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November 17, 2022
FDAP Part 4

Introduction

1.Bally's Corporation, founded in 2004, is a global casino and entertainment company, providing gaming, betting, and other interactive entertainment. The corporation has a growing presence, which includes award-winning casinos and resorts, in addition to a broad portfolio of digital sports betting and casino offerings. Bally's Corporation is one of the fastest growing companies in the industry, and has approximately 10,500 employees around the world. The company, which has its headquarters in Providence, Rhode Island, has many assets, including fifteen casinos, a horse racing track in Colorado, and access to online sports betting licenses in eighteen states. Further, the casino operations have an impressive collection of over 15,000 slot machines, 500 table games, and 5,300 hotel rooms. Bally's Corporation owns many amenities that customers enjoy, including live entertainment, bars, restaurants, conference spaces, shops, hotels, pools, and nightclubs. Bally's Interactive is the home of the company's digital global products. The company recently expanded by acquiring additional sports betting platforms, such as Monkey Knife Fight, Bally Bet and Jackpotjoy, as well as B2B platforms including Sports Caller and Telescope Inc. According to the Bally's Corporation website, "Our Interactive products delight players around the world with a huge variety of online slot games, bingo, sports betting, and more." The report that follows will explain how the economic environment over the last few years has affected the casino industry and Bally's Corporation, as well as how the company has used its business strategy in light of the economic environment. The report will also look at and analyze the company's income statements, balance sheets and various financial ratios in order to evaluate the company's performance.

2. Economic variables, such as gross domestic product, inflation, consumer spending, monetary policy, and fiscal policy, all influence the economic status of Bally's Corporation. Macroeconomics considers an economy's production, spending, and price levels, rather than focusing on smaller markets and industries. In many states, the casino industry is promoted by the government, as the industry is a tool for economic growth. Benefits to the economy include decreased unemployment rates, greater tax revenue to the government, and growth in local retail stores. Bally's Corporation and the casino industry, as well as the hotel industry are directly affected by economic conditions, including: inflation, unemployment, recession, economic instability, and even foreign currency. In fact, casinos are one of the hardest hit industries during economic downturns, as gambling is considered a luxury making the gambling industry particularly vulnerable to changes in macroeconomic conditions. Bally's

Corporation and the gambling industry's revenue in general will typically grow during economic expansion, and sink during economic recessions. Since the casinos are sensitive to consumer spending. With a decrease in consumer spending, customer demand for hotels, casinos, and other luxury amenities will fall thus affecting the economic performance of companies like Bally's Corporation.

3. Bally's Corporation's mission statement is to offer interactive products that satisfy players around the world in a wide variety of ways. One way the company has been able to accomplish their mission is by expanding and diversifying its offerings beyond just casino gambling. Aside from the casinos, the company has many other assets, including: hotels, restaurants, bars, shops, nightclubs, event spaces, and a horse racing track. Notably, Bally's Corporation has expanded its online presence, with activities such as online slot games, bingo, sports betting, and other digital products that are offered globally. By expanding their company from just the gambling industry, they are able to gain a competitive advantage over their competitors in the industry. For example, Bally's recently made a deal with Sinclair broadcast group to rename their sports network Bally Sport. The concept behind this is that eventually, customers will use a Bally Bets app to place wagers during Sinclair network broadcast games. Among many other expansion strategies, Bally's Corporation made a deal with FanDuel to operate a sports book, which increased investment interest. Bally's Corporation does a great job of promoting their products and services, while reaching a wide range of customers around the world. The company seeks to increase revenues at its casinos and resorts through strategies, such as enhancing guest experience by providing popular games, restaurants, hotel accommodations, and entertainment, among other amenities in attractive surroundings with high quality guest service.

Income Statement Analysis

1.The income statement is the company's financial statement that reports the sale of goods and services, as well as the cost the company incurs to operate the business. For the given period of time, the income statement documents the revenue and expenses, which are used to calculate net income. Net income is calculated by subtracting the total expenses from the total revenues. If a company's net income is negative, the expenses are greater than the revenues, meaning the company is operating at a loss, and vice-versa.

