October 12, 2010, 6:39 PM EDT

By Beth Jinks

(Adds Las Vegas turnaround in third paragraph.)

Oct. 12 (Bloomberg) -- MGM Resorts International, the biggest casino operator on the Las Vegas Strip, plans to raise about $550 million by selling stock, and said its founder and biggest shareholder, Kirk Kerkorian, will reduce his stake.

The company will sell 40.9 million shares and Kerkorian's Tracinda Corp. will offer 27.8 million shares, Las Vegas-based MGM said today in a statement. The stock being sold by the company represents about a 9.3 percent increase in shares outstanding, based on Bloomberg data.

MGM and Kerkorian are tapping public markets as a record slump in Las Vegas eases and casino stocks rally. Las Vegas Strip gambling revenue jumped 21 percent in August, Nevada's Gaming Control Board said last week. The company said today that cash flow at its CityCenter joint venture on the Strip turned positive in the third quarter.

"It eliminates some of the debt issues that could really hurt the company," David Bain, an analyst at Sterne Agee & Leach Inc., said today in a phone interview.

MGM also said it found a buyer for its half-interest in the Borgata Hotel Casino & Spa in Atlantic City, bringing proceeds of about $250 million, and that the company expects to receive about $125 million in loan repayments this month from its Macau joint venture, the MGM Grand Macau.

The offer for the Borgata is below the property's carrying value and will result in a $128 million pretax charge in the third quarter, MGM said. Partner Boyd Gaming Corp., which runs the resort, has the right to match any bid.

Shares Decline

MGM fell 85 cents, or 6.2 percent, in extended trading to $12.76. Before the announcements, the shares rose 13 cents, or 1 percent, to $13.61 in New York Stock Exchange composite trading. The stock has gained 49 percent this year.

The share sales would dilute Kerkorian's stake to about 30 percent, Tracinda said separately. Kerkorian, 93, is no longer seeking strategic alternatives for his MGM stake, according to the statement. He said a year ago MGM Resorts was undervalued and he was open to deal proposals. Tracinda now owns 37 percent, according to Bloomberg data.

MGM said it plans to use the proceeds for general purposes, including debt repayment. An additional 6.135 million shares from the company and 4.167 million from Tracinda will be offered for overallotments. Barclays Capital Inc. is underwriting the share sale.

Prior Sales

Chief Executive Officer Jim Murren resolved solvency concerns surrounding MGM Resorts in May 2009 after refinancing debt and selling more than $1 billion in common stock and $1.5 billion in senior secured notes as part of a recapitalization.

Murren has subsequently tapped capital markets when investor demand for junk debt and casino stocks has rallied, including a $1 billion convertible note sale in April.

MGM's $750 million of notes due November 2013 climbed 0.75 cent on the dollar to 119.5 cents to yield 5.98 percent at 4:16 p.m. in New York, according to Trace, the bond price reporting system of the Financial Industry Regulatory Authority. The debt has climbed 7 cents since trading at 112.5 cents on May 25, Trace data show.

MGM Resorts today reported a preliminary third-quarter loss of 72 cents a share, versus a

loss of $1.70 a year earlier. Revenue was about $1.56 billion, the company said. Analysts expected $1.55 billion, the average of 17 estimates.

Cash flow at wholly owned casinos, measured as adjusted earnings before interest, taxes, depreciation and amortization, declined 13 percent to $314 million in the quarter. Adjusted Ebitda at CityCenter, MGM's Strip joint venture with Dubai World, was $41 million in the third quarter, on revenue of $413 million, helped by condominium sales and table game winnings at the development's Aria casino.

'Work to Do'

"This company has a lot more work to do," Bain said. "These Vegas numbers are less than stellar."

MGM put its stake in Borgata on the market and is leaving Atlantic City as part of a settlement with New Jersey regulators, who found the company's partner in the MGM Grand Macau, Pansy Ho, to be "unsuitable." The partners plan an initial public offering of the venture this year, Murren has said.

A deal announced in the summer to sell the land beneath Borgata to Vornado Realty Trust and Geyser Holdings for $73 million will close by the fourth quarter, and deliver net proceeds of about $71 million, MGM Resorts said today.

For lower down where the earnings are:

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