

December 2020 Las Vegas Strip Gaming Revenue Analysis

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I typically wait for the LVCVA to produce its year-end statistics so I can include them in my analysis, but we are in the middle of earnings and I thought people might like the gaming numbers sooner rather than later. I was also hoping a handful of states would report their December numbers by this morning. No such luck. I will send out a review of the national and regional numbers for 2020 under a different email when I have a better picture. That should help keep these notes a little more focused since we still have much to go over.

Fiscal Year Abstract

The Nevada Gaming Control Board released the Abstract this month, which reports data for Fiscal Year 2020 (ending June 30).

Total revenue fell 26.7% on the Strip for the fiscal year (FY) 2020, down to \$12.13 billion. We estimate that EBITDA declined by approximately 45%. The Abstract sometimes includes non-recurring or non-cash items in its "Other Expenses" (simply a function of how properties report to the Board), which can cloud the actual EBITDA picture. In fact, the Abstract reported higher net income in FY 2020 over FY 2019 due to gains realized on some real estate transactions. The EBITDA decline of 45% is CBRE's estimate, but the important relationship is that EBITDA dropped more severely than revenue given the Strip's large fixed costs and some operators' efforts to pay employees and cover healthcare costs during the mandated closures.

The table below highlights the Las Vegas Strip's revenue, EBITDA and per available room statistics for the last eleven fiscal years, 2010 to 2020. Please note that we make revenue adjustments in 2019 and 2020 to compensate for accounting changes in those years that would otherwise negate any long-term analysis. Total revenue on the Strip had grown every year from FY 2011 to FY 2019, as the national economy and customer wealth continued to improve. With the effects of COVID-19, gaming revenue on the Strip has now decreased at an average annual rate of 0.5% over the last 10 years, while non-

gaming revenues have increased at an annual average rate of just 0.9%. Overall, total revenue on Strip has grown at an average annual rate of 0.4% over the last ten fiscal years. Essentially, the Strip was reset by 10 years. Revenue per available room declined just 9.8%.