2. Bally's Corporation's income statement reports, in thousands, the company's financial performance through its revenue earned and expenses incurred from the years 2019 through 2021. The statement provides insight into Bally's business operations and the efficiency of its management. Notably, the net income decreased dramatically over the three years ending in 2021. The income statement indicates that in 2019, the company had a net income of

$55,130, whereas in 2020, the income statement shows a loss of $5,487, and in 2021 a loss of $71,799. The horizontal analysis for the income statement shows that the company's net income decreased by 10% from 2019 to 2020. The net income decreased by 130.24 percent in 2021 in comparison to the year 2019. Interestingly, the company was generating the greatest amount of revenue in 2021 and the lowest net income. In fact, the amount of revenue in 2021 was double the revenue made in 2019 and triple the revenue made in 2020. However, in 2021, the company had an extremely large amount of expenses, which is why the net income in that year indicates that the company was operating at a loss. In particular, the company's advertising expenses, both general and administrative, for 2021 were a total of $511,669, almost triple the advertising expenses in 2019. This could be because the company has recently expanded the business to reach various markets as well as the acquisition of other companies like Gamesys.

3. As reported in the notes of the financial statements, the company recognizes revenue in accordance with ASC 606. This requires the company to recognize revenue in a way that depicts the transfer of promised goods and services. The company determines revenue recognition by means of the following steps: identify the contract with the consumer, identify the performance obligations in the contract, determine the transaction price, allocate of the transaction price to performance obligations in the contract, and finally, recognize revenue when or as the company satisfies performance obligations by providing the good or service to the customer. The revenue recognition principle is an important feature of accrual-basis accounting, as it states that companies recognize revenue as it is earned, i.e. when the business performs the actions that entitles it to revenue, not when the payment is received (note 4). This revenue recognition principle is important in the gambling industry because it is a more practical approach to showing actual revenue during a particular period.

4. One irregular account on Bally's Corporation income statement is the gain on sale-leaseback. A leaseback is an arrangement in which a company that sells an asset can lease back that same asset from the purchaser. The details of a sale-leaseback arrangement, such as lease payment and duration, are made immediately after the sale of the asset. Gain on sale-leaseback only shows a value in 2021, which was $53,425. This is due to the fact that in the second quarter of 2021, the company sold its Bally's Dover property as a leaseback to another company and recorded it on its income statement as a gain on sale-leaseback. This type of sale will most likely not recur but it is still significant enough to warrant disclosure on the financial statement. Other examples noted in the footnotes are Post-combination expense, deal-related and rebranding expenses, credit agreement amendment related expenses (note 18).

Balance Sheet Analysis

1. The balance sheet conveys a company's assets, liabilities, and stockholder's equity at a specific point in time. Assets and liabilities consist of both current and long term. In order for the balance sheet to be correct or 'balance', the assets must always equal the sum of the liabilities plus the owner's equity. In short, the balance sheet provides a snapshot of a company's finances, including what it owns, owes, and the amount invested by shareholders.

2. According to the notes on the financial statements, the net book value of property, plant, and equipment is determined by the state of the cost, net of accumulated depreciation and impairment losses, if applicable. The costs and related accumulated depreciation to assets sold or disposed are removed from the balance sheet accounts and the resulting gains or losses are reflected in the consolidated statement of operation. Depreciation is calculated using the straight-line method: cost of the asset minus the residual value, the result of which is divided by its expected useful life (note 2). This method of determining value allows for a more realistic valuation of the assets on the balance sheet because the cost of the asset is not the only consideration.

3. According to the notes in the financial statement, with regards to legal and financial contingencies and risks, licensing agreements and Bally's trade name are both significant expenditures that are not reflected in the financial statements. Under the Hard Rock agreement, there is an option to renew for two ten year terms, but will have to pay an annual fee, plus fees based on non gaming revenues. The company acquired Bally's brand from Caesars for $20 million dollars, payable half in 2021 and half in 2022. This transaction was included in the company's accrued liabilities on the balance sheet (note 18).

4. Bally's Corporation consolidated balance sheet shows that the three most important assets to the company's business are 1) intangible assets, 2) property, plant and equipment (PPE), and 3)goodwill. According to the balance sheet vertical analysis, intangible assets make up 34.38% and 37.81% of the company's total assets in 2020 and 2021 respectively. The company's intangible assets primarily consist of gaming licenses, trade names, developed technology, as well as naming rights. In recent years, Bally's has expanded their company, particularly by buying various licenses and rights, which demonstrates why the company's intangible assets have increased and become a large part of the company's total assets in recent years. Another important asset to the company, PPE, was 12.80% and 38.81% of the company's total assets in 2020 and 2021, respectively. This is likely due to the growth and development of their various properties, including horse race tracks, hotels, restaurants, and casinos. Finally, goodwill is an important asset to the company, as it makes up 32.39% and 9.69% of the company's assets in 2020 and 2021, respectively. Goodwill consists of the

excess of acquisition costs over the fair value of net assets acquired, and represents the excess future economic benefits of a business combination. In recent years, Bally's gained a significant amount of goodwill by acquiring businesses that were failing, such as SportCaller, MKF, AVP, and Telescope, among others.

