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Wynn Resorts Falls on 33% Drop in Third-Quarter Net

By Beth Jinks

Oct. 27 (Bloomberg) -- [Wynn Resorts Ltd.](#), the casino company founded by [Stephen Wynn](#), declined the most in five months in U.S. trading after reporting a 33 percent drop in third-quarter profit.

[Wynn](#) fell \$6.94, or 11 percent, to \$56.13 at 4 p.m. New York time on the Nasdaq Stock Market, the biggest intraday decline since April. It has gained 33 percent this year.

Other casino stocks fell too, as sign investors are selling after the shares soared this year, according to [Bill Lerner](#), an analyst at Union Gaming Group LLC. [MGM Mirage](#), which had almost doubled on the New York Stock Exchange in the past six months, fell \$1.37, or 12 percent, to \$9.63. [Las Vegas Sands Corp.](#), which had climbed 170 percent this year, dropped \$1.75, or 12 percent, to \$14.31.

“After making lots of money in these names, people are basically saying they don’t need to own them right now,” said Lerner, who is based in Las Vegas. Investors may be thinking, “There’s time until we have some real evidence of a recovery.”

Net income at Wynn dropped to \$34.2 million, or 28 cents a share, from \$51.2 million, or 49 cents, a year earlier, the Las Vegas-based company said today in a statement. Excluding some items, profit of 33 cents beat the 16-cent average of 18 analysts’ [estimates](#) compiled by Bloomberg. Revenue rose to \$773.1 million from \$769.2 million. Analysts on average projected \$743.4 million.

Encore Performance

“If things continue the way they are, we’re going to equal or beat 2008 in Las Vegas and we’re going to equal or beat last year in Macau,” Wynn, the company’s chairman and chief executive officer, said today on a conference call.

With the addition of 2,034 Encore suites to the 2,716 rooms at Wynn Las Vegas and the city in the grip of a two-year slump, the company worked to keep its resorts full. Strip revenue rose 10 percent, occupancy fell and revenue per room slid. Gambling revenue also stalled.

“Wynn has continued to struggle to gain traction with Encore,” the new resort in Las Vegas, said [Christopher Jones](#), an analyst at Telsey Advisory Group in New York. Some investors had “high expectations for the quarter.”

Wynn's combined adjusted property [earnings](#) before interest, taxes, depreciation and amortization, an indicator of cash flow, rose 12 percent to \$198.2 million, beating the \$180.1 million average estimate of 14 analysts surveyed.

More Rooms, Fewer Bets

In Las Vegas, Ebitda was little changed at \$70 million at Wynn's namesake resort and its neighbor Encore, which opened in December.

Wynn's Las Vegas table-game betting fell 2.4 percent to \$518.1 million. The slots' \$850.3 million win was "in-line" with a year ago. The company added 91 new tables and 812 slots, primarily at Encore.

Wynn's Las Vegas occupancy fell to 83.9 percent from 96.1 percent a year earlier. Revenue generated by each available room tumbled 33 percent to \$176.

Overall Las Vegas Strip gambling fell 9 percent in August and almost 14 percent through eight months. Casinos have slashed room prices and increased special offers to counter the drop in corporate meetings and betting.

In Macau table-game betting by so-called VIPs, usually defined as people who spend at least \$125,000 per visit, rose 6 percent, while mass-market action fell 12 percent.

"If you had to nitpick, the VIP hold rate was slightly below historical range, and the mass business in Macau was a little soft," Jones said.

Wynn's adjusted property Ebitda in Macau climbed 21 percent to \$128.2 million. The company reiterated it will open a second resort there in the first half of 2010. Wynn raised about \$1.87 billion selling a stake in the Macau operation this month.

Macau's revenue per available room was little changed at \$235. Occupancy rose to 89.2 percent from 86.2 percent.

Overall Macau casino revenue rose to 31.8 billion patacas (\$3.98 billion) in the third quarter, the city's Gaming Inspection and Co-ordination Bureau Web site said on Oct. 16.