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**COMPREHENSIVE REPORT:
CAESARS ENTERTAINMENT (CZR)**

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Caesars Entertainment (NASDAQ: CZR): BUY

Current Share Price	\$22.23
Market Capitalization	~\$4.55 billion
Ticker	CZR
Las Vegas	\$63 per share
Regional	\$56 per share
Digital	~\$20.50 per share
Managed & Branded (M&B)	\$2 per share
Corporate, Net Debt & Other	(~\$107.50) per share
SOTP	\$34 per share*



*SOTP may not add due to rounding

NOTE: This publication could be considered as advocating for corporate restructurings. Authors select companies for this report based on the potential for a future value-unlocking transaction. In many cases, these companies have or could come under activist investor pressure, media scrutiny, or general market speculation that a spin-off or asset sale is possible.

THESIS SUMMARY

At less than 4.5x 2026E EV/EBITDA and a free cash flow yield approaching 15% along with short interest at a 5-year high of ~15.5%, we think shares are undervalued relative to the sum value of its parts, particularly the worth of its fast-growing Digital business as well as what we view as an emerging inflection point in FCF generation.

INVESTMENT THESIS

- Caesars Entertainment, Inc. (NASDAQ: CZR), a domestically focused gaming & hospitality company, operates four segments: 1) Las Vegas (~36% of consolidated sales & ~46.5% of adj. EBITDA in 1H 2025); 2) Regional (49.5% of sales & ~45.5% of adj. EBITDA); 3) Digital (~12% of sales & ~6.5% of adj. EBITDA); and 4) Managed & Branded (2.5% of consolidated sales and ~1.5% of adj. EBITDA).
- For context, CZR shares are well off their 2021-highs, which exceeded \$100 per share, and are down ~50% over both the last 1- & 3- year periods (compared with meaningful gains in both the S&P 500 and Russell 2000 indexes). In terms of valuation, at less than 4.5x 2026E EV/EBITDA and a free cash flow (FCF) yield approaching 15% (or over 20% based on conservative 2027E estimates) along with short interest at a 5-year high of ~15.5%, we think shares are undervalued relative to the sum value of its parts, particularly the worth of its fast-growing Digital business (i.e., online sports betting & iGaming) as well as what we view as an emerging inflection point in FCF generation. Additionally, we highlight the re-engagement of activist-investor Carl Icahn, whose previous ownership stint (back in 2019-2020) resulted in CZR's sale to Eldorado Resorts for ~\$17.5 billion. Mr. Icahn disclosed a ~1.2% stake in late-2024 (with a reported costs basis of ~\$37 per share), and more recently, reached an agreement with the company to add two Icahn representatives, Jesse Lynn & Ted Papapostolou, to CZR's expanded 12-member Board (up from 10), which we note still includes Courtney Mather who was appointed as part of a previous settlement between Mr. Icahn and the company (although we note that Mr. Mather is not currently still an employee of Icahn Enterprises). While expressing respect for and a willingness to work with the current management team, Mr. Icahn has publicly urged the exploration of "strategic alternatives for the Company's underappreciated digital business".
- Based on management guidance & commentary as well as peer and M&A valuations, CZR's land-based gaming & hospitality businesses (i.e., Vegas & Regional) could be valued at \$119 per share with value of \$20.50 per share assigned to Digital & \$2 per share for the M&B segment. Accounting for corporate costs & projected net debt, including capitalized leases, as well as minority interest of ~\$107.50 per share yields a base case sum-of-the-parts fair value of ~\$34 per share (with bull/bear cases of ~\$51 and ~\$17 per share).
- Potential catalysts include the separation/monetization of assets, leverage reductions, share repurchases and/or upside to growth, margins & FCF generation. Risks include execution, competition, shifts in consumer preferences, leverage, seasonality, regulation, cyber threats/theft, and/or a decline in discretionary spending due to a recession or other geopolitical disturbances.

COMPANY BACKGROUND, INDUSTRY OVERVIEW & SEGMENT FINANCIALS

Caesars Entertainment (NASDAQ: CZR), headquartered in Las Vegas, NV, is a global gaming & hospitality company, with origins dating back to the early 1960's and a storied (albeit, at times, sordid) history. In terms of recent relevant milestones, the company was acquired for ~\$5.2 billion by Harrah's Entertainment in 2005, with the acquirer adopting the Caesars moniker. Subsequently, in 2008, the combined entity was acquired in a ~\$30 billion leveraged buyout (LBO) by TPG and Apollo before returning to the public market in 2012. Weak underlying economic conditions (coupled with elevated leverage) ultimately resulted in a Chapter 11 bankruptcy filing in 2015. As part of the bankruptcy process, the company

was split into an operating company and a real estate investment trust initially comprised of 19 properties, currently known as VICI Properties (NYSE: VIVI), with the operating company ultimately emerging from court protection in 2017. During 2020, in part due to pressure from activist-investor Carl Icahn, who disclosed a ~10% stake in February 2019 that at one point reached ~25% and ultimately secured three Board seats (of which one, Courtney Mather, still remains), the company was purchased by/merged with Eldorado Resorts (formerly NASDAQ: ERI) for nearly \$17.5 billion (in cash & stock) with the combined entity adopting the current corporate moniker and ticker. Following the merger, Mr. Icahn exited his position in CZR, but re-initiated a “passive” ownership stake, which currently stands at 2.44 million shares or roughly 1.2%, in late-2024 and, more recently, in March 2025 secured two independent Board seats, including Icahn Enterprises’ general counsel & chief financial officer Jesse Lynn & Ted Papapostolou, on an expanded 12-member Board (up from 10) in March 2025. At the time the appointments, Mr. Icahn articulated both his respect for & willingness to work with the current management team while also urging the exploration of “strategic alternatives for the Company’s underappreciated digital business”.

Currently, CZR operates four broad operating segments: 1) Las Vegas (36% of sales & ~46.5% of adj. EBITDA in 1H 2025); 2) Regional (~49.5% of sales & 45.5% of adj. EBITDA); 3) Caesars Digital (12% of sales & 6.5% of adj. EBITDA); and 4) Managed & Branded (2.5% of consolidated sales and 1.5% of adj. EBITDA in 1H 2025).

Exhibit 1 Caesars Entertainment: Consolidated Selected Financial Items, 2022–2027E

(\$ in millions; December-ending fiscal years)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025E</u>	<u>2026E</u>	<u>2027E</u>
<u>Net sales:</u>						
Las Vegas	\$4,287	\$4,470	\$4,274	\$4,117	\$4,133	\$4,151
Regional	\$5,704	\$5,778	\$5,539	\$5,638	\$5,666	\$5,694
Digital	\$548	\$973	\$1,163	\$1,395	\$1,668	\$1,955
Managed & Branded	\$282	\$307	\$274	\$279	\$295	\$310
<u>Corporate</u>	=	=	(\$5)	(\$1)	(\$3)	(\$2)
Total	\$10,821	\$11,528	\$11,245	\$11,428	\$11,759	\$12,108
<u>Adj. EBITDA:</u>						
Las Vegas	\$1,964	\$2,016	\$1,907	\$1,790	\$1,839	\$1,847
Regional	\$1,985	\$1,962	\$1,810	\$1,753	\$1,813	\$1,828
Digital	(\$666)	\$38	\$117	\$258	\$342	\$450
Managed & Branded	\$84	\$76	\$71	\$65	\$69	\$74
<u>Corporate</u>	(\$124)	(\$154)	(\$166)	(\$189)	(\$194)	\$0
Total	\$3,243	\$3,938	\$3,739	\$3,679	\$3,869	\$4,198
<u>Capital expenditures:</u>						
Las Vegas	\$165	\$257	\$253	\$185	\$176	\$166
Regional	\$1,268	\$1,269	\$1,202	\$598	\$581	\$569
Digital	\$106	\$100	\$107	\$91	\$104	\$108
Managed & Branded	-	-	-	-	-	-
<u>Corporate</u>	\$84	\$68	\$58	\$46	\$59	\$61
Total	\$1,623	\$1,694	\$1,620	\$919	\$919	\$904
Free cash flow (FCF)	\$80	\$546	\$333	\$514	\$649	\$952
<i>Free cash flow per share</i>	<i>\$0.37</i>	<i>\$2.53</i>	<i>\$1.55</i>	<i>\$2.45</i>	<i>\$3.12</i>	<i>\$4.61</i>

Source: Company reports, Bloomberg and PCS Research Group estimates.

More acutely, management has indicated, without providing specific guidance, that, “we’re likely to generate something on the order of 50% of our market cap in free cash flow over the next 2.5 years, I think our stock is looking particularly attractive.”

Exhibit 2 Caesars Entertainment: Consolidated Full-Year 2025E Modeling Guidance Progression, Selected Items
(\$ in millions; December-ending fiscal years)

	<u>2025E Guidance</u>	
	<u>Previous (April 2025)</u>	<u>Current (July 2025)</u>
Master lease rent	~\$1.35 billion	~\$1.35 billion
Cash interest expense, net	~\$775 million	~\$775 million
Capital expenditures	~\$606 million (@ mid-point)	~\$650 million (@ mid-point)
Cash income taxes	3% - 4% of adj. EBITDA	3% - 4% of adj. EBITDA
Free cash flow uses (FCF)	Debt repayment / Share repurchases	Debt repayment / Share repurchases

Source: Company reports.

