

Las Vegas Sands Plunges on Default, Bankruptcy Risk

(Bloomberg) – Las Vegas Sands Corp., billionaire Sheldon Adelson's casino company, fell the most in New York trading since going public after saying it may default on debt and face bankruptcy.

The casino owner, which had USD 8.8 billion in long-term debt at the end of June, said in a regulatory filing today that it probably won't meet the requirements of loans arranged by Citigroup Inc., Goldman Sachs Group Inc. and Lehman Brothers Holdings Inc. unless it cuts spending on developments, boosts earnings at its Las Vegas Strip casinos and raises more capital.

The reversal of fortune is a black eye for the 75-year-old Adelson, who was once America's third-richest man on the strength of his Las Vegas Sands holdings. The Las Vegas-based company's dwindling cash flow is threatening USD 16 billion worth of developments in Macau, China, and Singapore, where Las Vegas Sands is building resorts to cater to wealthy Asian gamblers.

„They need to raise money,“ said Keith Foley, a New York-based analyst at Moody's Investors Service Inc. „It's getting to the point where they need to do something now.“

The shares dropped USD 3.81, or 33 percent, to USD 7.85 at 4:04 p.m. in New York Stock Exchange composite trading, the biggest decline since its initial share sale in December 2004. Las Vegas Sands had tumbled 91 percent before today this year as investors dumped the stock, worried that falling casino winnings and the global financial meltdown would leave the company without enough cash.

More Capital

Spending declines on the Vegas Strip and restrictions on visas in Macau have stemmed the flow of cash into Las Vegas Sands. Today's admission comes after Adelson, who holds a stake of more than 64 percent, invested an additional USD 475 million in September to avoid violating the terms of a loan, and hired an unidentified investment bank to raise more capital with his help.

Las Vegas Sands' rush to raise capital „points to the deterioration of fundamentals, not just for the company, the fundamentals of Las Vegas,“ said Dennis Farrell, a debt analyst with Wachovia Capital Markets LLC in Charlotte, North Carolina.

The casino owner said it doesn't expect to meet a maximum leverage ratio covenant in the fourth quarter. That would trigger defaults that might force it to suspend development projects and „raise a substantial doubt about the company's ability to continue as a going concern.“

„Sheldon still has considerable resources, and we doubt he will sit on the sidelines and watch LVS go bankrupt,“ Robert LaFleur at Susquehanna Financial Group LLLP, said today in a client note he titled „Scary Post-Halloween 8-K Filing.“ „The question is how much dry powder does he have, and what can he do?“

Deep Pockets

In a July conference call, Adelson suggested he would step in to help the company with any financing it might need, saying a friend described him as „the tallest person I know when you stand on your wallet.“

„And I'm saying right now, the company will not have liquidity problems,“ he said at the time.

Ron Reese, a spokesman for Adelson, didn't return an e-mail seeking an interview.

Las Vegas Sands made a filing with regulators today to allow it to quickly sell stocks or bonds if it finds investors.

„The offering shows what their intent is, but it doesn't mean they'll be successful,“ said Foley. „How and when is uncertain, and their ability to successfully do that is uncertain.“

Adelson founded the Comdex computer expo in 1979, later selling the business and using the proceeds to build the Venetian Resort Hotel Casino in Las Vegas.

U.S. Projects

He is also building a USD 600 million condominium in Vegas and a USD 600 million casino resort in Bethlehem, Pennsylvania. The risk of default applies to some of Sands' U.S. unit loans.

„It would be prohibitively expensive to raise outside debt capital at this time,“ said Farrell. The company will probably sell more stock, which would hurt existing shareholders including Adelson.

Other alternatives might be another investment from Adelson, an injection of cash from an outside investor or a loan from foreign banks, said Farrell.

The filing, which affects its U.S. unit's debt, sparked new concerns that Las Vegas Sands won't finish Singapore's first casino or a 20,000-room complex of hotels and casinos in Macau. The Chinese territory overtook the Vegas Strip as the world's biggest gambling market in 2006.

,Other Alternatives'

Should Sands fail to raise capital, „we would need to immediately suspend portions, if not all, of our ongoing global development projects and consider other alternatives,“ the company said in the filing.

Las Vegas Sands owns the Venetian and Palazzo casino resorts on the Las Vegas Strip, plus the Macau Venetian, Sands and Four Seasons, and had expected sufficient earnings from the properties to fund its expansion and pay loans.

Las Vegas Strip casino gambling revenue slid 6.7 percent this year through August, on track for its biggest annual decline on record, as airlines cut back capacity and consumers, battling declining home values, job losses and the worst financial crisis since the Great Depression, spent less.

China increased visa restrictions on some mainland residents traveling to Macau, causing casino gambling revenue in the former Portuguese colony to fall to 26 billion patacas (USD 3.28 billion) in the third quarter from 28.9 billion patacas in the second.

Adelson plans to sell Sands' Four Seasons apartment hotel in Macau as a co-operative and wants to sell the attached mall space.