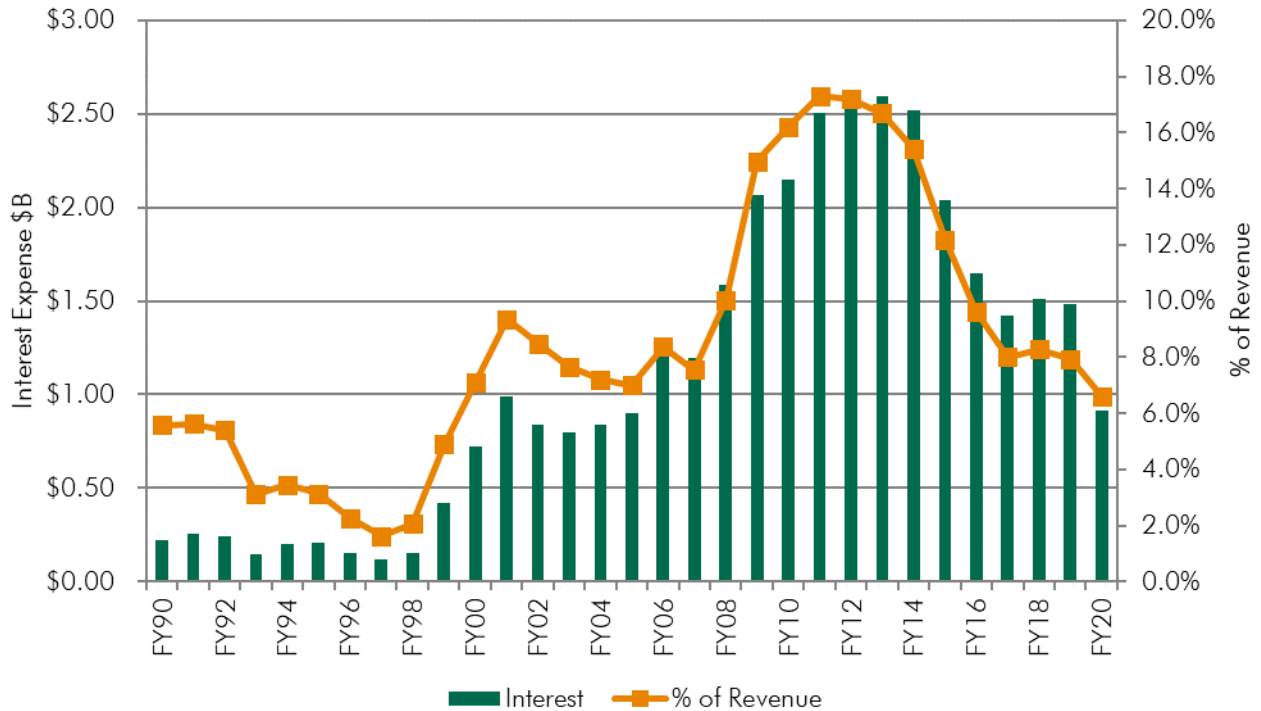
Las Vegas Strip Revenues, EBITDA and Room Statistics											
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue											
Gaming	\$5,167.1	\$5,496.7	\$5,556.4	\$5,751.6	\$5,993.8	\$5,842.3	\$5,856.3	\$6,038.9	\$6,287.7	\$6,452.4	\$4,933.0
Rooms	\$3,106.5	\$3,517.8	\$3,864.0	\$3,928.7	\$4,251.1	\$4,468.3	\$4,809.2	\$5,076.0	\$5,102.5	\$5,331.6	\$3,853.8
Food	\$2,013.3	\$2,241.8	\$2,404.5	\$2,414.0	\$2,514.9	\$2,655.4	\$2,733.4	\$2,744.6	\$2,857.4	\$3,082.0	\$2,275.8
Beverage	\$909.6	\$1,044.2	\$1,153.5	\$1,194.3	\$1,201.5	\$1,243.5	\$1,226.8	\$1,275.4	\$1,360.6	\$1,400.0	\$940.8
Other	\$2,061.1	\$2,193.6	\$2,294.1	\$2,249.9	\$2,346.5	\$2,532.2	\$2,476.3	\$2,627.1	\$2,700.1	\$2,448.5	\$1,781.2
Total Revenue	\$13,257.6	\$14,494.1	\$15,272.5	\$15,538.6	\$16,307.8	\$16,741.6	\$17,102.1	\$17,762.1	\$18,308.2	\$18,714.5	\$13,784.6
EBITDA ⁽¹⁾	\$2,028.7	\$2,532.7	\$2,734.1	\$2,919.5	\$3,282.5	\$3,250.0	\$3,695.9	\$3,929.5	\$4,083.4	\$4,245.6	\$2,311.3
# of Available Rooms	31.3	32.7	32.6	32.7	32.8	32.8	32.5	32.1	32.1	32.1	26.2
# of Occupied Rooms	27.7	29.2	29.5	29.4	29.6	29.6	29.8	29.6	29.3	29.6	20.8
Hotel Occupancy	88.4%	89.1%	90.4%	89.9%	90.4%	90.2%	91.7%	92.3%	91.4%	92.1%	79.4%
EBITDA Change \$	(\$336.5)	\$503.9	\$201.4	\$185.4	\$363.0	(\$32.5)	\$445.9	\$233.7	\$153.8	\$162.3	(\$1,934.4)
EBITDA Change %	-14.2%	24.8%	8.0%	6.8%	12.4%	-1.0%	13.7%	6.3%	3.9%	4.0%	-45.6%
Revenue Change \$	(\$526.1)	\$1,236.5	\$778.4	\$266.1	\$769.2	\$433.8	\$360.4	\$660.0	\$546.1	\$406.3	(\$4,929.9)
Revenue Change %	-3.8%	9.3%	5.4%	1.7%	5.0%	2.7%	2.2%	3.9%	3.1%	2.2%	-26.3%
EBITDA/Available Room	\$64.77	\$77.42	\$83.89	\$89.33	\$100.19	\$99.20	\$113.59	\$122.48	\$127.35	\$132.21	\$88.15
% Change	-17.3%	19.5%	8.4%	6.5%	12.2%	-1.0%	14.5%	7.8%	4.0%	3.8%	-33.3%
Revenue/Available Room	\$423.26	\$443.05	\$468.61	\$475.42	\$497.75	\$511.01	\$525.62	\$553.63	\$570.99	\$582.75	\$525.74
% Change	-7.3%	4.7%	5.8%	1.5%	4.7%	2.7%	2.9%	5.3%	3.1%	2.1%	-9.8%

Source: NGCB; CBRE estimates

The Abstract report also includes balance sheet data, which can help identify financial health.

