

# Tahoe properties contribute to Caesars Entertainment quarterly loss

By Steve Green, Las Vegas Sun

Caesars Entertainment Corp. of Las Vegas said it lost a hefty \$505.5 million in the third quarter, a loss wider than the \$164 million lost the same period last year. Much of the casino operator's loss was on paper. Its expenses in the quarter included one-time charges totaling \$419 million to write down the value of certain assets as required by accounting rules.

These write-downs, on paper, included \$247 million related to goodwill and \$127 million for trademarks. If a company determines assets like these will produce less income in the future than previously believed, their value has to be written down and the amount written down is an operating expense.

The results were also affected by increased interest expenses and certain tax provisions.

With net revenue increasing 0.4 percent to \$2.198 billion, the loss per share amounted to \$4.03 vs. the \$1.31 per share lost in the year-ago quarter.

Despite the large loss, Caesars indicated operating results improved companywide as EBITDA at the property level grew 3 percent to \$512.2 million. EBITDA, a common financial metric for gaming companies, means earnings before interest, taxes, depreciation and amortization.

The company's Las Vegas resorts, including Caesars Palace, Planet Hollywood and the Flamingo, produced net revenue of \$735.1 million, up 0.3 percent.

Caesars said that in Las Vegas, casino revenue increased but food and beverage revenue fell. Visitation levels in Las Vegas were flat, falling 0.4 percent, but spending per trip was up 7.8 percent, thanks to strength in the international high-end segment.

Caesars said hotel revenue in Las Vegas was “relatively flat” compared with 2011. The local Caesars hotels, as a group, saw an overall decrease in average daily room rates from \$89 in 2011 to \$87 in 2012.

At the company’s Harrah’s properties in Laughlin, Lake Tahoe and Reno and at Harveys Lake Tahoe, net revenue was off 4.8 percent to \$134.1 million.

In Atlantic City, which has been hit hard by new competition in the East, Caesars said its properties saw net revenue decline 4.1 percent to \$477.3 million.

CEO Gary Loveman said the company’s Atlantic City properties did not suffer extensive damage during Hurricane Sandy and should be reopening in the coming days.

While analysts have been concerned about Caesars’ ability to service its \$19.96 billion in debt, Loveman said in a statement that the company made significant progress in the quarter “on a strategy designed to position our company for future growth.”

This included refinancing debt, extending debt maturities and the planned sale of the Harrah’s St. Louis casino for \$610 million.

The company plans to plow money into various expansions and renovations, including the Nobu Hotel at Caesars Palace, rebranding the Imperial Palace as the Quad, the \$550 million Project Linq, renovating and repositioning Bill’s Gamblin’ Hall & Saloon for \$185 million and adding a \$140 million convention center in Atlantic City.

At the same time, it's been expanding or looking to expand in online gaming and in physical places like Ohio, Maryland and Massachusetts.

"Thanks primarily to growth in our interactive operations and a continued emphasis on expense reductions, we achieved about the same net revenues and adjusted EBITDA as in the third quarter of 2011, despite more competitive markets and the challenges posed by the continuing weakness of the U.S. economy," Loveman said.