We note that CZR is scheduled to report 3Q 2025 results after the market close on October 28, 2025 and will hold a conference call that evening at 5 pm (ET); to be clear, while this report is not designed to be a call on the upcoming (or, for that matter, any particular) quarter we would note that following a mixed 2Q 2025 print in late-July (where year-over-year softness weighed on Vegas and to a lesser degree in Regional but was almost fully offset by adj. EBITDA growth of ~100% to \$80 million at Digital) we think management’s public comments clearly articulated a tempered near-term outlook (i.e., 3Q 2025), which we think has been reflected, at least to some degree, in current expectations/consensus with the adjusted EBITDA forecast, per Bloomberg, of \$945 million pointing to a roughly flat quarterly result on a sequential basis and a modest ~3.5% decline year-over year. Specifically, in regard to Vegas, management commented that following a strong spring, bookings began to deteriorate over the summer with the so-called “booking window” contracting to among the “shortest” in management’s recent memory, which led them to caution that it would expect the “third quarter to be soft” despite most recent indications in July suggesting that “bookings have stabilized”. All told, management told investors to expect results in 3Q 2025 to “look a lot like the second quarter on a comparative basis”, at least on a consolidated basis, with Vegas specifically down “high-single digits”. Despite near-term caution, management commented that “as we look into the fourth quarter of this year and into the first-and-second quarters of 2026 we see a very strong group calendar” (i.e., large scale events, including conferences, such as CON/AGG & CES, and conventions, such as State Farm’s). For Regional, management expressed comfort that “the full-year will be flat to up for EBITDA” and that Digital is continuing to maintain momentum on both “volume and EBITDA” and the business remains “on track to deliver \$0.5 billion plus of EBITDA in 2026”. Further, “if you look at now through the end of '27, we've got north of \$70 million worth of partnership expenses that we are dragging in our business right now that will roll off by the end of '27 and more than half of those will be gone in the first 4 months of '26. And all of that flows straight to EBITDA. So that business is ramping quickly toward that \$500 million number.” Looking into 2027-2028, the company has not yet set a specific next target other than to say, “we've taken so much grief over the \$500 million target that we're right on the precipice of, I'm hesitant to immediately put another target out there. But I'd say we're going to generate substantially more than \$500 million of EBITDA from Digital, if you're looking out a few years here” with the prospects for new gaming jurisdictions opening up as well as new product/functionality innovations being two sources of potentially meaningful incremental upside.

For context on CZR’s Digital journey, during 2021, the company began providing the anecdotal indication that it expected to invest ~\$1 billion in adj. EBITDA (losses) in its Digital business but that the return on investment (ROI) would be ~50%,

a target that has more recently been pushed out until 2026 (from 2025). These pronouncements came on the heels of the April 2021 acquisition (announced in October 2020) of William Hill (WH), an established player in the sports betting & on-line market, for £2.9 billion (or ~\$3.7 billion) while concurrently signaling that the company intended to divest WH's international operations to focus wholly on domestic operations. The international divestment was ultimately completed in July 2022 (announced September 2021) in a ~£2.0 billion (~\$2.5 billion) transaction with 888 Holdings, which after debt repayments and adjustments netted CZR ~\$730 million (to be primarily deployed to further debt repayments).

Las Vegas

The Las Vegas segment, which comprised ~36% of sales & ~46.5% of adj. EBITDA in 1H 2025, represents the company's casino and hospitality (i.e., food & beverage as well as hotel) operations in Las Vegas Nevada (see Exhibit 3) where the company operates a portfolio of 6 owned properties (with more than 360K sq. feet of casino floor and more than 14K hotel rooms) as well as two leased facilities (containing nearly 213.5K sq. ft. of casino floor space and ~6.5K hotel rooms). [Note: 18 of the leased properties across both the Las Vegas and Regional segments are leased from VICI Properties with the remaining 6 being leased from GLP Capital, the operating partnership of Gaming & Leisure Properties (NASDAQ: GLPI), which was spun off from Penn National Gaming in late-2013.]

Exhibit 3 Caesars Entertainment: Las Vegas Segment, Owned & Leased Footprint, Selected Items

<u>Property</u>	<u>Location</u>	<u>Casino - Sq. Ft.</u>	<u>Slots Machines</u>	<u>Table Games</u>	<u>Hotel Rooms & Suites</u>
<u>Owned</u>					
The Cromwell	Las Vegas, NV	40,600	350	30	190
Flamingo Las Vegas	Las Vegas, NV	60,100	760	50	3,450
Horseshoe Las Vegas	Las Vegas, NV	61,100	760	60	2,060
The LINQ Hotel & Casino	Las Vegas, NV	39,100	630	40	2,240
Paris Las Vegas	Las Vegas, NV	96,700	850	60	3,670
<u>Planet Hollywood Resort & Casino</u>	Las Vegas, NV	<u>63,800</u>	<u>870</u>	<u>70</u>	<u>2,500</u>
Total		361,400	4,220	310	14,110
<u>Leased</u>					
Caesars Las Vegas	Las Vegas, NV	124,500	1,380	160	3,980
<u>Harrah's Las Vegas</u>	Las Vegas, NV	<u>88,800</u>	<u>1,040</u>	<u>60</u>	<u>2,540</u>
Total		213,300	2,420	220	6,520

Source: Company reports, Bloomberg and PCS Research Group estimates.

In 2024, Las Vegas segment sales declined ~4.5% to \$4.27 billion, led by an ~8% decline in casino-related revenue, while adjusted segment EBITDA declined ~5.5% to ~\$1.9 billion on a 50-basis point deterioration in segment margin to 44.6% (see Exhibit 4). The so-called hold percentage on table games was 21.3% (versus 22.2% in 2023) with a slot handle of nearly \$10.6

billion (compared with \$11 billion in 2023 and \$10.7 billion in 2022) and total hotel occupancy of 97.5% (versus 96.8% in 2023 and 92.2% in 2022). In 1H 2025, Las Vegas segment sales fell ~3.5% to ~\$2.05 billion, with casino-related revenue roughly flat, along with segment adjusted EBITDA down 5.5% to \$902 million on a 90-basis point decline in segment margin to 43.9%. At the end of 1H 2025, the hold on Las Vegas table games was 20.1% (versus 20.0% in the prior year period) with a slot handle of ~\$5.1 billion (roughly flat compared with 1H 2024) and total hotel occupancy of 96.5% (versus 98.2% in the prior year period). [Note: the so called “hold percentage” is the amount of betting volume (i.e., dollars) that CZR’s actually retains (i.e., doesn’t payout), which is obviously variable. In our understanding, as a general rule of thumb (for both Vegas & Regional), the win percentage on Slots is typically 9%-11% (of the handle) while the range for table games is typically 16%-23%. The hold on sports betting generally ranges from 7% to 11% while iGaming holds are more in the 3%-5% range. As an aside, overall hotel occupancy, which is the average percentage of available hotel rooms occupied during a quarter is, to be sure, a driver of CZR’s gaming business, particularly in the Las Vegas segment.]

Exhibit 4 Caesars Entertainment: Las Vegas Segment, Selected Financial Items, 2022–2027E
(\$ in millions; December-ending fiscal years)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	6 mos. <u>2024</u>	6 mos. <u>2025</u>	<u>2025E</u>	<u>2026E</u>	<u>2027E</u>
<u>Net sales:</u>								
Casino	\$1,247	\$1,212	\$1,115	\$535	\$535	\$1,109	\$1,115	\$1,121
Food & beverage	\$1,063	\$1,152	\$1,141	\$583	\$564	\$1,101	\$1,112	\$1,118
Hotel	\$1,341	\$1,447	\$1,417	\$719	\$689	\$1,353	\$1,367	\$1,374
<u>Other</u>	<u>\$636</u>	<u>\$659</u>	<u>\$601</u>	<u>\$292</u>	<u>\$269</u>	<u>\$553</u>	<u>\$539</u>	<u>\$539</u>
Total	\$4,287	\$4,470	\$4,274	\$2,129	\$2,057	\$4,117	\$4,133	\$4,151
Gaming taxes	\$137	\$139	\$129	\$64	\$62	\$124	\$124	\$125
Labor expense	\$1,091	\$1,175	\$1,177	\$589	\$614	\$1,235	\$1,199	\$1,204
<u>Other</u>	<u>\$1,095</u>	<u>\$1,140</u>	<u>\$1,061</u>	<u>\$522</u>	<u>\$479</u>	<u>\$967</u>	<u>\$971</u>	<u>\$975</u>
Adjusted EBITDA	\$1,964	\$2,016	\$1,907	\$954	\$902	\$1,790	\$1,839	\$1,847
Margin	45.8%	45.1%	44.6%	44.8%	43.9%	43.5%	44.5%	44.5%
Capital expenditures	\$165	\$257	\$253	\$111	\$93	\$185	\$176	\$166

Source: Company reports, Bloomberg and PCS Research Group estimates.

For our part, we expect the Las Vegas segment to post 2026E segment sales of ~\$4.13 billion with adj. EBITDA of ~\$1.84 billion (see Exhibit 4).

