## By Josh Beckerman

When Harrah's Entertainment Inc. reported second quarter results, it was still feeling the effects of the recession, but in its $575 million IPO filing today, the casino titan has some optimistic thoughts.

For one, "we operate businesses that have inherently low variable costs such that positive change in revenues should drive relatively large improvements in EBITDA." Increases in Average Daily Hotel Rate will "drive nearly a dollar for dollar improvement in EBITDA," the company said. So, with a hefty 42,000 rooms, the company predicts a "$5 increase in ADR on an annual basis will equate to an improvement to EBITDA of approximately $64.0 million."

Harrah's average ADR was $109 in 2007, falling to $86 for the twelve months ended June 30. Another metric known as average spending per rated gaming customer trip fell from $192 in 2007 to $158 for the 12 months ended June 30.

Apollo Management LP and TPG Capital LP bought Harrah's for $27.8 billion in 2008. During the first half of the year, revenue fell to $4.41 billion from $4.53 billion. The latest period got some help from the addition of the Planet Hollywood casino. The company posted a six-month loss of $466.1 million, compared with net income of $2.17 billion in the comparable 2009 period. Adjusted Ebitda fell to $941.5 million from $1.11 billion.

Presumably, future generations will continue to emulate "Swingers," "The Hangover" and "Fear And Loathing In Las Vegas," but Harrah's is also betting that Internet gambling could provide opportunities. In the filing, Harrah's says "a recent H2 Gaming Capital study anticipates that the global online gaming market will grow to $36 billion in revenues by 2012. We believe that the largest opportunity in online gaming in the near term is the legalization of the United States online poker market." Harrah's adds that it's the "only U.S. land-based casino company to operate an online casino."

On the financial front, the company says recent capital market transactions including debt swaps, tender offers and the issuance of new notes "have improved our liquidity and maturity profile and positioned the company well to grow and create value." The company said "we have reduced the amount of our debt maturing through the remainder of 2010 and 2011 from $1,503.0 million to $25.0 million and the amount of our debt maturing from 2010 through 2014

from $8,757.0 million to $151.0 million."

At June 30, the company had about $1.8 billion of cash on hand and $1.5 billion available under its revolving credit facility. "With minimal near-term maturities and significant liquidity, we believe that we are well positioned to capitalize on growth opportunities and any potential rebound in the broader economy."

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