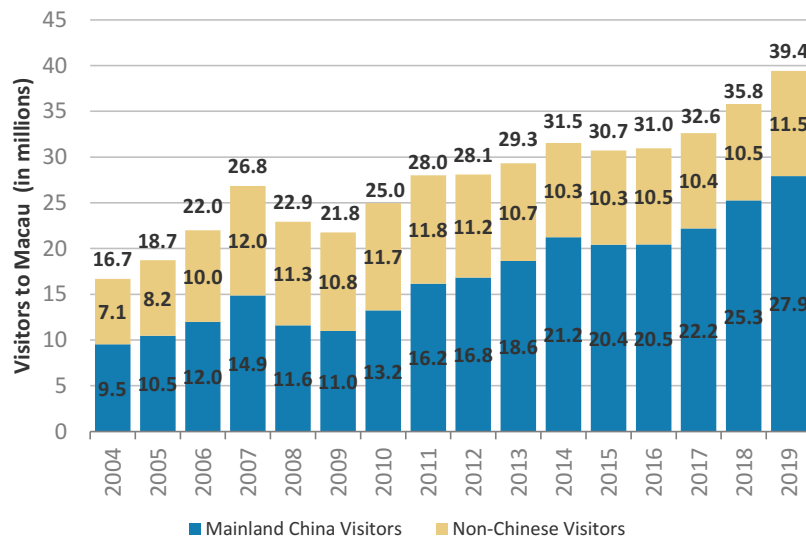
Note: Macau GGR data is updated till Dec 2019
 Source: DICJ, MGTO, CEIC, Bloomberg, Morgan Stanley Research

Macau: Spend per Visitor vs. Visitation

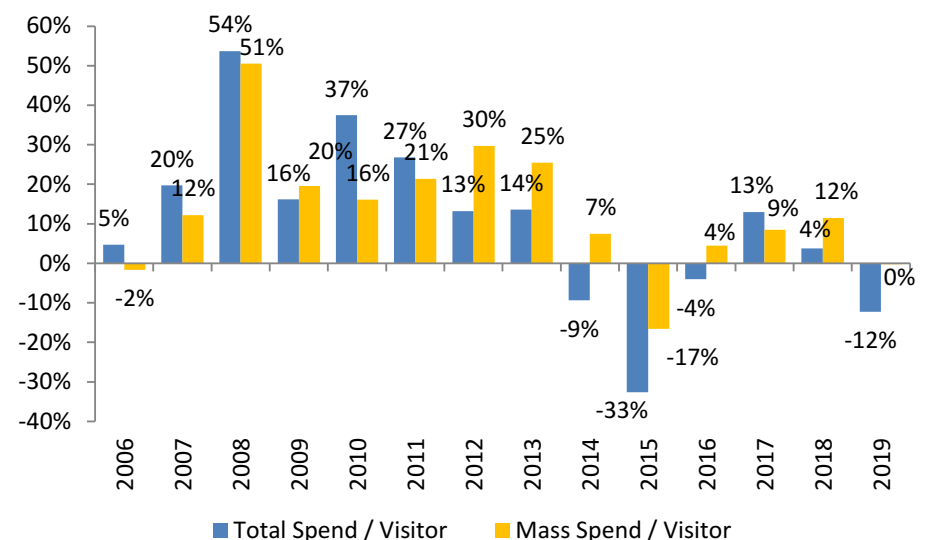
Visitation long-term driver, spend per visitor more volatile

- Since 2006, total GGR CAGR +15%, visitation +4%, spend/visitor +10%
- In 2015 (weakest year), visitation dropped 3% while spend/visitor declined 33%
- 2019 visitation +10%, and spend/visitor (12)%
- Mainland Chinese 71% of Macau visitors in 2019, with Chinese visitation +11%
- 53% of visitors are same-day, 47% of visitors stay overnight

Macau Visitation Trends



Macau Spend/Visitor Trends



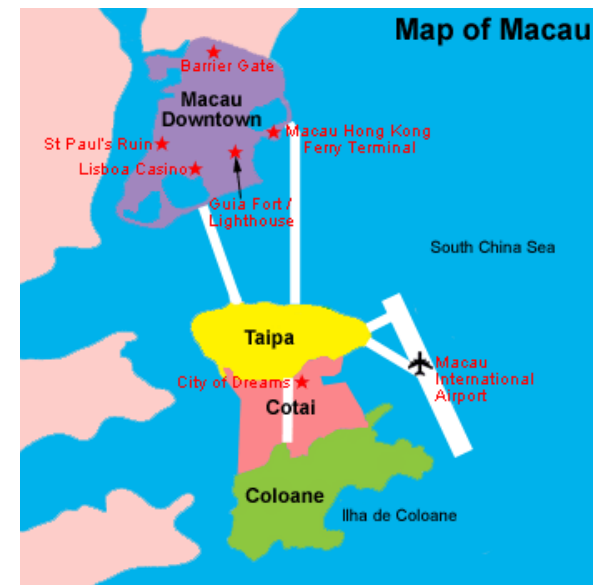
Source: Macau DSEC, Macau DICJ, Company data, Morgan Stanley Research estimates

Macau: Two Areas, Peninsula and Cotai, Cotai Still Growing

There are currently 39 casinos in Macau. SJM is building a new property, while LVS and Galaxy are building expansions

Current Macau Properties				
Property	Operator	Tables	Rooms	Location
Sands Macau	LVS	198	289	Peninsula
Venetian Macau	LVS	566	2,900	Cotai
Four Seasons	LVS	100	379	Cotai
Sands Cotai Central	LVS	399	5,800	Cotai
Parisian	LVS	378	3,000	Cotai
Wynn Macau	WYNN	300	1,010	Peninsula
Wynn Palace	WYNN	306	1,706	Cotai
MGM Macau	MGM	415	582	Peninsula
MGM Cotai	MGM	204	1,426	Cotai
Altira	MPEL	110	216	Taipa
City of Dreams	MPEL	481	1,461	Cotai
Studio City	MPEL	286	1,600	Cotai
Taipa Square Casino	MPEL	46	356	Taipa
Rio Casino	Galaxy - Satellite	80	450	Peninsula
Waldo Casino	Galaxy - Satellite	35	162	Peninsula
Presidente Casino	Galaxy - Satellite	15	265	Peninsula
Broadway	Galaxy	38	320	Cotai
Galaxy StarWorld	Galaxy	245	509	Peninsula
Galaxy Cotai (Phase I & II)	Galaxy	738	2,250	Cotai
Casino Lisboa	SJM	172	1,000	Peninsula
Grand Lisboa	SJM	395	413	Peninsula
Oceanus Casino	SJM	180	110	Peninsula
Casa Real Casino	SJM - Satellite	48	381	Peninsula
Grandview Casino	SJM - Satellite	20	425	Taipa
Pharaoh's Palace Casino	SJM - Satellite	123	439	Peninsula
Kam Pek Casino	SJM - Satellite	24	-	Peninsula
Golden Dragon Casino	SJM - Satellite	85	483	Peninsula
Greek Mythology Casino	SJM - Satellite	-	554	Taipa
Emperor Palace Casino	SJM - Satellite	77	320	Peninsula
Fortuna Casino	SJM - Satellite	58	342	Peninsula
Ponte 16	SJM - Satellite	109	408	Peninsula
Macau Jockey Club Casino	SJM - Satellite	4	404	Taipa
L'Arc Macau	SJM - Satellite	170	301	Peninsula
Diamond Casino	SJM - Satellite	33	NA	Peninsula
Casino Babylon	SJM - Satellite	23	516	Peninsula
Casino Eastern	SJM - Satellite	47	416	Peninsula
Casino Lan Kwai Fong	SJM - Satellite	84	162	Peninsula
Casino Taipa	SJM - Satellite	46	-	Peninsula
Casino Legend Palace	SJM - Satellite	70	-	Peninsula
Casino Royal Dragon	SJM - Satellite	20	-	Peninsula

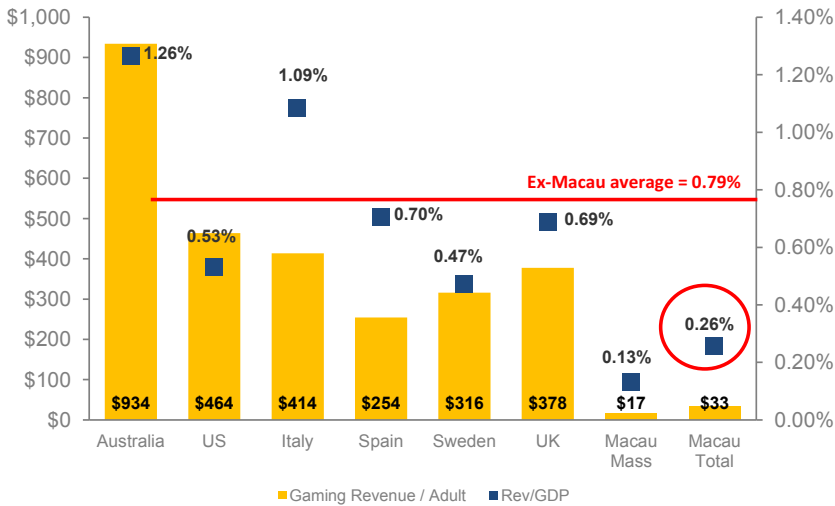
New Properties	Target Opening	Cost (\$mm)	Rooms
Four Seasons Suites	2020	450	290
Londoner/St. Regis Tower Suites	2020-2021	1,750	970
SJM Grand Lisboa Palace	2021	\$4,600	2,000
Galaxy Phase 3 & 4	2021-2022	6,500	4,500



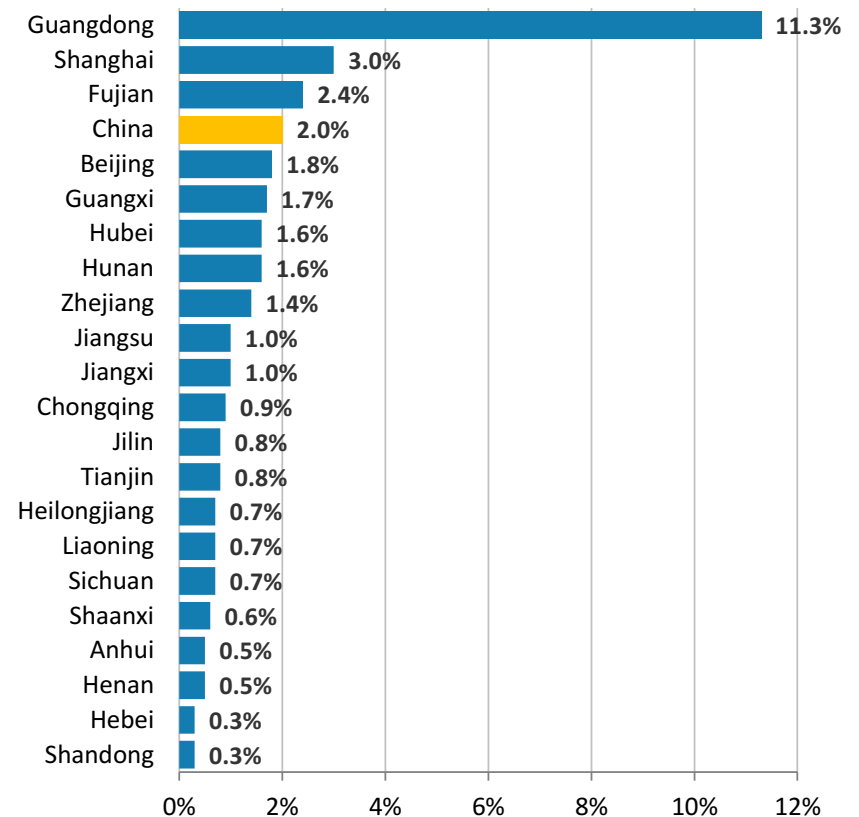
Source: Macau DSEC, Macau DICJ, Company data

Macau Debate #1: What Is the Underlying Demand for Macau?

Gaming Revenue Penetration by Country



Macau Visitor Penetration by Region



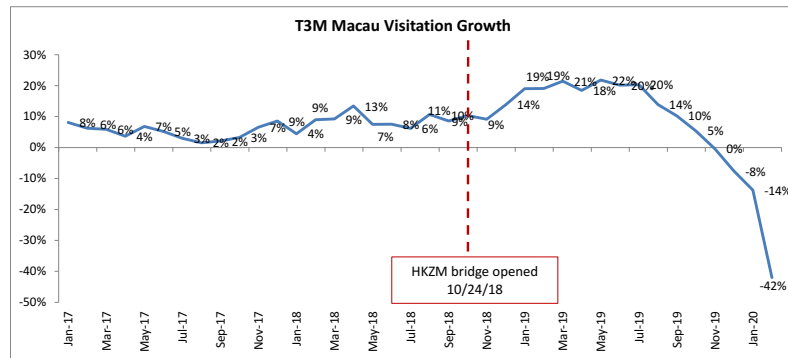
Source: H2 Gambling Capital, Company data, Morgan Stanley Research estimates. Note: Visitor penetration based on percentage of urban population that visited Macau in 2019 (latest available)

Macau Debate #2: Will Expansion Keep Growing the Market?

Results so far have been promising, with gaming revenue growth up double digits y/y in 2017 and 2018 following the openings of Wynn Palace, Parisian, and MGM Cotai (openings August 2016 – February 2018)

Las Vegas (pre-great recession) a good precedent – 12% revenue CAGRs during supply booms vs. 4% long-term

HKZM bridge also showing infrastructure support – avg 8% visitation growth 5-months pre, 19% 5-months post

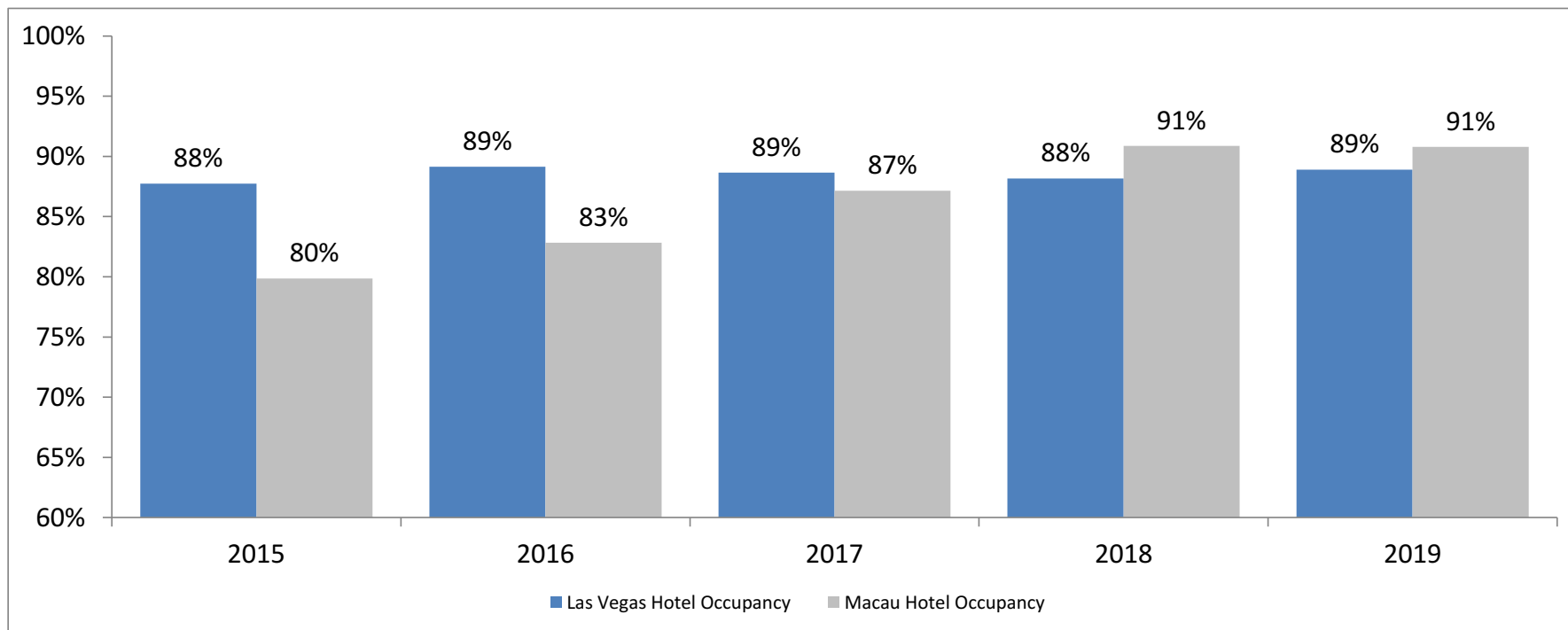


Macau (\$ in millions)	2006	2007	...	2010	2011	2012	2013	...	2016	2017	2018	2019
Gaming Revenue	\$7,077	\$10,332		\$23,593	\$33,556	\$38,100	\$45,191		\$27,971	\$33,301	\$39,077	\$37,736
y/y growth	23%	46%		58%	42%	14%	19%		-3%	19%	17%	-3%
Room Supply (avg)	11,819	14,195		19,634	21,415	24,353	27,714		33,517	36,525	38,517	38,533
y/y growth	12%	20%		9%	9%	14%	14%		12%	9%	5%	0%
Visitation	22	27		25	28	28	29		31	33	36	39
y/y growth	18%	22%		15%	12%	0%	4%		1%	5%	10%	10%

Las Vegas Strip (\$ in millions)	1993	1994	...	1999	2000	...	2004	2005	2006
Gaming Revenue	\$2,897	\$3,485		\$4,489	\$4,806		\$5,334	\$6,036	\$6,689
y/y growth	10.3%	20.3%		17.7%	7.1%		12.0%	13.2%	10.8%
Room Supply (avg)	81,288	87,307		114,830	122,282		130,993	132,345	132,896
y/y growth	6.0%	7.4%		7.0%	6.5%		1.8%	1.0%	0.4%
Positions (avg)	58,314	63,142		74,291	75,419		72,800	73,535	71,067
y/y growth	9.5%	8.3%		10.2%	1.5%		-2.0%	1.0%	-3.4%
Visitation	23.5	28.2		33.8	35.8		37.4	38.6	38.9
y/y growth	7.5%	19.9%		10.5%	6.0%		5.2%	3.2%	0.9%
Win / Positon / Day	\$136	\$151		\$166	\$175		\$201	\$225	\$258
y/y growth	0.8%	11.1%		6.8%	5.5%		14.3%	12.0%	14.7%
Win / Visitor	\$123	\$124		\$133	\$134		\$143	\$156	\$172
y/y growth	2.7%	0.3%		6.6%	1.0%		6.4%	9.7%	9.9%
Win / Room / Day	\$98	\$109		\$107	\$108		\$112	\$125	\$138
y/y growth	4.1%	12.0%		10.1%	0.5%		9.9%	12.0%	10.4%
Hotel Occupancy	92.6%	92.6%		92.1%	92.5%		92.0%	91.8%	93.2%
y/y growth	4.3%	0.0%		2.0%	0.4%		2.7%	-0.2%	1.5%

Source: Macau DSEC, Macau DICJ, Nevada Gaming Control Board, Morgan Stanley Research

Macau now higher occupancy than Vegas, needs more rooms



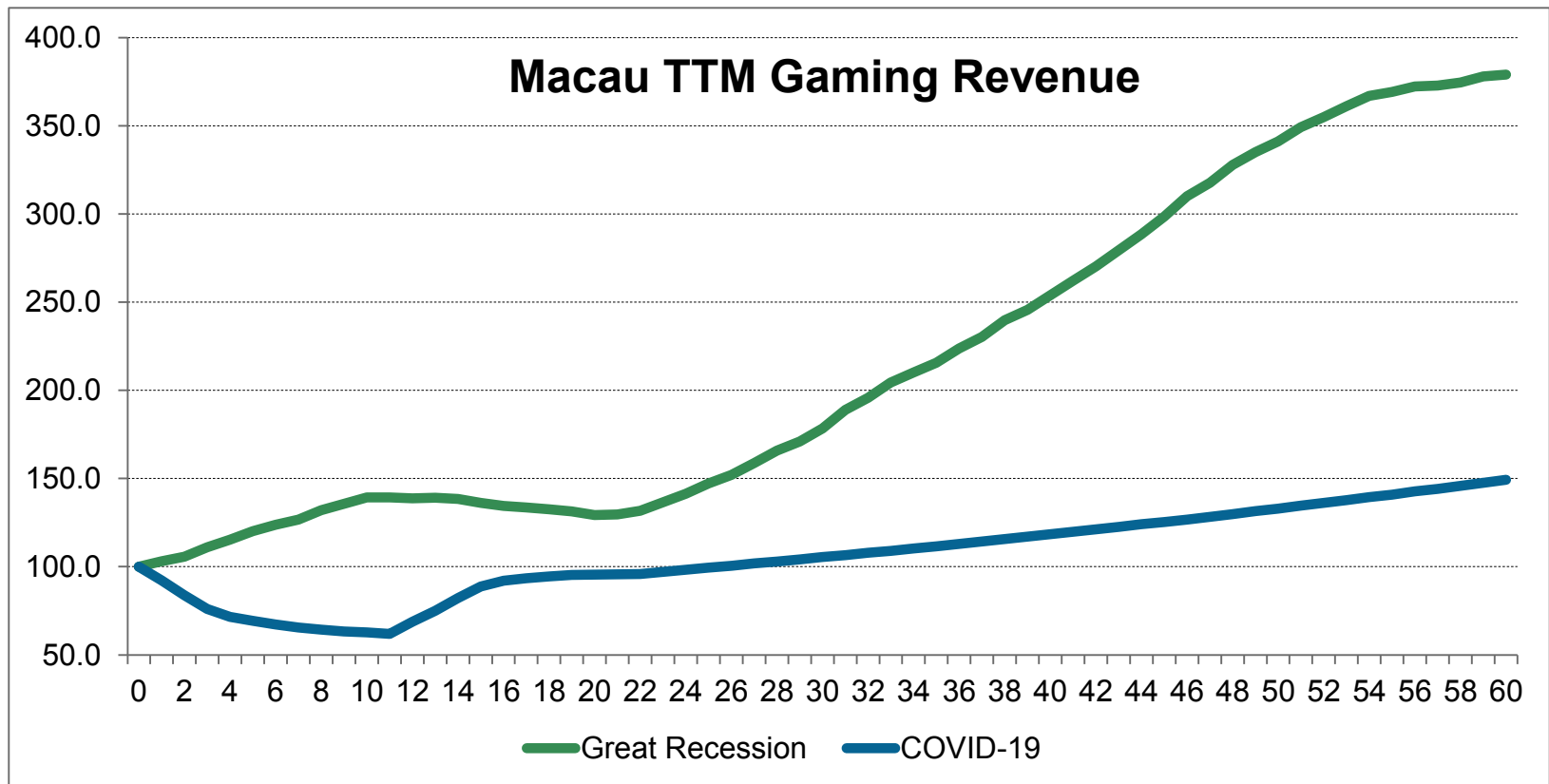
Source: Macau DSEC, Company Reports, Morgan Stanley Research

Macau Debate #3: What Will the Chinese Economy and Government Do?



