MCS Advisory

NASDAQ: CZR · INDEPENDENT RESEARCH

Caesars Entertainment

A Corporate Valuation & Value-Creation Analysis

Discounted Cash Flow · Economic Value Added · Adjusted Present Value · Market Comparable Analysis. A multi-method triangulation of a lease-encumbered casino operator with two live takeover bids on the table.

$46.82	$20.90	$29.84	$31–33
DCF (NORMALIZED)	MARKET COMP (MGM BASIS)	MARKET PRICE	FERTITTA / ICAHN BIDS

Prepared by KC · MCS Advisory · Valuation as of July 2026

THE THESIS IN BRIEF

A well-run operator trapped beneath a lease-driven capital structure

Caesars runs its casinos well. The problem isn't operations — it's that the company sold its real estate to REIT landlords and now leases it back, and the rent is large enough to swallow most of the return. That single fact drives the entire valuation and explains why four methods disagree.

$11,486M
FY2025 net revenue

31.6%
Normalized EBITDA margin

+101.7%
Digital EBITDA growth

$1,369M
Annual VICI / GLPI rent — the crux

THE BUSINESS

Four segments, one growth engine

Las Vegas anchors profitability (~31% margin, Strip-concentrated). Regional delivers the broadest footprint (~40 properties, ~20 states). **Caesars Digital** is the growth story — revenue +21%, EBITDA more than doubled, now profitable. Managed/Branded adds fee income with minimal capital.

The operating business is healthy and growing. The **equity** has been discounted beneath a heavy, lease-driven capital structure. As debt and lease burdens ease and digital scales, the gap between operating value and market value should close.

FY2025 snapshot	$M
Net revenue	11,486
Normalized EBITDA	3,624
Operating income (reported)	2,078
Net income (attributable)	**(248)**
Financial debt	11,784
VICI / GLPI leases	13,096
Cash & equivalents	887
Enterprise value (DCF)	**20,448**

Interest expense of $2.3B — including VICI/GLPI lease finance charges — drives the reported net loss despite healthy operating income.

Source: Caesars Entertainment FY2025 Form 10-K; MCS Advisory valuation model. $ in millions. Statements scrubbed and normalized; Adjusted EBITDA ties to the 10-K.

Why Caesars pays rent on casinos it once owned

Caesars gave up its real estate to REIT landlords and leases it back. GAAP calls these *failed sale-leasebacks* and books the rent inside interest expense — which makes reported operating income look far stronger than the true economics.

1 · THE SALE-LEASEBACK

In the CEOC Chapter 11 reorganization (2017), the casino real estate went to VICI, a REIT owned by former creditors. Caesars extinguished debt rather than taking cash — and now pays rent.

2 · THE GAAP TREATMENT

The 10-K calls these **failed sale-leaseback financing obligations**. Buildings stay on the balance sheet; each payment splits into interest and principal, so the rent lands inside interest expense — not operating costs.

3 · THE DISTORTION

Reported operating income is therefore struck **before** the rent. It looks healthy — but a permanent, unavoidable cost is sitting further down the statement.

The math the market misses (FY2025, normalized)

Reported operating income — looks healthy	$2,078M
Less: VICI / GLPI rent — buried in interest	**(1,369)M**
TRUE after-rent operating profit	**$729M**

Operating margin falls from **18.1%** to **6.3%** once the rent is charged where it economically belongs. Charge it honestly and ROIC of **4.3%** falls below the **8.56%** cost of capital.

WHERE THE RENT HIDES

Rent should sit with operating costs like salaries and utilities. Accounting rules instead bury it in interest expense — so reported operating profit of $2,078M is struck before rent, making the business look healthier than it is.

WHY THE RETURNS LOOK BAD

Charge the rent honestly and ROIC of 4.3% (what the business earns) falls below the 8.56% cost of capital (what the money costs). The leases run to 2035 and 2038 with renewals; obligations total $12,989M on top of $11,784M of financial debt. **Caesars runs its casinos well; the landlords capture most of the return.**

Source: CZR FY2025 Form 10-K, Note 7 (failed sale-leaseback financing obligations; future minimum payments) and cash-flow supplemental disclosure; MCS Advisory model. $ in millions.

