

Red Rock Resorts (RRR): 4.5x EV/EBITDA and 6.0x EV/FCF Price in Normalization Despite 15.8% FCF Growth

RRR | Red Rock Resorts, Inc. | Consumer Cyclical | Gambling, Resorts & Casinos | FY 2025 | 2026-06-12T12:31:41.577Z

At 4.5x EV/EBITDA and 6.0x EV/FCF, the current valuation implies earnings normalization in a regional casino operator generating 15.8% free cash flow growth and 22.2% EPS growth with net debt to EBITDA of -0.1x.

SIGNALCORE VIEW	SIGNAL SCORE	FUNDAMENTAL QUALITY	EXPANSION POTENTIAL	THEESIS RISK
Mixed but researchable candidate	64 / 100	71 / 100	0 / 100	0 / 100
Value / Quality Candidate				

PRIMARY DEBATE — The core tension is whether revenue growth deceleration to 3.7% from a 5Y average of 11.9% signals earnings normalization, or whether 22.2% EPS growth and 15.8% free cash flow growth demonstrate margin and capital efficiency resilience. Evidence: latest revenue growth 3.7%, avg revenue growth 5Y 11.9%, EPS growth 22.2%, free cash flow growth 15.8%. Interpretation: revenue trend has slowed, but earnings and cash flow trend remain positive. Implication: the investable debate centers on whether earnings growth can persist without reacceleration in revenue.

INVESTMENT NARRATIVE

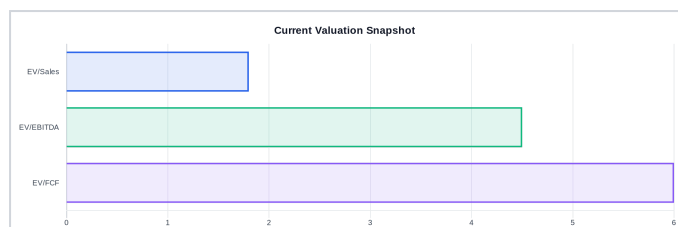
Archetype	High-FCF, low-multiple cyclical with debated durability	<p>Core Tension: Are slowing top-line trends and guidance-driven caution signaling normalization/peak earnings, or can the business continue compounding EPS/FCF despite modest revenue growth?</p> <p>Market Assumption: The market prices in earnings/FCF normalization and limited growth, as reflected in very low EV/EBITDA and EV/FCF, with sentiment anchored to earnings guidance.</p> <p>Trajectory: Revenue growth has moderated recently, but profitability and cash generation remain supported with consistent execution (high beat rates) and a clean balance sheet.</p> <p>Mispricing Hypothesis: RRR's low multiples reflect an overemphasis on near-term guidance and growth deceleration; if double-digit EPS/FCF growth persists and guidance stabilizes, a rerate from ~4.5x EV/EBITDA and ~6x EV/FCF is plausible.</p>
Company Type	Regional casino and entertainment operator (Las Vegas-focused with Native American management)	
Key Monitoring Metric	Forward (next-12-month) FCF per share growth vs. guidance	

EVIDENCE MAP

SUPPORTING EVIDENCE	CONTRADICTING EVIDENCE
Very low EV/EBITDA of 4.48 and EV/FCF of 6.01 imply skepticism about durability of current cash flows.	supported latest EPS growth of 22.2% and FCF growth of 15.8%.
Latest revenue growth of 3.7% vs 5Y revenue growth of 11.9% indicates deceleration.	supported by supplied metrics 5Y EPS growth of 51.8% and 5Y revenue growth of 11.9%.
Narrative coverage clustered around earnings_guidance suggests guidance is central to sentiment and possibly cautious.	High beat rates: 87.5% for both EPS and revenue.
	Net Debt/EBITDA of -0.08 (net cash) reduces financial risk.
	Solid ROIC of 13.25% and very high ROE of 96.2% indicate supported returns.

SCORECARD

VALUATION	QUALITY	GROWTH	EXPECTATIONS	EXECUTION	RISK	OVERALL
4	4	3	3	4	3	4
SUPPORTED	SUPPORTED	MIXED	MIXED	SUPPORTED	MODERATE	SUPPORTED



CURRENT VALUATION SNAPSHOT

Current multiples are shown separately from historical fiscal-year trend metrics.



