

Casino stocks take a hit with closures

The first-ever shutdown of all 12 Atlantic City casinos forced a broad decline in the shares of companies with big stakes in the USA's second-biggest gambling market.

The casinos closed Wednesday morning after New Jersey Gov. Jon Corzine's recent order that stopped non-essential government functions as part of a budget impasse with the state Legislature. The state regulates gambling, so with no regulators, the casinos closed.

The shutdown is costing the industry about USD 17 million a day in lost gambling and lodging revenue during one of the busiest months of the year, estimates Dale Black, chief financial officer of Trump Entertainment.

Investors didn't want to wait around for the politicians to sort things out. In trading Wednesday, casino stocks were hurt in varying degrees. The impact:

Trump Entertainment

This casino operator, which gets all its revenue from its three Atlantic City hotel casinos, suffered most as its shares sank 78 cents, or 4%, to USD 19.50.

The shutdown is a significant problem for the company, because it stands to lose 1 cent to 2 cents from its earnings per share each day it's closed, estimates Dennis Forst, analyst at KeyBanc Capital Markets.

Analysts are already forecasting a quarterly loss of 7 cents a share, says Thomson Financial.

„As the word gets out, our (hotel) occupancies are dropping quickly,“ says Mark Juliano, Trump's chief operating officer.

Harrah's Entertainment

The biggest operator in Atlantic City, with four casinos there, saw its shares fall 74 cents, or 1.1%, to USD 69.76 as investors wondered how long the budget impasse will last, says Robert LaFleur, analyst at Susquehanna Financial.

Harrah's shares were protected somewhat because it gets about 65% of its cash flow from properties outside Atlantic City.

Even so, the casino operator stands to lose about a penny per share from earnings for every day-and-a-half the Atlantic City properties are shut, LaFleur says.

MGM Mirage and Boyd Gaming

These partners in Atlantic City's ritziest property, the Borgata, saw share prices fall: 58 cents to USD 40.25 for MGM Mirage; 54 cents to USD 39.35 for Boyd.

MGM Mirage and Boyd, like Harrah's, have limited exposure to Atlantic City, easing the hit.

Atlantic City casinos would need to be shut down 11 days for MGM Mirage to lose a penny a share from earnings; three-and-a-half days for Boyd to lose a penny a share, LaFleur says.

„It's not good for business,“ says LaFleur. „Clearly, it's a drag on the stocks.“

The analysts hope the Legislature and governor solve their budget issue and curb the short-term pain.

But some wonder if this shutdown will cause longer-term damage by scaring away new investments.

„The fact this is going on may hurt Atlantic City as a safe place to do business,“ LaFleur says.

Trump's Juliano says the company isn't ready to stop investment in the seaside resort.

But the shutdown has been unexpected and unwelcome.

„You have to think about the political environment you are working in,“ he says. „No one could imagine something like this could happen.“