Assumptions, and scrubbing the statements to a normal year

Every raw figure ties to the 10-K. Scrubbing removes non-recurring items so the statements reflect a normal operating year — the base the forecast projects from.

Valuation assumptions

Assumption	Value	Basis
Sales CAGR	4.67%	2021–25 cycle
Terminal growth (g)	2.5%	Inflation proxy
WACC	**8.56%**	**Mkt-value weighted**
Cost of equity (CAPM)	14.09%	4.3% + 1.78β × 5.5%
After-tax cost of debt	5.70%	7.5% × (1−24%)
Tax rate	24%	Normalized

Debt treatment: financial debt only ($11,784M). The lease is captured through the rent charged as an operating cost — not subtracted twice.

Income statement: raw vs scrubbed

Line item	Raw	Scrubbed
Net revenues	11,486	11,486
Operating costs	6,391	6,391
Impairment charges	182	0
Transaction & other	38	0
Operating income	**1,858**	**2,078**
Interest (incl. ~$1,349 rent)	(2,304)	(2,304)
Pre-tax income	**(448)**	(224)
Net income to CZR	**(502)**	**(248)**

Three non-recurring items removed: a $182M impairment, $38M deal costs, and a $4M debt-extinguishment loss. Tax re-estimated at the company's own ~18% cash-tax rate applied to normalized pre-tax income.

Source: CZR FY2025 Form 10-K; MCS Advisory model. Raw column ties to the 10-K; scrubbed adjustments itemized. $ in millions.

Healthy operations, returns held down by the lease

On normalized earnings, operating quality is strong for the industry — but the rent-adjusted return on capital still sits below the cost of that capital. The gap is the whole story, and it is narrowing as the business deleverages.

18.1%
Operating margin
Healthy operations

31.6%
EBITDA margin
Strong for the industry

4.3%
ROIC (rent-adjusted)
Below cost of capital

~3.3×
Debt / EBITDA
Manageable, improving

8.56%
WACC (cost of capital)

14.09%
Cost of equity (CAPM)

−4.3%
ROIC − WACC spread

0.8×
Interest coverage
Strained by lease charges

COST OF CAPITAL — WACC 8.56%

Cost of equity (CAPM) 14.09%; after-tax cost of debt 5.70%; weighted by market values of equity and debt. **Meeting the cost of capital is a stricter test than positive EPS.**

RETURN ON INVESTED CAPITAL — 4.3%

NOPAT after VICI/GLPI rent, divided by capital. Falls short of WACC by ~5.7 points. Once the leased real estate is paid for, CZR does not clear its cost of capital — but ROIC rises as debt falls, and ROE turns positive by 2028.

Source: CZR MCS Advisory model, Financial Ratios and Spread tabs; normalized. ROIC is rent-adjusted.

Discounted cash flow — $46.82 per share

Forecast free cash flow *after* paying the VICI/GLPI rent, discount at WACC, add the present value of the terminal value, then bridge to equity. Rent is treated as the operating cost it economically is.

METHOD

- FCF = operating cash flow − net capital spending − change in net working capital
- Terminal value = after-rent EBITDA × peer exit multiple (8.28×)
- Enterprise value − debt + cash, divided by shares

Operating performance	E26	E27	E28
Revenue	12,022	12,583	13,171
Op. income (after rent)	806	885	959
Free cash flow	**1,123**	**1,207**	**1,288**

DCF VALUE

$46.82

per share · base case (8.56% WACC, 8.28×)

At **MGM's 6.66×** — the only peer that also leases from a REIT — the DCF gives **$31.10**, within a dollar of the Fertitta offer.

Source: CZR MCS Advisory model, DCF tab (base, MGM scenario, and cross-check views). Peer multiples from MGM, Wynn and Red Rock FY2025 SEC filings; prices Yahoo Finance 2026-07-14. Rent per CZR FY2025 10-K Note 7.

