



For Immediate Release

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## **GGH Morowitz Bulletin: Analyzing Potential Impact of PA Auction of Category 4 “Mini-casino” Licenses**

*In the wake of Penn National’s \$50MM opening salvo for the first Category 4 mini-casino license in the state, GGH Morowitz analyzes the potential impact, profitability and value of prospective new investments in anticipation of the proposed auction of additional Category 4 licenses over the coming weeks/months.*

**(Philadelphia – 1/15/18)** – GGH Morowitz recently examined potential profitability and value associated with Pennsylvania’s recent auction and proposed issuance of up to 10 Category 4 “mini-casino” licenses across the state and questions, “What are these licenses really worth?” The answer is not simple and depends on a complex mix of variables.

“GGH Morowitz has extensive experience, having analyzed most major existing and potential gaming markets across Pennsylvania, including bordering states,” said Cory Morowitz, GGH Morowitz Co-Managing Partner. “Given the unique attributes of the new Cat 4, existing competition, location-specific considerations and applying a range of variables, as well as our proprietary models & algorithms, we have identified discrete “pockets” of opportunity, areas more susceptible to cannibalization, and optimal levels of capital investment that directly impact the value of these licenses.”

“GGH Morowitz has also developed a proprietary valuation methodology that optimizes license value based upon balancing key assumptions and constraints around potential demand, optimal facility size, competition, required CapEx, blended tax rates, total capital investment, and projected returns to drive profitability and balance risk in the auction valuation process,” added Morowitz.

The results of GGH Morowitz’ analysis can be summarized as follows:

- **New Cat 4 Licenses Have Potential to Cannibalize Existing Markets But Will Grow Overall PA Gaming Market Over Time.** GGH Morowitz has identified as many as 15 key sub-markets (some of which overlap) where a Cat 4 license may be viable through both cannibalization & growth based upon availability, proximity and population drivers.

- **Overall Profitability Driven by Variety of Factors, Including Location, Specific Branding/CapEx & Marketing/Promo Strategies.** Overall profitability (i.e. Yield) for these sub-markets will vary widely and not all will support substantial capital investment, so right-sizing of a project suitable for a specific sub-market/location, as well as employing targeted branding/marketing strategies, will be critical.
- **Potential Yield & Capital Investment Factors Should Directly Drive Auction Prices.** Range of overall Yield vis-à-vis total cost of entry (including facility acquisition/build-out and CapEx) will drive auction value for each license.

“Away from the leverage afforded existing incumbents through the current phased sealed-bid structure of the new Cat 4 auction process, similar to many casino license RFP/M&A opportunities with which we have been recently involved, bids are likely to be driven by a combination of pro forma multiples, strategic access or “defensive” premium, and other location-specific competitive advantages available in each sub-market.” stated Michael Kim, GGH Morowitz Co-Managing Partner.

“While we have identified several potential sub-markets that could be compelling for a new Cat 4, as more direct access to population or prime locations moderates, bidders must be cautious for potential to face diminishing value and/or more marginal return on investment as the auctions progress.”

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### **About GGH Morowitz**

*GGH Morowitz is a private strategic global consulting, advisory & merchant investment boutique with offices in New York, Atlantic City, Las Vegas, Denver, and Philadelphia. Our firm is dedicated to providing clients in the core global real estate, gaming & hospitality, and consumer/business service sectors with an experienced “industry-knowledge” based platform committed to helping clients achieve their diverse broader strategic, operational & financial objectives. GGH Morowitz’s professionals collectively have extensive global experience related to, among other areas, strategy consulting/business planning advice, market/project feasibility & assessment, operational assessment, property/asset management, valuation, M&A/financial advice, capital markets, and merchant investing. For more information, visit [www.gghsp.com](http://www.gghsp.com).*