Regional

The Regional segment, which contributed ~49.5% of sales and ~45.5% of adj. EBITDA in 1H 2025, similar to the Las Vegas segment operates casino & hospitality operations albeit across ~15 U.S. states (i.e., VA, NV, OH, IL, NE, IN, MD, CO, LA,

MO, MS, FL, NJ, IA, and PA; see Exhibit 5) where the company operates a portfolio of 16 owned properties (with more than 1 million sq. feet of casino floor space and more than 5K hotel rooms) as well as 22 leased facilities (containing nearly 1.5 million sq. ft. of casino space and more than ~15K hotel rooms). To that end, the Regional business tends to be driven by local consumers (as opposed the more destination-oriented customer base in Las Vegas).

Exhibit 5 Caesars Entertainment: Regional Segment, Owned & Leased Footprint, Selected Items

<u>Property</u>	<u>Location</u>	<u>Casino -</u>	<u>Slots</u>	<u>Table</u>	<u>Hotel</u>
		<u>Sq. Ft.</u>	<u>Machines</u>	<u>Games</u>	<u>Rooms & Suites</u>
<u>Owned</u>					
Caesars Virginia	Danville, VA	107,000	1,480	100	320
Circus Circus Reno	Reno, NV	59,900	450	-	1,570
Eldorado Gaming Scioto Downs	Columbus, OH	108,400	1,760	-	-
Eldorado Resort Casino Reno	Reno, NV	70,000	750	40	810
Gand Victoria Casino	Elgin, IL	48,200	750	50	-
Harrah's Columbus Nebraska	Columbus, NE	17,800	400	10	-
Harrah's Hoosier Park Racing & Casino	Anderson, IN	86,100	1,190	40	-
Horseshoe Baltimore	Baltimore, MD	133,300	1,400	150	-
Horseshoe Black Hawk	Black Hawk, CO	26,900	690	30	400
Horseshoe Indianapolis	Shelbyville, IN	99,300	1,490	90	-
Horseshoe Lake Charles	Westlake, LA	62,000	780	50	250
Isle of Capri Casino Boonville	Boonville, MO	28,000	650	20	140
Isle of Capri Casino Lula	Lula, MS	59,300	450	10	150
Harrah's Pompano Beach	Pompano Beach, FL	71,700	1,180	50	-
Lady Luck Casino - Black Hawk	Black Hawk, CO	11,200	300	-	-
<u>Silver Legacy Resort Casino</u>	Reno, NV	<u>90,100</u>	<u>830</u>	60	<u>1,680</u>
Total		1,079,200	14,550	700	5,320
<u>Leased</u>					
Caesars Atlantic City	Atlantic City, NJ	114,800	1,730	110	1,140
Caesars New Orleans	New Orleans, LA	111,300	1,180	140	790
Harrah's Atlantic City	Atlantic City, NJ	150,400	1,850	130	2,580
Harrah's Council Bluffs	Council Bluffs, IA	27,600	650	10	250
Harrah's Gulf Coast	Biloxi, MS	37,200	590	30	540
Harrah's Joliet	Joliet, IL	39,000	740	20	200
Harrah's Lake Tahoe	Lake Tahoe, NV	49,800	650	60	510
Harrah's Laughlin	Laughlin, NV	58,200	720	30	1,510
Harrah's Metropolis	Metropolis, IL	17,700	590	20	210
Harrah's North Kansas City	N. Kansas City, MO	57,500	910	60	390
Harrah's Philadelphia	Chester, PA	88,700	1,580	50	-
Harveys Lake Tahoe	Lake Tahoe, NV	48,900	540	30	740
Horseshoe Bossier City	Bossier City, LA	34,000	950	60	600
Horseshoe Council Bluffs	Council Bluffs, IA	59,400	1,170	60	150
Horseshoe Hammond	Hammond, IA	109,600	1,580	80	-
Horseshoe St. Louis	St. Louis, MO	75,800	890	30	490
Horseshoe Tunica	Tunica, MS	63,000	890	80	510
Isle Casino Bettendorf	Bettendorf, IA	40,200	800	20	510
Isle Casino Waterloo	Waterloo, IA	39,200	810	20	190
Trop Casino Greenville	Greenville, MS	22,800	420	-	-
Tropicana Atlantic City	Atlantic City, NJ	119,900	1,580	100	2,360
<u>Tropicana Laughlin Hotel & Casino</u>	Laughlin, NV	<u>43,200</u>	<u>620</u>	20	<u>1,490</u>
Total		1,408,200	21,440	1,160	15,160

Source: Company reports, Bloomberg and PCS Research Group estimates.

In 2024, Regional segment sales fell ~4% to \$5.5 billion, led by a ~7% decline in hotel-related revenue, while adjusted segment EBITDA declined nearly 8% to ~\$1.8 billion on a 130-basis point deterioration in segment margin to 32.7% (see Exhibit 6). The so-called hold percentage on table games was 21.3% (versus 21.7% in 2023 and 22% in 2022) while the slot handle was \$40.85 billion (compared with \$43.2 billion in 2023 and \$42.85 billion in 2022). In 1H 2025, Regional segment sales increased nearly 3% to ~\$2.8 billion, led by a ~9% rise in food & beverage-related (F&B) revenue as well as a ~5% increase in hotel-related revenue, while segment adjusted EBITDA declined 2.5% to \$299 million on a 170-basis point decline in segment margin to 31.1%. At the end of 1H 2025, the table games “hold” was 20.8% (versus 21.2% in the prior year period) with a slot handle of ~\$21.4 billion (compared with \$20.4 billion in 1H 2024).

Exhibit 6 Caesars Entertainment: Regional Segment, Selected Financial Items, 2022–2027E

(\$ in millions; December-ending fiscal years)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	6 mos. <u>2024</u>	6 mos. <u>2025</u>	<u>2025E</u>	<u>2026E</u>	<u>2027E</u>
Net sales:								
Casino	\$4,291	\$4,272	\$4,073	\$2,048	\$2,075	\$4,112	\$4,132	\$4,153
Food & beverage	\$533	\$576	\$575	\$274	\$299	\$604	\$607	\$610
Hotel	\$616	\$643	\$599	\$288	\$302	\$620	\$623	\$626
<u>Other</u>	<u>\$264</u>	<u>\$287</u>	<u>\$292</u>	<u>\$140</u>	<u>\$147</u>	<u>\$302</u>	<u>\$304</u>	<u>\$305</u>
Total	\$5,704	\$5,778	\$5,539	\$2,750	\$2,823	\$5,638	\$5,666	\$5,694
Gaming taxes	\$1,268	\$1,269	\$1,202	\$606	\$621	\$1,240	\$1,246	\$1,250
Labor expense	\$1,088	\$1,154	\$1,144	\$572	\$609	\$1,218	\$1,190	\$1,193
<u>Other</u>	<u>\$1,363</u>	<u>\$1,393</u>	<u>\$1,383</u>	<u>\$670</u>	<u>\$714</u>	<u>\$1,426</u>	<u>\$1,416</u>	<u>\$1,424</u>
Adjusted EBITDA	\$1,985	\$1,962	\$1,810	\$902	\$879	\$1,753	\$1,813	\$1,828
<i>Margin</i>	34.8%	34.0%	32.7%	32.8%	31.1%	31.1%	32.0%	32.1%
Capital expenditures	\$1,268	\$1,269	\$1,202	\$410	\$299	\$598	\$581	\$569

Source: Company reports, Bloomberg and PCS Research Group estimates.

For our part, we project the Regional segment to post 2026E sales of \$5.66 billion with adjusted EBITDA of more than \$1.8 billion (see Exhibit 6).

Caesars Digital

The Caesars Digital segment, which comprised 12% of consolidated sales and ~6.5% of adj. EBITDA in 1H 2025, reflects the company’s on-line sports betting, poker and horse racing operations via the Caesars Sportsbook, Caesars Racebook mobile “apps” as well its iGaming mobile apps, namely Caesars Palace Online Casino and Horseshoe Online Casino. The company conducts wagering activities across 32 North American “jurisdictions”, of which 26 allow on-line sports betting along with iGaming services in 5 jurisdictions (which are both numbers the company is keen to expand).

In 2024, the Caesars Digital segment posted top-line growth of 19.5% (on top of a ~78% increase in 2023) to \$1.16 billion while adjusted EBITDA jumped to \$117 million (up from \$38 million in 2023 and a loss of \$666 million in 2022; see Exhibit 7). The sports betting hold percentage was 7.0% (compared with 6.3% in 2023 and 5.4% in 2022) on a so-called handle of \$11.5 billion (compared to \$12.1 billion in 2023 and \$12.8 billion in 2022) while the iGaming hold was 3.5% (versus 3.1% in 2023 and 3.2% in 2022) on an overall handle \$14.9 billion (up from \$10.62 billion in 2023 and \$8.07 billion in 2022). In 1H 2025, Digital segment sales advanced 21.5% to \$678 million while adj. EBITDA vaulted to \$123 million (from \$45 million in the prior-year period). The sports betting hold was 8% (versus 6.9% in 1H 2024) on a handle of \$5.6 billion (compared with \$5.9 billion in 1H 2024) while the iGaming hold percentage was 3.6% (versus 3.3% in 1H 2024) on a handle of \$9.2 billion (compared with ~\$7.0 billion in the prior-year period). [Note: As mentioned earlier, the normal hold rate in on-line sports betting is generally 7%-11% while iGaming holds are more in the 3%-5% range.]