Macau: COVID-19: Expect a Faster Recovery than Other Mkts

- TTM Macau GGR stalled in 2009 due to the Great Recession, and then accelerated quickly with new supply
- We forecast Macau GGR to decline 43% in 2020, and a recovery of up 53% in 2021 as Macau is feeling pressure from travel restraints now but likely has a stickier customer base (90% gambling)



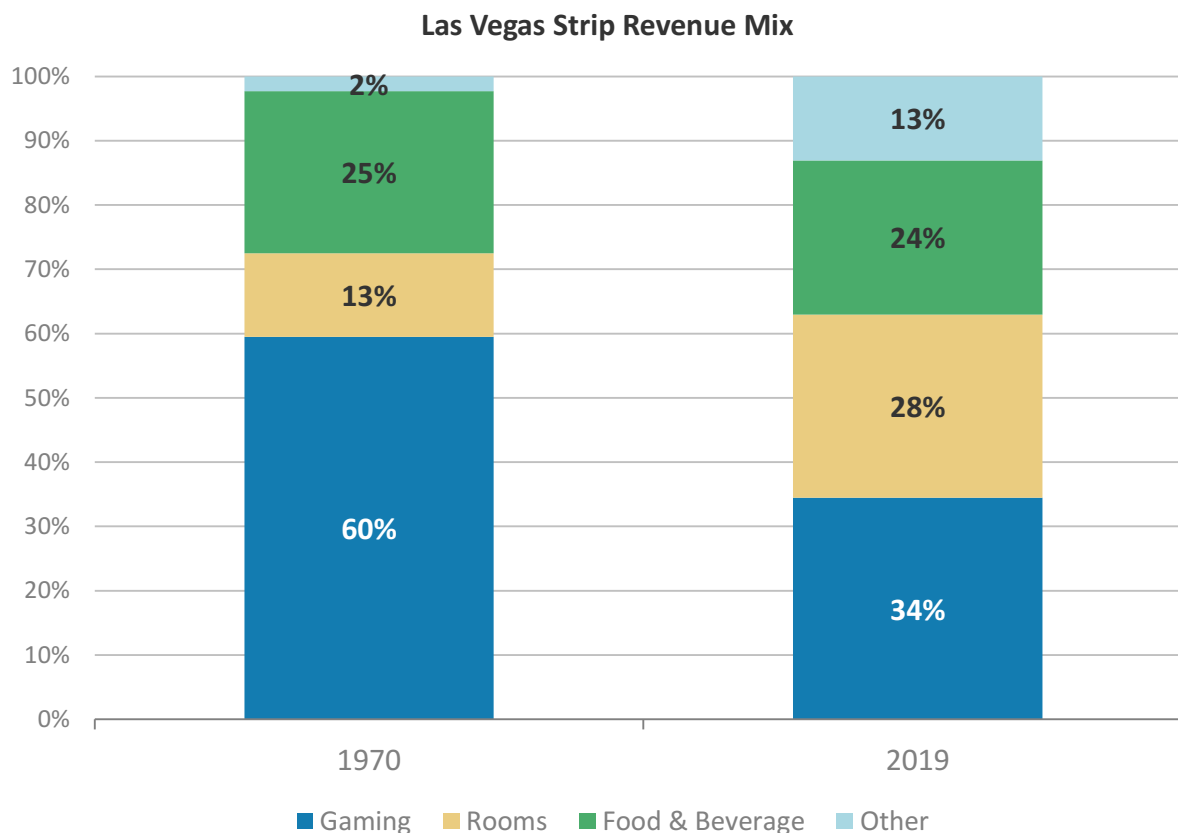
Las Vegas

Companies Impacted:

- CZR
- LVS
- MGM
- WYNN

Las Vegas: Understanding the Revenue Mix

The Las Vegas market has become significantly less dependent on gaming over the last ~50 years

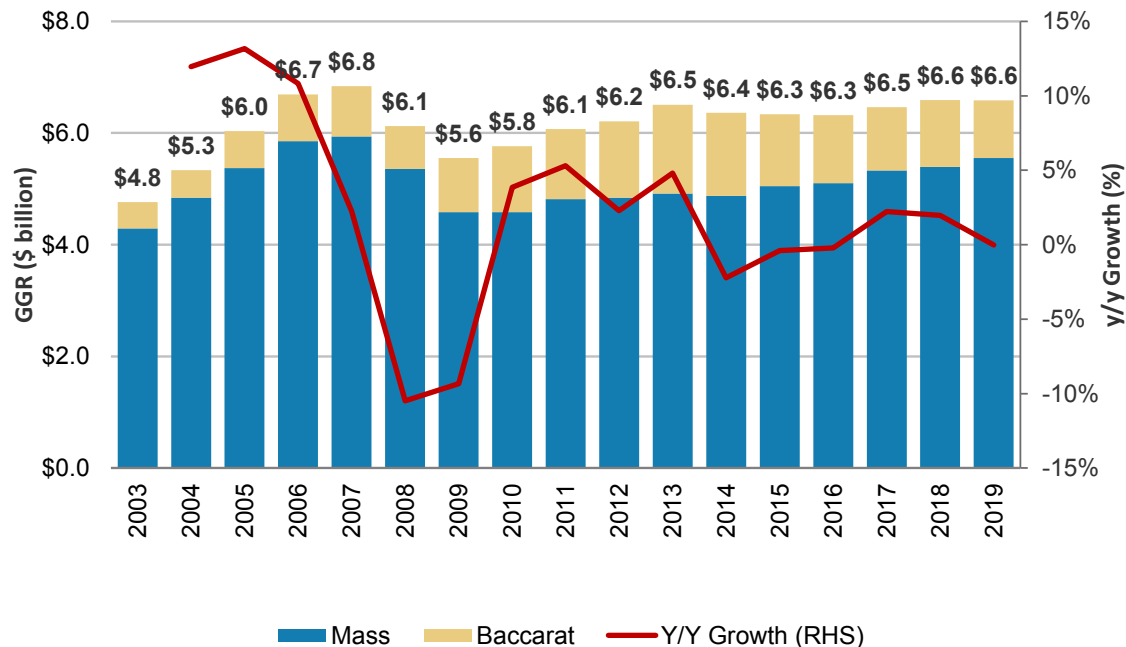


Source: Company data, Morgan Stanley Research estimates

Las Vegas: Gaming Revenue: Slow Growth

Las Vegas gaming revenue growth has been modest following the US recession, growing at just a 2% 10-yr CAGR

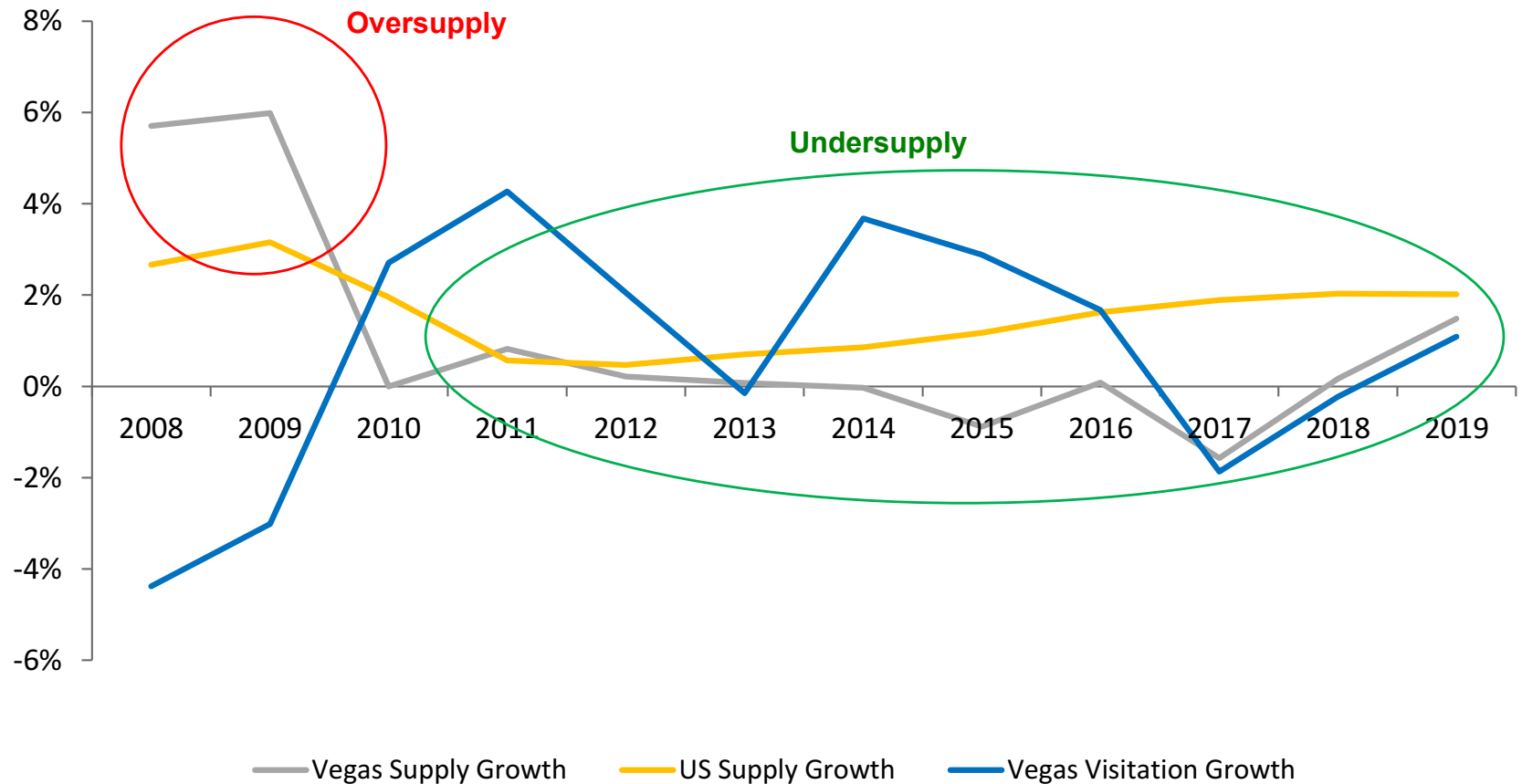
- From 2009-2013, market grew 4%/yr driven by baccarat (proxy for high-end Chinese play) growing at a 13% CAGR
- However, over the past 5 years, baccarat revenues have dropped 30% (incl. -13% in 2019 due to trade tensions)
 - Baccarat now 16% of gaming revenue vs. 25% in 2013
- Since 2009, non-baccarat revenue has grown at a 2% CAGR



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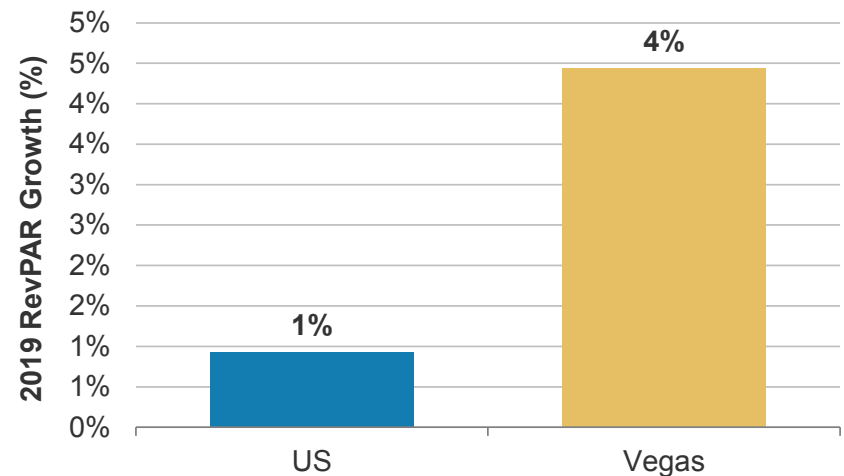
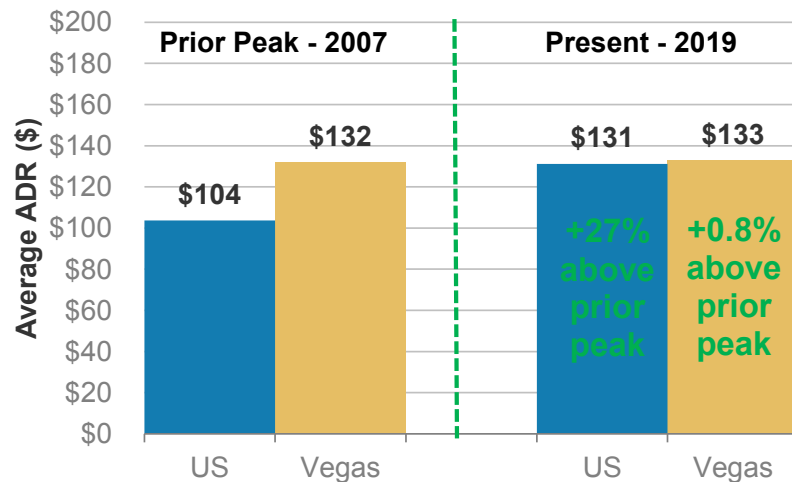
Las Vegas: Room Revenue: Lack of Supply Growth Positive and Negative



Source: Company data, Thomson Reuters, STR, Morgan Stanley Research

Las Vegas: RevPAR Below Peak but Not Telling Whole Story

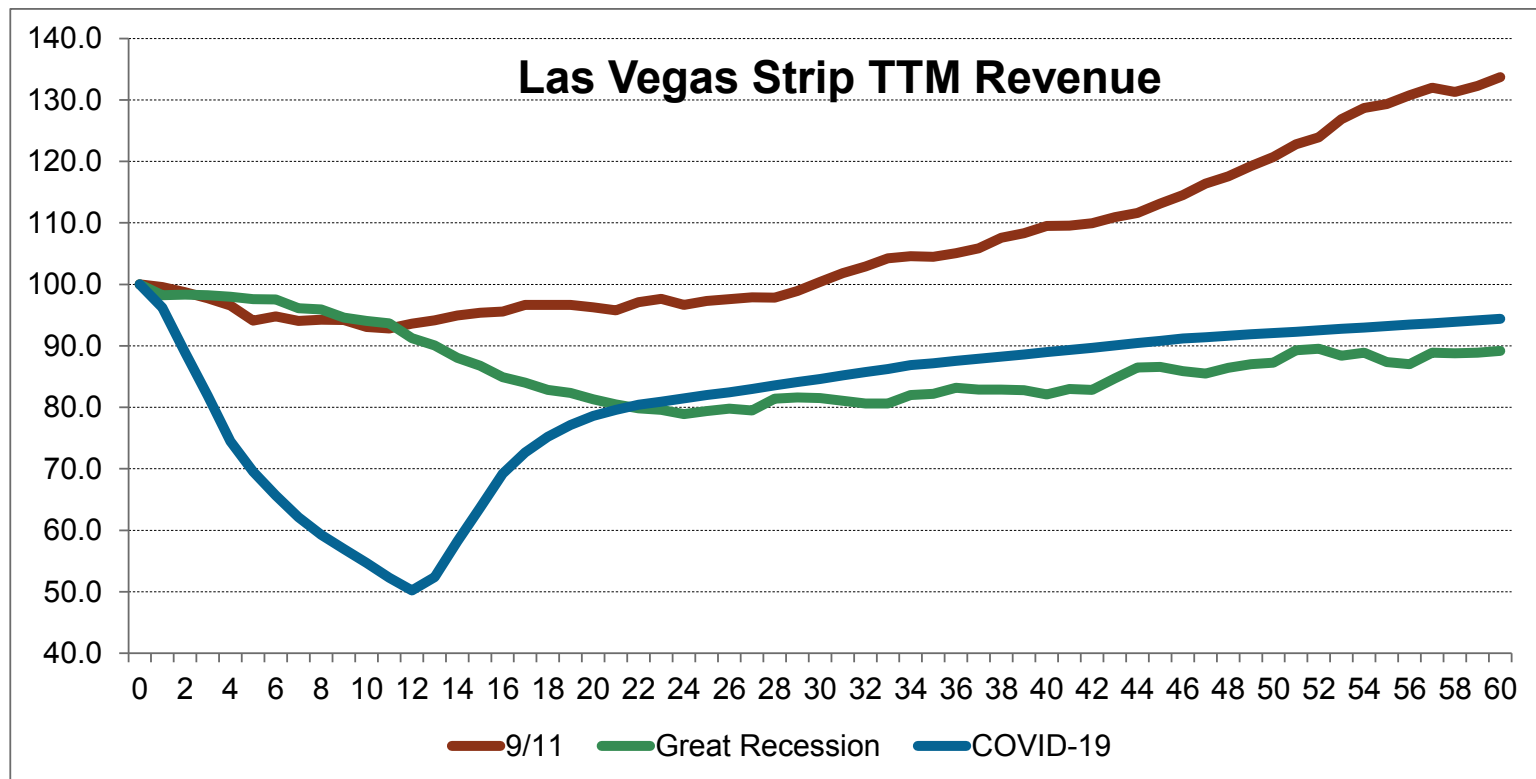
- In 2019, overall US hotel RevPAR was +32.5% above prior peak
 - Average Vegas RevPAR was still ~1% below prior peak
- However not telling whole story as resort fees (often >\$30) and parking fees significantly higher than 2007
 - Las Vegas RevPAR growth was +4% in 2019, helped by a strong convention calendar



Source: Company data, LVCVA, Morgan Stanley Research

Las Vegas: Expect a Slow Recovery from COVID-19

- TTM LV Strip gaming revenue troughed 7% lower post 9/11 and recovered to Aug 2001 levels in 30 months. Revenue during the Great Recession fell 21% at trough, and still has not recovered to peak
- We expect Vegas gaming revenue to decline 45% y/y in 2020 before increasing 47% y/y in 2021. However we don't expect it to return to 2019 levels until 2026 as social distancing measures and a weaker consumer for big ticket discretionary items are impacted



US Regionals

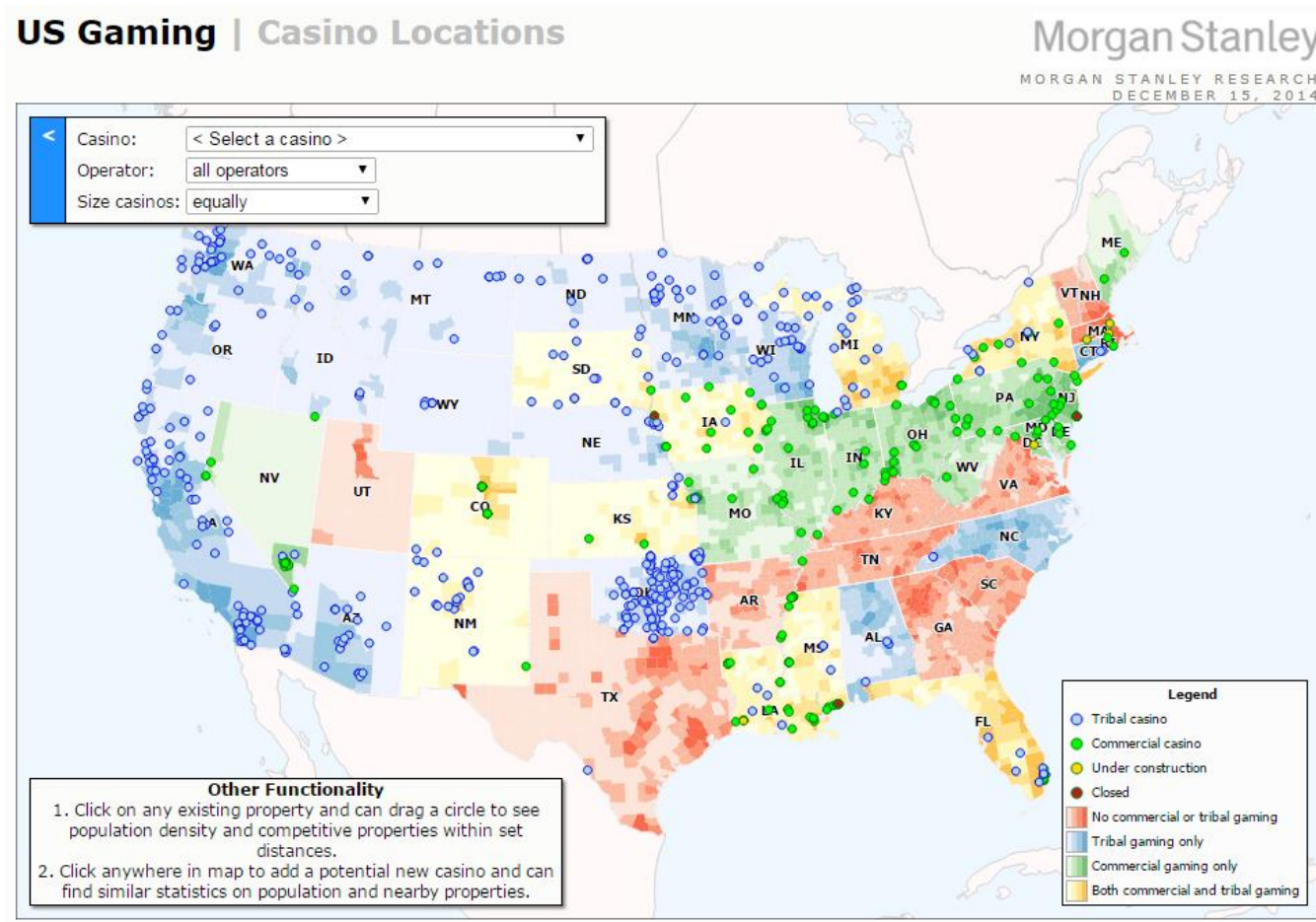
Companies Impacted:

- BYD
- PENN
- CZR
- MGM
- ERI
- RRR (not covered)

Regional Gaming: US Gaming Revenue Breakdown

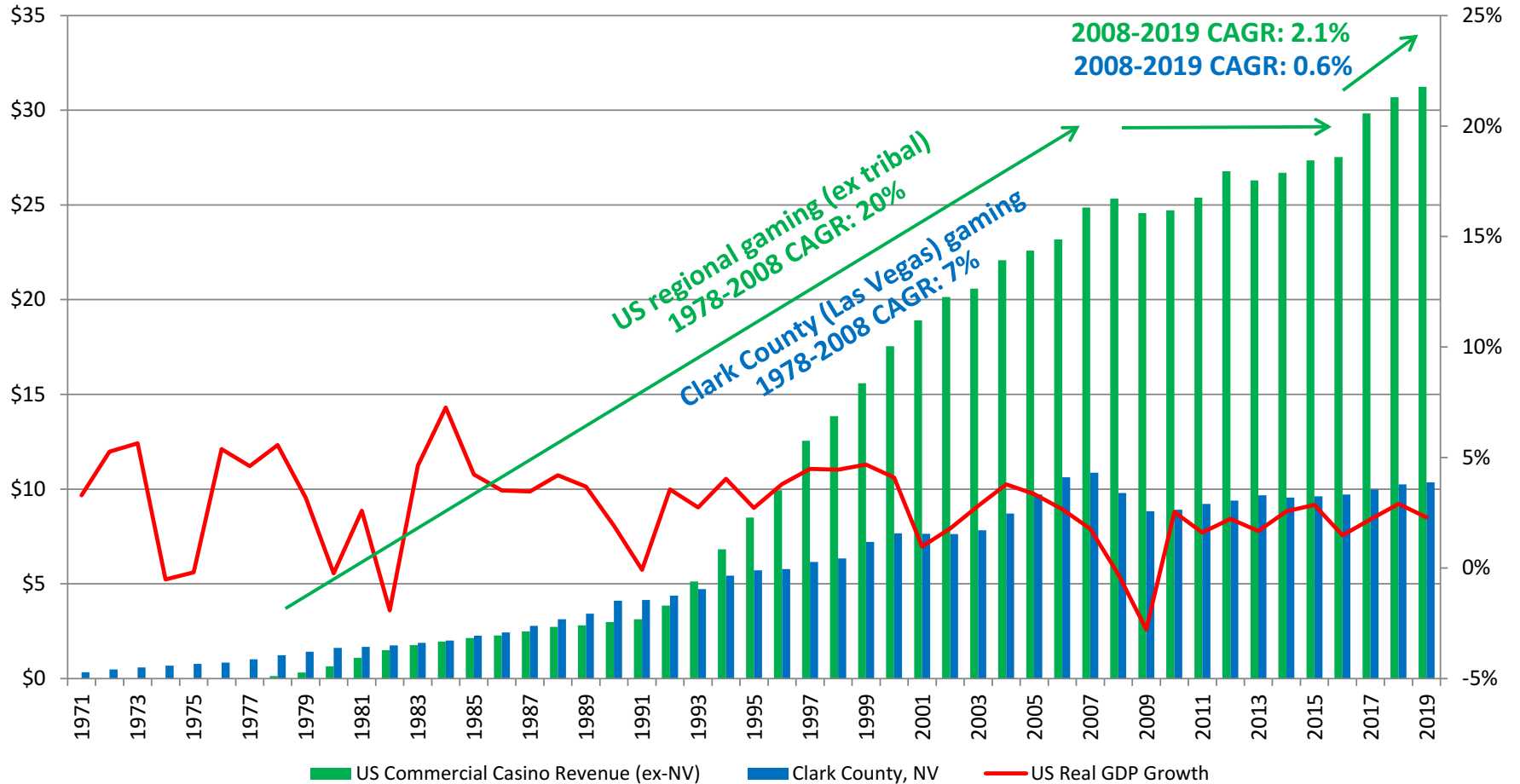
Total US Gross Gaming Revenue	(mm)
Commercial Casinos	\$43,178
Native American Casinos (2018)	33,675
Lottery (Sales - Prizes)	30,856
VLTs (2018)	8,489
Card Rooms	4,443
Horse Racing & Sports Wagering	4,487
Total	\$125,128
US adult population	245
US GGR / adult	\$511
US GGR / adult (Casinos Only)	\$314

Regional Gaming: Commercial / Tribal Casinos in 42 states



Source: US state gaming regulatory reports, Morgan Stanley Research

Regional Gaming: A Growth Industry Until 2008, Stabilized and Then Re-accelerated

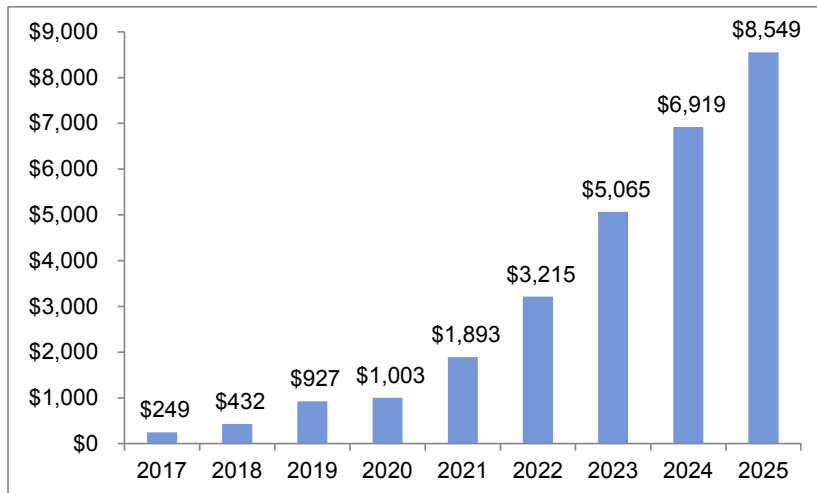


Source: BEA, BLS, US state gaming regulatory reports, Morgan Stanley Research

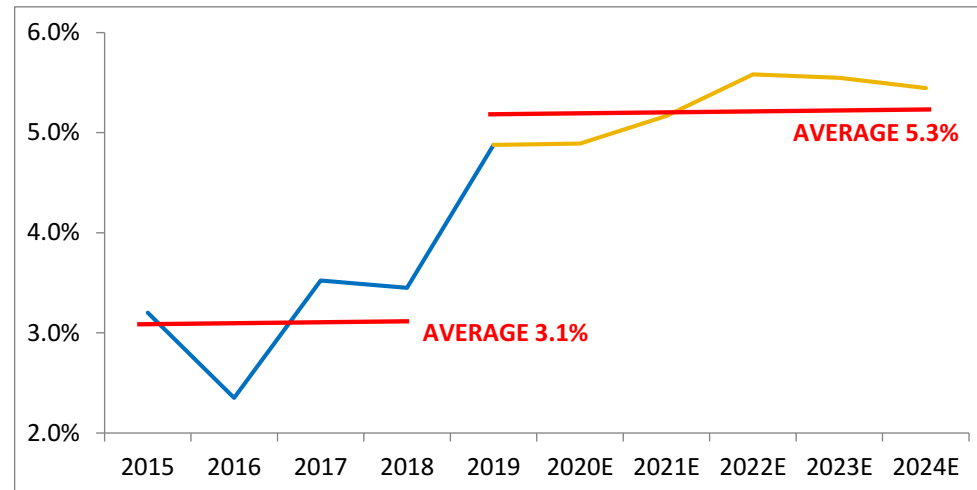
Regional Gaming: Sports Betting Presents a New Opportunity

- Sports betting legalized outside of NV through PASPA repeal in May 2018. States can choose to legalize
- As of April 2020, 16 states have launched
- If NJ and MS are guides, online betting will drive the US market size (online ~90% of NJ), but casinos also benefit from traffic and tethered licenses

We forecast an \$8.5B 2025 legal US sports betting market

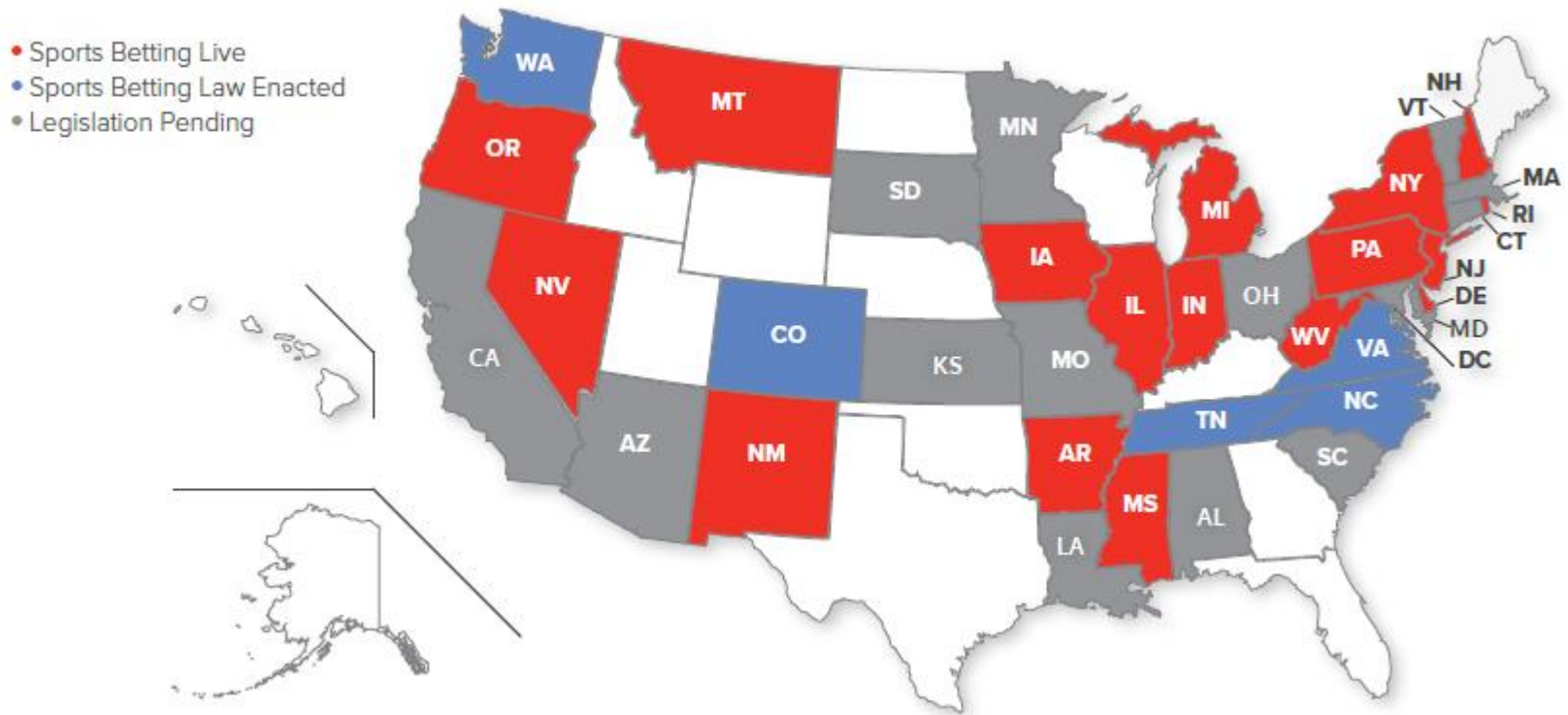


Sports betting accelerated regional growth from 3% to 5%



Source: Company Data, Morgan Stanley Research estimates, STR.

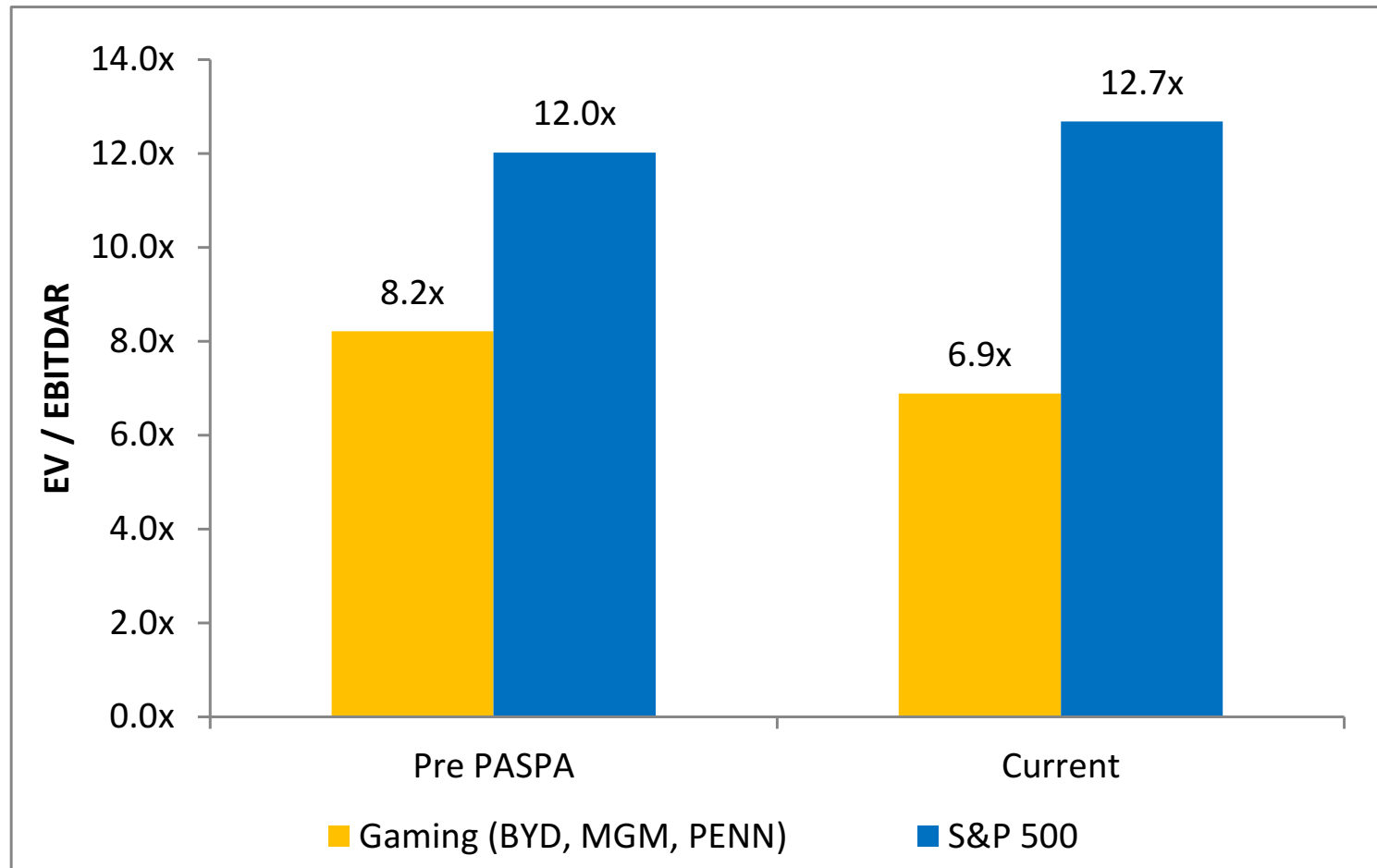
Sports betting is now legal in 21 states (incl. DC), live in 16



States are legalizing in different ways

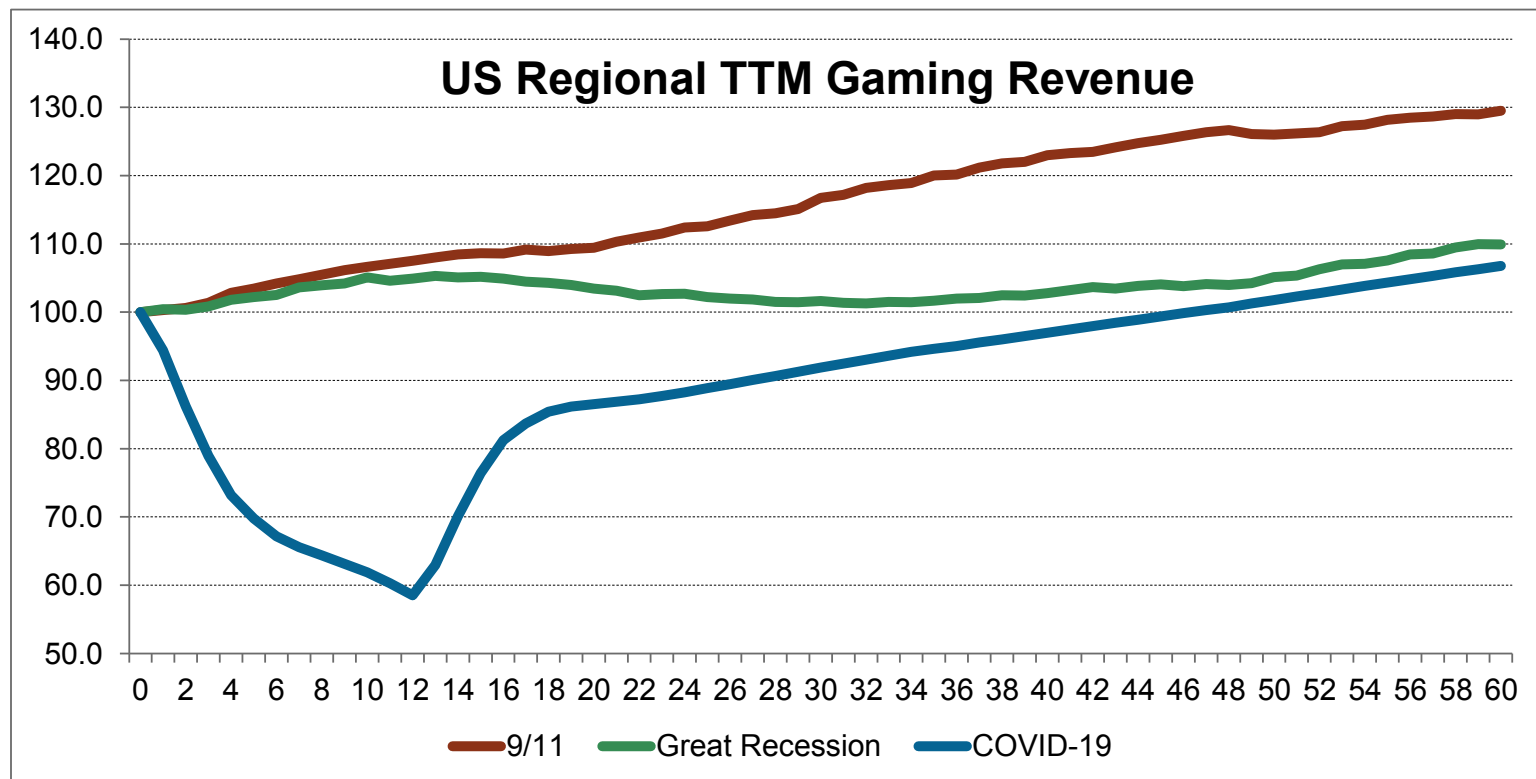
State	Onground Legal?	Onground Launch	Online Legal?	Online Launch	Operators	Tax Rate	Skins Per Licensee	Total Licenses	Upfront Licensing Fee	Regulator
Arkansas	Yes	7/1/2019	No	NA	Casinos	13-20%	NA	NA	NA	AR Racing Commission
Colorado	Yes	NA	Yes	NA	Casinos	10%	1	33	NA	CO Gaming Control Commission
Delaware	Yes	6/5/2018	Yes	NA	State Lottery	50% GGR	NA	NA	NA	DE Lottery
District of Columbia	Yes	NA	Yes	NA	Lottery, Arenas, Private Facilities	10% land-based, 20% online	NA	NA	\$500k arenas, \$100k other	DC CFO
Illinois	Yes	NA	Yes	NA	Casinos/Tracks, Arenas, Online Operators, State Lottery	15%; 17% in Cook County	1	23	\$10-20m	IL Lottery
Indiana	Yes	9/4/2019	Yes	10/3/2019	Casinos, Racinos, OTBs	9.50%	3	39	\$100K	Indiana Gaming Commission
Iowa	Yes	8/15/2019	Yes	8/15/2019	Casinos, Racetracks	6.75%	2	38	\$75K	Iowa R&G Commission
Michigan	Yes	N/A	Yes	NA	Casinos, Tribes	8.4% + Detroit casinos pay 1.25% city tax	1	15	NA	MI GCB, Tribal Gaming Commissions
Mississippi	Yes	8/1/2018	No	NA	Casinos	11-12%	NA	NA	NA	MS GC
Montana	Yes	Pre-2018	No	NA	State Lottery	NA	NA	NA	NA	MT Lottery
Nevada	Yes	1949	Yes	2010	Casinos	6.75%	NA	NA	NA	Nevada GCB
New Hampshire	Yes	12/30/2019	Yes	12/30/2019	State Lottery, DraftKings (exclusive)	DraftKings paying 51%	1	5	Bid Process	NH Lottery
New Jersey	Yes	6/15/2018	Yes	8/1/2018	Casinos, Racetracks	9.75% land-based, 14.25% online	3	42	\$100k	NJ DGE
New Mexico	Yes	10/16/2018	No	NA	Tribal Casinos, State Lottery	NA	NA	NA	NA	Tribal Commissions, NM Lottery
New York	Yes	7/16/2019	No	NA	Select Casinos	10%	NA	NA	NA	NY GC
North Carolina	Yes	NA	No	NA	Tribal Casinos	NA	NA	NA	NA	Tribal GC
Oregon	Yes	8/27/2019	Yes	10/16/2019	State Lottery (partnership with SBTech), Tribal Casinos	State-run	NA	NA	NA	Tribal Commissions; OR Lottery
Pennsylvania	Yes	11/15/2018	Yes	5/31/2019	Casinos	36% (34% state, 2% local)	1	13	\$10m	PA GCB
Rhode Island	Yes	11/26/2018	Yes	9/4/2019	State Lottery (partnership with IGT/William Hill)	51%	NA	NA	NA	RI Lottery Commission
Tennessee	No	NA	Yes	NA	Open Licensing (Online Only)	20%	NA	NA	\$750k	TN Lottery Board
West Virginia	Yes	8/30/2018	Yes	12/27/2018	Casinos	10%	3	15	\$100k	WV Lottery Commission