THEESIS SCORECARD RADAR

Evidence scores summarise valuation, quality, growth, expectations, execution, and risk.

KEY METRICS

CURRENT EV/EBITDA	CURRENT EV/FCF	FCF YIELD	ROIC	REVENUE GROWTH	EPS GROWTH	FCF GROWTH	EPS BEAT RATE
4.5x	6.0x	16.4%	13.2%	3.7%	22.2%	15.8%	87.5%

EXECUTIVE SUMMARY

Core Tension	Are slowing top-line trends and guidance-driven caution signaling normalization/peak earnings, or can the business continue compounding EPS/FCF despite modest revenue growth?
Market Assumption	The market prices in earnings/FCF normalization and limited growth, as reflected in very low EV/EBITDA and EV/FCF, with sentiment anchored to earnings guidance.
Current Pricing	At 1.8x EV/Sales, 4.5x EV/EBITDA, and 6.0x EV/FCF with earnings yield of 5.1% and free cash flow yield of 16.4%, the market appears to be discounting sustainability of current cash flows.
Valuation	Current EV/EBITDA of 4.5x is below the 3Y average of 7.3x, while current EV/FCF of 6.0x differs from the fiscal-year latest EV/FCF of 12.4x and a 3Y average of 2.0x.
Quality	Return on equity of 96.2% and ROIC of 13.2% compare to 3Y averages of 88.7% and 13.6%, respectively, while income quality is 1.8 and net debt to EBITDA is -0.1x.
Growth	Latest EPS growth of 22.2% contrasts with a 3Y average EPS growth of -1.5% and 5Y average of 51.8%, while revenue growth of 3.7% is below the 3Y average of 6.6% and 5Y average of 11.9%.
Cash Flow	Operating cash flow growth of 11.2% and free cash flow growth of 15.8% occurred alongside capex growth of -7.3%.
Execution	Over 8 quarters, EPS beat rate was 87.5% and revenue beat rate was 87.5%, with average EPS surprise of 62.2%.
Primary Monitor	Can free cash flow growth remain above 15.8% if capex to revenue returns toward the 3Y average of 24.0%?

THEESIS DRIVERS

SUPPORTING DRIVERS			CONSTRAINTS / MONITORS		
1	EPS Beat Rate	87.5%	1	EPS Dispersion	23.8%
2	EPS Growth	22.2%			
3	FCF Growth	15.8%			
4	FCF Yield	16.4%			
5	ROIC	13.2%			
6	Revenue Growth	3.7%			

COMPANY & BUSINESS MODEL

Red Rock Resorts, Inc. is a company that develops and operates casino and entertainment properties throughout the United States. This is primarily achieved through its investments in Station Holdco and Station LLC. The business is categorized into two main divisions: Las Vegas Operations and Native American Management. In the Las Vegas regional market, the company owns and runs a total of 19 gaming facilities, comprising 9 larger entertainment complexes and 10 smaller casinos. Additionally, Red Rock Resorts manages the Graton Resort & Casino, situated in northern California. By December 31, 2021, its Las Vegas properties featured roughly 13,894 slot machines, 240 table games, and 3,081 hotel rooms. The enterprise, originally founded in Las Vegas, Nevada, in 1976, officially became Red Rock Resorts, Inc. in January 2016, after operating for years as Station Casinos Corp.

INVESTMENT THESIS

Red Rock Resorts, Inc., a regional casino and entertainment operator with \$3.6B market cap and \$3.6B enterprise value, trades at 4.5x EV/EBITDA and 6.0x EV/FCF while producing 22.2% EPS growth and 15.8% free cash flow growth. Evidence: EV/EBITDA 4.5x, EV/FCF 6.0x, EPS growth 22.2%, free cash flow growth 15.8%. Interpretation: the valuation embeds skepticism that current earnings and cash flows are at or near peak levels following revenue growth deceleration to 3.7%. Implication: if double-digit EPS and FCF growth persist despite modest revenue growth, the current multiple is not aligned with the supplied return and cash generation profile. The business model is asset-intensive, with capex to revenue of 15.9% and capex to operating cash flow of 52.6%, reflecting ongoing investment in gaming properties across 19 Las Vegas facilities and managed operations. Evidence: capex/revenue 15.9%, capex/OCF 52.6%. Interpretation: durability of free cash flow is central to valuation because maintenance and development spending directly affect distributable cash. Implication: sustained free cash flow to firm of \$775.0M relative to enterprise value of \$3.6B frames the debate around cash durability rather than top-line acceleration.