Debt Levels Continue to Moderate

Total revenue declined on the Strip by 26.3%, while long-term debt decreased 13.6%. As operators have worked to improve their balance sheets and borrowing has generally remained cheap, interest expense for Strip properties fell 38.7% (following only a 1.8% decline the year before). Consequently, interest expense as a percent of revenue fell to 6.6%, which is closer to the pre-recession range of sub-10%. At its peak in FY 2011, interest as a percent of revenue was 17.3%.



Source: NGCB; CBRE estimates

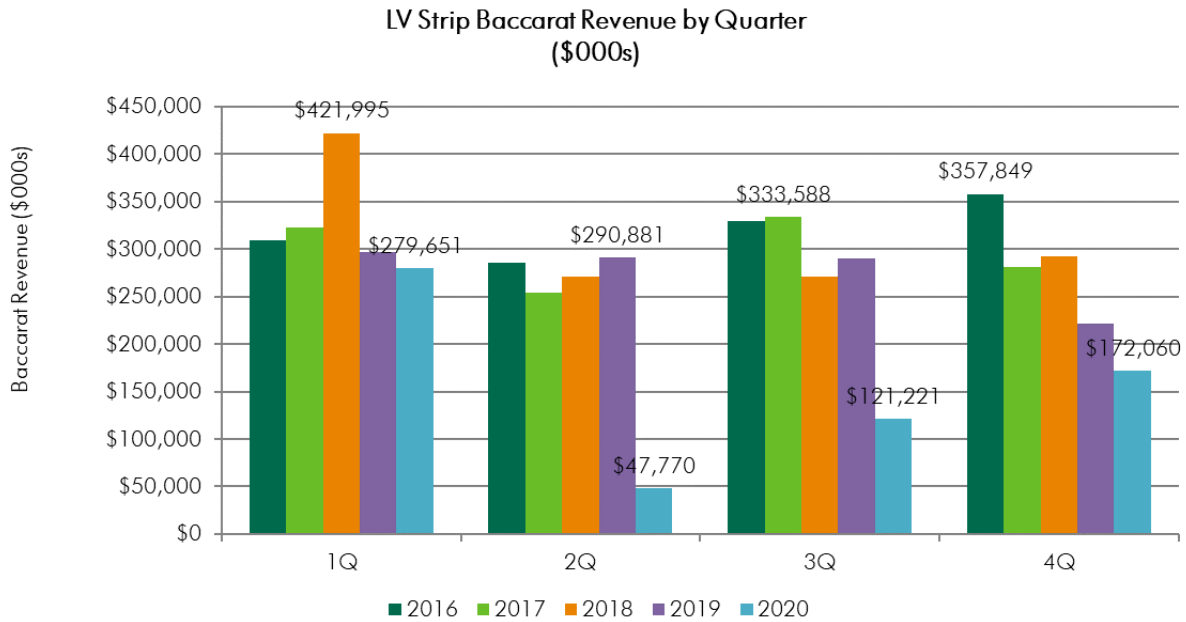
Balance sheet strength obviously varies from company to company, but most properties have focused development dollars on smaller outlays with quicker returns (room renovations and new restaurant space, for instance) and this trend will likely continue.

Baccarat Deflated

Baccarat declined 36.4% in volume, and a drop in the hold percentage pushed the revenue decline to 43.5% for the year.