Since sports betting legalized, regional stocks de-rated 1.3x vs. S&P 500 re-rated 0.7x



Regional Gaming: We Expect a Relatively Fast Recovery

- TTM US Regional gaming revenue continued to grow post 9/11, decelerating just ~3.5%. During the Great Recession, TTM revenues declined 4%. Both periods were during expansion phases, with more mature markets like MS and NJ seeing ~20% declines
- We forecast regional gaming GGR to decline 38% y/y in 2020 before rising 41% y/y in 2021. We expect a faster recovery than Vegas given stickier, more drive-to customers, but not to return to peak until 2023



REIT Opportunity

Companies Impacted:

- GLPI
- MGP
- VICI

US Gaming Roll-up Opportunity

Bottom-up analysis suggest \$3.1B of acquirable EBITDA in US Regional Gaming

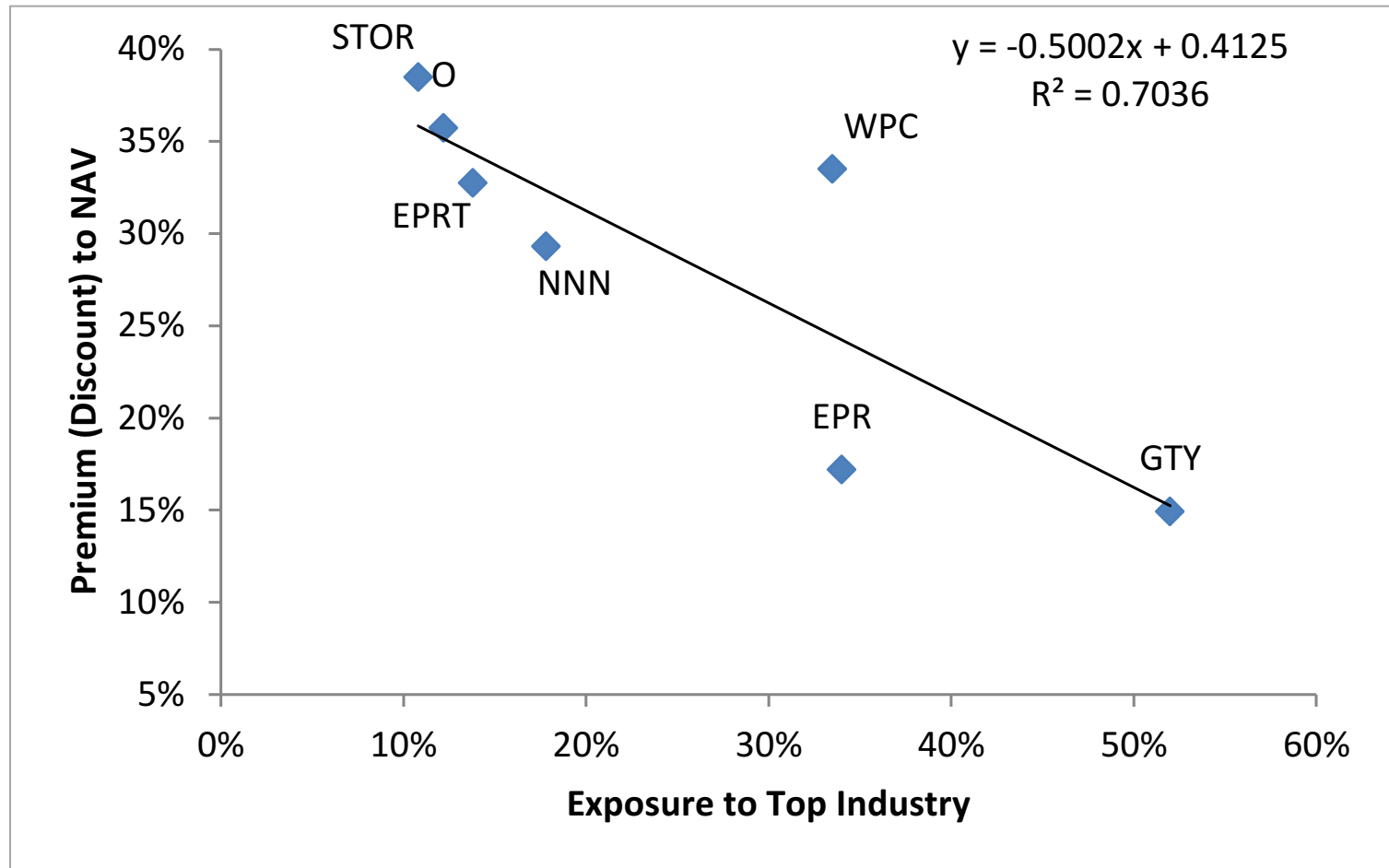
Bottom-up Market Opportunity	Parent	State	2019				Positions	Win /
			Revenue	Slots	Tables	Position /		Day
CZR Properties	CZR	Multiple	\$4,660	14,440	920	19,960	638	
WYNN Properties	WYNN	Multiple	1,997	4,852	388	7,178	760	
MGM Properties	MGM	Multiple	301	5,721	365	7,911	104	
ERI Properties	ERI	Multiple	1,850	21,920	578	25,388	199	
LVS Properties	LVS	NV	1,818	1,873	221	3,196	1554	
BYD Properties	BYD	Multiple	2,624	29,489	657	33,431	214	
Cosmopolitan	Blackstone	NV	1,000					
Resorts World New York	Genting	NY	679	5,545		5,545	335	
Parx Casino	Greenwood Gaming	PA	614	3,192	199	4,383	383	
Maryland Live! Casino	Cordish	MD	601	3,794	194	4,960	331	
Twin River Casino		RI	503	4,118		4,118	334	
Sands Bethlehem	Poarch Creek	PA	522	3,035	252	4,547	314	
Motorcity		MI	494	2,800	69	3,214	420	
Rivers Casino (IL)	Rush Street / Clairvest	IL	451	996	58	1,345	915	
Rivers Casino (PA)	Rush Street	PA	380	2,585	125	3,333	311	
Golden Nugget Lake Charles	Landry's	LA	308	1,569	80	2,049	410	
SugarHouse Casino	Rush Street	PA	312	1,697	143	2,555	334	
Horseshoe Baltimore	Rock Gaming	MD	238	2,181	153	3,097	210	
Monarch Casinos		NV/CO	249	2,190	51	2,496	273	
Mohegan Sun at Pocono Downs		PA	227	2,211	81	2,695	230	
Golden Nugget	Landry's	NJ	202	1,441	89	1,976	279	
Prairie Meadows		IA	208	1,687	51	1,996	285	
JAKE'S 58		NY	205	1,000		1,000	559	
Mount Airy Casino Resort		PA	182	1,873	82	2,363	211	
Resorts		NJ	176	1,430	72	1,860	259	
Delaware Park		DE	169	2,254		2,254	205	
Miami Valley Gaming		OH	180	1,921		1,921	256	
Nassau OTB		NY	205	675		675	829	
Rivers Casino Schenectady	Rush Street	NY	166	1,150	67	1,552	292	
Del Lago		NY	155	1,775	70	2,194	193	
Hollywood Casino & Resort	PENN JV	KS	153	2,000	52	2,312	181	
Dover Downs		DE	158	2,240		2,240	192	
Resorts World Catskills	Genting	NY	207	1,738	133	2,539	223	
Tropicana Las Vegas	PENN	NV	133	621	32	813	445	
Saratoga		NY	126	1,472		1,472	234	
Presque Isle Downs	Churchill Downs	PA	129	1,559	40	1,800	196	
Finger Lakes		NY	105	1,175		1,175	245	
Wheeling Downs	Delaware North	WV	103	1,154	31	1,340	210	
...			...					
...			...					
...			...					
...			...					
Total Revenue			24,964			Multiple	13.5x	
Margin			25%			Cap rate	7.4%	
EBITDA			\$6,241			Market size (\$B)	\$42	
Rent Coverage			2.0x					
EBITDA Opportunity			\$3,120					

Diversify outside of Gaming could triple acquisition opp

- Our deep dive into Experiential sectors VICI suggests it will consider shows a number of sub-sectors with attractive acquisition cap rates, and similar cyclicity / organic growth as Gaming

Experiential Sectors (Ranked)	Transaction Opp. (\$B)	Historical Cap Rates	3-5yr Rev Growth	07-'09 EBITDAR
Theme Parks	\$10	8.7%	4%	-35%
Movie Theaters	8	8.0%	1%	0%
Cultural	7	8.0%	2%	-25%
Ski Resorts	1	9.3%	1%	-35%
Recreation	27	8.0%	2%	-35%
Fitness Centers	18	7.1%	7%	-8%
Music/Sport Venues	8	8.3%	4%	-50%
Spa/Wellness	3	8.5%	2%	-50%
Total / Average	\$82	8.0%	3%	-29%
US Gaming	\$41	8.2%	1%	-22%

Diversification has led to higher valuations for Triple Nets



VICI is already the buyer of choice within Gaming, executing 10 of the last 15 deals

- In addition, VICI has a number of option properties that creates an embedded growth pipeline. We expect AFFO to grow 8% vs. peers 6% on avg

Date Announced	Buyer	Property	Total Price (\$mm)	Implied Cap Rate
3/27/2020	GLPI	Morgantown	\$30	10.0%
1/14/2020	MGP/BREIT	MGM Grand & Mandalay Bay	4,600	6.3%
10/28/2019	VICI	JACK Cleveland & Thistledown	843	7.8%
10/15/2019	BX (BREIT)	Bellagio	4,250	5.8%
6/24/2019	VICI	Harrah's New Orleans, Laughlin, AC	1,800	8.6%
6/24/2019	VICI	Caesars LV modification	1,190	7.0%
6/24/2019	VICI	Harrah's LV modification	214	7.0%
6/17/2019	VICI	Cape Girardeau, Caruthersville & Mountaineer	278	9.0%
4/5/2019	VICI	JACK Cincinnati	558	7.7%
12/20/2018	MGP	ParkMGM / Nomad	638	7.8%
11/14/2018	VICI	Greektown	700	7.9%
6/19/2018	VICI	Margaritaville Bossier City	261	8.8%
5/29/2018	MGP	Empire City Casino	625	8.0%
5/9/2018	VICI	Octavius Tower at Caesars Palace *	508	6.9%
5/9/2018	VICI	Harrah's Philadelphia *	242	8.7%
4/16/2018	GLPI	Tropicana Entertainment	1,210	9.1%
4/5/2018	MGP	Hard Rock Rocksino (incl. OpCo)	785	7.6%
12/18/2017	GLPI	Plainridge Park (PENN) & Belterra Park (PNK)	315	10.2%
11/29/2017	VICI	Harrah's Las Vegas	1,140	7.7%
9/5/2017	MGP	MGM National Harbor	1,188	8.0%
3/28/2017	GLPI	Resorts / Ballys Tunica	83	10.9%
5/31/2016	MGP	Borgata	1,175	8.5%
7/21/2015	GLPI	Pinnacle	4,842	7.8%
5/14/2014	GLPI	Meadows	302	8.4%
12/9/2013	GLPI	Casino Queen	140	10.0%
Blended Average Multiple			\$27,915	7.4%

* Aggregate purchase price reduced by \$159m to reflect consideration due to VICI for lease modifications (10.5x net multiple for both deals)

Lodging



Image Source: Shutterstock

Ratings / Theses

- C-Corps**
- **CHH** (EW) COVID-19 pressures RevPAR; better-positioned than peers due to almost purely franchise model and valuation less levered to unit growth / buybacks
 - **H** (EW) COVID-19 presents risks to asset-heavier model (~45% EBITDA owned), lower fin. leverage an offset
 - **HLT** (EW) Attractive asset-light growth model, but old growth model slowed and pressure from COVID-19
 - **MAR** (EW) COVID-19 headwinds pressure RevPAR and unit growth, but less expensive than HLT
 - **STAY** (EW) Strategic value in STAY's brand business & more immune to COVID-19 headwinds given extended stay, but own most of hotels so significant negative operating leverage
- REITs**
- **DRH** (UW) Higher leverage than peers a risk given spread of COVID-19 but lower multiple and valuable assets
 - **HST** (UW) Headwinds resulting from COVID-19; high gateway cities exposure a risk
 - **SHO** (UW) COVID-19 pressures RevPAR but least levered balance sheet
 - **XHR** (UW) COVID-19 leads to hotel closures; above average supply growth; asset sales at risk

Who Are the Lodging Companies? C-Corps vs. REITs

C-Corps	Market Cap (m)	Group	Business Mix	Int'l Mix by # of Rooms	Chainscale Mix
Marriott	\$26,174	US 21% Global 21%	9% Owned 91% M+F (49% M, 51% F)	US 63%, Other Americas 5%, Europe 9%, MEA 2%, APAC 18%	Luxury 10%, Upper Upscale 41%, Upscale 35%, Upper Midscale & Below 14%
Hilton	\$19,385	US 20% Global 20%	10% Owned 90% M+F (30% M, 70% F)	US 73%, Other Americas 3%, Europe 11%, MEA 3%, APAC 10%	Luxury 3%, Upper Upscale 32%, Upscale 33%, Upper Midscale 31%, Other 1%
Hyatt	\$1,924	US 40% Global 27%	47% Owned 53% M+F	US 81%, Other Americas 3%, EAME / SW Asia 7%, ASPAC 9%	Luxury 27% , Upper Upscale 45%, Upscale 28%
Choice	\$3,940	Minimal	100% Franchised	US 84%, Canada 5%, Europe 6%, APAC 1%, LatAm 4%	Upscale 5%, Upper Midscale 33%, Midscale 35%, Economy 27%
Extended Stay	\$1,457	Minimal	99% Owned 1% M+F	US 100%	Economy 100%

REITs	Market Cap (m)	Group	Business Mix	US City Mix by # of Rooms	Chainscale Mix
Host Hotels	\$7,955	36%	100% Owned	NYC 8%, DC 6%, San Fran 9%, Boston 6%, Los Angeles 3%, Chicago 4%	Luxury 25%, Upper Upscale 69%, Upscale 1%, Other 5%
Sunstone	\$1,901	33%	100% Owned	NYC 3%, DC 10%, Boston 17%, San Fran 10%, Los Angeles 6%, Chicago 6%	Luxury 5%, Upper Upscale 90%, Upscale 5%
Diamondrock	\$975	31%	100% Owned	NYC 11%, DC 4%, San Fran 4%, Boston 15%, Chicago 14%	Luxury 8%, Upper Upscale 81%, Upscale 11%
Xenia	\$1,084	35%	100% Owned	DC 7%, San Fran 7%, Boston 6%, Chicago 3%, Orlando 10%, Houston 9%	Luxury 26%, Upper Upscale 72%, Upscale 2%

Source: Company Data, Morgan Stanley Research.

What's the Dynamic Between Owners / Managers / Franchisers

Owners

- Typically REITs or private investment vehicles
 - Large brand companies still own / lease some hotels but have been moving away from the model because most cyclical / less scale advantage
 - Neither REITs nor C-corps are currently building new hotels, rely on developers
 - Most operating leverage (attractive in an upcycle)
-

Managers

- Manager runs hotel
 - Operating costs paid back by owner so runs through P&L as revenue offset by similar cost
 - Manager earns base fee of ~2% (in Emerging Markets) or 3% (in US / Europe) of hotel revenues
 - Also earns incentive management fees (IMF) of 10% of profit (in Emerging Markets) or 20-25% of profit in US / Europe (but after surpass owners' priority of ~10% of invested capital)
-

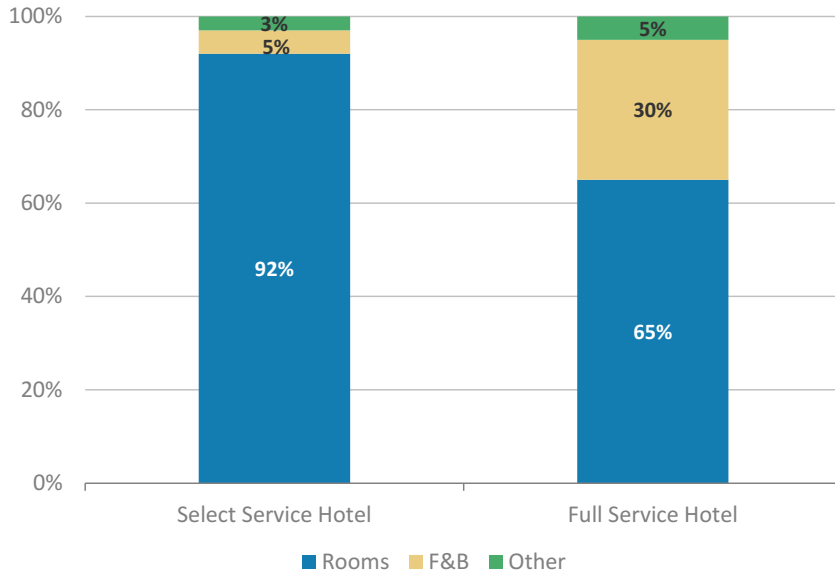
Franchisers

- Earns fee of ~5% of room revenue only (not incurred on Food & Beverage and other revenue)
-

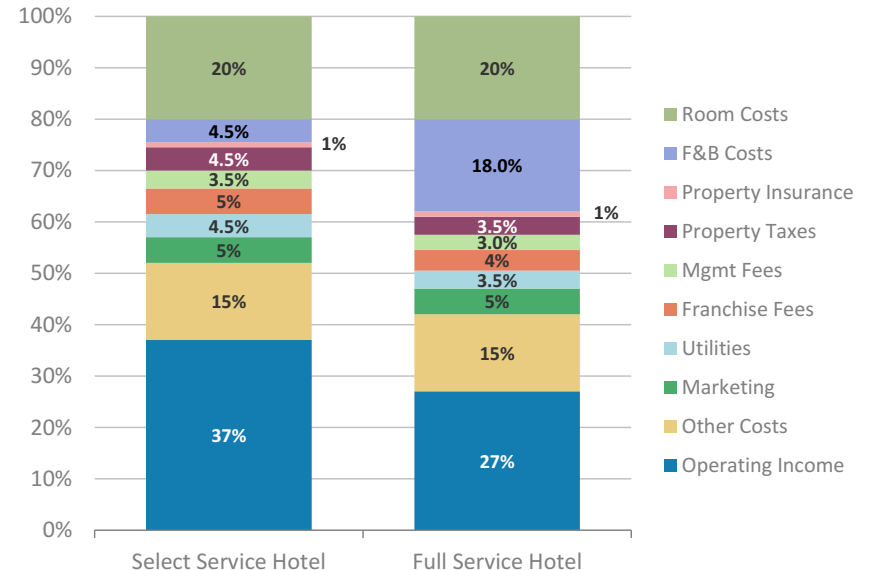
Typical Hotel Profit & Loss

- Select Service hotels have higher operating margins as they are smaller (more efficient to run) and have less Food & Beverage
- Operating leverage is with the hotel owners (including REITs) as pay managers / franchisors set fee %
- Labor is typically ~45% of expenses. When hotels are closed, can lower costs to 15-25% of typical

