

Gaming stocks end 2007 on downswing

Stock prices of the major casino operators and slot machine makers closed 2007 on a down trend in December following a similar tumble in November.

Concerns about the expanding Macau gambling market and profit taking by investors after a six-month surge in stock values affected the industry in the month.

But positive fourth-quarter earnings news in January could spur gaming stock prices up once again.

„Once the fundamentals stabilize, I think that will have a positive impact on the sector,“ said Brian Gordon, a partner with Las Vegas-based financial consulting firm Applied Analysis, which tracks average daily stock prices of the gaming industry for an index. The index fell almost 17 points in December following an 80-point decline in November. The index is at 569.67 for the year, more than 100 points higher than a year ago.

„Overall, the gaming industry appears healthy,“ Gordon said.

MGM Mirage opened its USD 1.25 billion joint venture resort in Macau on Dec. 18, adding the third new hotel-casino to the expanding market in 2007. Las Vegas Sands Corp. opened the USD 2.4 billion Venetian Macau in August. The new competition caused some speculators to re-evaluate their investments.

„Supply concerns in the region have prompted divestitures,“ Gordon said. „Wynn Resorts and Las Vegas Sands (have pulled) back from their record-setting highs. Despite the recent devaluation for these operators, stock prices remained substantially higher than where they started the year.“

The average daily share price for Las Vegas Sands fell less than 1 percent from November to December, but is up more than 22 percent from a year ago. Shares of Wynn Resorts Ltd. were off almost 13 percent in December but are more than 26 percent higher from December 2006.

Meanwhile, the stock price for MGM Mirage was down almost 2 percent in December, but up 54 percent from a year ago.

While the stocks for casino operators had an off month, two of the three slot machine makers followed in the index rose in value. The average daily stock price of International Game Technology was up almost 3 percent comparing December with November while the share price for resurgent Bally Technologies was almost 13 percent. Shares of Bally are up 135 percent since December 2006.

„Gaming equipment manufacturers posted mixed results,“ Gordon said. „Bally Technologies boosted its overall valuation with new and improving technology.“

The landscape of the index has also changed. Station Casinos, which was taken private in a USD 5 billion management-led buyout, was removed from the index. Harrah's Entertainment, which is also in the process of going private in a USD 17.1 billion private-equity buyout, is expected to be removed from the New York Stock Exchange sometime this month.

Applied Analysis added three new companies to the chart; Las Vegas-based Pinnacle Entertainment and Ameristar Casinos, which also has headquarters in Las Vegas. Neither company operates a casino in Las Vegas and both have growing regional casino operations. Pinnacle opened the USD 507 million Lumiere Place in St. Louis on Dec. 19, the first of two casinos the company plans to open in the market.

Penn National Gaming was also added to the index, but the company, which operates 18 casinos and racetracks, is also being taken private in a USD 9 billion private equity deal.