INVESTABLE DEBATE

The core tension is whether revenue growth deceleration to 3.7% from a 5Y average of 11.9% signals earnings normalization, or whether 22.2% EPS growth and 15.8% free cash flow growth demonstrate margin and capital efficiency resilience. Evidence: latest revenue growth 3.7%, avg revenue growth 5Y 11.9%, EPS growth 22.2%, free cash flow growth 15.8%. Interpretation: revenue trend has slowed, but earnings and cash flow trend remain positive. Implication: the investable debate centers on whether earnings growth can persist without reacceleration in revenue.

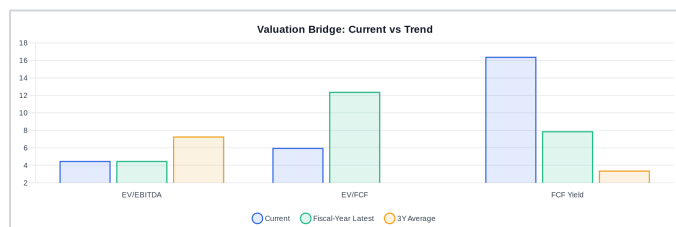
MARKET EXPECTATIONS

At 1.8x EV/Sales, 4.5x EV/EBITDA, and 6.0x EV/FCF with earnings yield of 5.1% and free cash flow yield of 16.4%, the market appears to be discounting sustainability of current cash flows. Evidence: EV/Sales 1.8x, EV/EBITDA 4.5x, EV/FCF 6.0x, earnings yield 5.1%, free cash flow yield 16.4%. Interpretation: a 16.4% FCF yield combined with 13.2% ROIC suggests a return profile that exceeds the implied earnings yield. Implication: the valuation assumes either declining FCF or elevated reinvestment needs despite net debt to EBITDA of -0.1x indicating balance sheet flexibility.

CURRENT VALUATION VS HISTORICAL TREND

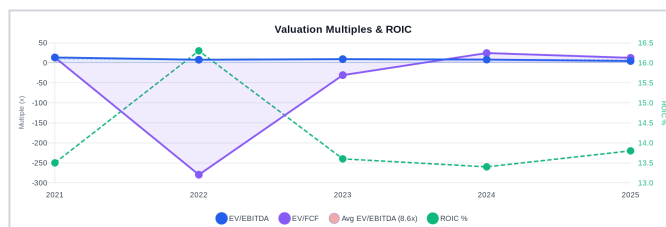
METRIC	CURRENT	FISCAL-YEAR LATEST	3Y AVG	5Y AVG
EV/EBITDA	4.5x	4.5x	7.3x	8.6x
EV/FCF	6.0x	12.4x	2.0x	-52.1x
FCF Yield	16.4%	7.9%	3.4%	4.2%

Current EV/EBITDA is 4.5x, while fiscal-year trend data shows latest EV/EBITDA of 4.5x versus a 3Y average of 7.3x. Current EV/FCF is 6.0x, while fiscal-year trend data shows latest EV/FCF of 12.4x versus a 3Y average of 2.0x.



VALUATION BRIDGE: CURRENT VS HISTORICAL TREND

Current EV/EBITDA is 4.5x, while fiscal-year trend data shows latest EV/EBITDA of 4.5x versus a 3Y average of 7.3x.



