



Wynn Resorts (WYNN)

General:

- Stock Price: $110.20
- Performance YTD: -34.63%, down 45% since high made on May 10th of $203.63

Valuation:

- Forward P/E: 14.8x vs. MGM at 23.2x vs. CZR at 296x (not a typo)
- Forward P/S: 1.7x vs. MGM at 1.2x vs. CZR at 0.8x
- P/B: 6.9x vs. MGM at 2.1x vs. CZR at 2.2x
- Gross Margins: 70.1% vs. MGM at 43.7% vs. CZR at 52.3%
- EBITDA Margins: 26.6% vs. MGM at 22.4% vs. CZR at 11.1%
- Profit Margins: 7.8% vs. MGM at 17.7% vs. CZR at 1.4%
- Price-Earnings-Growth (PEG): 0.7 vs. MGM at 2.3x vs. CZR N/A
- Quick Ratio: 1.0x vs. MGM at 0.7x vs. CZR at 2.0x
- Total Debt/EBITDA: 5.2% vs. MGM at 5.7% vs. CZR at 11.1%
- EBIT/Interest Expense: 3.3x vs. MGM at 2.0x vs. CZR at 0.7x

Notables:

- Hedge Funds owned 7.8% of shares at the beginning of 2018 and now own 11.6%

- Hedge Fund ownership sits at 12.8% for MGM but started the year at 19.5%

- Refer to chart below: Over the last 100 days the correlation between the Shanghai Composite and WYNN has skyrocketed from nearly 0 to 0.30-0.40

Technicals:

- Relative Strength Index (RSI): 28.53 = Oversold

- Money Flow Index (MFI): 32.43 = Near Oversold

- Williams %R= -98.46 = Oversold

Short-term technical are saying WYNN is due for a bounce but the long-term trend will be extremely difficult to break. We imagine a lot of people are down heavy on their investment right now considering how much shares have fallen in the last few months and this could lead to a lot of people selling any pops.

- Bollinger Bands say there is some support at $108.12

- Pivot Points: Last support level, the L2, was at $112.65 which means WYNN closed below it which isn't good.

- The 50 day moving average of $132.91 is well below the 200 day moving average of $163.91

Analysis:

Wynn is super tempting down here in the $110 range. There's a lot of good things and bad things. For one, Steve Wynn is no longer running the show since the sexual misconduct allegations last year and one must wonder how the company is going to fair without him in the long-haul. Speaking of the allegations, court proceedings are still ongoing so any unexpected news in that regard can act as a headwind. Macau growth seems to still be alive, we expect the recent typhoon will effect short-term earnings but long term Macau still seems to display some growth for the whole industry.

WYNN is in the middle of finishing their Encore Resort outside of Boston which, when is all said and done, is supposed to be a $2.5B investment. Based on our research it looks like there will be some solid growth to help top and bottom line in the future.

WYNN's last earnings call was pretty good. The company's REVPAR (daily revenue per available room) at their Las Vegas locations came in at $274 vs. $265 in the same quarter last year. Through the first 6 months of 2018, occupancy stood at 85.8% vs. 87.1% in same period in 2017, though.

WYNN Palace Cotai, on the other side of the water from Wynn Macau, was the main reason the company has shown such great growth overall. It was built in 2016 (Wynn Macau was built in 2006) and operating revenues were $620.6 million for the second quarter of 2018, a 56.6% increase from $396.4 million for the same period of 2017. Adjusted Property EBITDA from Wynn Palace was $179.3 million for the second quarter of 2018, a 105.1% increase from $87.4 million for the same period of 2017.

Casino revenues from Wynn Palace were $525.0 million for the second quarter of 2018, a 62.4% increase from $323.3 million for the same period of 2017. Non-casino revenues from Wynn Palace were $95.6 million for the second quarter of 2018, a 30.6% increase from $73.1 million for the same period of 2017. Room revenues were $40.7 million for the second quarter of 2018, a 46.2% increase from $27.9 million for the same period of 2017. ADR (average daily revenue) was $254, a 36.6% increase from $186 for the second quarter of 2017. Occupancy was flat at 96.2% for the second quarter of 2018, compared to the same period of 2017. REVPAR was $245, a 37.6% increase from $178 for the second quarter of 2017.

Higher rates, a stronger dollar, and more tension with China can hold Wynn and the entire industry back as Wynn Macau and Wynn Palace Cotai growth is extremely dependent on tourism.

Overall, with the stock down about 45% in the last 6 months and hitting oversold on major technicals. We believe WYNN is worth a buy at these levels. Like always we recommend dollar cost averaging as more downside is definitely possible. While it isn't something we are seeing on the charts we believe the mentality of investors will try to keep it above the $100.00 mark

Caesar's (CZR)

General:

- Price: $10.10

- Performance YTD: -19.4% even after jumping 13% last week

Caesar's (CZR) is a bit different than Wynn. They don't have a presence in Macau as they originally thought betting over there would not be a profitable venture. They've now learned that it most certainly is and have some plans of getting out there as they registered some trademarks in late September. CZR is a little more aggressive on the mobile betting front than WYNN as they announced on Sep 6th that the Caesars Casino & Sports app allows anyone in NJ to place bets on their favorite sporting events, including professional football. They can also play over 400 casino games including slots, table games, and video poker.

WYNN did recently make an investment in the mobile betting spacing but reports we've read said Steve Wynn wasn't a fan of the strategic move over the past few years. It appears that new management feels differently.

From a fundamental perspective please refer to the above where we did a WYNN, MGM, CZR comparison. CZR lags pretty far behind.

Technically speaking, nothing is oversold or overbought since the news that Golden Nugget is considering a merger at which they take out CZR at $13 a share.

This is a matter of whether or not the merger is legit or not. From the looks of it there are still skeptics as the stock is still trading about 30% lower than the price of $13 mentioned. We would take WYNN over CZR as it is better fundamentally, more growth prospects, sold off even more, more attractive technically as it is considered oversold, etc.