

Trump casinos lose for second year in row

In March, when shares in Trump Entertainment Resorts were trading around USD 20, the company disclosed that it was seeking potential suitors.

At that point, Donald Trump even envisioned pocketing USD 500 million (AUD 583 million) from selling at a handsome premium his one-third stake in this company bearing his name.

In July, when the company announced that it had not found a buyer despite a three-month search, shares in Trump Entertainment, which operates casino-hotels in Atlantic City, closed the day at USD 10.49. Trump's stake was worth roughly USD 100 million.

Those now look like the good old days.

With shares in the company at USD 5.51 at the opening of trading on Tuesday, Trump and other stockholders received more disappointing news as the company announced larger-than-expected losses in the second quarter.

The company lost USD 13.5 million in the three months to June 30 as gambling revenues fell at all three of its casinos, for a loss of USD 43c a share. The company lost USD 4.9 million, or USD 16c a share, in the period a year earlier.

„Virtually nothing has gone right for this company since the end of last year,“ said Dennis Forst, a gambling analyst with KeyBanc Capital Markets in Los Angeles.

Among Trump Entertainment's more recent woes, Mr Forst said, was its unsuccessful bid to win a casino licence in Philadelphia after slot-machine parlours were legalised in Pennsylvania and its decision to scuttle plans to open a

casino in Mississippi. In June, the chief executive, James Perry, stepped down as part of a broader management shake-up.

But perhaps the situation is looking up. Trump Entertainment's stock surged on Tuesday by more than 26 per cent to USD 6.97 a share as investors apparently expressed confidence in Mark Juliano, the new chief executive, a long-time industry figure who had been the chief operating officer.

„This was the first presentation of the new management team,“ said Lawrence Klatzkin, a gambling analyst in New York with the investment firm Jefferies & Co. „They gave a good impression.“

During a conference call with investors on Tuesday, Mr Juliano also left the door open to the possibility of a takeover and that could be contributing to the surge in share price.

„We look at any opportunity that comes our way,“ Mr Juliano said during the call.

Mr Juliano and the new chief financial officer, Dale Black, also reassured investors that Trump Entertainment was in no immediate danger of defaulting on any of its loans despite the recent turbulence in credit markets. The company, whose bonds are considered less than investment grade, that is, junk, is carrying USD 1.56 billion in long-term debt while it continues construction on a new 40-storey tower at the Trump Taj Mahal. It also is in the midst of a two-year, USD 250-million capital improvement project making over its three properties.

„If things get tight, we have the flexibility“ to adjust spending, Mr Black said.

Compounding Trump Entertainment's woes are the broader challenges confronting Atlantic City. Faced with increased competition from the new slot parlours that have opened in New York and the Philadelphia area this year, New Jersey's gambling centre is struggling to transform itself from a

middle-market emporium mostly for busloads of people from around New York and Philadelphia into a world-class entertainment destination that draws free-spending tourists looking for several nights of fine food and club-hopping.

Gambling revenue at the city's 11 casinos was down 4 per cent in the first half of 2007, compared with the period a year earlier. Gambling revenue to June 30 was down 3.3 per cent at the Taj Mahal, 4.5 per cent at Trump Marina and 7.7 per cent at Trump Plaza. Trump also cut its promotional budget 14 per cent.