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MGM Mirage Beats Analysts' Estimates in Third Quarter

By Beth Jinks

Nov. 5 (Bloomberg) -- MGM Mirage, the biggest casino owner on the Las Vegas Strip, reported third-quarter results that beat analysts' estimates, helped by a surge in baccarat play.

The break-even per share, excluding write-downs for its CityCenter investment and other charges, compared with the average 8-cent loss projected by 20 analysts in a Bloomberg survey. Revenue dropped 14 percent to \$1.53 billion from \$1.79 billion, Las Vegas-based MGM said today in a statement. That exceeded the \$1.47 billion average estimate.

Chief Executive Officer Jim Murren is counting on CityCenter, an \$8.5 billion development on the Las Vegas Strip, to increase business travel and tourism once it opens in December. Visits to Las Vegas slid 5.8 percent this year through August, after dropping 4.4 percent last year, according to the Las Vegas Convention & Visitors Authority.

"The market will continue to heal in 2010 and we will see progressive sequential improvement in visitation and revenue and in profits in Las Vegas throughout next year," Murren said today in an interview. "I think that MGM will be the greatest beneficiary of that recovery."

MGM Mirage rose 36 cents, or 3.4 percent, to \$9.68 at 3:11 p.m. in New York Stock Exchange composite trading. The shares had dropped 32 percent this year before today.

The net loss of \$750.4 million, or \$1.70 a share, compares with a profit of \$61.3 million, or 22 cents, a year earlier. MGM Mirage booked \$1.17 billion in charges after writing down the value of its CityCenter investment, a casino, hotel, apartment and mall project with partner Dubai World.

CityCenter Investment

Cash flow, or property earnings before interest, taxes, depreciation and amortization, fell 12 percent to \$415 million excluding some items.

MGM Mirage expects citywide Las Vegas visitation to rise about 7 percent next year, from a projected 35.4 million visitors in 2009, Murren said. Las Vegas-wide table-game revenues will grow "at least" 10 percent next year, said Murren, who expects CityCenter to win most of the growth.

The owner of the MGM Grand, Mirage and Bellagio casinos announced the CityCenter charges last month. In October, condominium buyers at the development were offered a 30 percent price cut to close their purchases, and many have responded positively, executives said today on a conference call.

The company's third-quarter slot-machine gambling revenue dropped 6 percent. Table-game revenue rose 7 percent, boosted by a 75 percent surge in baccarat volume.

The revenue MGM Mirage gets for each available room at its nine Las Vegas Strip casino resorts fell 22 percent to \$100 from \$129 a year earlier. Occupancy was unchanged at 95 percent, as discounts lured tourists after companies canceled conventions, MGM said.

Macau Venture

Convention and other business meeting will strengthen from the second quarter next year, Murren reiterated. Business event room rates are higher than tourist rates, helping boost earnings, he said.

“Vegas is all about a room rate recovery,” said Christopher Jones, an analyst at Telsey Advisory Group in New York. “We continue to see some weakness” in room revenues that a return of conventions could help reverse, he said.

MGM Mirage earned about \$24 million in the quarter from MGM Grand Macau, its joint venture in China. The partners may sell shares in the Macau unit as early as next year, Murren said on a conference call.

“We’ve picked up some share because of our stronger presence in Macau and also because of some of the changes we’ve made on the marketing side,” Murren said.

MGM Mirage’s biggest shareholder, Kirk Kerkorian, said last month he’s seeking a partner for his 37 percent stake and signaled he’s open to other deals, saying the shares are undervalued. Any transaction would happen after CityCenter opens, he said.