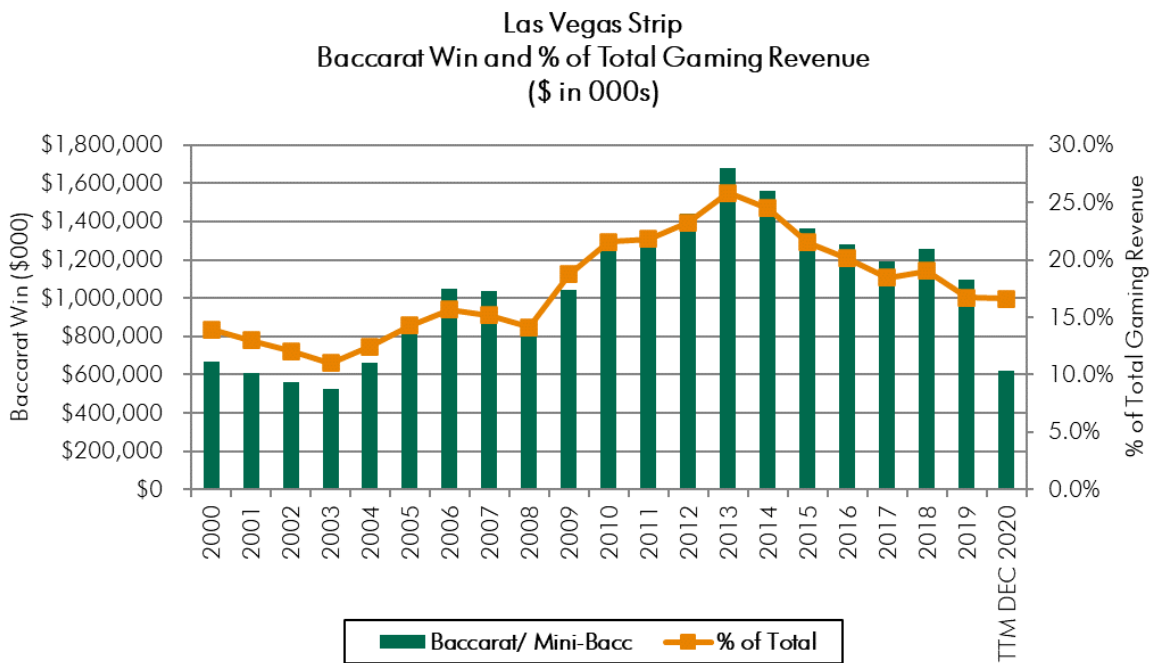
Diving a little bit deeper, we can see that baccarat revenue was down all year (in the combined months of Jan-Feb, however, 2020 was nearly in line with 2019). While baccarat goes to a small number of properties, it is still an important component of the gaming market. The table below highlights baccarat revenue by quarter from 2016 to 2020.

Baccarat	2016	2017	2018	2019	2020	'19-'20 % Change
1Q	\$309,431	\$323,093	\$421,995	\$296,572	\$279,651	-5.7%
2Q	\$285,365	\$254,173	\$270,991	\$290,881	\$47,770	-83.6%
3Q	\$329,433	\$333,588	\$270,926	\$290,213	\$121,221	-58.2%
4Q	\$357,849	\$281,439	\$291,922	\$221,527	\$172,060	-22.3%
	\$1,282,078	\$1,192,293	\$1,255,834	\$1,099,193	\$620,702	-43.5%