VALUATION MULTIPLES & ROIC OVERLAY

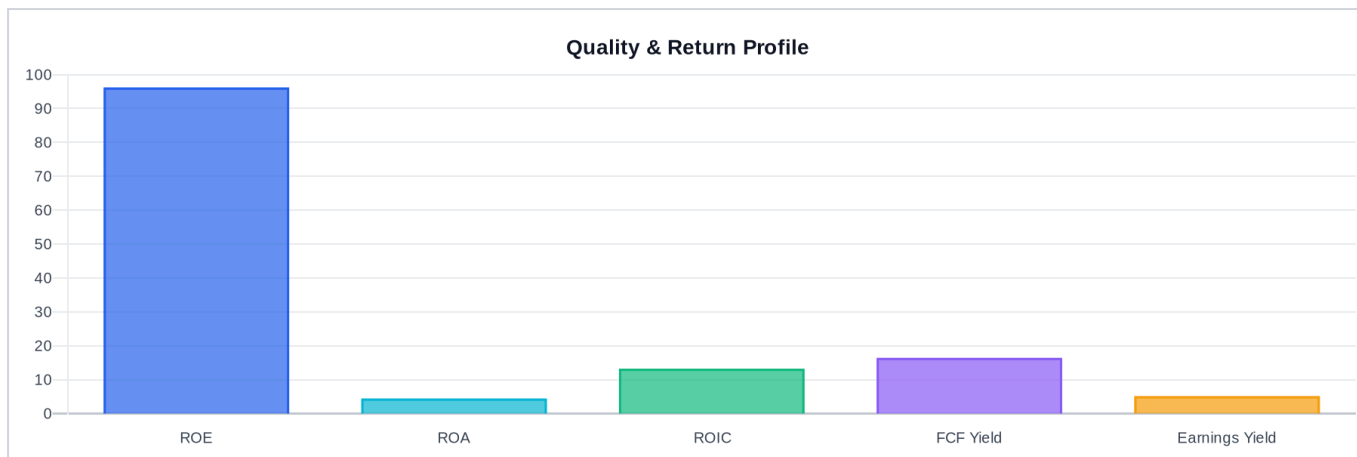
Current EV/EBITDA of 4.5x is below the 3Y average of 7.3x, while current EV/FCF of 6.0x differs from the fiscal-year latest EV/FCF of 12.4x and a 3Y average of 2.0x.

VALUATION ANALYSIS

Current EV/EBITDA of 4.5x is below the 3Y average of 7.3x, while current EV/FCF of 6.0x differs from the fiscal-year latest EV/FCF of 12.4x and a 3Y average of 2.0x. Evidence: EV/EBITDA 4.5x, avg EV/EBITDA 3Y 7.3x, EV/FCF 6.0x, latest EV/FCF 12.4x, avg EV/FCF 3Y 2.0x. Interpretation: the compression versus historical EV/EBITDA levels occurs while ROIC of 13.2% is in line with the 3Y average of 13.6%. Implication: valuation has contracted without deterioration in capital efficiency, indicating the multiple reflects caution about future growth rather than declining returns.

QUALITY & CAPITAL EFFICIENCY

Return on equity of 96.2% and ROIC of 13.2% compare to 3Y averages of 88.7% and 13.6%, respectively, while income quality is 1.8 and net debt to EBITDA is -0.1x. Evidence: ROE 96.2%, ROIC 13.2%, avg ROE 3Y 88.7%, avg ROIC 3Y 13.6%, income quality 1.8, net debt/EBITDA -0.1x. Interpretation: capital efficiency remains consistent with recent history and leverage risk is limited. Implication: the quality profile does not show deterioration that would normally justify a compressed EV/EBITDA multiple.



QUALITY & RETURN PROFILE

Return on equity of 96.2% and ROIC of 13.2% compare to 3Y averages of 88.7% and 13.6%, respectively, while income quality is 1.8 and net debt to EBITDA is -0.1x.

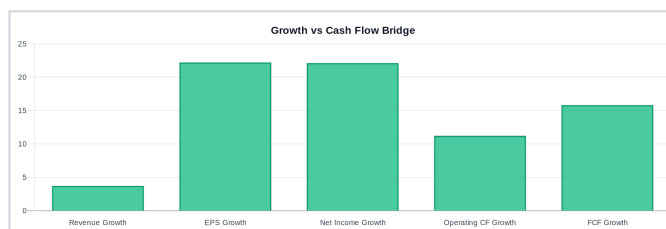
GROWTH TRAJECTORY

Latest EPS growth of 22.2% contrasts with a 3Y average EPS growth of -1.5% and 5Y average of 51.8%, while revenue growth of 3.7% is below the 3Y average of 6.6% and 5Y average of 11.9%. Evidence: EPS growth 22.2%, avg EPS growth 3Y -1.5%, avg EPS growth 5Y 51.8%, revenue growth 3.7%, avg revenue growth 3Y 6.6%, avg revenue growth 5Y 11.9%. Interpretation: growth is earnings-led rather than revenue-led and below long-term revenue trends. Implication: continuation of EPS growth without revenue acceleration is central to resolving the core tension.