RELATIVE VALUE · METHOD 2

Market comparables, rebuilt like-for-like

Peers are not interchangeable. I group them by real-estate structure and compare every company on *after-rent* EBITDA — the same basis as CZR — so the lease penalty is priced, not hidden.

Company	EV ($M)	EBITDA after rent	EV/EBITDA	Implied CZR
CZR (target)	**16,984**	**2,275**	**7.47×**	**$29.84**
MGM Resorts TIER 1 · leases from REIT	16,164	2,426	6.66×	$20.90
Red Rock Resorts — owns real estate	7,025	849	8.28×	$38.91
Wynn Resorts — owns real estate	19,215	1,912	10.05×	$58.65
Hilton / Hyatt — asset-light franchisors	*Excluded — different business model; would inflate the median*			

MGM IS THE TRUE COMP

It also sold its real estate to REITs — $2,258M annual rent, $24,963M lease liabilities. That is CZR's structure at larger scale.

THE OWNERS TRADE HIGHER

Red Rock (8.28×) and Wynn (10.05×) own their buildings, so the market pays more. That spread **is the lease penalty, priced.**

THE UNCOMFORTABLE READ

CZR already trades at 7.47× — a **premium** to MGM's 6.66×, despite carrying more leverage. On MGM's basis, CZR implies ~$21.

Source: MGM, Wynn, Red Rock FY2025 SEC filings (8-K EX-99.1, Feb 2026); prices Yahoo Finance 2026-07-14; CZR figures per MCS Advisory model. Boyd omitted (one-time FanDuel gain). $ in millions.

How sensitive is the valuation?

DCF value per share across WACC and the exit multiple. Every multiple column is a real peer sourced from FY2025 SEC filings, on a like-for-like after-rent basis. The base case is shaded.

WACC \ Multiple	6.66×	7.28×	8.28×	9.28×	10.05×
7.00%	35.68	42.05	52.33	62.61	70.53
7.80%	33.29	39.48	49.45	59.43	67.11
8.56%	**31.10**	**37.11**	**46.81**	**56.51**	**63.98**
9.30%	29.03	34.89	44.33	53.77	61.04
10.10%	26.88	32.56	41.73	50.90	57.96

$ per share. The 6.66× column is MGM — the only peer that also leases from a REIT.

WHAT IT TELLS US

- Base case (8.56%, 8.28× peer median): **$46.81**
- At MGM's 6.66× and my WACC: **$31.10** — essentially the Fertitta offer
- The $31 and $33 bids are only reached at the MGM end of the range; above that, the model says the bids are low

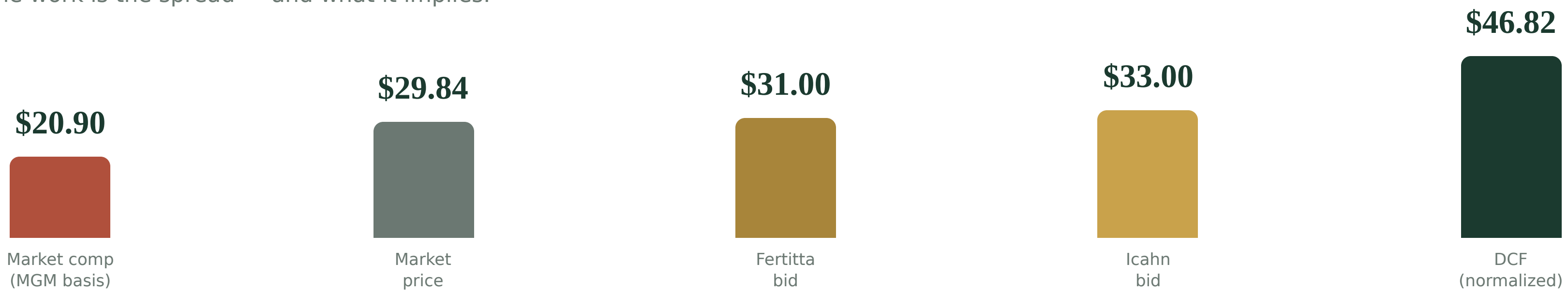
The bids sit at the **lease-intensive corner** of the grid. That is precisely where a buyer who focuses on CZR's structure — rather than its normalized cash flows — would anchor.

