

Wynn, Okada Pact May Thrive When Japan Allows Casinos

(Bloomberg) – Steve Wynn turned to Kazuo Okada when the gambling magnate needed cash to fund his namesake Las Vegas casino in 2000. Now, Okada could be the ace up Wynn's sleeve in the Japanese businessman's home market.

The pair want to submit a bid to operate Japanese casinos once the government opens the market, Aruze Corp. Chairman Okada said in an Aug. 2 interview. Success in Japan would be a boon to Wynn Resorts Ltd. shareholders, said Michael Rudolph, who helps manage USD 9 billion at Gardner Lewis Asset Management.

„We want to do it with Steve Wynn,“ said Okada from Aruze's Tokyo boardroom adorned with jukeboxes and a statue of Buddha. „An international bid is the best way. I think it's possible in Tokyo to create something that will draw visitors from home and abroad, above and beyond Las Vegas.“

Having Okada in his corner would give Wynn a distinct advantage in Japan, said Bill Lerner, an analyst at Deutsche Bank in Las Vegas. Wynn, Las Vegas Sands Corp., and Australia's Publishing & Broadcasting Ltd. are among the companies pushing to open Japan to casinos. The government is considering legislation that could be approved within the next 12 months.

Japanese Prime Minister Shinzo Abe's ruling Liberal Democratic Party lost control of the country's upper house in an election on July 29. That could slow down the passage of legislation because of political uncertainty, the 64-year-old Okada said. The LDP and its coalition partner still control the more-powerful lower house with a two-thirds majority and can override the upper house in cases of disagreement.

Negative Image

Seiko Noda, an LDP lower house member who heads the government's sub-panel on casinos, said in a May 14 interview that gambling had a negative image in Japan and the new laws would need to be transparent to secure public support.

„They should be able reach a compromise on legislation if they take a balanced approach,“ Okada said. Aruze started leasing jukeboxes and began selling the world's first so-called pachislo machine, a hybrid slot and pachinko machine. Pachinko is a pinball-like game played for prizes.

Wynn President Ronald Kramer will come to Japan in September, said Aruze Chief Executive Officer Kunihiko Yogo. Aruze will introduce him to local authorities as the partners ramp up their promotion of casinos to the government.

Steve Wynn said in a Bloomberg interview last September he'd „relish the opportunity of doing something in Japan.“ Wynn spokeswoman Jennifer Dunne didn't immediately return a telephone message seeking comment.

Singapore Model

Japan's government may be looking at Singapore, which awarded two casino licenses last year, as a model. Like Japan, Singapore wanted casinos to attract foreign tourists and add jobs. If all goes according to plan, Japan may have its first casino open by 2012, according to Toru Mihara, an adviser to the Liberal Democratic Party's casino study group.

„When you have a country as big and as wealthy as Japan, if the country were to open up to Wynn's kind of casino gaming, it would be a monster opportunity,“ said Gardner Lewis's Michael Rudolph, who works in Chadds Ford, Pennsylvania.

Lerner expects Wynn shares to rise 18 percent to USD 120 in the next 12 months. Winning a license could push the shares up further, he said. Shares of Las Vegas Sands rose 9.4 percent the day it won the first of two Singapore casino licenses.

Wynn's shares have soared 6.5 times since its initial share sale to the public in 2002, eight months after winning its Macau license.

Doubling Revenue

Wynn Resorts reported a second-quarter profit of USD 89.6 million as revenue doubled because of its Macau resort. Wynn reported after the close of trading in New York yesterday. The shares gained USD 10.81, or 10 percent, to USD 118.20 at 4 p.m. in New York Stock Exchange composite trading.

Aruze stock surged as much as 15 percent today before closing 9.3 percent higher at 3,750 yen a share in Tokyo. The shares have gained 79 percent in the past 12 months, giving it a market value of about 301 billion yen (USD 2.5 billion).

„We may see a very good jump in casino stocks when the legislation goes through“ in Japan, said Dan Ahrens, fund manager of Ladenburg Thalmann Gaming and Casino Fund in Dallas which owns shares of Las Vegas Sands, Wynn and MGM Mirage. „We'll see another good jump in casino prices when the actual licenses are issued.“

Expansion into Japan has become more important for casino companies as the Chinese government considers limiting travel to Macau, the only Chinese region where gambling is legal. Gambling revenue in Japan could potentially match Macau's, said Andy Nazarechuk, dean of the University of Nevada's Las Vegas Singapore campus. Macau generated about USD 7 billion in casino gambling revenue last year.

Visa Restrictions

The Chinese government in April began restricting visas allowing residents of neighboring Guangdong province to enter Macau. Concerns that the restrictions would curb visitors and casino revenue prompted Wynn to delay expansion at the Wynn Macau Resort.

„They may become even more cautious about Macau,“ said Ken Yeung, a Hong Kong-based analyst at BOCI Securities Ltd. „A second option as big as Japan is definitely something nice to have.“

Still, Wynn may come up against plenty of competition for a license. Las Vegas-based MGM Mirage, the world's second-largest casino company, said Aug. 2 that it wants to be part of the market in Japan.

Japan is an „extraordinary“ market for casinos, said Bill Weidner, president of Las Vegas Sands. Sands would like to develop a gambling resort in Osaka, Yokohama or around Tokyo, he said in June. Sands could invest as much as USD 10 billion in a Japanese casino, he said.

Keeping Promises

Wynn, 65, and Okada met in October 2000, at a time when Wynn felt like he „had few backers, from his viewpoint, and was looking for new ones,“ Okada said. The decision to work together was almost „immediate.“ They left the lawyers to work out their details and Wynn promised Okada to let him know if the project went over budget by 5 percent.

Okada, through Aruze, invested USD 452.5 million in Wynn Resorts, according to a book the two wrote together. Okada is now a Wynn vice chairman and meets with Wynn at least four times a year. He's also Wynn's biggest shareholder with a 24 percent stake, according to Bloomberg data. Okada and his family owned 77 percent of Aruze's shares as of March 31, according to a filing with the Japanese financial regulator.

„He has not broken his promises and I have not broken my promises,“ said Okada.