Exhibit 7 Caesars Entertainment: Digital Segment, Selected Financial Items, 2022–F027E

(\$ in millions; December-ending fiscal years)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	6 mos. <u>2024</u>	6 mos. <u>2025</u>	<u>2025E</u>	<u>2026E</u>	<u>2027E</u>
Net sales:								
Casino	\$462	\$886	\$1,085	\$512	\$655	\$1,356	\$1,628	\$1,912
Other	\$86	\$87	\$78	\$46	\$23	\$39	\$41	\$43
Total	\$548	\$973	\$1,163	\$558	\$678	\$1,395	\$1,668	\$1,955
Gaming taxes	\$239	\$245	\$303	\$148	\$166	\$342	\$409	\$479
Labor expense	\$975	\$690	\$743	\$365	\$389	\$795	\$918	\$1,027
Other	=	=	=	=	=	=	=	=
Adjusted EBITDA	(\$666)	\$38	\$117	\$45	\$123	\$258	\$342	\$450
Margin	-	3.9%	10.1%	8.1%	18.1%	18.5%	20.5%	23.0%
Capital expenditures	\$106	\$100	\$107	\$49	\$43	\$91	\$104	\$108

Source: Company reports, Bloomberg and PCS Research Group estimates.

Near-term, management has indicated that the Digital business is continuing to maintain momentum on both “volume and EBITDA” and the overall business remains “on track to deliver \$0.5 billion plus of EBITDA in 2026”. Additionally, management has added that “if you look at now through the end of '27, we've got north of \$70 million worth of partnership expenses that we are dragging in our business right now that will roll off by the end of '27 and more than half of those will be gone in the first 4 months of '26. And all of that flows straight to EBITDA. So that business is ramping quickly toward that \$500 million number.” Looking into 2027-2028, the company has not yet set a specific next target other than to say, “we've taken so much grief over the \$500 million target that we're right on the precipice of, I'm hesitant to immediately put another target out there. But I'd say we're going to generate substantially more than \$500 million of EBITDA from Digital, if you're looking out a few years here” with the prospects for new gaming jurisdictions opening up as well as new product/functionality innovations being two sources of potentially meaningful incremental upside.

Again, for context on CZR's Digital journey, during 2021, the company began providing the anecdotal indication that it expected to invest ~\$1 billion in adj. EBITDA (losses) in its Digital business but that the return on investment (ROI) would be ~50%, a target that has more recently been pushed out until 2026 (from 2025). These pronouncements came on the heels of the April 2021 acquisition (announced in October 2020) of William Hill (WH), an established player in the sports betting & on-line wagering market, for £2.9 billion (or ~\$3.7 billion) while concurrently signaling that the company intended to divest WH's international operations to focus wholly on domestic operations. The international divestment was ultimately completed in July 2022 (announced September 2021) in a ~£2.0 billion (~\$2.5 billion) transaction with 888 Holdings, which after debt repayments and adjustments netted CZR ~\$730 million (to be primarily deployed to further debt repayments).

For our part, we conservatively model that Digital segment sales will approach \$1.7 billion in 2026E with adjusted WBITDA of almost \$350 million (with a jump to ~\$450 million in 2027E; (see Exhibit 7).

Managed & Branded (M&B)

The Managed & Branded (M&B) segment, which comprised 2.5% of consolidated sales and ~1.5% of adj. EBITDA in 1H 2025, is the vehicle through which CZR provides staffing & management services to third parties under long-term agreements as well as authorizes the for-fee use of the brands and trademarks associated with Caesars Entertainment (i.e., Caesars & Harrah's).

Exhibit 8 Caesars Entertainment: Managed & Branded Footprint, Selected Items

<u>Property</u>	<u>Location</u>	<u>Casino - Sq. Ft.</u>	<u>Slots Machines</u>	<u>Table Games</u>	<u>Hotel Rooms & Suites</u>
<u>Managed</u>					
Harrah's Ak-Chin	Phoenix, AZ	64,800	1,150	20	530
Harrah's Cherokee	Cherokee, NC	222,600	3,270	160	1,830
Harrah's Cherokee Valley River	Murphy, NC	71,500	1,280	70	300
Harrah's Resort Southern California	Funner, CA	72,900	1,430	50	1,090
<u>Caesars Windsor</u>	Canada	<u>101,600</u>	<u>1,640</u>	100	<u>760</u>
Total		533,400	8,770	400	4,510
<u>Branded</u>					
Caesars Republic Scottsdale	Scottsdale, AZ	-	-	-	270
Caesars Southern Indiana	Elizabeth, IN	74,400	970	90	500
<u>Harrah's Northern California</u>	Ione, CA	<u>30,100</u>	<u>730</u>	20	-
Total		104,500	1,700	110	770

Source: Company reports, Bloomberg and PCS Research Group estimates.

In 2024, M&B segment sales declined nearly 11% to \$274 million with adjusted EBITDA down ~6.5% to \$71 million (see Exhibit 9). In 1H 2025, M&B segment sales increased more than 2% to \$141 million while adj. EBITDA declined nearly 6% to \$33 million. For some near-term perspective on the outlook for Managed & Branded, management recently commented

that, “we’ve got a couple of Indian management contracts that have raised their financing, 1 in Oklahoma, 1 in Sonoma County, California, that we would expect when they’re up and operating, should be something on the order of \$20 million of annual management fees between the 2 of them to Caesars” while noting that “we bring in Windsor in the end of first quarter of '26. So that will remove EBITDA from the managed line, but it’s replaced by Regional EBITDA that is well in excess of what it was bringing in managed. So we have between all 3 of those, you’re almost \$50 million of incremental EBITDA that’s flowing through asset-light deals for us, and we continue to pursue more both in the U.S. and in some of the larger international markets as well. That’s a bit of elephant hunting, where maybe something comes together more likely it doesn’t, but we’re active out there with our brand and our management expertise” while reminding that its asset light M&B deals are generally “straight free cash flow”. [Note: in May 2025, Caesars’s announced it would assume responsibility for gaming and non-gaming operations of the Windsor casino on behalf of OLG under a 20-year operating agreement, which is expected to begin in 2026.]

Exhibit 9 Caesars Entertainment: Managed & Branded Segment, Selected Financial Items, 2022–2027E

(\$ in millions; December-ending fiscal years)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	6 mos. <u>2024</u>	6 mos. <u>2025</u>	<u>2025E</u>	<u>2026E</u>	<u>2027E</u>
<u>Net sales:</u>								
Total	\$282	\$307	\$274	\$138	\$141	\$279	\$295	\$310
<u>Other costs</u>	\$198	\$231	\$203	\$103	\$108	\$214	\$225	\$236
Adjusted EBITDA	\$84	\$76	\$71	\$35	\$33	\$65	\$69	\$74
<i>Margin</i>	29.8%	24.8%	25.9%	25.4%	23.4%	23.4%	23.6%	23.8%
Capital expenditures	-	-	-	-	-	-	-	-

Source: Company reports, Bloomberg and PCS Research Group estimates.

For our part, again, perhaps conservatively, project 2026E M&B segment sales of \$295 million with adjusted EBITDA of \$69 million (see Exhibit 9).

Balance Sheet & Cash Flow

At the end of 2Q 2025, CZR had net debt of \$11.15 billion, including unrestricted cash of \$982 million and \$12.13 billion of debt (see Exhibit 10), implying a net leverage ratio of 3.0x (although accounting for outstanding leases capitalized at the corporate average the company’s leverage ratio is, by our calculation, 5.7x). Notably, CZR utilized proceeds from the recent sale of the World Series of Poker (WSOP) trademark to redeem \$546 million of its 8.125% Senior Notes due 2027 in early July 2025. Management’s commentary on the repayment was, “Q3 is off to a great start on the balance sheet front, as we fully redeemed our most expensive debt earlier this month using a mix of asset sale proceeds and our revolver. Annual free cash flow savings from the redemption will exceed \$40 million, and we continue to be optimistic about further interest expense reductions through rate decreases and/or debt reduction.” (As well, we would note that management expects to pay ~\$80-\$100 million less in cash taxes than previously anticipated due to provisions in the “Big Beautiful Bill” or “BBB”).

On the divestment front, besides the sale of William Hill's international business in late-2022, the company has also monetized other non-core assets, including the aforementioned World Series of Poker (WSOP) trademark in late-October 2024, which was sold to the NSUS Group Inc. for \$500 million, including \$250 million in cash and a \$250 million promissory note (due five years after closing or October 2029), resulting in a \$317 million gain, as well as the LINQ Promenade (an open air retail, dining and entertainment thoroughfare connecting several hotels& transport options on the Las Vegas Strip), which was sold for \$275 million in late-December 2024 to TPG Real Estate & Acadia Realty Trust, resulting in a gain of \$34 million.

As somewhat of an aside, we note that VICI Properties has, under a pre-set call option that expires at year end 2028, the right to purchase the land under the Caesar's Convention Center (in Las Vegas) for \$460 million in return for ~\$35.4 million in annual rent, implying a ~13.0x EV/EBITDA multiple or a 7.7% capitalization rate. For context, CZR had a put option for the property, on the same terms, that it elected to let expire at the end of 2024, signaling management's lack of enthusiasm for the addition of new rental obligations, but, by our calculation with a cost of capital of ~6.5% it may ultimately be an option that VICI exercises. In that eventuality, which, again, would not likely be considered ideal by CZR management, we calculate that the proceeds could be, at least mathematically, deployed accretively to reduce debt or repurchase shares.