HISTORICAL GROWTH TRENDS

Latest EPS growth of 22.2% contrasts with a 3Y average EPS growth of -1.5% and 5Y average of 51.8%, while revenue growth of 3.7% is below the 3Y average of 6.6% and 5Y average of 11.9%.



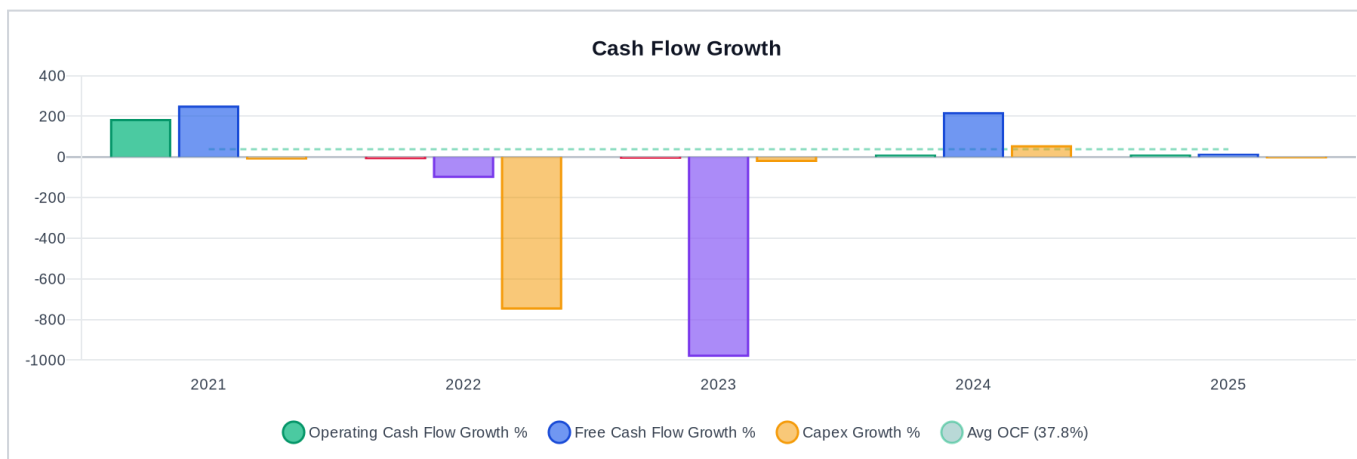
GROWTH VS CASH FLOW BRIDGE

Latest EPS growth of 22.2% contrasts with a 3Y average EPS growth of -1.5% and 5Y average of 51.8%, while revenue growth of 3.7% is below the 3Y average of 6.6% and 5Y average of 11.9%.

CASH FLOW GROWTH & CONVERSION

Operating cash flow growth of 11.2% and free cash flow growth of 15.8% occurred alongside capex growth of -7.3%. Evidence: operating cash flow growth 11.2%, free cash flow growth 15.8%, capex growth -7.3%. Interpretation: free cash flow growth exceeded operating cash flow growth while capex declined. Implication: capex is not currently absorbing incremental operating cash flow, supporting near-term cash generation durability.

Free cash flow to firm of \$775.0M relative to enterprise value of \$3.6B implies a high cash generation ratio, while capex to revenue of 15.9% is below the 3Y average of 24.0%. Evidence: free cash flow to firm \$775.0M, enterprise value \$3.6B, capex/revenue 15.9%, avg capex/revenue 3Y 24.0%. Interpretation: reduced capital intensity versus recent history supports free cash flow conversion. Implication: if capex remains near 15.9%, current FCF yield of 16.4% is supported by structural rather than temporary factors.



