

Casinos beat odds on profit

The 12 Atlantic City casinos ended 2005 with a healthy 5.7 percent increase in gross operating profit – including an 18 percent jump in the fourth quarter, the state Casino Control Commission reported yesterday.

The gambling parlors reported a total of USD 1.3 billion in gross operating profit for 2005, and USD 273.7 million in the fourth quarter, the commission said.

For the year, half of the 12 casinos – Borgata, Caesars, Harrah's, Resorts, Showboat and the Tropicana – reported an increase in gross operating profit, while the rest – Bally's, Hilton, Sands, and the three Trump casinos – reported a decline.

Gross operating profit represents earnings before interest, taxes, depreciation, amortization and charges from affiliates. Because bottom-line numbers can include fees, one-time charges and tax strategies imposed by parent companies that are unrelated to performance, gross operating profit is a widely watched figure in the casino industry.

Including those charges, the casinos reported total net income of USD 548.2 million, up from USD 104.2 million in 2004. Fourth-quarter net income was USD 24.6 million, compared with a net loss of USD 18.8 million in 2004.

Net revenue increased for the year to USD 4.88 billion.

In other measures, Atlantic City's hotel occupancy rate increased to 91.3 percent, from 90.6 percent. The number of occupied room nights also increased, to 4.95 million, from 4.7 million.

However, promotional expenses – the amount of money casinos spent on freebies – also increased, 25 percent in the fourth

quarter and 37 percent for the year.

Joe Weinert, vice president of Spectrum Gaming Group, a consulting firm, said the increase in promotional expenses is „certainly not a good number for the industry.“

But given the rise in gross operating profits, Weinert said, „it appears to be money well spent.“