Cash Flows Analysis

1. The statement of cash flows records a company's cash receipts and cash payments for a period of time. This financial statement summarizes the movement of cash and cash equivalents that come in and out of the company. It also measures how well the company is able to manage its cash and how well it pays its debt and operating expenses. The three categories of cash flows are cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities.

2. Free cash flow is another measure of a company's financial performance that can be calculated by subtracting capital expenditures from the operating cash flow. The statement of cash flow recorded $274,840, $126,555, $185,502 of cash, restricted cash, and all cash equivalents for the years 2019, 2020, and 2021, respectively. The amounts indicate the same pattern of cash flow as net income, over the three years, as the two correspond to each other.

3. The amount of cash flow in the current year is important to the company in many ways. The company's ability to make payments and fund operations depends directly on the company's ability to generate cash flow and secure financing for the future. Bally's ability to generate future cash flow depends on many factors, including: its future operating performance, general economic conditions, competition, and legislative and regulatory factors affecting the operations and business. If the operating results and available cash are insufficient and the company cannot meet debt obligations, the company could face substantial liquidity problems that might require the disposal of some of their assets. Bally's significant increase in cash flow from the year 2020 to 2021 is a positive sign for the company's finances.

4. One significant difference in Bally's Corporation's cash balance over the last three years is the amount of cash flow from operating activities. According to the statement of cash flows for the years 2019, 2020, and 2021, the cash flow from operating activities was $38,925, $444,846, and $2,296,904, respectively. These values can be an indicator of how the company's cash flow has increased significantly over the last three years. According to the notes in the statement of cash flow, one of the company's primary sources of liquidity is cash flow from operations.

Ratio and Integrative Analysis

1. The asset turnover ratio is a measurement of a company's efficiency of assets in generating revenue, by comparing revenue to its total assets as an annualized percentage. Bally's Corporation asset turnover ratio was 0.58, 0.25, and 0.31 for the years 2019, 2020 and 2021, respectively. This ratio supports the same pattern as shown in the balance sheet, a decrease from 2019 to 2020, then an increase from 2020 to 2021.

2. For the years 2019, 2020, and 2021, the values were 0.11, negative 0.01, and negative 0.05. The reason why the net profit margin is negative for the years 2020 and 2021 is because the company's net income was negative in those years. The pattern that the net profit margin follows is reflective of the pattern of the company's net income over the three years of interest.

3. Solvency is the ability of a company to meet its long-term debts and other financial obligations. Solvency is a measure of a company's financial health, as it demonstrates a company's ability to manage operations into the future. One way to measure solvency is a company's debt to total assets ratio. Bally's Corporation's debt to total asset ratio was 0.79 in 2019, 0.83 in 2020, and 0.75 in 2021. The spike in debt to total asset ratio in 2020 indicates that the company had a higher solvency risk for that year, most likely caused by the COVID-19 pandemic. Bally's Corporation balance sheet shows that debt, particularly in the long term, was a significant amount in comparison to the company's other liabilities.

Summary

1. After analyzing the trends in the financial statements of Bally's Corporation from the years 2019 to 2021, it can be concluded that the company took a significant hit from the COVID-19 pandemic in 2020, and in 2021 was able to begin to financially recover and make profit. The COVID-19 pandemic has had a significant impact on the profitability of the company. In March 2020, all of the company's properties were closed as a result of the pandemic. The properties were then only reopened with limited capacity in the middle of 2020. Although it can be seen from Bally's financial statements that there has been a positive trend following the return to full capacity, the company, like most other industries, has taken a hit from the shut down. As mentioned in the notes on the financial statements, the pandemic is ongoing and future developments could have potential and unpredictable negative impacts on the company's operations. While over the years the company's expenses have increased steadily, so has the company's revenues, indicating that the expenses the company is incurring is actually beneficial to the company.

2. Based on economics and business principles, an evaluation of the company's financial performance can be made. One major variation between the company's operations in 2021 in comparison to 2019 and 2020 is that the company invested a lot of money to expand their business beyond just gambling, making significant acquisitions in the last few years The company believes that this strategy will assist them in gaining a competitive edge over its competitors in the industry. However, the expansion has come at a price. Currently, the company is operating at a loss due to the fact that they have an exceedingly high amount of expenses. That being said, the company is operating in the long run and hopes that in the coming years, their operations will turn into profit.