Source: CZR MCS Advisory model, Sensitivity tab. Multiples computed from MGM, Wynn and Red Rock FY2025 SEC filings on an after-rent basis; prices Yahoo Finance 2026-07-14.

TRIANGULATION · FOUR METHODS

The methods disagree — and the disagreement is the analysis

The DCF sits well above the offers; the comparables sit well below. The bids fall in between. Rather than force a single number, the honest center of the work is the spread — and what it implies.



THE SPREAD IS THE POINT

The DCF ($46.82) says the cash flows are worth more than the market pays for lease-encumbered casino operators. The comparables ($20.90) say they are not. I present the comparables as a **downside marker**, not as support for the DCF — and the gap between them is the honest center of the recommendation.

INDEPENDENT CORROBORATION

A separate Seeking Alpha DCF (2026) lands at $31.90 on independent assumptions (8.89% WACC) and concludes the $31 bid is fair. My own *raw* conservative floor — non-recurring charges left in — is $36.11. My normalized primary of $46.82 is the upside case, and it relies on the impairments not recurring, which the market does not currently value.

Source: CZR MCS Advisory model, Dashboard; independent Seeking Alpha analysis (2026); deal terms per SEC filings, 2026.

Two offers on the table, both near where the market prices CZR

The takeover contest is the real-world test of the analysis: both bids land close to the market price and an independent DCF — and well below the normalized intrinsic value.

FERTITTA ENTERTAINMENT

$31.00 per share, all cash

Announced May 28, 2026; board approved. ~$17.6B including ~$11.9B assumed debt. A 49% premium to the unaffected price.

CARL ICAHN (RIVAL)

$33.00 per share (reported)

Reported July 8, 2026; exploring ~$5B debt financing to top the Fertitta agreement during the go-shop window.

My normalized DCF values CZR near **$47**; my comparable analysis lands near **$21**; the market sits at **$29.84**. The bids of **$31 and $33** sit within that range — close to where the market and an independent analyst price the business, and at the lease-intensive corner of the sensitivity grid.

Source: SEC Forms 8-K and DEFA14A (May 28, 2026); Las Vegas Sun (July 8, 2026).

The offers are broadly fair — and I say why the methods disagree

- Normalized-earnings DCF is **$46.82**; comparable analysis on a like-for-like after-rent basis is **$20.90**. The gap is significant and deliberate.
- Rent-adjusted ROIC of 4.3% is below the 8.56% WACC; EVA averages ~−$530M and is narrowing as debt falls. The business hasn't yet earned its cost of capital.
- MGM — the only true structural comp — trades at 6.66× after-rent EBITDA; CZR trades at 7.47×, a premium despite more leverage.
- Market ($29.84), Fertitta ($31), Icahn ($33) and an independent DCF ($31.90) all cluster near $30 — with my normalized DCF the outlier.

Averaging the DCF and comparables gives **$33.86** — just above the bids. The upside case relies on the impairments not recurring, which the market does not currently value.

VERDICT

HOLD

Fair value ~$34

Offers of $31–$33 are broadly fair

On method. This analysis leads with a stricter test than positive EPS: whether the business earns its cost of capital once the leased real estate is honestly charged. That single discipline — carried through DCF, EVA, APV, and like-for-like comparables — is what separates a headline multiple from a defensible value. It is the same discipline MCS Advisory brings to healthcare practice, ASC, and transaction engagements.

Source: CZR MCS Advisory model; CZR and MGM FY2025 SEC filings; independent Seeking Alpha analysis, 2026. Independent research for educational purposes; not investment advice.