COMPANY PROFILE

MGM Resorts International

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COMPANY OVERVIEW

MGM Resorts International (MGM Resorts) is a global hospitality company. The company owns and operates casino and non-casino resort projects across the world. Its major business operations include gaming, hospitality and entertainment activities. The company's portfolio of destination resorts include Bellagio, The Signature, MGM Grand, Mandalay Bay, The Mirage, Monte Carlo, Luxor, Excalibur, New York-New York, Gold Strike Tunica, MGM Grand Detroit, Beau Rivage and Circus Circus Las Vegas. MGM Resorts owns and operates properties in Nevada, Mississippi, New Jersey and Michigan. Its operations are spread across the US, the UAE, China, and Vietnam. MGM Resorts is headquartered in Las Vegas, Nevada, the US.

The company reported revenues of (US Dollars) US$10,773.9 million for the fiscal year ended December 2017 (FY2017), an increase of 13.9% over FY2016. In FY2017, the company's operating margin was 15.9%, compared to an operating margin of 22% in FY2016. In FY2017, the company recorded a net margin of 18.2%, compared to a net margin of 11.6% in FY2016.

KEY FACTS

Head Office	MGM Resorts International 3600 LAS VEGAS BLVD S LAS VEGAS Nevada LAS VEGAS Nevada USA
Phone	1 702 6937120
Fax	1 302 6365454
Web Address	www.mgmresorts.com
Revenue / turnover (USD Mn)	10,773.9
Financial Year End	December
Employees	52,000
New York Stock Exchange Ticker	MGM

SWOT ANALYSIS

MGM Resorts International (MGM Resorts) is a provider of gaming, hospitality and entertainment services through its luxurious casino resorts. Financial leverage, property portfolio and cash position are the company's main strengths, whereas cost efficiency remains major area of concern. In the future, intense competition, foreign exchange risks and rising labor charges may affect its growth. However, positive outlook for US travel and tourism sector, positive outlook for gaming industry and strategic initiatives are likely to provide growth opportunities to the company.

Strength	**Weakness**
Financial Leverage Property Portfolio Cash Position	Cost Efficiency
Opportunity	**Threat**
Strategic Initiatives Positive Outlook for US Travel and Tourism Sector	Foreign Exchange Risks Increasing Manpower Costs in the US Intense Competition

Strength

Financial Leverage

Enhanced financial leverage or solvency position of the company strengthens its ability to borrow and repay money, which in turn enhances its business operations. The solvency position of the company improved due to limited debt funding than equity. It recorded debt to equity ratio of 1.7 in FY2017, which improved from debt to equity ratio of 2.1 in FY2016. Furthermore at the end of FY2017, the company recorded total equity of US$7,612.6 million, in comparison with US$6,220.2 million at the end of FY2016, represent an increase of 22.4%. In addition, its total debt declined by 0.6% from US$12,987.6 million in FY2016, to US$12,909.1 million in FY2017. Strong solvency position indicates utilization of lower financial leverage and its comparatively higher equity position, underlining the better creditworthiness of the company.

Property Portfolio

Strong Property portfolio enables the company to enhance its business growth objectives. MGM owns and operates 14 resorts in the US. In Las Vegas, the company owns Bellagio, which comprises 3,933 guestrooms and suites, with 1,797 slots and 148 gaming tables; MGM Grand Las Vegas (including The Signature) provides 6,161 rooms with 1,625 slot machines and 127 gaming tables; Mandalay Bay which offers 4,752 guestrooms and suites with 1,232 slot machines and 72 gaming tables; The Mirage operates 3,044 guestrooms and suites with 1,244 slots and 77 gaming table; Luxor which offers 4,397 guestrooms and suits and 1,056 slots with 58 gaming tables. Its New York-New York offers 2,024 guestrooms and 1,172 slots with 70 gaming tables, Excalibur offers 3,981guestrooms and suits with 1,013 slots and 51 gaming tables. The company's Monte Carlo offers 2,992 guestrooms with 675 suits and 45 gaming tables and its Circus Circus Las Vegas operates 3,764 rooms, with 1,245 slot machines and 43 gaming tables. The resorts owned by the company in other locations include MGM Grand Detroit with gaming tables, slots and guest rooms and suites of 126, 3,543 and 400 respectively, followed by Beau Rivage (80, 1,797 and 1,741); Gold Strike (59, 1,194 and 1,133); Borgata (187, 3,030 and 2,767); and MGM National Harbor (129, 2,818 and 308). Furthermore, MGM Macau had approximately 427 gaming tables and over 1,019 slots, and around 582 guest rooms and suites.

Cash Position

The company has witnessed strong growth in cash and cash equivalents, which in turn helps it to meet its short-term obligations, without any difficulties. It reported cash and cash equivalents of US$1,499.9 million during the fiscal year 2017, as compared to US$ 1446.6 million in FY2016. An increase in cash and cash equivalents may be attributed to increased value of its short-term asset holdings such as short-term government bonds, and marketable securities, and strong cash inflow.

