As debt mounts, Caesars in talks with lenders

By Kimberly Pierceall, AP

Caesars Entertainment said Friday it is prepared to start formal discussions with some of its bank lenders as it works to reduce its debt and stave off what some see as near certain bankruptcy.

In a filing to the Securities and Exchange Commission, the casino company announced that it has reached out to some of its creditors — namely bank lenders — to find ways to ease pressure on its $24.2 billion debt.

Caesars is the parent company of Harrah’s Lake Tahoe and Harveys in Stateline.

That came a day after the company promised its creditors who are first in line a claim on cash held by its debt-strapped subsidiary Caesars Entertainment Operating Co. in case it defaulted. It’s been in formal talks with that group of creditors, too, for about a month.

In recent years the company has spun off multiple divisions in an attempt to shape up its finances, including Caesars Entertainment Resort Properties and Caesars Growth Properties, dividing its casinos, properties and businesses among the subsidiaries. The operating company has the largest debt load.

Earlier this year, the company sold the Claridge hotel tower of its Bally’s Atlantic City property and sold the Atlantic City Country Club to a private buyer. It also closed the Harrah’s Tunica casino in Mississippi in June and shut down the Showboat Atlantic City casino in September.

For financial analysts watching the debt-heavy operations division that includes Caesars Palace on the Las Vegas Strip, the company’s trademarks and two of its remaining Atlantic City properties as well as other regional casinos, it’s not a matter of if but when the casino company will file for bankruptcy.

Caesars spokesman Gary Thompson said he couldn’t comment, citing the company’s SEC-mandated quiet period before its third quarter financial results are released Nov. 10. But CEO Gary Loveman has told the *Las Vegas Review Journal* before that the company has no plans for bankruptcy.

Analysts said Caesars’ actions could be an attempt to reorganize its financials outside of a federal courtroom or, if that doesn’t work, get priority creditors on its side before it inevitably files for bankruptcy.

Alex Bumazhny, a financial analyst with Fitch Ratings, said it’s going to be difficult for the company to reorganize its finances out of court or arrange a pre-packaged bankruptcy wrapped in a bow that it can take to a judge.

The tricky part, Bumazhny said, is the creditors who are second-in-line.

He said the company owes more than the company is worth to those who are first-in-line to be paid back. That leaves little for those second in line.

Those in the latter position have declared Caesars already in default of its agreements. The company dismissed the contentions in recent securities filings.

“It’s just hard to see everybody agreeing to a deal without a pretty long bankruptcy proceeding,” Bumazhny said.

Chris Snow with CreditSights pointed to $230 million in interest owed to some of the second-in-line holders of debt in December. He said if Caesars doesn’t want to pay up, it likely behooves the company to get the priority creditors on its side now rather than later while it still has attractive cash on hand.

Both analysts said it would be difficult to handicap when the company might file bankruptcy, but Bumazhny said it could be within the year. Snow said it could be imminent or into the middle of next year after the company passes the threshold of time for some transactions that the court would otherwise be able to look back on during its bankruptcy consideration.

The company has 52 casinos in the United States and abroad with most bearing the Caesars, Harrah’s and Horseshoe brand. About 68,000 people worked for the company at the end of 2013.