Exhibit 10 Caesars Entertainment: Balance Sheet, Selected Items

(\$ in millions; December-ending fiscal years)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2Q 2025</u>
Cash	\$1,038	\$1,005	\$866	\$982
Restricted cash	\$131	\$122	\$95	\$85
Debt:				
Current portion	\$108	\$65	\$109	\$110
<u>Long-term debt</u>	<u>\$12,659</u>	<u>\$12,224</u>	<u>\$12,033</u>	<u>\$12,023</u>
Total	\$12,767	\$12,289	\$12,142	\$12,133
<u>Secured Debt:</u>				
CEI Term Loan A (2028)	-	\$710	\$673	\$655
CEI Delayed Draw Term Loan (2029)	-	-	\$288	\$315
CEI Term Loan B (2030)	-	\$2,432	\$2,021	\$2,011
CEI Term Loan B-1 (2031)	-	-	\$2,844	\$2,832
CEI Senior Secured Notes (2030 @ 7%)	-	\$1,978	\$1,982	\$1,984
CEI Senior Secured Notes (2032 @ 6.5%)	-	-	\$1,484	\$1,485
CEI Senior Secured Notes (2025)	-	\$3,374	-	-
CRC Senior Notes	-	\$983	-	-
<u>Unsecured Debt:</u>				
CEI Senior Notes (2027 @ 8.125%)	-	\$1,593	\$542	\$542
CEI Senior Notes (2029 @ 4.625%)	-	\$1,188	\$1,190	\$1,191
CEI Senior Notes (2032 @ 6%)	-	-	\$1,086	\$1,086
Special Improvement District Bonds (2037 @ 4%)	-	\$45	\$42	\$40
Long-term Notes & Other Payables	-	\$2	\$2	\$2
Deferred Financing Charges	-	(\$16)	(\$12)	(\$10)
Net debt	\$11,729	\$11,284	\$11,276	\$11,151
Net debt, incl. restricted cash	\$11,598	\$11,162	\$11,181	\$11,066
Leverage ratio	3.9x	3.1x	3.2x	3.3x
Leverage ratio, net	3.6x	2.9x	3.0x	3.0x
Shareholder equity	\$3,713	\$4,552	\$4,157	\$3,896
Goodwill	\$11,004	\$10,990	\$10,601	\$10,601
Intangibles	\$4,714	\$4,523	\$4,133	\$4,068
Non-controlling interest	\$38	\$168	\$219	\$223

Source: Company reports, Bloomberg and PCS Research Group estimates.

During 2024, the company utilized proceeds from WSOP and the LINQ promenade to repay ~\$500 million in debt and repurchase ~5.1 million shares for ~\$191 million (or an average purchase price of ~\$37 per share). Notably, CZR deployed \$100 million of capital to share repurchases in just the month of April (at \$23.84 per share) but paused its buyback activity in July to focus its attention on the \$546 million redemption of its highest interest debt (i.e., the 8.125% senior notes due 2027), which, again, will reduce run-rate interest expense by \$44 million annually. Currently, CZR's nearest debt maturity is \$656 million in January 2028 and the company's weighted average cost of debt is approximately 6.35%.

In terms of cash flow generation/deployment, which is projected to accelerate after several years of heavy investment, skewed toward its Regional business (where cap ex is expected to fall to ~\$600 million in 2025E compared with roughly \$1.2 billion in each of the last 3-years) following the merger with Eldorado in mid-2020, management has indicated that, "you should expect a balance of share repurchase and debt repayment. But given what we see happening in Digital in terms of scaling and momentum and where the shares are trading and the fact that we're likely to generate something on the order of 50% of our market cap and free cash flow over the next 2.5 years, I think our stock is looking particularly attractive. And I'd like to own more of it ahead of Digital being -- Digital value being recognized, whether that's within Caesars current equity or it's part of the separation transaction. So we like our stock, you should expect us to be a buyer." Anecdotally, while debt repayment is currently at the forefront of management's focus in the near-term at a point in time the company achieves a leverage ratio with "a 4 handle" management has indicated that would be an even more aggressive buyer of stock, particularly if the stock were to continue to trade at current levels.

Exhibit 11 Caesars Entertainment: Sources & Uses of Cash Flow, Selected Items
(\$ in millions; December-ending fiscal years)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	6 mos. <u>2024</u>	6 mos. <u>2025</u>	<u>2025E</u>	<u>2026E</u>	<u>2027E</u>
Net income	(\$910)	\$828	(\$211)	(\$244)	(\$163)	(\$125)	\$107	\$376
Depreciation & amortization	\$1,205	\$1,261	\$1,324	\$633	\$721	\$1,429	\$1,411	\$1,453
<u>Other</u>	<u>\$698</u>	<u>(\$280)</u>	<u>(\$38)</u>	<u>\$145</u>	<u>\$122</u>	<u>\$125</u>	<u>\$50</u>	<u>\$25</u>
Cash flow from operations	\$993	\$1,809	\$1,075	\$534	\$680	\$1,429	\$1,568	\$1,854
<u>Purchase of PPE (CapEx)</u>	<u>(\$952)</u>	<u>(\$1,264)</u>	<u>(\$1,296)</u>	<u>(\$593)</u>	<u>(\$453)</u>	<u>(\$919)</u>	<u>(\$919)</u>	<u>(\$904)</u>
Free cash flow	\$41	\$545	(\$221)	(\$59)	\$227	\$509	\$648	\$951
<u>Proceeds from sale of PP&E</u>	<u>\$39</u>	<u>\$1</u>	<u>\$554</u>	<u>-</u>	<u>\$3</u>	<u>\$5</u>	<u>\$1</u>	<u>\$1</u>
Free cash flow (FCF), net	\$80	\$546	\$333	(\$59)	\$230	\$514	\$649	\$952
FCF per share	\$0.37	\$2.53	\$1.55	(\$0.27)	\$1.10	\$2.45	\$3.12	\$4.61
Acquisition of gaming rights & technology	(\$11)	(\$30)	(\$15)	-	-	-	-	-
Proceeds from sale of investments	\$126	\$4	\$14	\$1	\$1	\$1	-	-
Distributions from unconsolidated affiliate	-	-	\$39	-	\$23	\$35	-	-
Distributions to unconsolidated affiliates	(\$3)	(\$3)	(\$16)	(\$14)	(\$30)	(\$60)	(\$60)	(\$60)
Proceeds from share issuance	\$1	-	-	-	-	-	-	-
Share repurchases	-	-	(\$191)	-	(\$100)	(\$100)	(\$50)	(\$50)

Source: Company reports, Bloomberg and PCS Research Group estimates.

Corporate Governance & Ownership

CZR's untagged Board is currently comprised of 12 members, of which only two, namely Messrs. Gary Carano (the Executive Chairman whose son, Anthony, is CZR's COO) and Thomas Reeg (CZR's CEO), are not considered independent. That said, as disclosed, directors Michael Pegram and Jan Jones Blackhurst have had long-stranding business relationships with the Carano-family and previously worked for (as EVP of Communications & Government Relations from 2011-2017), respectively. Additionally, it should be noted that the lead independent director, David Tomick, is also an investor in a "start-up" business with Messrs. Reeg and Pegram. In terms of ownership, the top-20 institutional shareholders, including a 1.2% stake held by Icahn Enterprises, own nearly 71% shares while all executives & directors, a group comprised of 17 people, own slightly less than 1% of the outstanding shares, as of April 2025 (see Exhibit 12).

Exhibit 12 Caesars Entertainment: Insider and Institutional Ownership, Selected Items

	<u>Shares held</u>	<u>% ownership</u>
<u>Holdings:</u>		
1 The Capital Group Cos.	32.5	15.6%
2 The Vanguard Group	23.2	11.1%
3 Cohen & Steers	14.2	6.8%
4 BlackRock	9.2	4.4%
5 Recreational Enterprises	8.6	4.1%
6 Janus Henderson	8.1	3.9%
7 State Street	7.6	3.6%
8 Invesco	6.7	3.2%
9 Geode Capital Management	5.4	2.6%
10 Davenport & Co.	4.3	2.1%
11 Royal Bank of Canada	3.5	1.7%
12 HG Vora Capital Management	3.5	1.7%
13 Norges Bank	2.8	1.4%
14 Fidelity Management & Research	2.7	1.3%
15 Contrarius Group Holdings	2.6	1.2%
16 Contrarius Investment Management	2.5	1.2%
17 Icahn Enterprises	2.4	1.2%
18 J.P. Morgan Chase & Co.	2.4	1.2%
19 Hein Park Capital Management	2.3	1.1%
20 Citadel Advisors	2.3	1.1%
21 UBS AG	2.1	1.0%
22 Appaloosa LP	2.1	1.0%
23 Philosophy Capital Management	2.1	1.0%
24 Credit Agricole Group	2.0	1.0%
25 Nut Tree Capital advisors	2.0	1.0%
Top-10 holders	119.7	57.6%
Top-20 holders	146.8	70.6%
Top-25 holders	157.1	75.6%
<u>Insiders:</u>		
All executives & directors (17 people)	2.1	1.0%

Source: Company reports and Bloomberg.