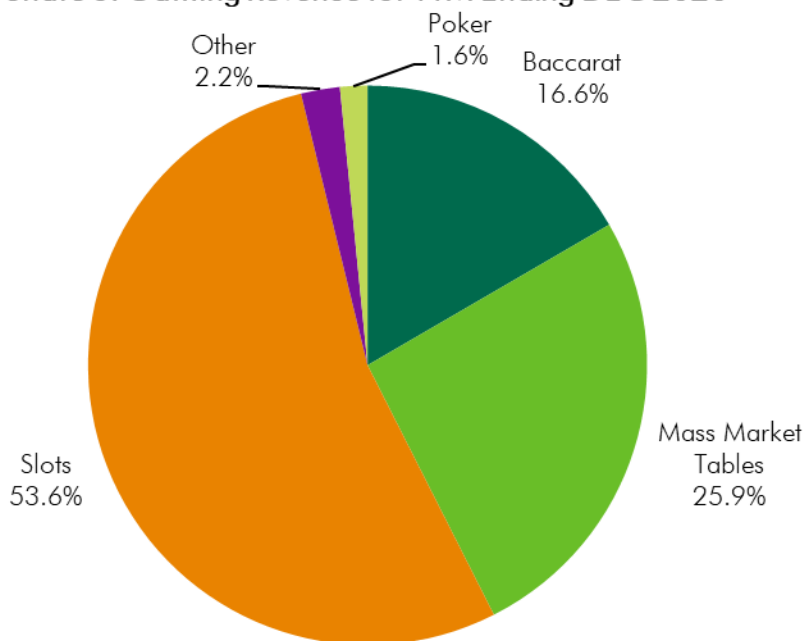
Source: NGCB; CBRE estimates

As a mix of revenue, in 2020, baccarat was 16.6% of total gaming win. For some context, it represented 25.8% of the total at its peak in 2013 but was just 14.0% in 2000.



Source: NGCB; CBRE estimates

Share of Gaming Revenue for TTM Ending DEC 2020



Source: NGCB; CBRE estimates

December 2020 Las Vegas Strip Analysis

December 2020 had one fewer weekend day compared to last December and December last year may have had the benefit of prior month slot collections.

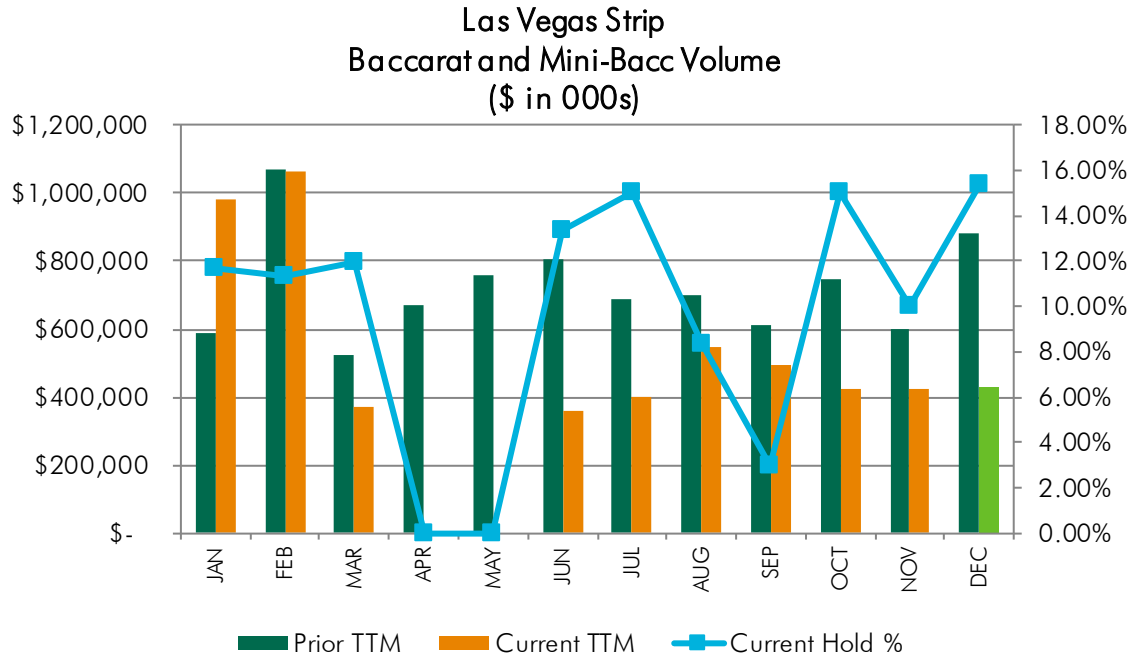
Unadjusted for luck factors and calendar issues, according to the Nevada Gaming Control Board, December 2020 revenue was as follows:

- Las Vegas Strip gaming revenue was \$292.0 million, down -50.7% for the month, and down -43.3% YTD.
- Table games revenue, excluding bacc/mini bacc, was \$64.4 million, down -60.2% for the month, and down -45.8% YTD.
- Bacc/mini bacc revenue was \$66.0 million, down -19.4% for the month, and down -43.5% YTD.
- Slot revenue was \$145.3 million, down -54.7% for the month, and down -41.8% YTD.