Estimated Revenue Breakdown

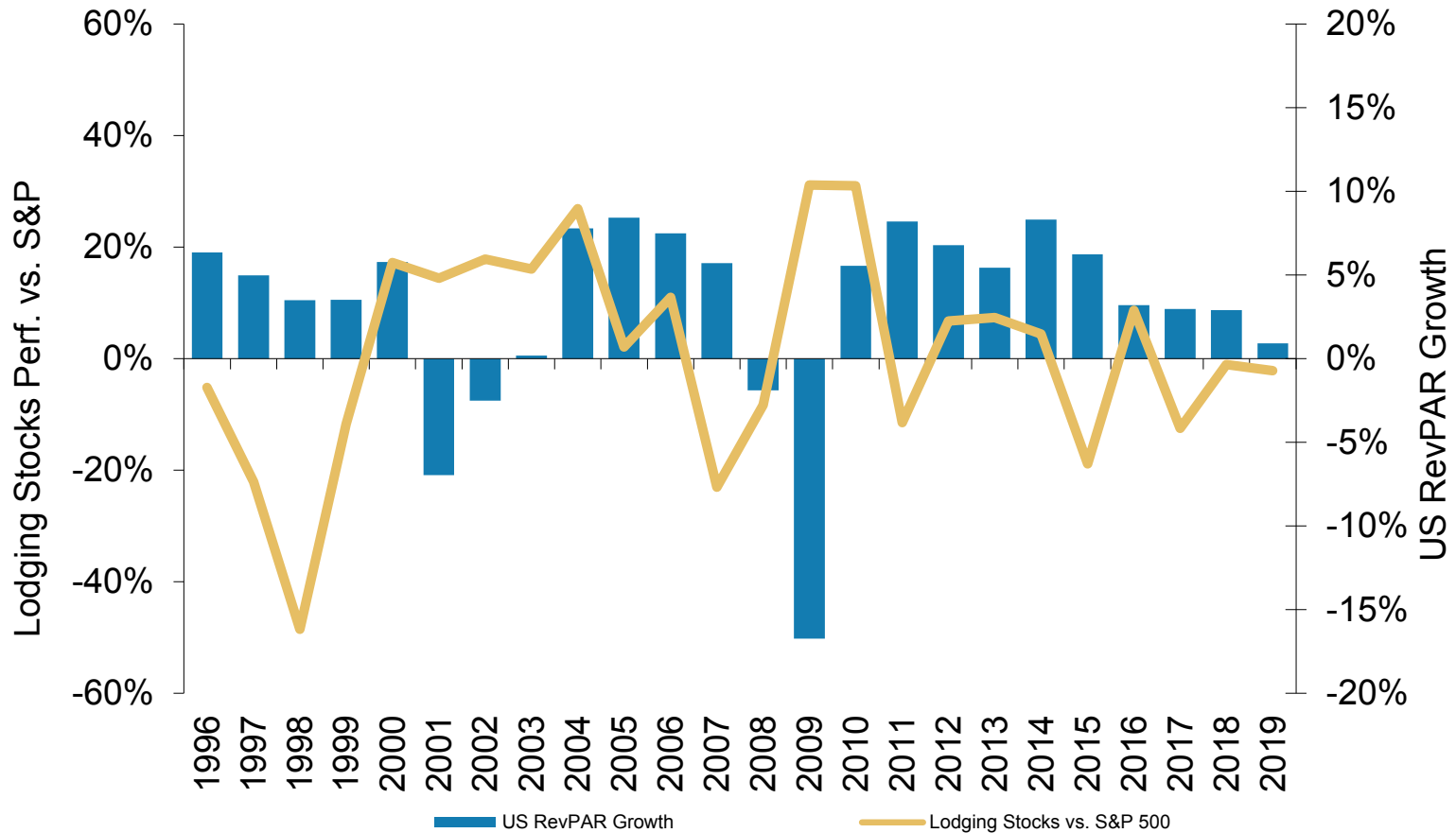


Estimated Operating Margins Breakdown



Source: Company Data, Morgan Stanley Research estimates, STR.

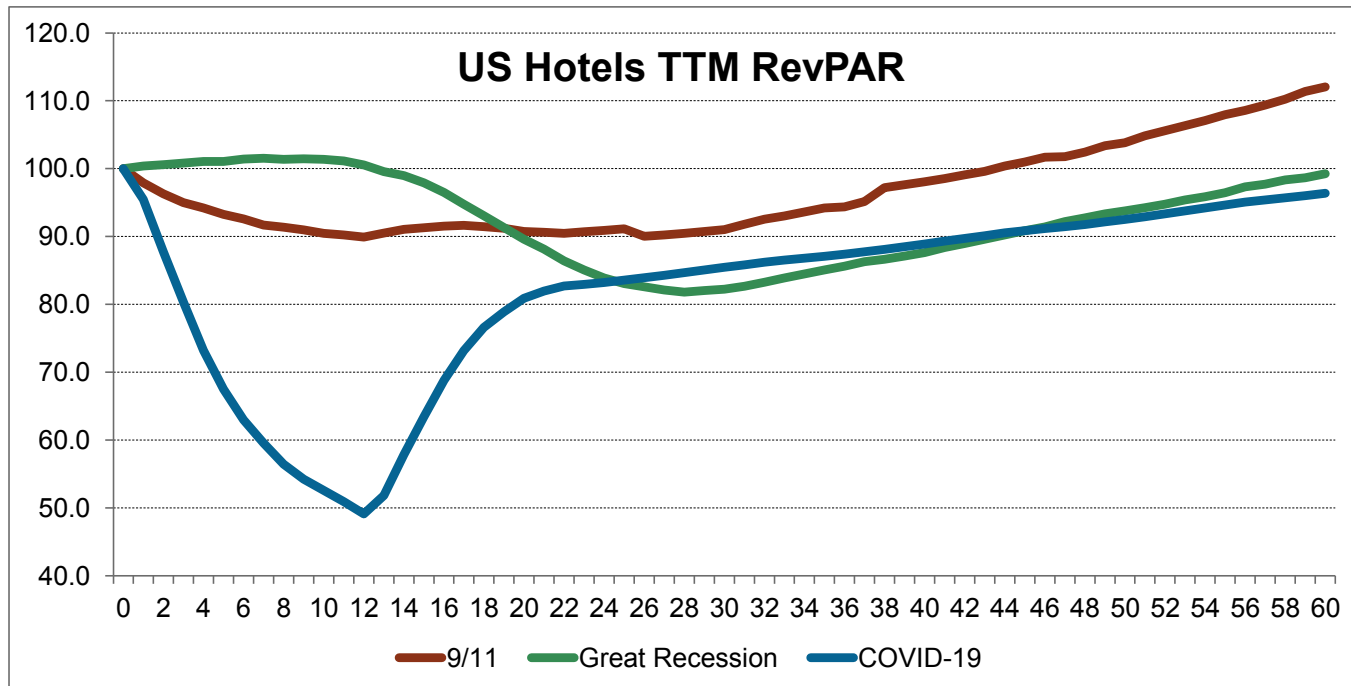
Stocks Have Typically Outperformed when RevPAR Accelerates



Source: Thomson Reuters , Morgan Stanley Research estimates

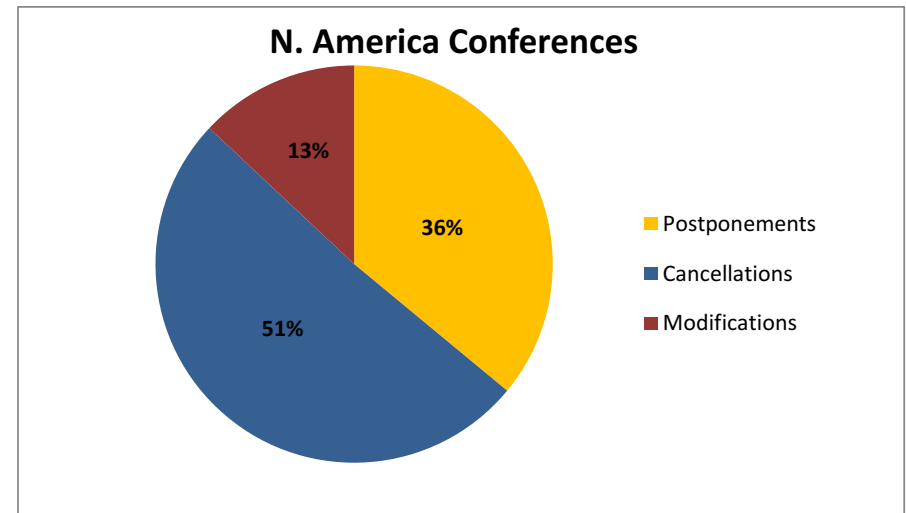
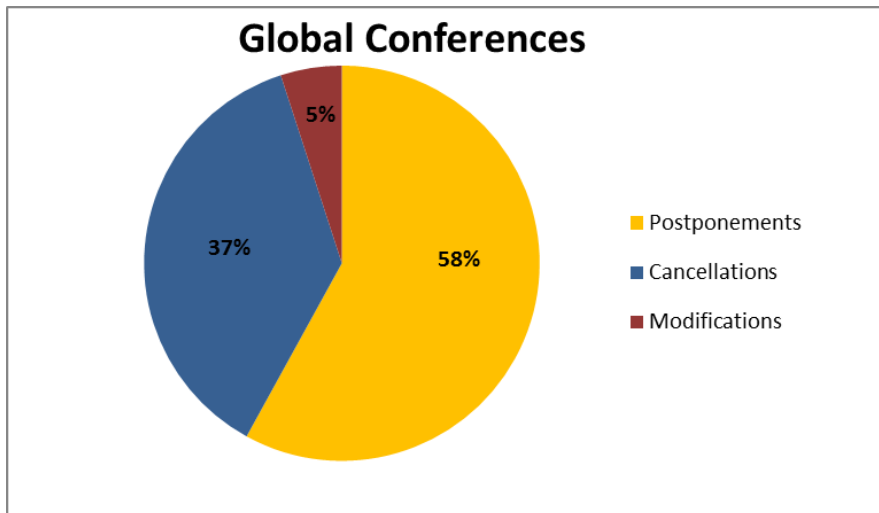
Key Debate #1: RevPAR growth outlook? COVID-19 impact

- We forecast US RevPAR declining 47% in 2020, primarily as a result of demand weakness due to the spread of COVID-19
- We expect a multi-year recovery, with US RevPAR rebounding 57% in 2021. Implies RevPAR is still 17% below 2019 levels in 2021 and doesn't return back to peak until 2025
- We see headwinds from less domestic business travel, int'l inbound, group (conferences / weddings), and a weaker consumer



COVID Impact: Group (>10 rooms booked at once) will likely take longest to recover

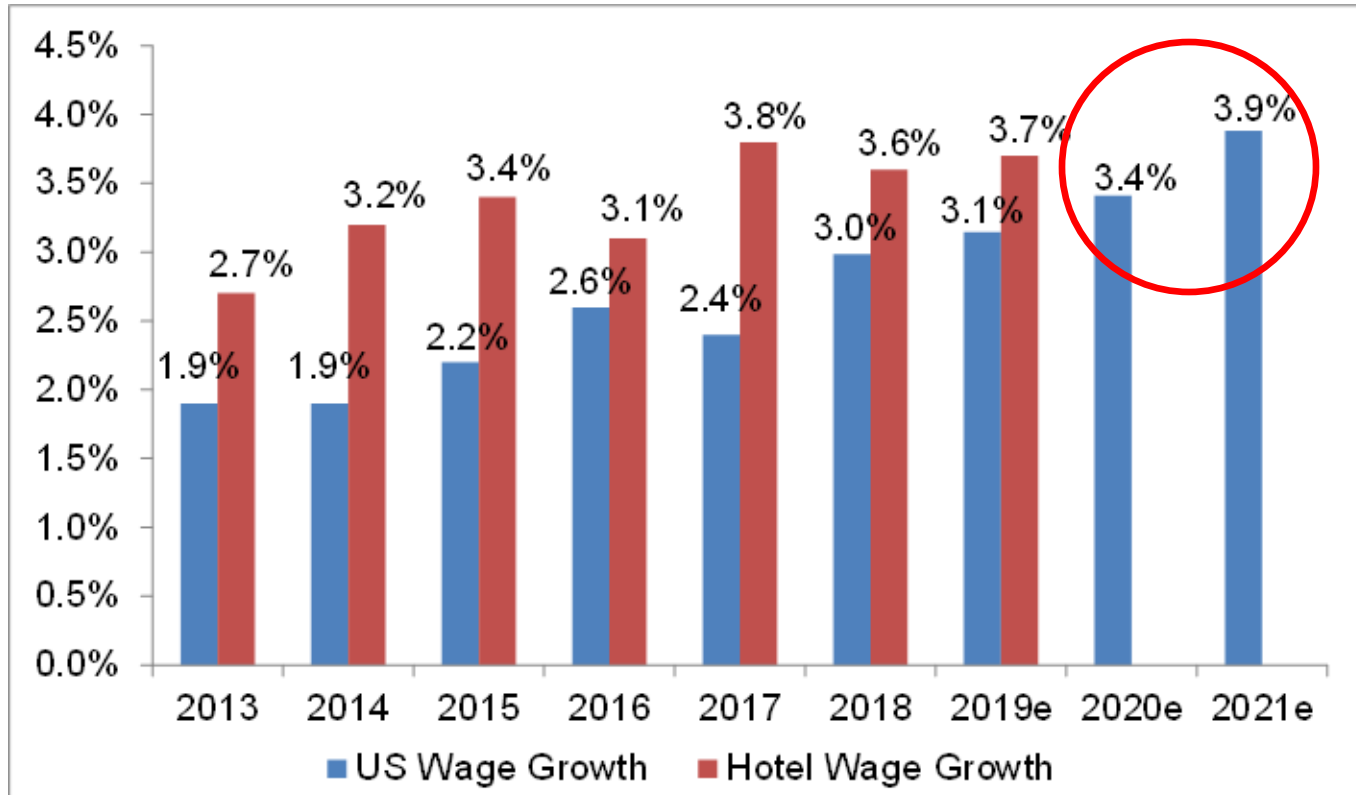
- As of April 2, STR had tracked 431 global events that have been postponed (58%), cancelled (37%), or modified (5%) due to the coronavirus pandemic
- In N. America, 36% have been postponed / 51% cancelled / 13% modified, suggesting the spread of COVID-19 to N. America later is having a more meaningful impact on the conference outlook
- MSFT and FB both said they will not host any in-person large events until at least July 2021



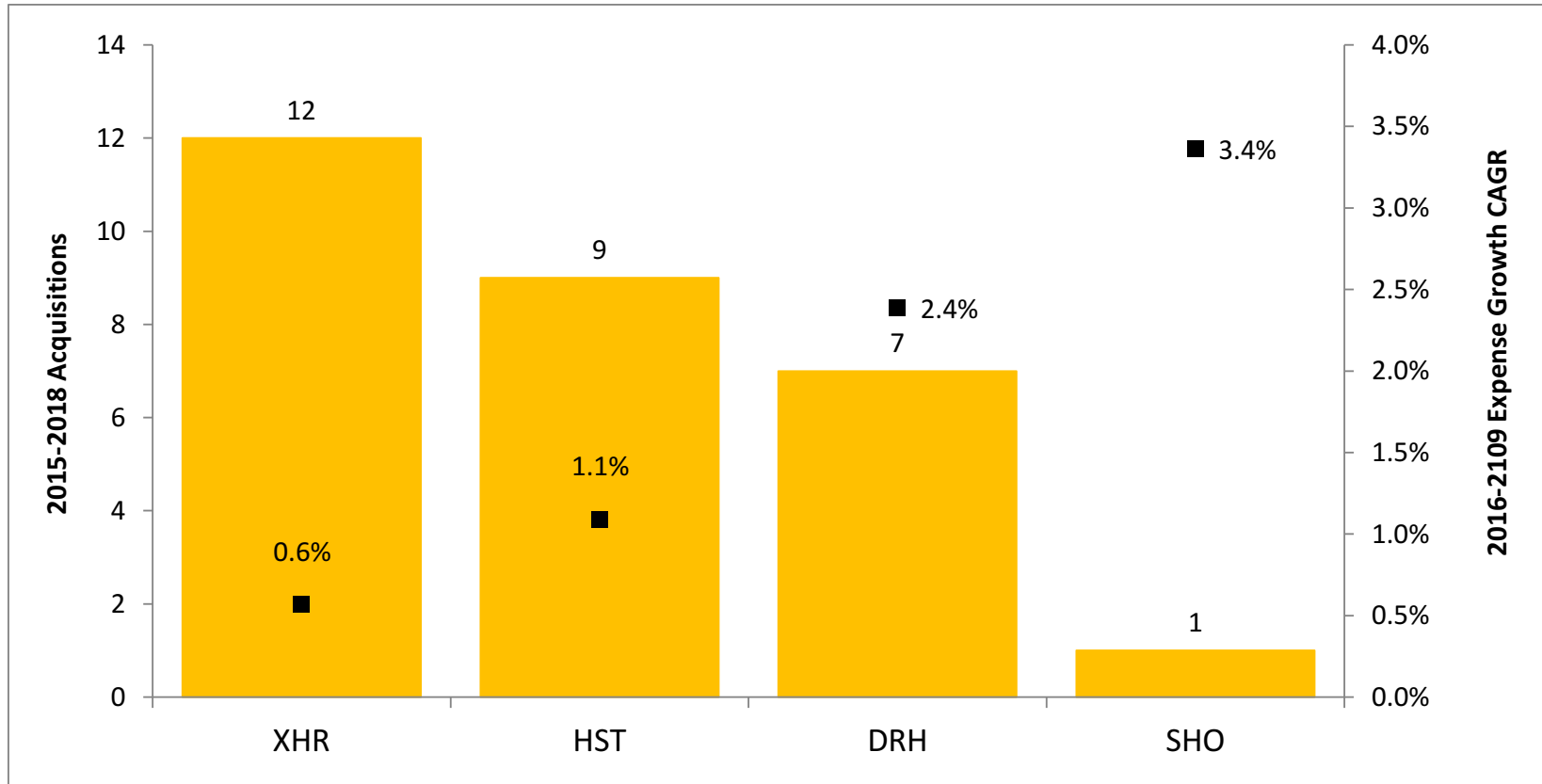
Source: Refinitiv, Morgan Stanley US Equity Strategy Research, Morgan Stanley Research
 *2019e refers to estimated S&P 500 revenues, consensus vs. Morgan Stanley

Key Debate #2: Expense Growth Outlook? Macro Factors Suggest Expenses Will Be a Problem for Owners

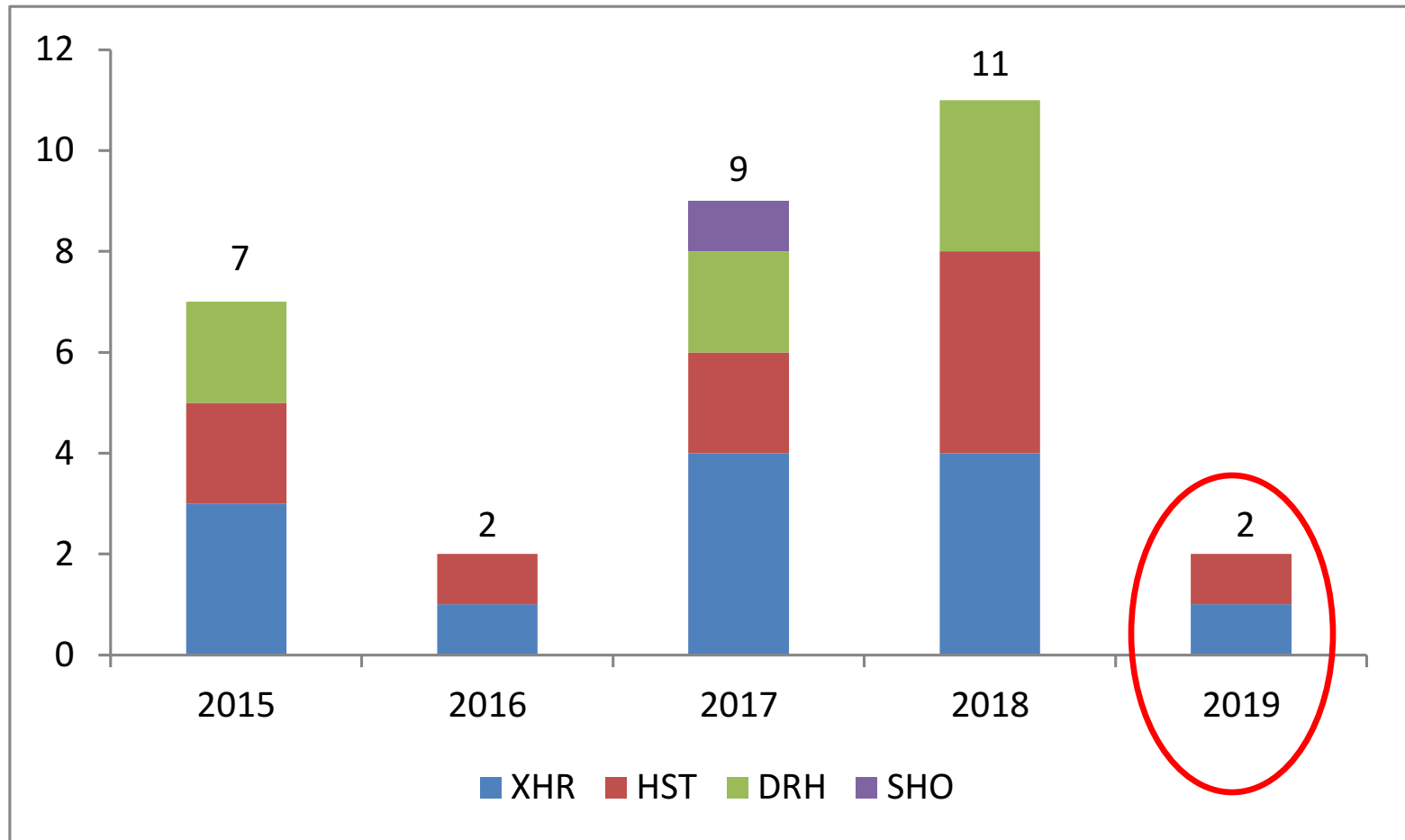
Hotel wage growth has consistently outpaced US wage growth since 2013



Lodging REITs have used new hotels in past to manage costs...