For context, the Icahn Group first built a stake in Caesars Entertainment in early 2019, which stood at nearly ~10% in March 2019 and ultimately reached almost 25% when the investor & the company reached an agreement that, among other things, added three new independent directors to CZR's Board, specifically Courtney Mather (who currently remains on the Board) as well as Keith Cozza and James Nelson. At the time, Mr. Icahn publicly expressed his opinion that "the best path forward for Caesars requires a thorough strategic process to sell or merge the company to further develop its already strong regional presence, which will allow Caesars to continue to take advantage of the Caesars Rewards program" while at the same time stressing the need to focus on "leadership succession, disciplined capital allocation, improving operating performance and optimizing real estate and other assets". Subsequently, in June 2019, the company announced it would be acquired by Eldorado Resorts (formerly NASDAQ: ERI before adopting the Caesars moniker and ticker) for \$12.75 per share, consisting of \$8.40 per share in cash (or ~\$7.2 billion) as well as ~77 million in shares, which, including debt, valued the company at nearly \$17.5 billion (and resulted in ERI and CZR shareholders owning ~51% and ~49% of the combined company, respectively). Following the merger, Mr. Icahn exited his position.

In late-2024, Icahn Enterprises re-initiated a "passive" ownership stake, which currently stands at 2.44 million shares or roughly 1.2% (at a reported cost basis of ~\$37 per share), and, more recently, in March 2025, per a "behind the scene" agreement secured two independent Board seats, which included Icahn Enterprises' general counsel & chief financial officer Jesse Lynn & Ted Papapostolou, on an expanded 12-member Board (up from 10). Concurrent with the announcement, the investor (who has agreed to customary standstill & voting commitments over the next twelve months) articulated both its respect and willingness to work with the current management team as well as, among other things, explore "strategic alternatives for the Company's underappreciated digital business".

For a degree of additional context on management's recent commentary on the latter suggestion of strategic alternatives, we note that a query on the 2Q 2025 earnings call an analyst posed the question, "any updated thoughts on a spin, maybe timing or puts and takes from your perspective?", to which CZR's chief executive responded, "we have talked about job one is to deliver on the numbers that we've laid out. We've -- we're well on our way to that. There is internal plumbing that needs to happen to be in position to separate that foot well with kind of when we hit our numbers for our initial targets, and we'll take a look at what we think of value at that point, whether it's -- we're getting it reflected, but we would absolutely pursue a separation if we believe that it would drive significant value to our shareholders, and we think we'll be in position where we're at our targets at some point in the first half of '26. So that's what you should be thinking about in terms of time frame". Relatedly, on the 1Q 2025 conference call, in response to a similar query on potential options for Digital given the businesses current momentum, CZR's CEO indicated, again, that "our job is to deliver the numbers that we have laid -- that we laid out starting in 2021. We're well on that path. The goals are in our windshield now as we approach them. And we'll see where we're at when we get there in terms of are we getting value for what we've created. And if the answer is we've hit our goals, and we're moving through them, and we're just not seeing it in the equity. Again, I'll tell you, we will look at any and all options to create value for shareholders. But we are mindful that the first thing we need to do is continue to deliver numbers on the path that we have". Looking back further to the 4Q 2025 earnings call (in February 2025), management responded to an analyst comment asserting that while "obviously it's hard to look at peer valuations and kind of identify your hybrid owned leased mix and where the respective pieces of that mix are trading. But I don't think it's overly hard to look at kind of a comparable valuation and identify that the credit for the digital segment is hard to kind of distinguish...How are you guys thinking about ways to monetize and/or unlock some of the value that's presumably within the digital segment and maybe not reflected in the stock?" by stating that, "the hardest part is building the business that has the value that we can talk about in this way. And we laid out that plan in the middle of 2021 in terms of where we anticipated getting, and now it's right on the horizon. And we recognize that a digital business trading at our blended brick and mortar multiple seven, eight times that there's dollars left on the table. Operationally, it makes the most sense to keep

everything together as one. But when the dichotomy is such that it's been and is today, you've known us for a long time, we look to drive as much shareholder value as we can. This is why it's important for us to own everything in the business, the entire tech stack, not have partners, have our own PAM, which we're in the middle of rolling out. But it's a natural time to start to think about should you be doing something else strategically that allows investors a path to investing in that business on a pure play basis. And if the -- if the market dynamics remain the same and the business continues to grow as it has, you should expect that we would look at any and all avenues in terms of how we can drive the most value to our shareholders." Later in the discussion, in response to a follow-up question on the topic as to if the company's \$500 million target was a "fully-loaded" figure (i.e., included the incremental costs that would be associated as a standalone) CZR Digital President, Eric Hession, indicated that "so yes, there are if you were to separate the business, there would be some modest dis-synergies associated with that because it does. Digital does rely on our centralized functions as they sit here today. But if you're talking about something modest in terms of difference and a significant multiple discrepancy in terms of how the businesses are valued. I don't think that would be a determinative piece of the puzzle, but it would be something you'd consider." [For our part, we anecdotally think that while the lack of recognition of value of the Digital business in CZR's public equity share price presents an investment opportunity and may ultimately force management's hand to act, which we think would be to the short-term benefit of existing holders, we also contend that the free cash flow generated by the Digital business could undoubtedly be accretively utilized by the parent potentially to the out-sized benefit of longer-term investors via the facilitation of leverage reduction and/or share repurchases (i.e., in some ways a win-win situation from our perspective).

Exhibit 13 Caesars Entertainment: Public Comparables
(\$ in millions, except per share amounts; shares in millions)

10/24/2025	Caesars	Melco Resorts & Entertainment										Flutter	Norwegian	Royal	Six Flags	Hilton	Hyatt Hotels	Marriott
	Entertainment Inc	MGM Resorts International	Wynn Resorts Ltd	Las Vegas Sands Corp	Boyd Gaming Corp	Entertainment Inc	Entertainment Ltd	Red Rock Resorts Inc	DraftKings Inc	PLC	Carnival Corp	Cruise Line Holdings Ltd	Caribbean Cruises Ltd	Entertainment Corp	Worldwide Holdings Inc	Corp	International Inc/MD	
Ticker	CZR	MGM	WYNN	LVS	BYD	PENN	MLCO	RRR	DKNG	FLUT	CCL	NCLH	RCL	FUN	HLT	H	MAR	
Price	\$22.23	\$32.85	\$125.14	\$59.25	\$79.36	\$18.03	\$8.37	\$58.64	\$32.84	\$243.86	\$29.36	\$23.60	\$320.27	\$26.60	\$267.26	\$148.84	\$271.87	
Shares Out	208.0	272.2	104.0	676.1	80.2	146.0	425.5	59.5	496.5	175.8	1,167.5	455.3	271.6	101.3	232.4	42.3	271.5	
M Cap	4,673.6	8,941.5	13,011.6	40,057.6	6,363.6	2,631.7	3,561.5	6,186.0	16,301.6	42,880.4	40,032.8	10,743.9	86,992.8	2,693.5	62,120.6	14,211.5	73,801.2	
Net Debt	11,374.0	5,089.2	7,793.6	12,715.0	3,250.2	6,577.3	6,593.1	3,350.0	(4.2)	8,913.0	24,718.0	13,579.4	18,470.0	5,428.1	10,622.0	5,448.0	14,984.0	
EV	16,047.6	14,030.6	20,805.2	52,772.6	9,613.7	9,209.0	10,154.7	9,536.0	16,297.4	51,793.4	64,750.8	24,323.3	105,462.8	8,121.6	72,742.6	19,659.5	88,785.2	
Revenue																		
2025E	11,519.9	17,311.7	7,041.1	12,639.2	3,950.0	6,989.4	5,119.0	2,004.7	6,232.8	17,060.4	26,657.8	10,059.2	17,997.7	3,131.8	11,924.4	7,153.1	26,215.7	
2026E	11,850.6	17,612.5	7,347.0	13,359.8	3,852.6	7,391.3	5,274.1	2,072.0	7,475.5	19,832.7	27,529.1	11,111.8	19,732.2	3,292.3	12,852.8	7,494.7	26,633.3	
CAGR	3.9%	13.3%	14.8%	25.2%	3.0%	4.8%	21.1%	5.2%	42.6%	19.6%	67.0%	73.0%	64.0%	20.6%	17.4%	20.0%	14.7%	
EV / Sales																		
2025E	1.4x	0.8x	3.0x	4.2x	2.4x	1.3x	2.0x	4.8x	2.6x	3.0x	2.4x	2.4x	5.9x	2.6x	6.1x	2.7x	3.4x	
Average		2.6x			2.6x				2.8x		3.3x				4.1x			
2026E	1.4x	0.8x	2.8x	4.0x	2.5x	1.2x	1.9x	4.6x	2.2x	2.6x	2.4x	2.2x	5.3x	2.5x	5.7x	2.6x	3.3x	
Average		2.5x			2.6x				2.4x		3.1x				3.9x			
EBITDA																		
2025E	3,743.3	4,690.5	2,016.8	4,830.5	1,320.3	1,543.7	1,294.2	836.5	756.8	3,226.2	7,070.1	2,735.8	6,922.1	861.4	3,699.6	1,162.5	5,344.2	
Margin	32.5%	27.1%	28.6%	38.2%	33.4%	22.1%	25.3%	41.7%	12.1%	18.9%	26.5%	27.2%	38.5%	27.5%	31.0%	16.3%	20.4%	
2026E	3,905.3	4,911.0	2,144.9	5,129.1	1,304.6	1,813.3	1,324.9	872.8	1,309.4	4,268.5	7,494.4	3,120.2	7,738.3	1,007.1	3,976.6	1,271.6	5,687.2	
Margin	33.0%	27.9%	29.2%	38.4%	33.9%	24.5%	25.1%	42.1%	17.5%	21.5%	27.2%	28.1%	39.2%	30.6%	30.9%	17.0%	21.4%	
EV / EBITDA																		
2025E	4.3x	3.0x	10.3x	10.9x	7.3x	6.0x	7.8x	11.4x	21.5x	16.1x	9.2x	8.9x	15.2x	9.4x	19.7x	16.9x	16.6x	
Average		8.1x			8.1x				18.8x		10.7x				17.7x			
2026E	4.1x	2.9x	9.7x	10.3x	7.4x	5.1x	7.7x	10.9x	12.4x	12.1x	8.6x	7.8x	13.6x	8.1x	18.3x	15.5x	15.6x	
Average		7.6x			7.8x				12.3x		9.5x				16.5x			
EPS																		
2025E	(\$1.06)	\$2.42	\$4.81	\$2.95	\$7.04	\$0.66	\$0.50	\$2.03	\$1.07	\$8.38	\$2.15	\$2.08	\$15.68	(\$0.74)	\$8.06	\$2.31	\$10.03	
2026E	\$0.40	\$2.54	\$5.91	\$3.25	\$7.65	\$1.41	\$0.75	\$2.38	\$1.87	\$12.10	\$2.42	\$2.67	\$18.17	\$0.94	\$9.08	\$3.81	\$11.32	
P/E																		
2025E	-21.3x	13.6x	26.0x	20.1x	11.3x	27.4x	16.7x	28.9x	30.7x	29.1x	13.7x	11.3x	20.4x	-	33.2x	64.5x	27.1x	
Average		19.9x			21.1x				29.9x		15.1x				41.6x			
2026E	56.7x	12.9x	21.2x	18.2x	10.4x	12.8x	11.2x	24.6x	17.6x	20.1x	12.1x	8.8x	17.6x	28.4x	29.4x	39.1x	24.0x	
Average		17.4x			14.8x				18.9x		16.7x				30.8x			
FCF Yield	14.2%	13.7%	5.5%	0.7%	6.7%	-	-	9.0%	3.2%	3.1%	7.6%	-	4.2%	-	3.8%	0.8%	2.2%	

