

Harrah's swings to loss on costs and economy

Casino operator Harrah's Entertainment reported last week that it swung to a first-quarter loss, citing costs associated with a deal to take it private and „challenging economic conditions.“

The world's largest gambling company by revenue said it had a net loss of USD 187.8 million, compared with profit of USD 185.3 million in the same quarter a year earlier. It did not report shareholder earnings, after its sale in January to affiliates of Apollo Global Management LLC and TPG Capital LP.

The 2008 figures included USD 211.3 million in pretax charges for retiring debt and USD 142.6 million in nonrecurring costs related to its acquisition. The acquisition deal, valued at USD 30.7 billion, included the assumption of USD 12.4 billion of debt and about USD 1 billion of costs. Harrah's stockholders received USD 90 for each share of common stock, or a total of USD 17.3 billion.

Excluding items, Harrah's said first-quarter income fell to USD 401 million from USD 451.2 million in the first quarter of 2007. The casino company reported a 2.1 percent decline in sales to USD 2.6 billion from USD 2.65 billion a year earlier.

„Our first quarter results reflect the consequences of challenging economic conditions,“ Harrah's President and CEO Gary Loveman said in a statement. The Las Vegas-based company had „ample“ cash on hand as of March 31, and planned to continue to reduce expenses to meet what he called a „softness“ in the gambling market, Loveman said.

Harrah's laid off about 100 employees in recent months when it closed the buffet at its Bally's hotel-casino on the Las Vegas Strip. A spokesman said another 1,000 jobs remain unfilled as

a cost-saving measure after employees voluntarily left the company's Las Vegas work force of about 25,000.

Other Las Vegas-based casino companies are experiencing similar economic pressures. MGM Mirage, which reported letting 400 midlevel employees go last month, also said first-quarter profit tumbled 30 percent. Las Vegas Sands Corp. posted a first-quarter loss and Wynn Resorts said its profits dropped 20 percent. „We're seeing softness across the board,“ Loveman said in a conference call, „but much less so at the upper end. It is in many instances folks coming and playing at lower levels.“

He said the company got a boost from the first-quarter debut of a new tower at Harrah's Atlantic City, which will continue to open in phases through the summer. He said he looked forward to the scheduled opening of a us\$ 485 million expansion at the Horseshoe Hammond in Indiana later this year, and an expansion due to be completed next year at Caesars Palace in Las Vegas.

Harrah's announced in April it intends to change its name to Caesars Entertainment Corp. once it gets approval from regulatory agencies.