

Eldorado, Caesars merger moving full-steam ahead despite pandemic



By **Richard N. Velotta** Las Vegas Review-Journal
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It's been almost a year since Reno-based Eldorado Resorts Inc. stunned the casino industry with the news that it was planning to buy Caesars Entertainment Corp. for \$17.3 billion to create the world's largest gaming company.

Company executives with Eldorado have indicated they hope for the deal to close by the end of the first half of 2020. That's just two weeks away — and four different regulatory agencies have yet to sign off on it.

Despite the roller-coaster ride that 2020 has given everyone so far, the transaction's key players are convinced that not only will the deal get done but that it still makes financial sense to do so because the benefits of blending the companies are too good to ignore.

As recently as last week, Wall Street analysts were touting the deal and posting “buy” recommendations for Eldorado stock.

Carlo Santarelli of the New York office of Deutsche Bank said Eldorado's track record for margins and its position in sports wagering and iGaming will lead to surprising results as early as the second half of 2020.

"We have become more confident that the industry is about to experience a material transformation in an expense structure that has essentially been accepted as is for some time," Santarelli said in a note to investors last week.

"We believe operators who have displayed cost disciplines historically will be the larger beneficiaries of this shift and as such, will generate (cash flow) margins that surprise to the upside in the second half."

So when will this deal get done?

Many were expecting the Eldorado-Caesars transaction to show up on the state Gaming Control Board's June agenda. That didn't happen.

Some have attributed that to the Federal Trade Commission not yet completing its review of the deal and the states of Nevada and New Jersey preferring to wait for the FTC to bless the transaction before acting.

Persons familiar with the deal say they expect an FTC decision to come as soon as this week.

Eldorado already has made the deal more palatable to regulators by divesting properties in Nevada, Missouri and Louisiana to avoid potential antitrust concerns. Eldorado may sell one of its new Caesars assets — [Planet Hollywood perhaps?](#) — to divest even more.

Brendan Bussmann, director of government affairs for Las Vegas-based Global Market Advisors LLC, said he doesn't expect there to be any regulatory

roadblocks and that the FTC delay is just the result of what has vexed governments worldwide — the COVID-19 outbreak.

“I don’t see this as any delay from a regulatory perspective,” Bussmann said. “Both Eldorado and Caesars have remained committed. Obviously, the banks have remained committed.”

Which is somewhat remarkable, considering what Eldorado’s stock has been doing.

When the deal was first announced, Eldorado was pricing its shares at \$12.75 each and of that, Eldorado would pay \$8.40 per share in cash with the rest of the payment made in the form of stock in Eldorado.

Since June 2019, Eldorado shares have been on a wild ride. They hit a 52-week low of \$6.02 a share on March 18 — the day Gov. Steve Sisolak closed the state’s casinos for what would be 78 days. It’s now just north of \$33 a share.

Eldorado CEO Thomas Reeg said there’s no reason to renegotiate terms of the deal, even though “[tick fees](#)” of \$2.3 million a day that began April 1 are now making the transaction even sweeter for Caesars shareholders. The tick fees started because the transaction wasn’t completed by that predetermined deadline. In November, Reeg [said](#) he expected the deal to close by April.

In Eldorado’s first-quarter earnings conference call last month, Reeg told investors, “If we were to go try to renegotiate, all you’re doing is adding time for an uncertain result. And, in the scope of a \$17.3 billion transaction and the upside that we see, the \$250 million that we end up paying in ticking fees, nobody’s going to remember a year from now.”

If the FTC completes its review in the next two weeks, it should be fairly easy for Nevada regulators to turn around a decision rapidly. When time-pressed in the past, the Control Board and the Nevada Gaming Commission have scheduled back-to-back special meetings.

In that scenario, board members and commissioners listen to a formal presentation, and if the board recommends approval, they adjourn and turn things over to the commission, which has been standing by to conduct its own vote.

It could all be done in less than two hours, assuming there are no unexpected surprises. A special meeting could occur since the Control Board doesn't meet again until July 15 due to the Independence Day holiday. That would just leave New Jersey and the Indiana Gaming Commission left to seal the deal.

Eldorado will likely just be happy to get it done and if that means sometime in July, so be it.

And that would give people in Southern Nevada a little more time to wrap their heads around the idea that the iconic Caesars Palace on the Las Vegas Strip belongs to a company based in Reno.

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