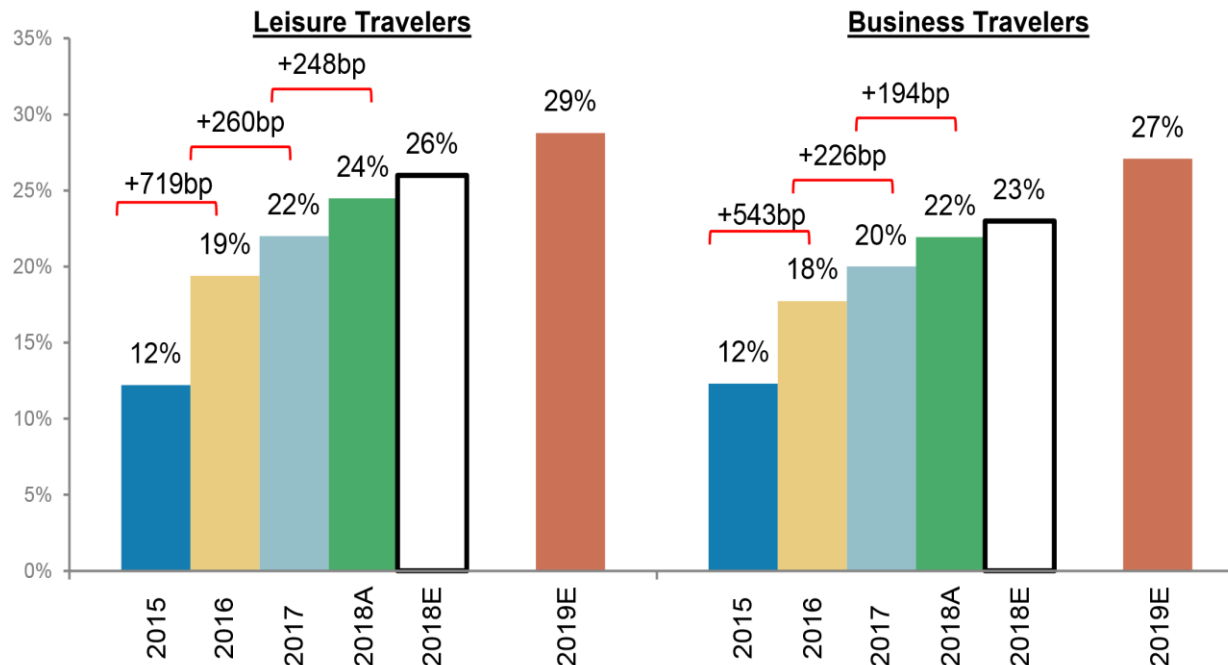
...But Lodging REITs were able to buy only 2 hotels in 2019



Key Debate #3: Threat of Alternative Accommodations

- We conducted a survey of 4,000 consumers in 4 countries (US, UK, France, Germany) to track adoption trends by country
- Alternative accommodation adoption in 2018 was ~200bps below last year's forward expectation for leisure travelers, ~100bps below for business travelers. Also slowing penetration

Airbnb Use



Source: AlphaWise, Morgan Stanley Research

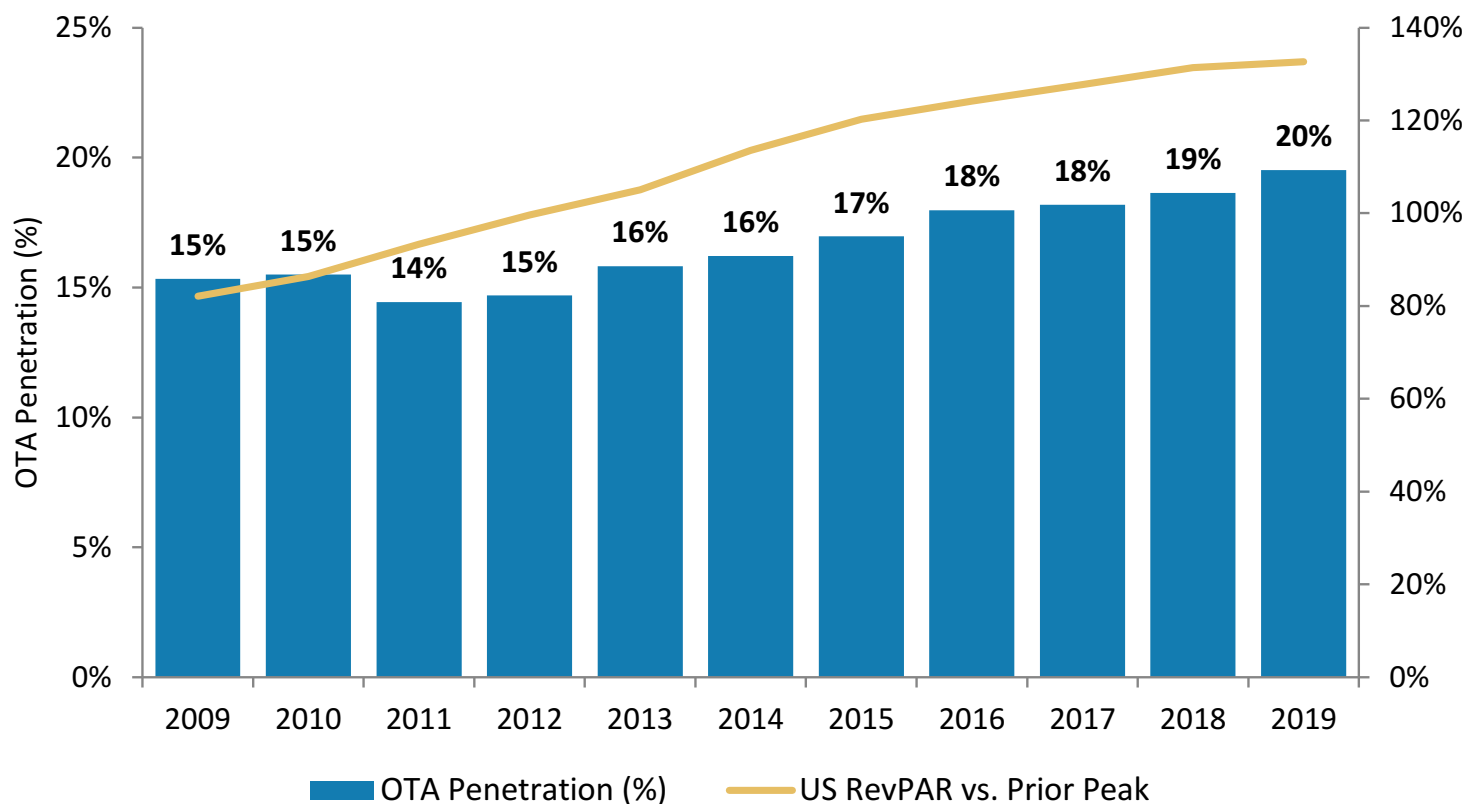
Key Debate #4: Threat of OTAs

- OTAs are the most expensive booking channel for hotels, so hotels try to minimize their distribution mix

% of Rate	Cost to an Owner
Brand.com	1-4%
OTAs	10-20%+
Call centers	4-8%
GDS, etc.	8-10%
Property direct	3-5%

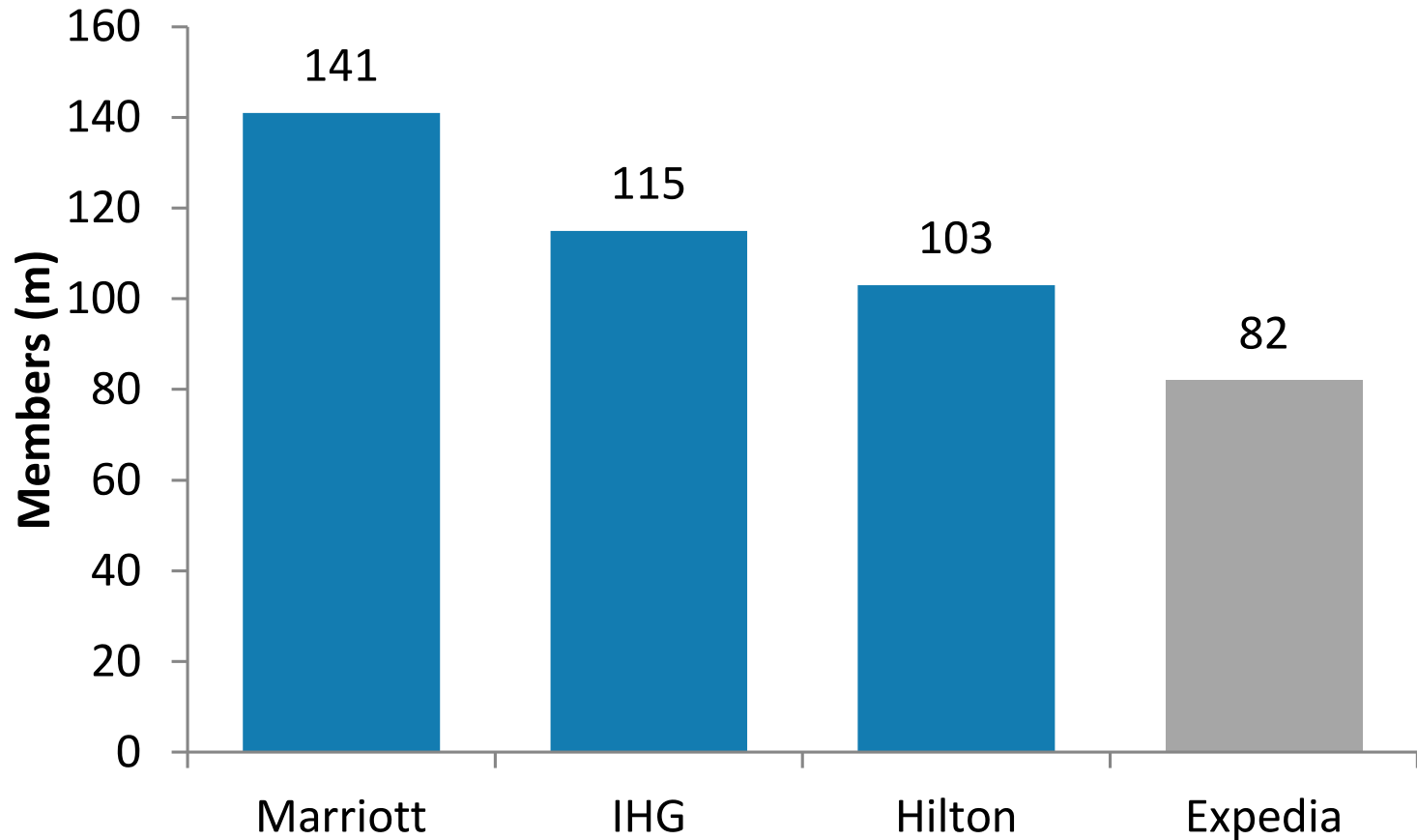
Threat of OTAs

- OTAs continued to modestly gain share of distribution



Source: Phocuswright, STR, Morgan Stanley Research estimates

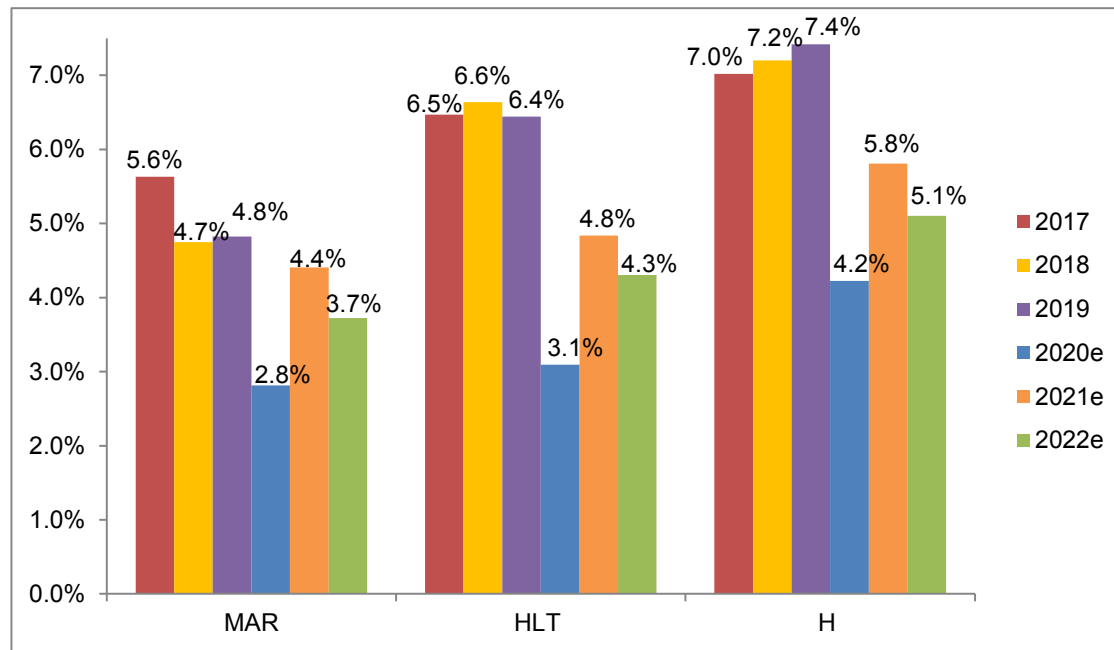
Threat of OTAs: Largest hotel brands have built loyalty programs to combat



Source: Company data, Morgan Stanley Research

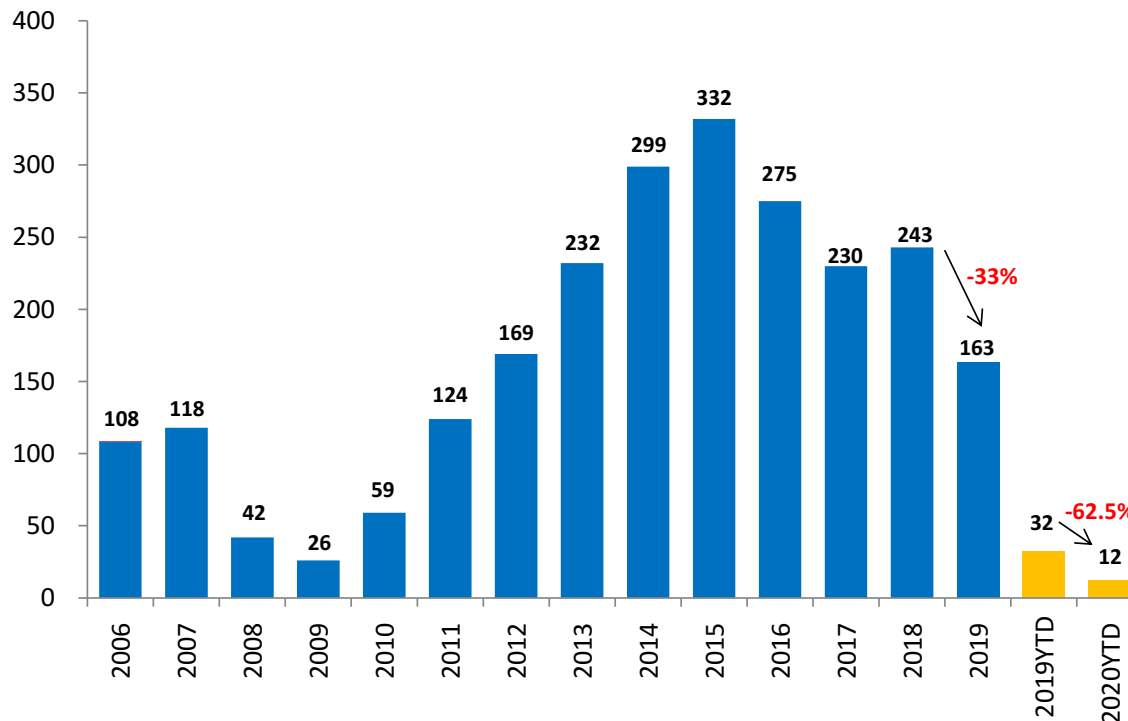
Key Debate #5: Net Unit Growth Risk

- MAR, HLT, and H have been growing units between 5-7% the past few years, supported by a robust development environment and taking share of future rooms
 - MAR noted at YE19 it had 7% of existing US room supply and 19% of future rooms, while HLT is growing faster
- Due to COVID-19, we expect their unit growth to decelerate to 3-4% in '20, accelerate to 4-6% in '21 as delayed projects get finished, then decelerate in '22 to 4-5% as projects won't get started in '20



Supply Risk: Compression Nights in Top 25 Markets

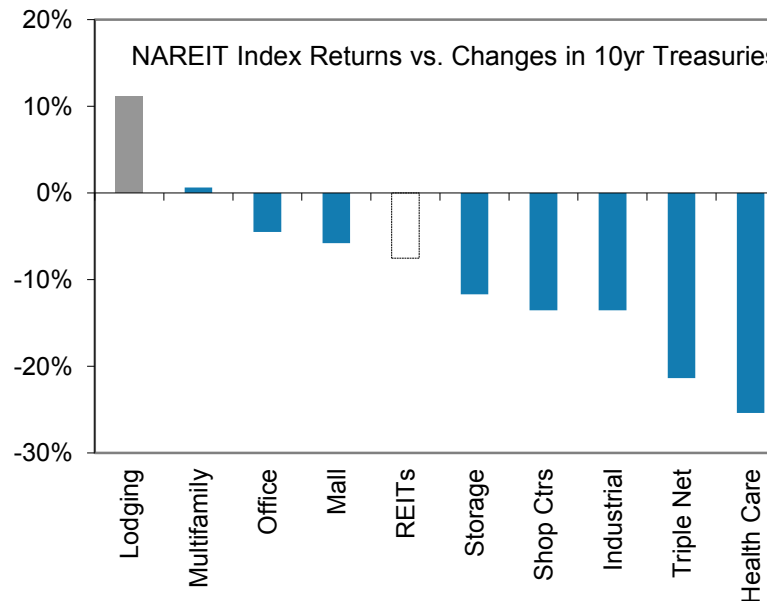
- We believe traditional supply and alternative accommodations have put pressure on the ability of hotels to charge premium rates on nights with close to full (>95%) occupancy
- 2019 compression nights (>95% occupancy) declined 33% y/y due to demand weakness and we expect this issue will persist into 2020 give the spread of coronavirus
- YTD compression nights have declined 62.5% y/y



Key Debate #5: Interest Rates: Unlike Other REITs, Falling Rates Not Great for Lodging