Mass market table games (excluding bacc/mini bacc) hold was 12.30% in December 2020, 440 bps below the hold of 16.70% in December 2019 and 325 bps below the trailing twelve-month average. Bacc/mini bacc hold was 15.38%, 608 bps above December 2019, and 410 bps above the trailing twelve-month average.

Slot volume was down -43.2% for the month, and is down -40.3% YTD. Hold was 6.37% this month, versus the 7.99% hold of last December. The variance may be tied to collection issues.

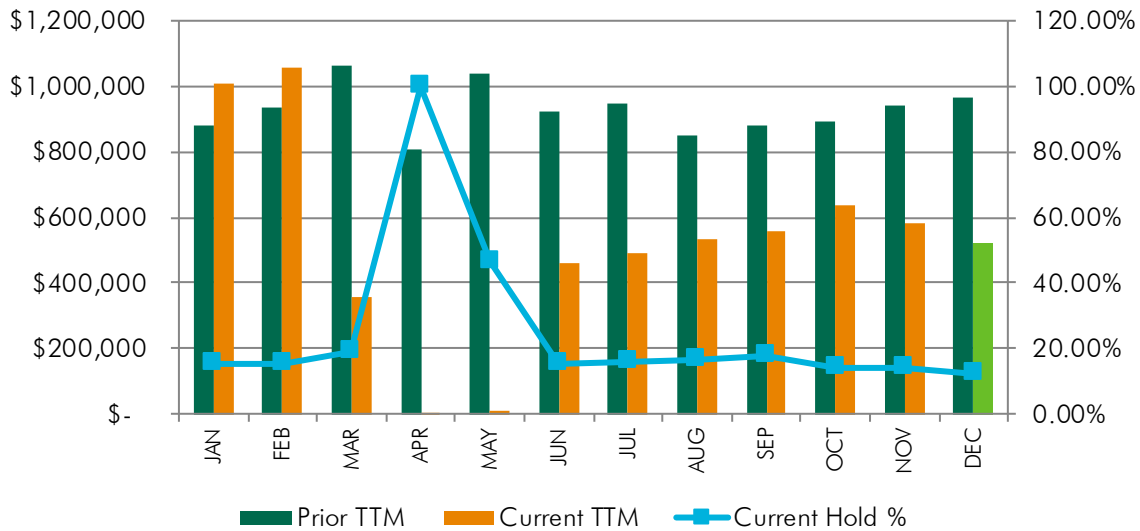
The following graphs show month over month changes for the trailing twelve months as well as the hold percentage in the current twelve months.



Source: NGCB; CBRE estimates

In the trailing twelve months ending December 2020, baccarat volume was down -36.4% over the TTM ending December 2019. Baccarat hold in the current TTM is lower (down by -143 bps) over the previous TTM, and win is down by -43.5% in the period.

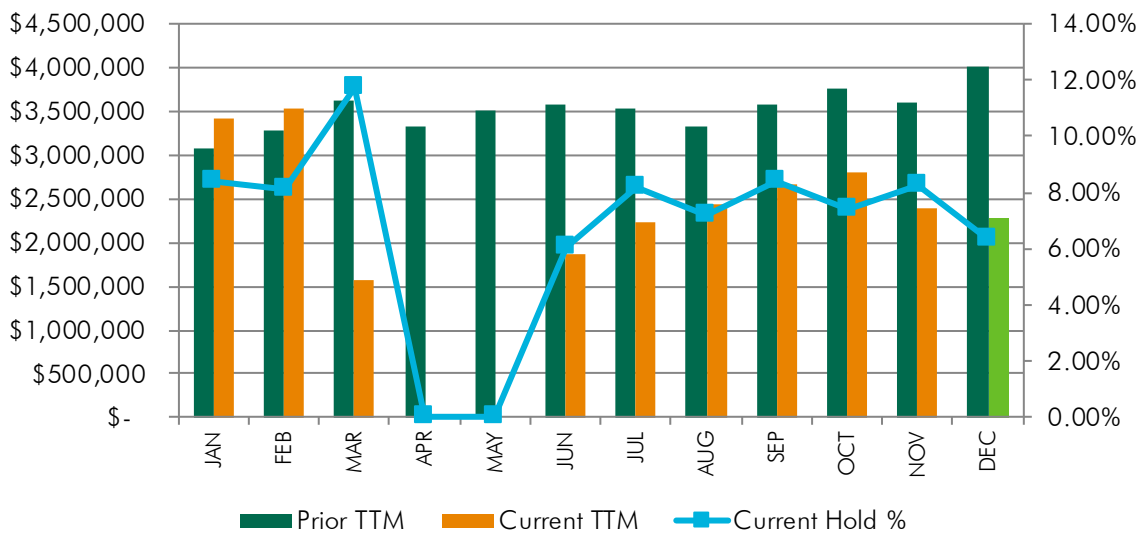
Las Vegas Strip Mass Market Table Games Volume (\$ in 000s)



