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## Looking Forward To Recovery

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As we collectively have scrambled to live with COVID-19 and the implementation of “social distancing” and “shelter in place” protocols to “flatten the curve”, the primary economic engine of Indian Country, gaming, has ground to a halt. At the time of this writing, most tribes are focused with nervous anticipation as to how the \$8 billion of relief funds will be distributed. Uncertainty has been amplified given the lawsuit filed by certain tribes on Friday, April 17 to prevent Alaskan Native Corporations from being included in the relief fund distribution. With respect to other support from the CARES Act, those tribes with more robust grant writing and/or ties to federal funding prior to the pandemic on the margin will be able to access funding more efficiently. Although CARES Act support may help mitigate economic impact from the pandemic caused shutdown, all eyes are on how tribes can resume gaming operations. In conversations with clients, tribal casino management teams are hard at work preparing their facilities for operation in a completely new environment. **With all that in mind, we believe regional casinos, which represent the vast majority of Indian gaming facilities are well positioned to recover much more quickly relative to destination resorts.**

In short, we believe in the 12- to 18-month period (remainder of 2020 and 2021) regional gaming enterprises will benefit from the current market dynamic once the economy reopens. The assumption, based on anticipated reluctance for recreational air travel, uncertainty around hotel room stays and impact to vacation spend given economic recession, is that local gaming operators should benefit from greater wallet share for gaming dollars. Local convenience and ease of access to nearby gaming facilities should help support gaming spend even in a recessionary environment with less discretionary income. This also suggests how critical it will be for tribal casinos to assess their player database and primary market access (players within 30 minutes to 60 minutes drive-time).

Although thinking changes day-to-day and assumptions should constantly be challenged (*we'll be keeping a close eye on Georgia, Tennessee, South Carolina and Florida as they start the re-opening of their respective states' economy*), here are some other key thoughts to consider in this environment prior to the shutdown ending:

- **Reopening:** Although tribes are sovereign entities and can control their own operating schedules, we believe it is imperative for tribes to coordinate reopening efforts with local and state governments. As much as there is incredible pressure on tribes to reopen their facilities to resume generating revenue, the potential negative impact of being the possible epicenter of new COVID-19 outbreak would cause far more harm to a tribe. History also shows that municipalities which reopened too soon suffered exposure to two, three or even four waves of outbreaks (see 1918 Spanish Flu pandemic). Based on reopening in other countries, we anticipate most states that have successfully implemented social distancing and shelter in place protocols to have initiated reopening their economies by June 15, 2020.
- **Emulate the Best:** We understand tribes are struggling to reconfigure operations under a completely different environment. That said, Matt Maddox, CEO of Wynn, has offered up his company's [game plan \(click to access plan\)](#), which was pulled together with assistance of leading public health medical professionals and academics. It offers a reasonable path to reopening casinos and hotels as well as new operating standards. Although each tribe and gaming enterprise will have unique challenges, the Wynn Health & Sanitation Program offers insight into best practices that should be considered.

- **Consumer behavior:** Essential service businesses have inadvertently set the standard for how consumers will engage in public settings. We believe if gaming facilities provide adequate health safety measures, consumers will return to gaming facilities. Anecdotal evidence from several of our clients' recent conversations with top-tier customers suggest strong pent up demand for gaming activity. The influx of federal stimulus dollars via the CARES Act should have a positive impact on patrons' financial situation and help them feel more comfortable with discretionary entertainment spending.

Although gaming floors will be inherently capacity constrained given new social distancing parameters, we do not believe that necessarily translates to reductions in revenue of 50% or more. Instead we envision the challenge to be managing the throughput of patron foot traffic and providing reasonable access to gaming devices by mitigating wait time. In addition to machine placement, prior operating assumptions around hold percentage and machine denomination will inherently need to be challenged to maximize revenue.

We hope these insights offer some perspective into the general conversation occurring in Indian Country around the importance of getting Indian Gaming up and running as soon as practical. The assumptions and conclusions in this write up reflect significant time reading research reports and conversations with top tier operators. Please feel free to call us if you would like to discuss any component in greater detail.

**Update on federal stimulus:** On Tuesday, April 21 the Senate passed a \$484 billion stimulus package that includes a \$310 billion replenishment of the Paycheck Protection Program in addition to funding for hospitals, testing, and disaster relief loans. The House is convening in Washington on Thursday for an in-person vote on the package that certain House members argue does not go far enough. Again, we strongly encourage tribes to remain in contact with their lending institutions in the event tribes are allowed to access these funds.

Regards,

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