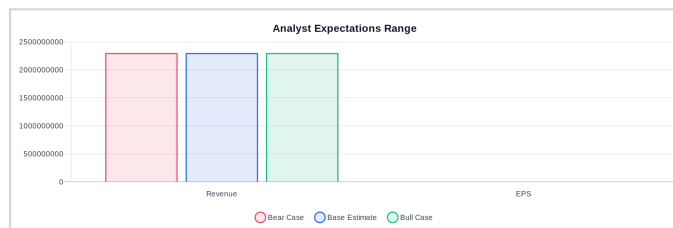
CASH FLOW GROWTH — OCF, FCF & CAPEX

Operating cash flow growth of 11.2% and free cash flow growth of 15.8% occurred alongside capex growth of -7.3%.

ANALYST EXPECTATIONS

Next Revenue Estimate	\$2.3B
Revenue Bull Case	\$2.3B
Revenue Bear Case	\$2.3B
Next EPS Estimate	3.03
EPS Bull Case	3.36
EPS Bear Case	2.64
Revenue Dispersion	0.27%
EPS Dispersion	23.83%
Revenue Coverage	5
EPS Coverage	3

Next revenue estimate of \$2.3B with revenue dispersion of 0.3% contrasts with EPS dispersion of 23.8% on next EPS estimate of \$3.03, with analyst coverage of 5 for revenue and 3 for EPS. Evidence: next revenue estimate \$2.3B, revenue dispersion 0.3%, next EPS estimate \$3.03, EPS dispersion 23.8%, analyst coverage EPS 3. Interpretation: top-line expectations are tightly clustered while earnings expectations show higher uncertainty and coverage is limited. Implication: expectations are Reasonable on revenue but carry elevated uncertainty on EPS due to dispersion and limited coverage.



ANALYST EXPECTATIONS RANGE

Next revenue estimate of \$2.3B with revenue dispersion of 0.3% contrasts with EPS dispersion of 23.8% on next EPS estimate of \$3.03, with analyst coverage of 5 for revenue and 3 for EPS.



EXECUTION HISTORY

Over 8 quarters, EPS beat rate was 87.5% and revenue beat rate was 87.5%, with average EPS surprise of 62.2%.

EXECUTION QUALITY

Quarters Analysed	8
EPS Beat Rate	87.5%
Revenue Beat Rate	87.5%
Avg EPS Surprise	62.2%
Avg Revenue Surprise	1.8%
EPS Beats / Misses	7 / 1
Revenue Beats / Misses	7 / 1

Over 8 quarters, EPS beat rate was 87.5% and revenue beat rate was 87.5%, with average EPS surprise of 62.2%. Evidence: EPS beat rate 87.5%, revenue beat rate 87.5%, average EPS surprise 62.2%, quarters analysed 8. Interpretation: historical execution has exceeded estimates at both revenue and earnings levels. Implication: estimate credibility is supported by past execution, though dispersion of 23.8% signals forward uncertainty.

Given EPS beat rate of 87.5% over 8 quarters and average revenue surprise of 1.8%, historical performance has generally exceeded consensus. Evidence: EPS beat rate 87.5%, average revenue surprise 1.8%. Interpretation: execution track record reduces probability that current consensus is systematically optimistic. Implication: guidance-driven caution in headlines should be weighed against demonstrated execution consistency.

BULL / BASE / BEAR SCENARIOS

BULL CASE	BASE CASE	BEAR CASE
If EPS reaches the bull case of \$3.36 and revenue approaches \$2.3B while EV/EBITDA remains near 4.5x, then earnings growth of 22.2% combined with ROIC of 13.2% would indicate that cash generation durability exceeds the normalization implied by a 6.0x EV/FCF multiple.	If revenue aligns with the next estimate of \$2.3B and EPS approximates \$3.03 while free cash flow growth remains near 15.8%, then the current 6.0x EV/FCF reflects stable but not accelerating growth consistent with 3.7% revenue expansion.	If EPS trends toward the bear case of \$2.64 and revenue falls toward \$2.3B while revenue growth remains at 3.7% and capex to revenue rises above 15.9%, then the 4.5x EV/EBITDA could reflect earnings normalization rather than durable compounding.

