

Tracinda backs off MGM Mirage plans

New York (Reuters) – Kirk Kerkorian's Tracinda Corp. on Wednesday backed off plans to restructure MGM Mirage Inc., effectively taking the casino operator off the block for now and causing a 10 percent drop in its share price.

Tracinda, which owns 56 percent of MGM, had said in May that it planned to acquire the prized Bellagio and CityCenter properties in Las Vegas and consider a financial restructuring or other outcomes for the remainder of the company.

The plan, which led to a 27 percent jump in MGM shares on the day it was announced, was seen as putting the company on the market.

But Tracinda said that MGM's plans to team up with resort developer Kerzner International Holdings Ltd. on a new multibillion dollar Las Vegas resort project show that the company is moving to unlock value for shareholders.

„Accordingly, Tracinda has determined not to pursue negotiations with the company“ on the purchase of the Bellagio and CityCenter, the investment vehicle for billionaire investor Kerkorian said in a statement.

As a consequence, MGM disbanded a committee set up to consider Tracinda's proposal.

Tracinda said it would continue to monitor its investment and review opportunities to enhance shareholder value.

All hopes for a deal aren't dead though.

„We believe MGM's underlying value will still be realized, either through an eventual transaction with Tracinda, or through other possible to-be-announced parties,“ said Bill

Lerner, an analyst with Deutsche Bank.

Vegas Venture

Under the joint venture plans, MGM will provide the land for the resort, while Kerzner, which owns the mammoth Atlantis resort in the Bahamas, will provide financing and lead planning and design for the 50/50 joint venture.

The resort will be designed for about 40 of the 78 acres owned by MGM on the corner of Las Vegas Boulevard and Sahara Avenue. The venture values the land at USD 20 million an acre.

„We see this type of relationship as a major part of our company’s future,“ said MGM Chief Executive Terry Lanni in a statement.

Details of the joint venture are expected to be completed by the third quarter. Design and planning of the project is expected to take a year, followed by a three-year construction period, the companies said.

MGM shares fell USD 8.85 to USD 77.65 in morning trade on the New York Stock Exchange, but they’re still well above the level at which the shares traded prior to Kerkorian’s announcement.

„Even though there’s no offer, investors are still looking at MGM (as a takeover target),“ said Matthew Jacob, an analyst at Majestic Research.

MGM Mirage’s 7.625 percent bonds due in 2017 rose to 98 cents on the dollar, up from 96.6 cents on Tuesday, on the news, according to MarketAxess.