

MGM finds buyer for Borgata stake - Philadelphia Inquirer

Written by Administrator
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ATLANTIC CITY - MGM Resorts International has found a buyer for its half-stake in Borgata Hotel Casino and Spa for \$250 million.

The development was part of the Las Vegas-based company's preliminary third-quarter earnings statement Tuesday, although the buyer was not identified.

A spokesman for MGM declined to provide details, saying Wednesday that the firm was "not disclosing information about the bidder or timeline." Gaming analysts and sources close to the negotiations say a private-equity firm was the likely suitor.

Proceeds from the Borgata sale would make up just less than half of the \$550 million MGM hopes to raise by selling company stock. It expects its founder and biggest shareholder, Kirk Kerkorian, to reduce his stake by selling shares. And it is counting on receiving about \$125 million in loan repayments this month from its MGM Grand Macau joint venture.

MGM, the largest operator of casinos on the Las Vegas Strip, said it intended to use the money for general corporate purposes, including debt repayments.

Since the Borgata opened in the Marina District on July 3, 2003, MGM has been the silent partner with Boyd Gaming Corp., the operator in a joint venture.

"We have been formally presented the offer from MGM and have just begun considering it," Boyd Gaming spokesman David Strow said Wednesday night.

In early February, MGM announced that it had entered into a settlement with the New Jersey Division of Gaming Enforcement to place its stake in the Borgata and related leased land in Atlantic City in a divestiture trust, of which MGM would be the sole beneficiary.

MGM's partnership with Pansy Ho, daughter of Macau gambling titan Stanley Ho, had been the focus of an ongoing investigation by the division. In May 2009, the DGE recommended to the New Jersey Casino Control Commission that MGM's joint-venture partnership with Pansy Ho be considered "unsuitable" because of Stanley Ho's alleged ties to organized crime.

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A settlement was reached in early March, and the commission green-lighted the divestiture process.

MGM's shedding of the \$1.4 billion Borgata comes as the golden-hued casino, like the rest of Atlantic City, faces difficult times. Figures released Tuesday showed that though the Borgata was the biggest moneymaker among the 11 casinos in September, taking in \$53 million, it posted the second steepest drop in revenue, 16.1 percent.

In August, the Borgata's revenue dropped nearly 12 percent.

"They've had some tough months recently," said gambling analyst John Kempf, of RBC Capital Markets. "They had a table-hold issue last month. They did OK on the slots' side but got killed on the table hold."

The Borgata, which goes after high-end table players, reported a 36.3 percent dip in September table games' revenue and only 1.4 percent in slots' revenue. That followed Pennsylvania casinos' launch of poker, blackjack, and more in July.

"The concern everyone has is that we haven't seen a lot of the SugarHouse effect on these numbers yet," Kempf said. The new Philadelphia casino "was opened only a week [in September], and we should probably see more this month and the winter months."

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