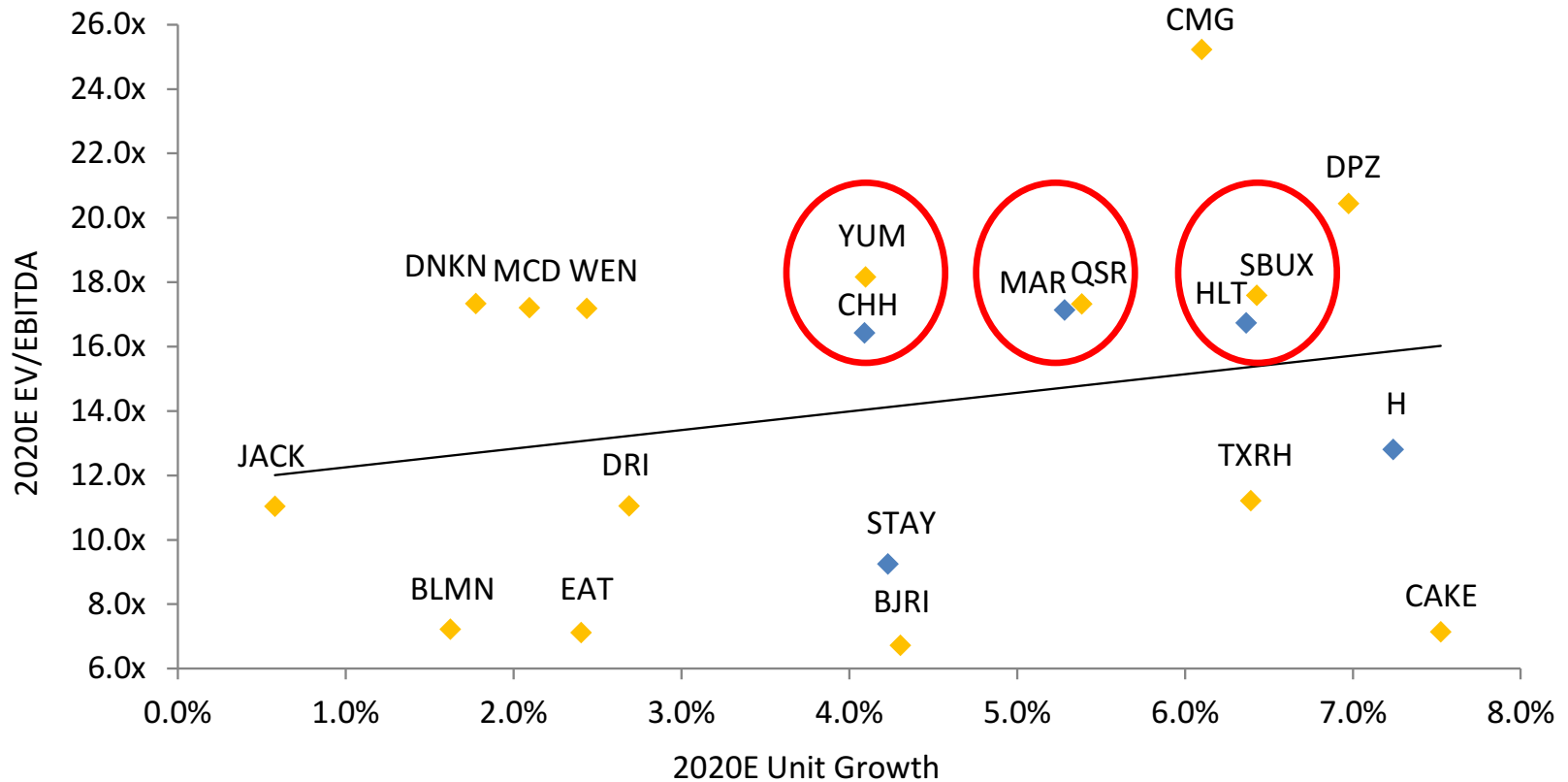
- Lodging stock prices (including REITs) have historically had a positive correlation with interest rates
- Falling rates typically signal worsening economic conditions which bodes poorly for lodging cos
 - Hoteliers are unable to increase room rates on a daily basis as compared to office leases where rents are locked for longer periods of time

Lodging REITs have the opposite correlation to rate changes vs. other property types



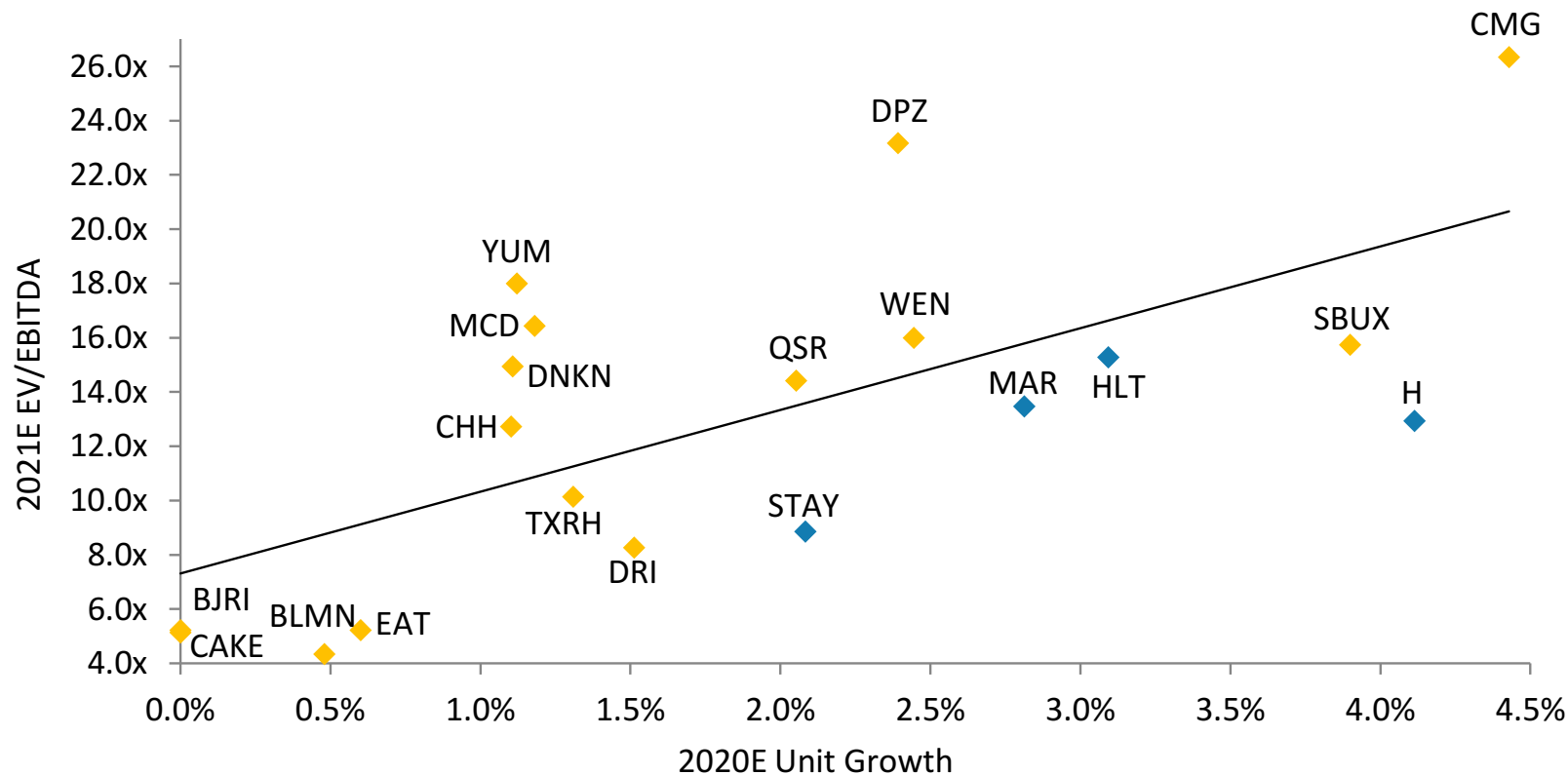
Source: Company Data, Morgan Stanley Research

C-Corps and Restaurant Multiples Converged at the Start of '20



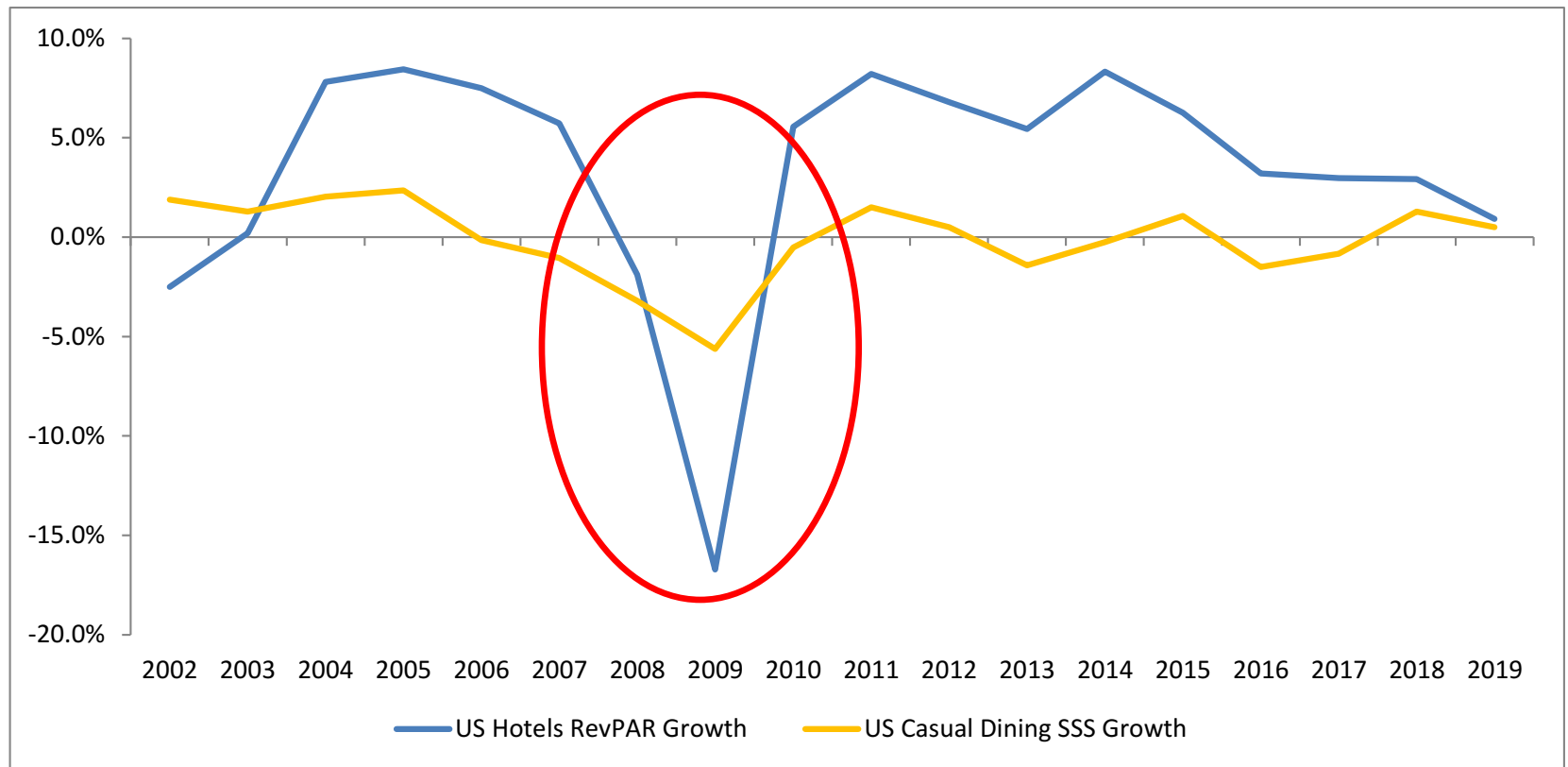
Source: Company Reports; Morgan Stanley Research *Excludes WING and SHAK

...But They Have Since Diverged...



Source: Company Reports; Morgan Stanley Research *Excludes WING, SHAK, and JACK

...As Hotels are meaningfully more cyclical than Restaurants



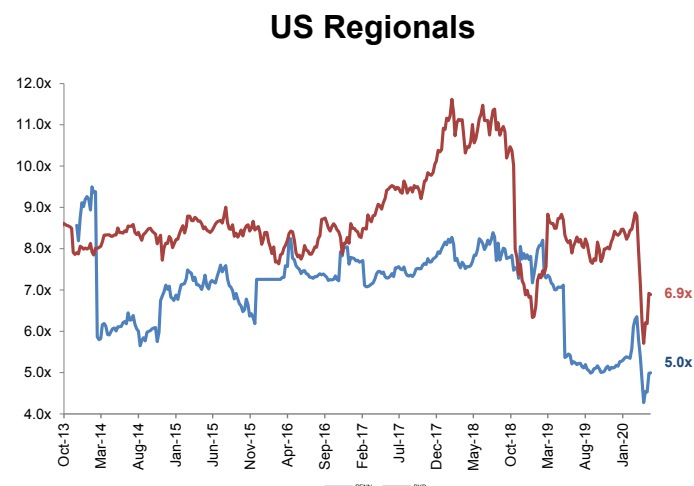
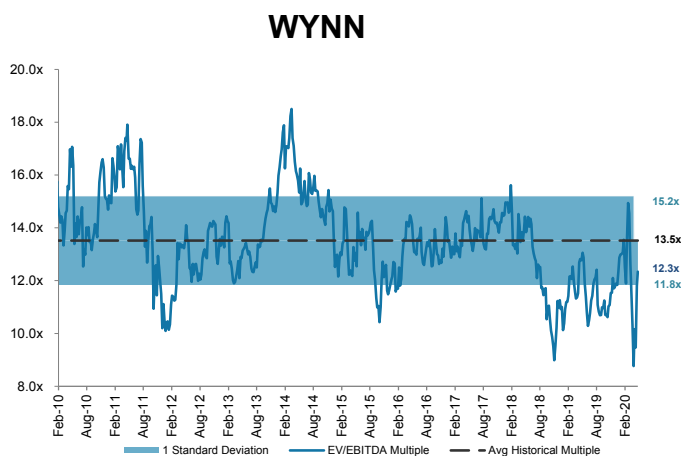
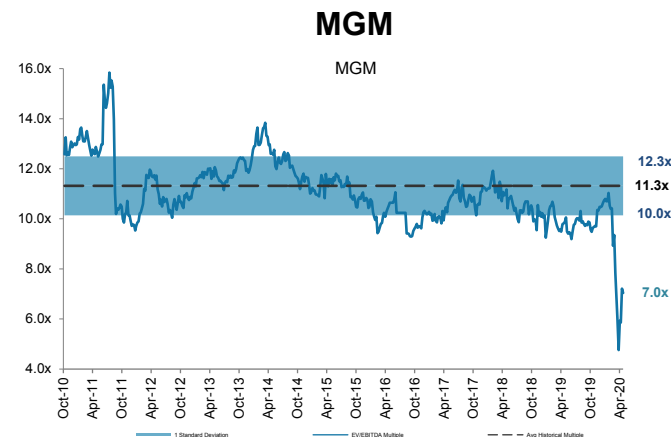
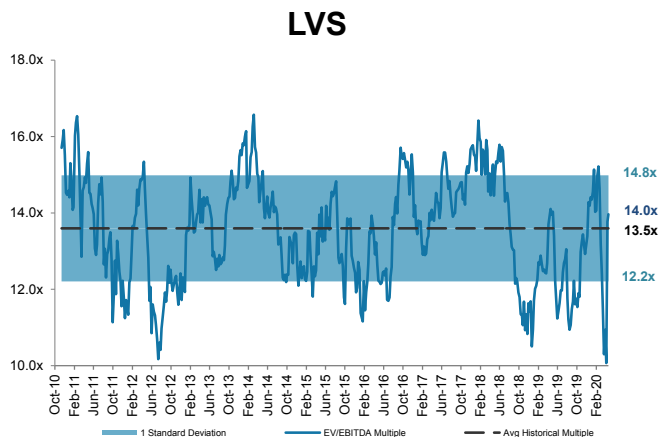
APPENDIX

Gaming Comps Table

(US\$MM except per-share data)									EBITDAR				'18-21e	EV / EBITDAR ³				P/E				Operating FCF Yield ³			
	Price 4/28/20	Rating	Price Target	% to PT	Mkt. Cap.	Ent. Value	Daily Vol. (\$MM)	2018	2019	2020E	2021E	CAGR	2018	2019	2020E	2021E	2018	2019	2020E	2021E	2018	2019	2020E	2021E	
Large-Cap Operators																									
Las Vegas Sands ³	\$46.38	EW	\$49	5%	\$35,434	\$42,660	248.6	\$5,030	\$5,011	\$1,925	\$3,947	-8%	10.1x	10.4x	26.5x	13.7x	14.0x	14.2x	NM	19.9x	9%	8%	3%	7%	
MGM Resorts Int ³	15.23	EW	18	17%	7,685	13,468	149.2	2,852	2,992	1,453	2,521	-4%	8.6x	8.0x	17.9x	8.4x	81.4x	NM	NM	NA	10%	17%	-1%	5%	
Caesars Ent.	9.24	EW	10	8%	7,788	20,497	154.7	2,308	2,417	2,553	2,701	5%	8.9x	8.3x	7.6x	7.1x	NA	NA	NA	NA	10%	9%	11%	12%	
Wynn Resorts ³	82.77	EW	85	3%	8,824	15,648	250.6	1,863	1,626	666	1,462	-8%	9.9x	12.3x	30.7x	12.9x	12.7x	31.7x	NM	35.0x	6%	8%	2%	10%	
Large-Cap Average				8%										9.4x	9.8x	20.7x	10.5x	36.0x	23.0x	#DIV/0!	27.5x	8%	11%	1%	7%
Small-Cap Operators																									
Boyd Gaming	\$16.44	OW	\$20	22%	\$1,877	\$5,236	22.3	\$681	\$897	\$588	\$797	5%	9.3x	6.9x	10.4x	6.5x	12.4x	9.2x	NM	13.3x	19%	21%	14%	21%	
Eldorado Resorts	20.32	OW	21	3%	3,150	23,919	53.3	517	697	1,537	3,164	NA	10.3x	6.7x	15.6x	7.4x	NA	NA	NA	NA	18%	16%	9%	20%	
Penn National	15.42	OW	19	21%	1,862	10,973	51.9	1,043	1,605	1,268	1,593	15%	10.3x	6.8x	7.6x	6.7x	10.0x	10.7x	9.5x	8.9x	13%	18%	22%	21%	
Red Rock Resorts ¹	10.47	NC	NA	NA	1,228	4,821	9.3	470	509	509	430	-3%	9.5x	9.5x	11.2x	10.1x	7.5x	NA	33.1x	17.6x	NA	NA	NA	NA	
Golden Entertainment ¹	8.66	NC	NA	NA	254	1,287	1.4	165	184	133	189	5%	7.8x	7.0x	9.7x	6.8x	NA	NA	NM	NA	NA	NA	NA	NA	
Churchill Downs ¹	97.03	NC	NA	NA	3,838	5,216	29.6	329	451	428	568	20%	15.9x	11.6x	12.2x	9.2x	28.6x	NA	35.5x	21.5x	NA	NA	NA	NA	
Small-Cap Average				15%										10.5x	8.1x	11.1x	7.8x	14.6x	9.9x	26.0x	15.3x	17%	18%	15%	21%
Total Operators Average				12%										10.1x	8.8x	14.9x	8.9x	23.8x	16.4x	26.0x	19.4x	12%	14%	9%	14%
Equipment Suppliers																									
Int'l Game Tech ¹	\$7.08	NC	NA	NA	\$1,396	\$9,546	17.5	\$1,737	\$1,713	\$1,357	\$1,551	-4%	5.5x	5.6x	7.0x	6.2x	7.2x	6.6x	13.7x	5.6x	NA	NA	NA	NA	
Scientific Games ¹	11.33	NC	NA	NA	973	9,385	14.8	1,330	1,334	1,201	1,339	0%	7.1x	7.0x	7.8x	7.0x	NA	NA	76.6x	10.4x	NA	NA	NA	NA	
Supplier Average				NA										6.3x	6.3x	7.4x	6.6x	7.2x	6.6x	45.1x	8.0x	NA	NA	NA	NA
Triple Net Lease REITs																									
Gaming & Leisure Prop	\$26.66	OW	\$35	31%	\$5,743	\$11,454	34.7	\$927	\$1,040	\$685	\$1,034	4%	12.5x	11.0x	16.7x	11.2x	8.4x	7.7x	14.4x	7.7x	12%	13%	7%	13%	
Vici Properties	16.31	OW	20	23%	8,701	12,448	76.9	723	847	1,120	1,273	21%	17.0x	14.5x	11.1x	11.8x	11.4x	11.0x	9.8x	8.7x	9%	9%	10%	11%	
MGM Growth Prop	23.81	EW	26	9%	6,826	10,931	33.8	798	923	955	973	7%	14.3x	11.8x	12.4x	12.1x	10.7x	10.2x	10.0x	9.6x	9%	10%	10%	10%	
REITs Average				21%										14.6x	12.5x	13.4x	11.7x	10.1x	9.7x	11.4x	8.7x	10%	11%	9%	12%
Asian Subsidiaries																									
MGM China ²	\$1.24	OW	\$1.4	15%	\$4,697	\$6,135	9.6	562	733 e	604 e	818 e	13%	10.9x	8.4x	10.2x	7.5x	23.2x	17.2x	30.9x	11.9x	NA	NA	NA	NA	
Sands China ²	4.17	EW	4.3	2%	33,702	37,396	57.2	2,933	3,045 e	2,193 e	3,297 e	4%	12.7x	12.3x	17.1x	11.3x	16.3x	16.1x	27.8x	14.9x	NA	NA	NA	NA	
Wynn Macau ²	1.76	OW	1.8	2%	9,154	12,002	19.6	1,391	1,194	907 e	1,219 e	-4%	8.6x	10.1x	13.2x	9.8x	11.3x	14.8x	29.3x	14.8x	NA	NA	NA	NA	
Asian Gaming																									
Meico Resorts ²	\$15.78	OW	16.0	1%	7,445	7,886	38.1	1,369	1,589 e	1,026 e	1,631 e	6%	5.8x	5.0x	7.7x	4.8x	21.8x	15.5x	271.5x	11.8x	NA	NA	NA	NA	
SJM ²	1.00	OW	1.5	48%	5,685	6,240	12.5	495	518 e	339 e	681 e	11%	12.6x	12.1x	18.4x	9.2x	14.9x	14.0x	23.4x	14.8x	NA	NA	NA	NA	
Galaxy Ent. ²	6.54	EW	6.5	-1%	28,294	23,320	87.9	2,175	2,114 e	1,568 e	2,208 e	1%	10.7x	11.0x	14.9x	10.6x	15.6x	15.7x	22.5x	15.5x	NA	NA	NA	NA	
Genting Singapore ²	0.52	EW	0.66	25%	6,321	3,501	14.6	883	850	737 e	777 e	-4%	4.0x	4.1x	4.8x	4.5x	11.6x	12.8x	16.5x	15.5x	NA	NA	NA	NA	
Asia Average				13%										9.3x	9.0x	12.3x	8.2x	16.4x	15.1x	60.3x	14.2x	NA	NA	NA	NA
Online																									
The Stars Group	\$25.55	EW	\$25	-1%	\$7,438	11,695	66.7	\$920	\$921	\$1,148	\$1,135	7%	13.6x	13.1x	10.2x	9.8x	11.7x	13.8x	9.7x	9.3x	NA	5%	7%	7%	
GVC Holdings ⁴	725	OW	1000p	38%	4,255	6,555	19.8	755	679 e	775 e	886 e	5%	9.0x	9.9x	8.5x	4.8x	9.2x	15.0x	13.2x	10.6x	4%	8%	9%	15%	
William Hill ⁴	104	EW	225p	116%	916	1,384	4.7	307	225 e	240 e	293 e	-2%	3.9x	6.3x	5.8x	3.1x	5.1x	12.5x	11.7x	8.8x	NA	14%	14%	17%	
Playtech ⁴	214	UW	390p	83%	637	954	2.6	254	285 e	295 e	316 e	8%	3.6x	3.3x	3.1x	NA	5.7x	6.2x	5.8x	NA	20%	NA	NA	NA	
Flutter Entertainment (GBp) ⁴	91	EW	£85	-7%	7,067	7,146	30.1	451	430 e	471 e	539 e	6%	16.0x	17.2x	15.6x	13.1x	24.0x	27.6x	NA	NA	NA	NA	NA	NA	
Online Average				64%										9.2x	9.9x	8.6x	7.7x	11.1x	15.0x	10.1x	9.6x	12%	9%	10%	13%

Source: Thomson Reuters; Morgan Stanley Research estimates, except for non-covered companies (NC), which are consensus estimates. (1) Based on consensus estimates compiled by Thomson Reuters. (2) Estimates provided by Praveen Choudhary, Morgan Stanley's Gaming analyst in Hong Kong. (3) Adjusted for proportional share of partially-owned assets.