Weakness

Cost Efficiency

The company witnessed deterioration in its cost efficiency in FY2017, which affects its profitability. For the fiscal year ended December 31, 2017, its efficiency ratio deteriorated from 78% in FY2016, to 84.1% in FY2017. The ratio represents operating expense as a percentage of total revenue. During the year, the company's operating expenses increased 22.8% to US$9,058.4 million from US$7,375.3 million in the previous year. Increase in operating expenses was due to increase in casino and hotel operations expenses by 12.2%; general and administrative by 13.2%; corporate expense by 14.1%; and depreciation and amortization by 16.9% in FY2017, as well as due to increase in property transactions from US$17.1 million in FY2016, to US$50.3 million in FY2017. As a result, its operating profit declined by 23.5% from US$1,259.2 million in FY2016, to US$963.7 million in FY2017.

Opportunity

Strategic Initiatives

MGM Resorts recently took various strategic initiatives to enhance its business operations. In May 2017, the company entered into an agreement with Gamblit Gaming, the leading publisher for real-money and skill-based gaming for land based casinos. This agreement was formed to serve the company guests at several properties within the MGM Resorts portfolio by offering Gamblit's innovative skill-based gaming experiences. In January 2017, the company opened Lobbying Office in Washington D.C. This initiative helps the company to expand its political efforts in Washington, DC.

Positive Outlook for US Travel and Tourism Sector

MGM Resorts is likely to benefit from the positive outlook for the US T&T industry. As per the World Travel & Tourism Council (WT&TC), direct contribution of US T&T industry to the country's GDP is expected to increase by 2.5% in 2017 and by 3.3% per annum during the forecast period (2017-2027) to reach US$715.8 billion in 2027. The industry's total contribution to the US economy is expected to rise by 3.1% per annum to reach US$2,099.6 billion in 2027. The visitor exports are expected to increase by 3.9% per annum, from 2017-2027, to reach US$309.7 billion in 2027. The rise in investments to US$234.2 billion in 2027 is likely to boost activities within the US T&T industry.

Threat

Foreign Exchange Risks

MGM operates in many parts of the world and is exposed to fluctuations in foreign exchange rates. The company reports financials in the US dollar and therefore its revenue is exposed to volatility of the US dollar against other functional currencies, as it conducts business operations are spanned across the US, the UAE, China, and Vietnam. Significant part of its revenue is also denominated in other currencies such as Canadian dollar, Australian dollar, Euro and British pound, among others. Major elements exposed to exchange rate risks include the company's investments in overseas subsidiaries and affiliates and monetary assets and liabilities arising from business transactions in foreign currencies. To minimize risks from currency fluctuations, the company involves in foreign exchange hedging activities by entering into foreign exchange forward contracts. However, there may be no assurance that such hedging activities or measures may limit the impact of movements in exchange rates on the company's results of operations. During FY2017, the company reported a foreign currency translation adjustment loss of US$3.6 million, as compared to a profit of US$0.9 million in FY2016.

Increasing Manpower Costs in the US

Increasing manpower costs may have a negative effect on the company's operating costs and adverse effect on their profits. The tight labor markets, government mandated increases in minimum wages and a higher proportion of full-time employees are resulting in an increase in labor costs. The federal minimum wage rate in the US, which remained at US$5 per hour since 1997 reached US$7.25per hour in January 2018. From January 2018, 18 states and 20 cities, including New York City, Washington, D.C., and California cities announced to increase their minimum wage to US$12 and above. Arizona and California increased their minimum wage by US$0.5 per hour to US$9.80 and US$11 per hour respectively; and Alaska increased their minimum wage by US$0.04 to US$9.84. Colorado, Florida, Hawaii, Maine and Michigan increased their minimum wages to US$10.2, US$8.25, US$10.10, US$10 and US$9.25 respectively. Moreover, New Jersey, Ohio, Washington and Rhode Island increased their minimum wages to US$8.6, US$8.3, US$11.5 and US$10.1 respectively.

Intense Competition

The company's profitability may affect due to intense competition from major competitors in gaming market. Alongside growth in the gaming industry, competition has been rising with large number of gaming operators trying to compete for the market share. The company's profitability may affect due to intense competition from major gaming operators in the hospitality market. MGM experiences tough competition from established hotel operators in Europe. Some of the established hotel operators include, Caesars Entertainment Inc., Wynn Resorts, Limited, Circus Circus Las Vegas Hotel and Casino, and InterContinental Hotels Group Plc. Aggressive initiatives from such competitors may cause a reduction in the company's revenue and margin. If MGM fails to maintain quality of service or long term contracts, competitors may be ready to explore such opportunities.