BULL CASE

BASE CASE

BEAR CASE

EPS Bull Case \$3.36	Revenue Bull Case \$2.3B	Next Revenue Estimate \$2.3B	EPS Bear Case \$2.64	Revenue Bear Case \$2.3B
EV/EBITDA 4.5x		Next EPS Estimate \$3.03	Revenue Growth 3.7%	
		Free Cash Flow Growth 15.8%		

SCENARIO PROBABILITY MATRIX

BULL SCENARIO	BASE SCENARIO	BEAR SCENARIO	WEIGHTED THESIS SCORE
37%	50%	13%	70 / 100

12-24 MONTH CONDITIONAL OUTLOOK

Revenue growth of 3.7% versus 5Y average of 11.9% suggests modest top-line trend unless revenue approaches the next estimate of \$2.3B with reacceleration above 6.6% 3Y average.

EPS growth of 22.2% and net income growth of 22.1% indicate earnings trend despite 3.7% revenue growth, contingent on maintaining ROIC near 13.2%.

At 4.5x EV/EBITDA versus 3Y average of 7.3x, valuation implies caution relative to historical norms while ROIC of 13.2% remains near 3Y average of 13.6%.

With 87.5% EPS beat rate over 8 quarters, continued execution at or above the next EPS estimate of \$3.03 would support estimate credibility.

If free cash flow growth remains near 15.8% and net debt to EBITDA stays at -0.1x, then the focus may remain on cash durability rather than revenue acceleration.

THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
Can free cash flow growth remain above 15.8% if capex to revenue returns toward the 3Y average of 24.0%?	If free cash flow growth rises above 15.8% while EV/FCF remains at 6.0x, then the valuation case would be supported by accelerating cash generation.	If free cash flow growth falls below 0.0% from 15.8%, then the cash durability case challenged.
Will revenue growth reaccelerate above 6.6% 3Y average from the current 3.7% level?	If revenue growth increases above the 3Y average of 6.6%, then the normalization concern implied by EV/EBITDA of 4.5x would be challenged.	If ROIC falls below 13.2% and below the 3Y average of 13.6%, then capital efficiency would no longer support a low EV/EBITDA of 4.5x.
Can ROIC remain near 13.2% if revenue growth remains below the 5Y average of 11.9%?	If ROIC rises above the 3Y average of 13.6% while EV/EBITDA remains below 7.3x, then valuation would be further misaligned with capital efficiency.	If net debt to EBITDA rises above 0.0x from -0.1x, then balance sheet flexibility would diminish.



RISK & THESIS MONITOR

Can free cash flow growth remain above 15.8% if capex to revenue returns toward the 3Y average of 24.0%?