Source: Company reports, Bloomberg and PCS Research Group estimates.

VALUATION

In terms of valuation, peers to CZR's traditional gaming operations could include Las Vegas-centric concerns, such as MGM Resorts International (NYSE: MGM), Las Vegas Sands (NYSE: LVS), and Wynn Resorts (NASDAQ: WYNN) as well Regional-players, such as Boyd Gaming Corp. (NYSE: BYD), Penn Entertainment Inc. (NASDAQ: PENN), Melco Resorts & Entertainment (NASDAQ: MLCO) and Red Rock Resorts (NASDAQ: RRR) which trade, on average, at ~7.5x 2026E EV/EBITDA (see Exhibit 13), while Digital gaming players, such as DraftKings (NASDAQ: DKNG) and Flutter Entertainment (NYSE: FLUT) trade, on average, at ~12.5x. Ancillary leisure and hospitality peers, such as Carnival Corporation (NYSE: CCL), Norwegian Cruise Lines Holdings (NYSE: NCLH), Royal Caribbean Cruises Ltd. (NYSE: RCL), as well as Six Flags Entertainment (NYSE: FUN), which has attracted activist interest from Jana Partners who holds a roughly 9% stake, trade at ~9.5x 2026E EV/EBITDA (in a range of 8.0x-13.5x), while Hilton Worldwide Holdings Inc. (NYSE: HLT), Hyatt Hotels Corp. (NYSE: H), and Marriott International Inc, (NASDAQ: MAR), trade at ~16.5x (in a range of 15.5x-18.5x).

For its part, CZR has over the last 3-, 5- and 10-year periods traded at an average forward EV/EBITDA multiple of ~7.5x.

In terms of M&A, according to Chain Bridge Research, transaction activity in the Betting & Gaming and Entertainment Facility sectors have averaged ~11x and 9.5x forward EV/EBITDA, respectively (see Exhibit 14).

Exhibit 14 Caesars Entertainment: Betting & Gaming and Entertainment Facility Sector M&A Activity, Selected Items

<u>Announcement Date</u>	<u>Target</u>	<u>Acquirer</u>	<u>Transaction value (target)</u>			
			<u>currency, millions)</u>	<u>Offer Price / LTM EPS</u>	<u>TV/LTM EBITDA</u>	<u>TV/FY1 EBITDA</u>
<u>Betting & Gaming</u>						
7/8/2019	OPAP SA	KKCG AS	3,464	15.5x	8.8x	11.9x
6/23/2019	Caesars Entertainment Corp	Eldorado Resorts Inc	12,837	36.1x	4.7x	5.4x
12/17/2018	Cherry AB	European Entertainment Intressenter BidCo	9,754	20.8x	12.0x	-
11/18/2018	Lotto24	Zeal Network SE	400	46.1x	-	-
4/15/2018	Tropicana Entertainment Inc	Eldorado Resorts Inc	658	26.0x	3.5x	3.4x
12/21/2017	Ladbrokes Coral Group Ltd	GVC Holdings PLC	5,008	17.4x	15.4x	9.4x
12/17/2017	Pinnacle Entertainment Inc	Penn National Gaming Inc	5,728	34.9x	8.5x	7.9x
9/19/2017	NYX Gaming Group Ltd	Scientific Games Corp	641	-	-	-
10/1/2019	Stars Group Inc/The	Flutter Entertainment PLC	10,788	49.6x	12.5x	11.0x
7/15/2014	International Game Technology	GTECH SpA	6,115	19.2x	9.1x	10.4x
7/31/2014	Bally Technologies Inc	Scientific Games Corp	5,072	23.0x	12.0x	11.6x
9/7/2014	Everi Games Holding Inc	Everi Holdings Inc	973	30.8x	9.5x	7.9x
3/8/2015	Pinnacle Entertainment Inc/Old	Gaming and Leisure Properties Inc	5,416	25.4x	9.3x	9.0x
7/8/2015	Bwin Party Digital Entertainment PLC	GVC Holdings PLC	948	2.9x	12.7x	14.0x
8/25/2015	Betfair Group Ltd	Flutter Entertainment PLC	2,107	28.2x	17.3x	18.4x
9/18/2016	Isle of Capri Casinos Inc	Eldorado Resorts Inc	1,810	19.0x	9.0x	8.8x
9/29/2020	William Hill	Caesars Entertainment	3,244	15.8x	9.5x	12.6x
11/9/2020	Great Canadian Gaming	Apollo Global Management Inc	4,381	-	15.6x	23.8x
4/12/2021	Gamesys	Bally's	2,316	26.4x	11.2x	10.3x
8/8/2021	Golden Nugget Online Gaming	DraftKings	1,451	19.8x	-	-
1/16/2022	Aspire Global	NeoGames	5,060	23.2x	13.9x	13.7x
5/1/2022	LeoVegas	MGM Resorts	6,203	-	13.3x	11.6x
1/21/2024	Kindred Group	FDJ	29,216	23.1x	10.7x	8.5x
7/24/2024	Bally's	Standard General	-	-	-	10.8x
<u>7/25/2024</u>	Everi	Voyager Parent	-	<u>18.7x</u>	<u>6.3x</u>	<u>5.8x</u>
Average				24.9x	10.7x	10.8x
<u>Entertainment Facilities</u>						
6/27/2019	Merlin Entertainments PLC	Blackstone Group Inc, Kirkbi A/S, Canada Pension Board	6,828	22.5x	12.1x	11.9x
5/21/2019	International Speedway Corp	Nascar Holdings Inc	1,939	24.3x	9.9x	-
4/28/2019	Parques Reunidos Servicios Centrales	EQT Partners, Groupe Bruxelles Lambert, Corp Financiera Alba	2,320	-	14.3x	11.7x
4/11/2018	Snaitech SpA	Playtech Plc	696	9.1x	4.9x	5.3x
12/4/2017	Regal Entertainment Group	Cineworld Group PLC	5,876	26.0x	11.0x	9.0x
7/8/2017	ClubCorp Holdings Inc	Apollo Global Management LLC	2,168	41.2x	9.3x	7.8x
12/15/2019	Cineplex Inc	Cineworld Group PLC	4,153	39.5x	11.1x	10.4x
3/15/2015	Life Time Inc	TPG Capital, Leonard Green & Partners, LNK Partners	4,059	24.1x	10.7x	9.8x
3/2/2016	Carmike Cinemas Inc	AMC Entertainment Holdings Inc	1,124	57.0x	8.7x	8.2x
8/7/2016	Whistler Blackcomb Holdings Inc	Vail Resorts Inc	1,591	37.4x	13.0x	11.9x
12/19/2016	Reading International Inc	Patton Vision LLC	532	59.7x	14.8x	-
4/9/2017	Alterra Mountain Co	Aspen Skiing Co, KSL Capital Partners	1,408	33.5x	11.4x	10.7x
10/31/2023	Six Flags Entertainment	Cedar Fair	4,635	16.5x	9.7x	8.9x
<u>12/5/2023</u>	TEN Entertainment	Neon Buyer	488	<u>15.9x</u>	<u>12.0x</u>	<u>8.7x</u>
Average				31.3x	10.9x	9.5x

Source: Chain Bridge Research.