Source: NGCB; CBRE estimates

Mass market table games volume was down by -44.1% in the TTM through December 2020. The hold percentage is down by -49 basis points, which pushes a TTM revenue decline to -45.8%.

Las Vegas Strip Slot Volume (\$ in 000s)



Source: NGCB; CBRE estimates

Slot volumes are down -40.3% in the TTM comparison, and win is down by -41.8% in the period, due to a 20 bps decline in hold.

Downtown Las Vegas

Downtown gaming revenue fell 27.9% this month. Same store operators must contend with Covid and the new property Circa, so 2021 will present some challenges. Overall, we expect the recovery Downtown to more closely align with the locals market since they have a small locals base and are more reliant on the drive-in customer than the Strip.

Please see the attachment for more detail on the Downtown market.

Las Vegas Locals Market

The locals gaming market was down 16.8% this month versus December 2019, but the local market's trend should start to trend upwards soon. Both table games and slot volumes are down in the TTM comparison (-28.3% and -27.6%, respectively), but some slightly improved hold helped mitigate the declines.

Please see the attachment for more details on the local market.

Las Vegas Locals Gaming Revenue		
<u>Period</u>	<u>Revenue (\$000)</u>	<u>% Change</u>
TTM Ending DEC 2018	\$2,372,734	4.5%
TTM Ending DEC 2019	\$2,434,342	2.6%
TTM Ending DEC 2020	\$1,867,840	-23.3%

Source: NGCB; CBRE estimates

The following table highlights annual locals gaming revenue and employment statistics with a calculated win per employee.

Historical Locals Las Vegas Gaming Statistics

Year	Total Win (Millions)	% Change	Employment (Thousands)	% Change	Win per Employee	% Change
2000	\$1,532.7	8.0%	698.8	5.4%	\$2,193	2.5%
2001	\$1,595.5	4.1%	727.6	4.1%	\$2,193	0.0%
2002	\$1,658.5	3.9%	731.5	0.5%	\$2,267	3.4%
2003	\$1,744.4	5.2%	760.7	4.0%	\$2,293	1.1%
2004	\$1,996.7	14.5%	813.0	6.9%	\$2,456	7.1%
2005	\$2,265.1	13.4%	871.8	7.2%	\$2,598	5.8%
2006	\$2,534.8	11.9%	917.4	5.2%	\$2,763	6.3%
2007	\$2,612.9	3.1%	928.1	1.2%	\$2,815	1.9%
2008	\$2,378.9	-9.0%	912.5	-1.7%	\$2,607	-7.4%
2009	\$2,147.3	-9.7%	827.0	-9.4%	\$2,596	-0.4%
2010	\$2,040.6	-5.0%	803.7	-2.8%	\$2,539	-2.2%
2011	\$2,075.6	1.7%	808.3	0.6%	\$2,568	1.1%
2012	\$2,103.9	1.4%	825.2	2.1%	\$2,550	-0.7%
2013	\$2,099.1	-0.2%	849.5	3.0%	\$2,471	-3.1%
2014	\$2,097.5	-0.1%	883.6	4.0%	\$2,374	-3.9%
2015	\$2,145.4	2.3%	919.0	4.0%	\$2,335	-1.7%
2016	\$2,182.0	1.7%	949.4	3.3%	\$2,298	-1.6%
2017	\$2,269.6	4.0%	977.4	3.0%	\$2,322	1.0%
2018	\$2,372.7	4.5%	1,007.2	3.0%	\$2,356	1.5%
2019	\$2,434.3	2.6%	1,034.1	2.7%	\$2,354	-0.1%
2020	\$1,867.8	-23.3%	928.8	-10.2%	\$2,011	-14.6%