Historical Adjusted EV/EBITDA Multiples



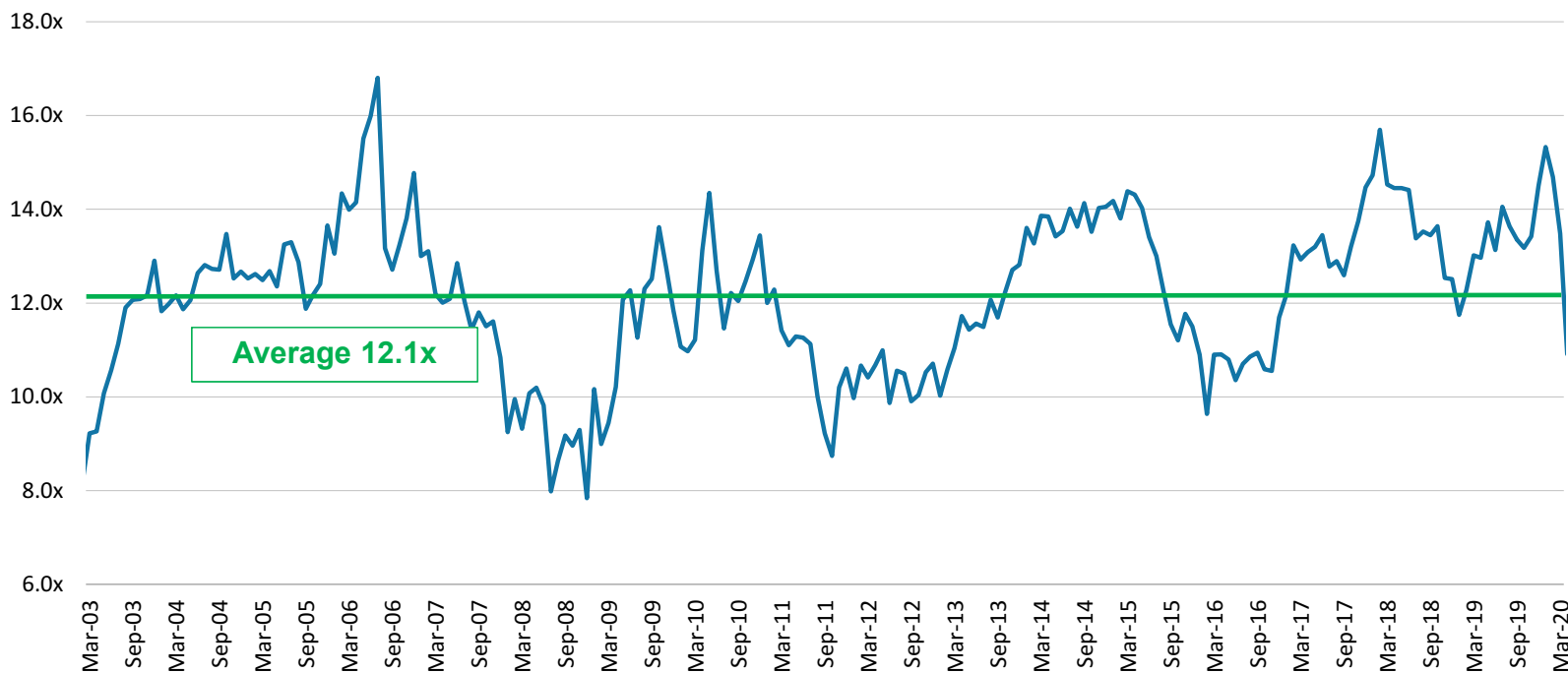
Source: Thomson Reuters, Morgan Stanley Research

Lodging Comps Table

(US\$m, except per-share data) Company	Price 4/28/20	Rating	Price Target	% to PT	% to PT + Div	Shrs Out.	Market Cap	Ent. Value	EBITDA				EBITDA CAGR 2019-21E	EPS				EPS CAGR 2019-21E	EV / EBITDA				P/ EPS				Op FCF Yield				Price / Key
									2018	2019	2020E	2021E		2018	2019	2020E	2021E		2018	2019	2020E	2021E	2018	2019	2020E	2021E	2018	2019	2020E	2021E	
Lodging C-Corps																															
Extended Stay	\$10.40	E	\$9	-13%	-11%	177	\$1,893	4,279	\$600	\$535	\$349	\$479	-5%	\$1.14	\$0.95	(\$0.05)	\$0.56	-23%	7.1x	8.0x	12.2x	8.9x	9.1x	10.9x	-231.1x	18.5x	17.3%	11.0%	3.7%	8.5%	NA
Marriott	85.27	E	77	-10%	-10%	329	28,057	38,624	3,302	3,389	1,995	2,766	-10%	6.21	6.00	2.69	4.50	-13%	11.7x	11.4x	19.4x	14.0x	13.7x	14.2x	31.6x	18.9x	5.9%	3.7%	1.1%	3.9%	NA
Hilton Worldwide	75.19	E	62	-17%	-17%	283	21,307	28,026	1,974	2,154	1,292	1,774	-9%	2.79	3.89	1.55	2.89	-14%	14.2x	13.0x	21.7x	15.8x	26.9x	19.3x	48.4x	26.0x	4.8%	5.9%	2.6%	4.3%	NA
Hyatt Hotels	55.73	E	47	-16%	-15%	102	5,681	6,912	748	719	241	515	-15%	1.98	2.05	(2.27)	0.29	-63%	9.2x	9.6x	28.7x	13.4x	28.1x	27.2x	-24.5x	194.3x	5.2%	5.3%	-0.9%	2.8%	NA
Choice Hotels	74.99	E	67	-10%	-10%	56	4,164	4,729	341	365	295	355	-1%	3.89	4.32	3.14	4.06	-3%	13.9x	13.0x	16.1x	13.3x	19.3x	17.3x	23.9x	18.5x	3.9%	4.7%	4.0%	4.8%	NA
InterContinental ²	36.01	E	28	-22%	-19%	189	8,775	11,405	801	932	964	999	4%	2.90	3.02	2.83	2.98	-1%	14.2x	12.2x	11.8x	11.4x	12.4x	11.9x	12.7x	12.1x	NA	NA	NA	NA	NA
Wyndham Hotels & Resorts ³	36.94	NC	NA	NA	NA	95	3,509	5,595	507	613	453	589	-2%	2.71	3.28	2.23	3.24	-1%	11.0x	9.1x	12.4x	9.5x	13.6x	11.3x	16.6x	11.4x	NA	NA	NA	NA	NA
C-corp Average				-15%	-14%								-6%					-19%	11.6x	10.9x	17.5x	12.3x	17.6x	16.0x	-17.5x	42.8x	7.4%	6.1%	2.1%	4.9%	NA
Lodging REITs																															
Host Hotels & Res.	\$11.57	U	\$10	-14%	-12%	716	\$8,283	11,546	\$1,562	\$1,533	\$578	\$1,000	-19%	\$ 1.77	\$ 1.78	\$ 0.58	\$ 1.14	-20%	7.4x	7.5x	20.0x	11.5x	6.5x	6.5x	20.1x	10.2x	11.7%	11.6%	4.0%	7.3%	\$247
Xenia Hotels & Resorts	8.68	U	9	4%	7%	113	980	1,720	291	293	71	151	-28%	2.22	2.19	0.34	0.99	-33%	5.9x	5.9x	24.3x	11.4x	3.9x	4.0x	25.5x	8.7x	15.3%	15.2%	3.2%	7.5%	179
Diamondrock Hosp.	5.38	U	6	12%	14%	202	1,089	2,114	254	260	101	188	-15%	1.02	1.07	0.31	0.73	-18%	8.3x	8.1x	21.0x	11.2x	5.3x	5.0x	17.2x	7.4x	9.8%	9.9%	4.0%	8.0%	210
Sunstone Hotels	8.94	U	8	-11%	-10%	224	2,001	2,496	323	311	119	197	-20%	1.17	1.12	0.25	0.62	-26%	7.7x	8.0x	20.9x	12.6x	7.7x	8.0x	35.3x	14.4x	11.6%	11.2%	4.0%	6.9%	235
Park Hotels & Resorts ¹	8.12	NC	NA	NA	NA	240	1,949	4,585	754	786	406	606	-12%	2.96	2.88	1.18	1.81	-21%	6.1x	5.8x	11.3x	7.6x	2.7x	2.8x	6.9x	4.5x	NA	NA	NA	NA	NA
Pebblebrook Hotel Trust ¹	11.03	NC	NA	NA	NA	131	1,443	4,079	255	479	183	298	-21%	2.45	2.63	0.50	1.53	-24%	16.0x	8.5x	22.3x	13.7x	4.5x	4.2x	22.2x	7.2x	NA	NA	NA	NA	NA
CorePoint ¹	3.81	NC	NA	NA	NA	58	221	1,122	180	42	74	102	56%	2.06	1.57	1.34	1.30	-9%	6.2x	26.7x	15.1x	11.0x	1.8x	2.4x	2.8x	2.9x	NA	NA	NA	NA	NA
Ashford Hospitality	0.72	NC	NA	NA	NA	100	72	3,916	412	425	321	342	-10%	1.26	1.22	0.39	0.89	-15%	9.5x	9.2x	12.2x	11.5x	NA	NA	NA	NA	NA	NA	NA	NA	NA
Braemar Hotels & Resorts	2.51	NC	NA	NA	NA	32	81	1,175	123	121	94	102	-8%	1.55	1.41	0.88	1.09	-12%	9.5x	9.7x	12.5x	11.5x	NA	NA	NA	NA	NA	NA	NA	NA	NA
RLJ Lodging Trust	8.58	NC	NA	NA	NA	169	1,453	3,133	522	462	202	292	-21%	2.26	2.03	0.45	1.19	-24%	6.0x	6.8x	15.5x	10.7x	3.8x	4.2x	19.1x	7.2x	NA	NA	NA	NA	NA
Hersha Hospitality ¹	4.75	NC	NA	NA	NA	39	183	1,284	174	166	76	120	-15%	2.20	1.94	0.44	1.18	-22%	7.4x	7.7x	16.9x	10.7x	2.2x	2.4x	10.8x	4.0x	NA	NA	NA	NA	NA
Hospitality Property ¹	6.05	NC	NA	NA	NA	164	994	7,029	805	851	804	802	-3%	3.69	3.78	3.18	3.19	-8%	8.7x	8.3x	8.7x	8.8x	1.6x	1.6x	1.9x	1.9x	NA	NA	NA	NA	NA
Pebblebrook Hotel Trust ¹	11.03	NC	NA	NA	NA	131	1,443	3,642	255	479	183	298	-21%	2.45	2.63	0.50	1.53	-24%	14.3x	7.6x	19.9x	12.2x	4.5x	4.2x	22.2x	7.2x	NA	NA	NA	NA	NA
Ryman Hosp. ¹	30.60	NC	NA	NA	NA	53	1,609	3,806	389	511	337	361	-16%	5.86	6.86	3.40	5.68	-9%	9.8x	7.5x	11.3x	10.5x	5.2x	4.5x	9.0x	5.4x	NA	NA	NA	NA	NA
Chatham Lodging ¹	6.61	NC	NA	NA	NA	47	310	889	131	105	83	104	0%	1.95	1.85	0.97	1.34	-15%	6.8x	8.5x	10.7x	8.5x	3.4x	3.6x	6.8x	4.9x	NA	NA	NA	NA	NA
Apple Hospitality ¹	8.66	NC	NA	NA	NA	224	1,939	3,448	449	459	290	355	-12%	1.72	1.63	1.01	1.30	-11%	7.7x	7.5x	11.9x	9.7x	5.0x	5.3x	8.6x	6.7x	NA	NA	NA	NA	NA
Summit Hotel Prop. ¹	5.24	NC	NA	NA	NA	104	545	1,519	196	185	67	143	-12%	1.35	1.17	0.07	0.85	-15%	7.7x	8.2x	22.6x	10.6x	3.9x	4.5x	71.5x	6.1x	NA	NA	NA	NA	NA
REIT Average				-2%	0%								-11%					-18%	7.5x	9.1x	16.2x	10.4x	4.1x	4.2x	18.0x	6.4x	12.1%	12.0%	3.8%	7.4%	\$218
Timeshare																															
Marriott Vacations ^{1,3}	\$79.02	NC	NA	NA	NA	34	\$2,695	\$4,812	\$419	\$758	\$581	\$753	0%	\$5.88	\$7.81	\$5.97	\$8.01	1%	11.7x	6.5x	8.4x	6.5x	13.4x	10.1x	13.2x	9.9x	NA	NA	NA	NA	NA
Wyndham Destinations ^{1,3}	23.30	NC	NA	NA	NA	90	2,090	5,049	957	991	825	1,001	1%	4.69	5.62	4.44	5.94	3%	5.1x	5.0x	6.0x	4.9x	5.0x	4.1x	5.2x	3.9x	NA	NA	NA	NA	NA
Hilton Grand Vacations ^{1,3}	19.49	NC	NA	NA	NA	98	1,910	2,387	503	408	322	448	5%	3.05	2.42	2.02	2.96	11%	4.6x	5.6x	7.1x	5.1x	6.4x	8.1x	9.6x	6.6x	NA	NA	NA	NA	NA
Timeshare Average													2%					5%	7.1x	5.7x	7.2x	5.5x	8.3x	7.4x	9.4x	6.8x	NA	NA	NA	NA	NA
Lodging				-9%	-7%								-8%					-19%	9.0x	9.8x	16.7x	11.1x	9.1x	8.6x	4.9x	19.8x	9.5%	8.7%	2.9%	6.0%	\$218

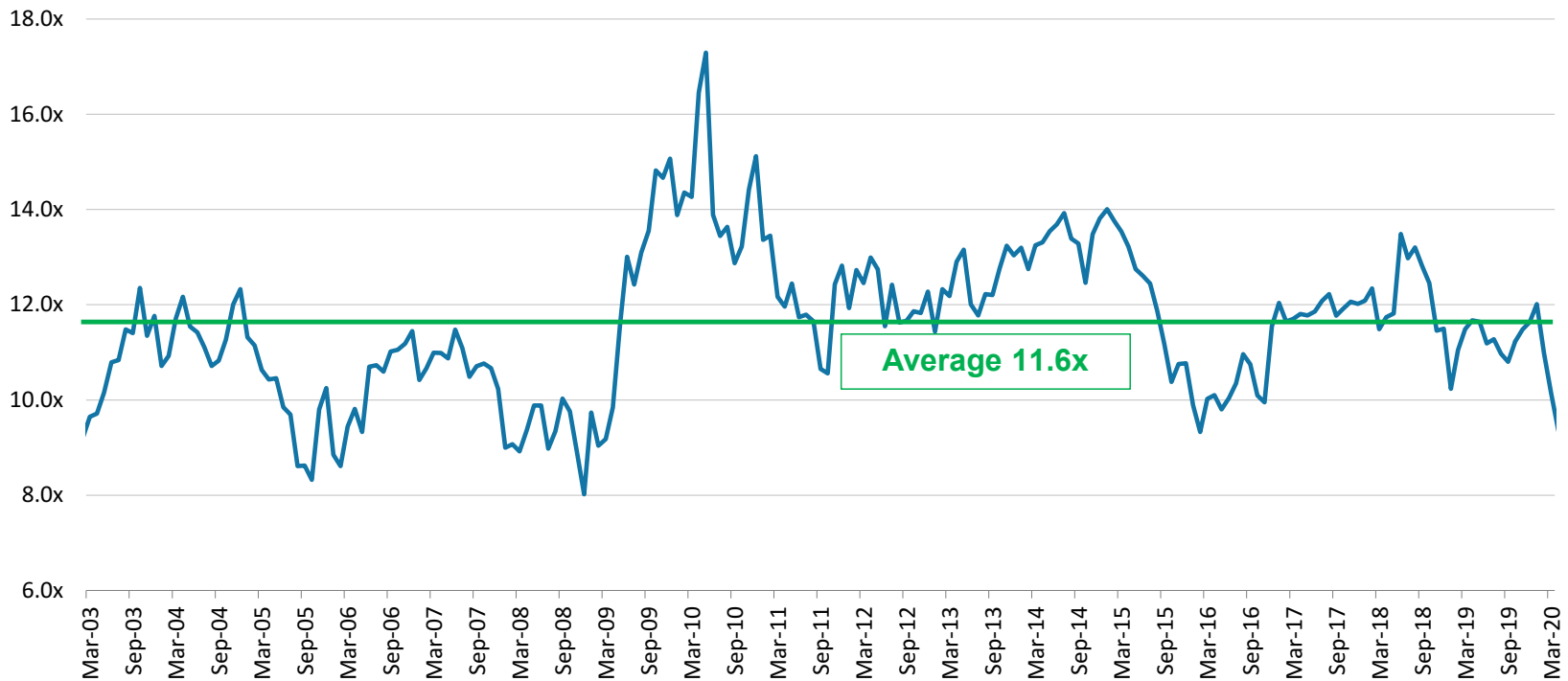
Source: Company Data, Thomson Reuters, Morgan Stanley Research estimates, except for non-covered companies (NC), which are consensus estimates.

Historical EV/EBITDA Multiples – Lodging C-Corps Avg 12.1x



Source: Company Data, Thomson Reuters, Morgan Stanley Research estimates

Historical EV/EBITDA Multiples – Lodging REITs Avg 11.6x



Source: Company Data, Thomson Reuters, Morgan Stanley Research estimates

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Global Stock Ratings Distribution

(as of April 30, 2020)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1216	38%	300	42%	25%	533	37%
Equal-weight/Hold	1432	45%	325	46%	23%	698	48%
Not-Rated/Hold	3	0%	1	0%	33%	3	0%
Underweight/Sell	553	17%	81	11%	15%	220	15%
TOTAL	3,204		707			1454	

Disclosure Section

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

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Disclosure Section

INDUSTRY COVERAGE: Gaming & Lodging

COMPANY (TICKER)	RATING (AS OF)	PRICE* (05/08/2020)
Thomas Allen		
Boyd Gaming Corporation (BYD.N)	O (12/20/2018)	\$17.98
Caesars Entertainment Corp (CZR.O)	E (06/25/2019)	\$9.70
Choice Hotels International Inc (CHH.N)	E (05/05/2017)	\$73.91
DiamondRock Hospitality Co (DRH.N)	U (09/26/2016)	\$5.47
DraftKings Inc (DKNG.O)	O (04/30/2020)	\$23.45
Eldorado Resorts Inc. (ERI.O)	O (11/18/2019)	\$21.09
Extended Stay America Inc (STAY.O)	E (08/09/2019)	\$11.11
Gaming and Leisure Properties Inc (GLPL.O)	O (07/24/2018)	\$27.90
Hilton Worldwide Holdings Inc (HLT.N)	E (01/17/2018)	\$72.19
Host Hotels & Resorts, Inc. (HST.N)	U (12/20/2018)	\$11.06
Hyatt Hotels Corporation (H.N)	E (03/07/2017)	\$53.09
Las Vegas Sands Corp. (LVS.N)	E (01/21/2020)	\$50.94
Marriott International Inc. (MAR.O)	E (07/24/2018)	\$87.17
MGM Growth Properties LLC (MGP.N)	E (01/21/2020)	\$24.66
MGM Resorts International (MGMN)	E (01/21/2020)	\$15.59
Penn National Gaming, Inc. (PENN.O)	O (05/09/2019)	\$18.43
Sunstone Hotel Investors Inc (SHO.N)	U (09/26/2016)	\$8.47
Vici Properties Inc (VICI.N)	O (08/26/2019)	\$17.09
Wynn Resorts, Limited (WYNN.O)	E (02/09/2018)	\$86.94
Xenia Hotels & Resorts Inc (XHR.N)	U (12/20/2018)	\$9.03

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* Historical prices are not split adjusted.