Las Vegas

Applying a blended 7x multiple, broadly reflecting a 7.5x multiple for the earnings from owned properties and a 6.0x multiple for leased (or OpCo) properties, to 2026E EBITDA implies a Las Vegas segment value of ~\$13.1 billion or ~\$63 per share (see Exhibit 15).

Exhibit 15 Caesars Entertainment: Estimated Value of Las Vegas Segment Based on 2026E EBITDA (\$ in millions, except per share amounts; shares in millions; December-ending fiscal years)

	<u>Las Vegas</u>		
2025E Net sales		\$4,117	
<u>Revenue growth est.</u>		<u>0.4%</u>	
2026E Net sales		\$4,133	
EBITDA margin		<u>44.5%</u>	
2026E Adj. EBITDA		\$1,838.7	
<u>Applied multiple</u>	<u>6.1x</u>	<u>7.1x</u>	<u>8.1x</u>
Enterprise value	\$11,262.2	\$13,101.0	\$14,939.7
Diluted shares	<u>208.1</u>	<u>208.1</u>	<u>208.1</u>
Per share basis	\$54.11	\$62.94	\$71.77

Source: Company reports, Bloomberg and PCS Research Group estimates.

Regional

Applying a ~6.5x multiple, which, again, broadly reflects a 7.0x multiple to the estimated earnings from owned properties and a 6.0x multiple for leased (or OpCo) locations, to F2026E EBITDA yields a segment value of roughly \$11.6 billion, or roughly \$56 per share (see Exhibit 16).

Exhibit 16 Caesars Entertainment: Estimated Value of the Regional Segment Based on 2026E EBITDA (\$ in millions, except per share amounts; shares in millions; December-ending fiscal years)

	<u>Regional</u>		
2025E Net sales		\$5,637.6	
<u>Revenue growth est.</u>		<u>0.5%</u>	
2026E Net sales		\$5,665.8	
EBITDA margin		<u>32.0%</u>	
2026E Adj. EBITDA		\$1,813.1	
<u>Applied multiple</u>	<u>5.4x</u>	<u>6.4x</u>	<u>7.4x</u>
Enterprise value	\$9,826.8	\$11,639.9	\$13,452.9
Diluted shares	<u>208.1</u>	<u>208.1</u>	<u>208.1</u>
Per share basis	\$47.21	\$55.92	\$64.63

Source: Company reports, Bloomberg and PCS Research Group estimates.

Caesars Digital

Applying a 12.5x multiple to Digital's 2026E EBITDA implies segment value of ~\$4.275 billion, or roughly \$20.50 per share (see Exhibit 17).

Exhibit 17 Caesars Entertainment: Estimated Value of the Caesars Digital Segment Based on 2026E EBITDA
(\$ in millions, except per share amounts; shares in millions; December-ending fiscal years)

	<u>Caesars Digital</u>		
2025E Net sales		\$1,395.3	
<u>Revenue growth est.</u>		<u>19.6%</u>	
2026E Net sales		\$1,668.5	
EBITDA margin		<u>20.5%</u>	
2026E Adj. EBITDA		\$342.0	
<u>Applied multiple</u>	<u>12.0x</u>	12.5x	<u>13.0x</u>
Enterprise value	\$4,104.4	\$4,275.4	\$4,446.4
Diluted shares	<u>208.1</u>	<u>208.1</u>	<u>208.1</u>
Per share basis	\$19.72	\$20.54	\$21.36

Source: Company reports, Bloomberg and PCS Research Group estimates.

Managed & Branded (M&B)

Applying a 6.0x multiple to estimated M&B segment 2026E EBITDA implies segment value of ~\$416.5 million, or \$2 per share (see Exhibit 18).

Exhibit 18 Caesars Entertainment: Estimated Value of the Managed & Branded Segment Based on 2026E EBITDA
(\$ in millions, except per share amounts; shares in millions; December-ending fiscal years)

	<u>Managed & Branded</u>		
2025E Net sales		\$279.5	
<u>Revenue growth est.</u>		<u>5.5%</u>	
2026E Net sales		\$294.9	
EBITDA margin		<u>23.6%</u>	
2026E Adj. EBITDA		\$69.4	
<u>Applied multiple</u>	<u>5.5x</u>	6.0x	<u>6.5x</u>
Enterprise value	\$381.9	\$416.6	\$451.3
Diluted shares	<u>208.1</u>	<u>208.1</u>	<u>208.1</u>
Per share basis	\$1.83	\$2.00	\$2.17

Source: Company reports, Bloomberg and PCS Research Group estimates.

Sum-of-the-Parts Valuation

Accounting for corporate costs as well as leases, capitalized at the corporate average, along with projected net debt and minority interest, yields a total sum-of-the-parts value of ~\$7.1 billion, or ~\$34 per share (with bull and bear cases of ~\$51 and ~\$17 per share, respectively; see Exhibit 19).

Exhibit 19 Caesars Entertainment: Sum-of-the-Parts Valuation

(\$ in millions, except per share amounts; shares in millions; December-ending fiscal years)

	<u>Las Vegas</u>	<u>Regional</u>	<u>Caesars Digital</u>	<u>Managed & Branded</u>	<u>Corporate</u>	<u>Enterprise Value</u>	<u>Net Debt</u>	<u>Market Cap</u>
2026E Net sales	\$4,132.9	\$5,665.8	\$1,668.5	\$279.5	-			
EBITDA margin	44.5%	32.0%	20.5%	23.6%				
2026E Adj. EBITDA	\$1,838.7	\$1,813.1	\$342.0	\$69.4	(\$194.0)		(\$20,943.0)	
Applied multiple	7.1x	6.4x	12.5x	6.0x	7.2x		1.0x	
Enterprise value	\$13,101.0	\$11,639.9	\$4,275.4	\$416.6	(\$1,405.4)	\$28,027.4	(\$20,943.0)	\$7,084.5
Diluted shares	208.1	208.1	208.1	208.1	208.1		208.1	208.1
Per share basis	\$62.94	\$55.92	\$20.54	\$2.00	(\$6.75)		(\$100.62)	\$34.04
Bull	\$71.77	\$64.63	\$21.36	\$1.83	(\$7.63)		(\$100.62)	\$51.36
Base	\$62.94	\$55.92	\$20.54	\$2.00	(\$6.75)		(\$100.62)	\$34.04
Bear	\$54.11	\$47.21	\$19.72	\$2.17	(\$5.87)		(\$100.62)	\$16.72

Source: Company reports, Bloomberg and PCS Research Group estimates.

SUMMARY & CONCLUSION

CZR shares are well off their 2021-highs, which exceeded \$100 per share, and are down ~50% over both the last 1- & 3- year periods (compared with meaningful gains in both the S&P 500 and Russell 2000 indexes). In terms of valuation, at less than 4.5x 2026E EV/EBITDA and a free cash flow (FCF) yield approaching 15% (or over 20% based on conservative 2027E estimates) along with short interest at a 5-year high of ~15.5%, we think shares are undervalued relative to the sum value of its parts, particularly the worth of its fast-growing Digital business (i.e., online sports betting & iGaming) as well as what we view as an emerging inflection point in FCF generation. Additionally, we highlight the re-engagement of activist-investor Carl Icahn, whose previous ownership stint (back in 2019-2020) resulted in CZR's sale to Eldorado Resorts for ~\$17.5 billion. Mr. Icahn disclosed a new ~1.2% stake in late-2024 (with a reported costs basis of ~\$37 per share), and more recently, reached an agreement with the company to add two Icahn representatives, Jesse Lynn & Ted Papapostolou, to CZR's expanded 12-member Board (up from 10), which we note still includes Courtney Mather who was appointed as part of a previous settlement between Mr. Icahn and the company (although we note that Mr. Mather is not currently still an employee of Icahn Enterprises). While expressing respect for and a willingness to work with the current management team, Mr. Icahn has publicly urged the exploration of "strategic alternatives for the Company's underappreciated digital business".

Based on management guidance & commentary as well as peer and M&A valuations, CZR's land-based gaming & hospitality businesses (i.e., Vegas & Regional) could be valued at \$119 per share with value of \$20.50 per share assigned to the Digital operation & \$2 per share for the Managed & Branded (M&B) segment. Accounting for corporate costs & projected net debt, including capitalized leases, as well as minority interest of ~\$107.50 per share yields a base case sum-of-the-parts fair value of ~\$34 per share (with bull/bear cases of ~\$51 and ~\$17 per share).

Potential catalysts include the separation/monetization of assets, leverage reductions, share repurchases and/or better than expected to growth, margins & FCF generation. Risks include management execution, competition, shifts in consumer preferences, leverage, seasonality, regulation, cyber threats/theft, and/or a decline in discretionary spending due to a recession or other geopolitical disturbances.

Disclosures

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