

## MGM Resorts, Kerkorian Sell Stock as Vegas Starts to Recover - Bloomberg

Written by Administrator

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[MGM Resorts](#) International plans to sell about \$550 million in stock, taking advantage of a 49 percent jump in the shares this year and signs that a record Las Vegas gambling slump is easing.

The company, the biggest

casino operator on the Las Vegas Strip, will sell 40.9 million shares, according to a statement yesterday. Founder and top shareholder [Kirk Kerkorian](#) will sell 27.8 million shares, reducing his holding after considering strategic alternatives for the past year.

MGM and Kerkorian's Tracinda Corp. 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 yesterday 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 of the share sales.

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.

Kerkorian Dilution

MGM plans to use the proceeds for general purposes, including debt repayment. The shares fell 85 cents, or 6.2 percent, to \$12.76 in extended [trading](#) yesterday. Before the announcement,

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they rose 13 cents, or 1 percent, to \$13.61 in New York Stock Exchange composite trading.

The stock being sold by MGM represents about a 9.3 percent increase in shares outstanding, based on Bloomberg data. 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.

The share sales would dilute Kerkorian's stake to about 30 percent, Tracinda said separately. The 93-year-old billionaire 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.

'Work to Do'

MGM Resorts also 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.

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

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.

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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.

Borgata, Macau

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 yesterday 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 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." An initial public offering of the venture is planned for this year, Murren has said.

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

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