RISK ASSESSMENT

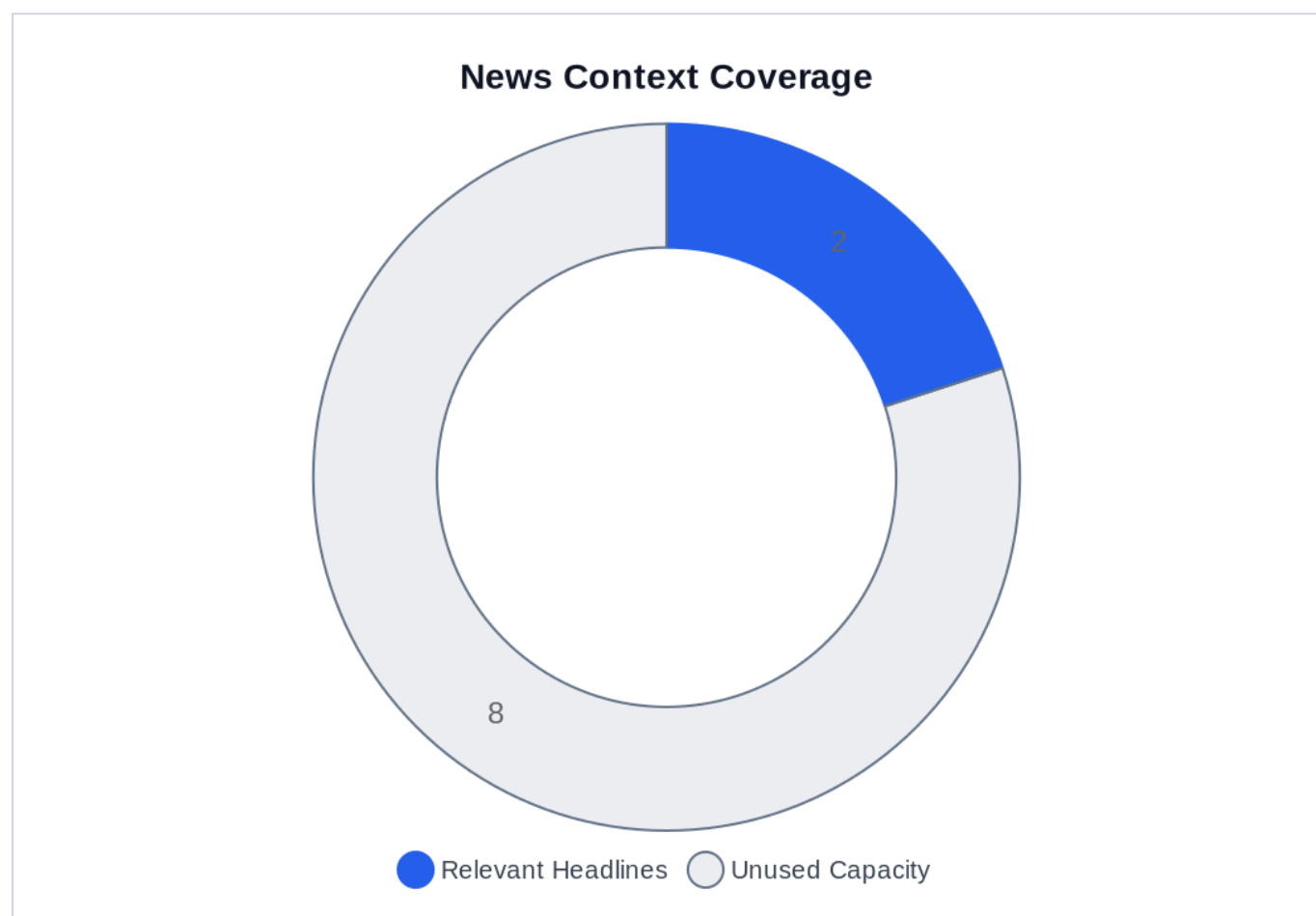
DIMENSION	SCORE	LEVEL
Valuation Risk	2 / 5	Low

DIMENSION	SCORE	LEVEL
Growth Risk	3 / 5	Moderate
Execution Risk	2 / 5	Low
Forecast Risk	3 / 5	Moderate
Quality Risk	2 / 5	Low
Overall Risk	3 / 5	Moderate
Composite Risk Score	2.5 / 5	

- Net income growth in cash flow context shows -35.4% while EPS growth is 22.2%, indicating metric divergence.
- Capex to operating cash flow of 52.6% indicates ongoing reinvestment requirements.
- Analyst coverage of 3 for EPS limits breadth of forward expectation validation.

NEWS NARRATIVE

The headline "Red Rock Resorts Announces First Quarter 2026 Results" reported net revenues of \$507.3M, up 1.9%, which is relevant to monitoring revenue growth currently at 3.7%, but additional evidence is required to determine financial impact.



NEWS CONTEXT COVERAGE

Recent relevant coverage clusters around: earnings_guidance.

INVESTMENT VIEW

EVIDENCE BALANCE	CONVICTION	RISK LEVEL	CLASSIFICATION
Positive evidence balance	High	Moderate	Value / Quality Candidate

Core Thesis: At 4.5x EV/EBITDA and 6.0x EV/FCF, the current valuation implies earnings normalization in a regional casino operator generating 15.8% free cash flow growth and 22.2% EPS growth with net debt to EBITDA of -0.1x.

Primary Risk: Revenue growth of 3.7% remaining below the 3Y average of 6.6% indicates limited top-line trend.

Monitor: Can free cash flow growth remain above 15.8% if capex to revenue returns toward the 3Y average of 24.0%?