

Las Vegas casino operators should be able to avoid ratings downgrades

Mumbai (Thomson Financial) – Moody's Investors Service said Las Vegas strip casino resort operators should be able to avoid ratings downgrades due to the economic downturn, but will be vulnerable to negative rating actions if the slowdown is prolonged or takes a turn for the worse.

,The Las Vegas resorts are not as recession-resistant as they used to be,' Moody's said.

It said most operators have some room within their respective rating categories to withstand negative trends, but if the downturn is more prolonged or deeper than we currently anticipate, the ratings could come under pressure.

Key risks to ratings are the duration and depth of the economic downturn, companies' position within their respective rating categories, and financial policies, Moody's said.

The city is receiving fewer visitors and tight corporate travel budgets are taking a toll on the Las Vegas convention business, Moody's said.

High fuel prices and the reduction of Las Vegas flights have also contributed to the negative financial results of Las Vegas strip operators, the ratings agency said.

While it remains to be seen whether the current U.S. downturn will become an official recession, the fallout for Las Vegas casino operators is likely to be worse than they experienced in previous downturns, including post 9/11, Moody's said.

Today Las Vegas is decidedly more vulnerable to macroeconomic weakness than it was during the last consumer-led recession in

1990-91, Moody's said.

It said the successful positioning of the city as a desirable destination for middle-class family vacations has shifted more of its profitability to non-gaming sources which are heavily reliant on discretionary spending, such as hotel rooms, food and beverage, entertainment and retail operations, says Moody's.

Moody's said the city's new amenities, the size and flexibility of its convention meeting space and its room inventory spanning all budgets make it a particularly attractive destination for leisure and business travellers and more broadly, population

and leisure-travel spending trends support an optimistic view of Vegas' gaming future, Moody's said.