Source: NGCB; U.S. Bureau of Labor Statistics; CBRE estimates

Employment gains had been driving gaming revenue growth, but win was growing slightly ahead of employment from 2017 to 2019. 2020 is a hard year to analyze, of course, because employment isn't closely tied to gaming win the way it normally is – casino revenues are impacted by mandated closures and capacity limits rather than strict economic factors.

Still, average employment in 2020 is off by about 10% from the average in 2019 (which was the peak). Critical industries, such as construction and leisure and hospitality, are off by about 39% and 23%, respectively.

Gaming revenue declines in 2020 bring us to about where we were in 2003-2004 but the locals market has done a pretty job of recovery, all things considered. December was the first monthly total below \$190 million since July, and we expect that a rollout of Covid-19 vaccines will help get things functioning closer to normal this year.

Nevada Statewide

It was a rough year everywhere, obviously, but the Strip was the primary drag on the state's numbers. Excluding the Strip, Nevada is down 23.9% for the year.

Area	Trailing Twelve Months			% of State
	2019 DEC	2020 DEC	TTM % Change	
Statewide	\$12,031,710,104	\$7,873,752,535	(34.6%)	100.0%
Clark County	\$10,355,664,474	\$6,541,300,157	(36.8%)	83.1%
LV Strip	\$6,587,474,593	\$3,733,295,018	(43.3%)	47.4%
Downtown	\$684,910,553	\$464,193,523	(32.2%)	5.9%
North Las Vegas	\$302,474,368	\$204,474,706	(32.4%)	2.6%
Laughlin	\$508,233,131	\$367,343,698	(27.7%)	4.7%
Boulder Strip	\$861,752,186	\$655,299,174	(24.0%)	8.3%
Mesquite	\$136,682,352	\$108,627,301	(20.5%)	1.4%
Balance of County	\$1,270,137,293	\$1,008,066,740	(20.6%)	12.8%
Washoe County	\$857,179,165	\$675,970,244	(21.1%)	8.6%
Reno	\$626,789,189	\$485,433,873	(22.6%)	6.2%
Sparks	\$138,663,819	\$110,509,468	(20.3%)	1.4%
North Lake Tahoe	\$25,274,560	\$18,680,505	(26.1%)	0.2%
Balance of County	\$66,451,597	\$61,346,399	(7.7%)	0.8%
South Lake Tahoe	\$225,593,048	\$182,159,120	(19.3%)	2.3%
Elko County	\$312,486,014	\$240,691,784	(23.0%)	3.1%
Wendover	\$212,867,112	\$161,168,209	(24.3%)	2.0%
Balance of County	\$99,618,904	\$79,523,579	(20.2%)	1.0%
Carson Valley Area*	\$111,330,797	\$89,608,481	(19.5%)	1.1%
Other	\$169,456,608	\$144,022,745	(15.0%)	1.8%

* Carson Valley Area includes Carson City, Gardnerville, Minden and all other areas of Douglas County except South Lake Tahoe.

Source: NGCB; CBRE estimates

Mobile Gaming

Mobile sports betting was \$22.8 million for the month, totaling \$115.4 million for 2020.

Sports - Mobile Revenue	2020	
	DEC	YTD
(\$ millions)		
Statewide	\$22.75	\$115.36
Strip	\$4.35	\$14.13
Downtown	\$12.47	\$69.17
LV Locals	\$4.62	\$26.94
Other	\$1.31	\$5.11

Source: NGCB; CBRE estimates

Please feel free to contact me if you have questions at 702.369.4803 or brent.pirosch@cbre.com.