



Penn National Gaming (PENN)

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Company Overview

Overview

- Penn National Gaming was founded in 1972 in Grantville, Pennsylvania and first became publicly traded in 1994.
- Penn National Gaming owns or operates 41 gaming and racing properties in 19 states.
- Penn offers live sports betting in Colorado, Indiana, Iowa, Michigan, Mississippi, Pennsylvania, and West Virginia.
- Penn owns roughly 50,000 gaming machines, 1,300 table games, and 8,800 hotel rooms.

Items of Interest

- In February 2020, Penn acquired 36% ownership in Barstool Sports Inc. to help with the promotion of the sportsbook.
- Company launched the first of many Barstool Sportsbook apps in Pennsylvania in September 2020 and Michigan in January 2021.
- In May 2019, Penn acquired Greektown Casino-Hotel in Detroit.
- Penn operates iGaming in Michigan and Pennsylvania.
- Penn has a loyalty program called “mychoice” with 20 million members.

Operator	Handle	Gross Revenue	Adjusted Revenue	Gross hold	Adjusted hold
FanDuel Sportsbook	\$32,602,738	\$622,372	\$(5,679,061)	1.9%	-17.4%
DraftKings Sportsbook	\$28,190,634	\$3,377,189	\$(1,186,887)	12.0%	-4.2%
Barstool Sportsbook	\$27,482,238	\$3,330,772	\$1,698,246	12.1%	6.2%
BetMGM	\$22,789,889	\$5,096,934	\$(53,435)	22.4%	-0.2%
WynnBET	\$248,879	\$60,232	\$27,540	24.2%	11.1%

Sportsbook Revenues first month in Michigan

Comparable Company Analysis

Comparable Companies

Company Name	Market Data			Financial Data				Valuation		
	Price	Market Cap	EV	Revenue	Rev. Growth	Gross Margin	EBITDA Margin	EV/Revenue	EV/EBITDA	P/S
Draft Kings	\$ 59.52	23,671	16,716	615	N/A	43.6%	-122%	27.2X	N/A	38.52
WYNN Resorts	\$ 133.32	15,414	21,522	2,096	-68.3%	16.8%	-22%	10.3X	N/A	7.35
Las Vegas Sands	\$ 62.44	47,694	58,321	3,612	-73.7%	27.8%	-12%	16.1X	N/A	13.20
MGM Grand Resorts International	\$ 37.14	18,379	36,094	5,162	-60.0%	33.1%	-1%	7.0X	N/A	3.56
Average		26,290	33,163	2,871	-67%	30%	-39%	-15.2X	-	15.7
Penn National Gaming	\$ 108.23	16,936	22,774.00	3,578	-32.5%	47.8%	28.60%	6.4X	22.2X	4.7

Ratio Analysis

	Average	PENN
Current	2.59	2.42
Quick	2.31	2.27
Cash	2.20	2.16
DSO	38.58	9.47
DPO	27.69	7.20
DIO	7.805	-
Debt-Equity	148.44	420.40
Gross Margin	30.3%	47.8%
EBITDA/Interest	(452)	1.15

Ratio Analysis: Excluding DKNG

Comparables Excluding DKNG

Company Name	Liquidity			Leverage			Profitability		
	Current	Quick	Cash	Debt/Equity	Leverage	EBITDA/Interest	Gross Margin	EBITDA Margin	Net Margin
Draft Kings	3.96	3.36	3.28	3.03	1.58	-1803.98	43.6%	-122.40%	-137%
WYNN Resorts	2.03	1.91	1.85	0.00	19.94	-1.03	16.8%	-22.30%	-99%
Las Vegas Sands	1.15	1.06	0.92	405.06	5.39	-3.19	27.8%	-13.79%	-47%
MGM Grand Resorts International	3.21	2.92	2.75	185.65	4.94	-0.95	33.1%	25.55%	-20%
Average	2.13	1.96	1.84	196.90	10.09	(1.72)	26%	-4%	-55%
Penn National Gaming	2.42	2.27	2.16	420.40	6.43	1.15	0.48	0.29	0.38

Ratio Analysis

	Average	PENN
Current	2.13	2.42
Quick	1.96	2.27
Cash	1.84	2.16
DSO	38.58	9.47
DPO	27.69	7.20
DIO	7.805	-
Debt-Equity	196.90	420.40
Gross Margin	25.9%	47.8%
EBITDA/Interest	(1.72)	1.15

Valuation of PENN

Current Price: \$108.23

Target Price: \$185.24

Valuation Overview

- Valuation has been made following a Price-to-Sales Multiple.
- DraftKings was removed due to the lack of correlation between company sales and market capitalization.
- If priced based on average industry multiples, we conclude PENN's equity is **69.86% Undervalued**.

Company Name	Valuation P/S
Draft Kings	38.52
WYNN Resorts	7.35
Las Vegas Sands	13.20
MGM Grand Resorts International	3.56
<i>Average</i>	<i>8.04</i>
Penn National Gaming	4.73

Implied Value/Share	
Sales	3,578,700
Price-to-Sales	8.04
Implied Market Cap.	28,771,697
Shares Out	156,500
Implied Value	183.84

Recommendation: Buy

Current Price: \$108.23

Target Price: \$185.24

Overview

- The damage done by the pandemic has limited valuation techniques for the entertainment/hospitality industry.
- We expect accelerated growth in the industry lockdown restrictions ease and online gambling continues to become legalized globally.
- We recommend **buying \$50,000 of PENN stock.**

Exit Strategy

- PENN is currently trading at less optimistic multiples compared to the industry average.
- We recommend selling PENN when its equity hits **our target of \$185.24 per share.**

Advantages of PENN

Capture Growth in Online Gambling Industry

- As online/sports gambling becomes legalized the TAM is expected to grow to over \$57 Billion by 2027.

Strong Financial Health Compared to Competitors

- PENN is one of the least levered, most undervalued, companies in the gambling industry.

In-person and Online Gambling Exposure

- PENN offers both in person and online gambling opportunities for customers to have exposure to their services year-round.

Historical Performance





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