

From: "ssulayem [REDACTED]"
To: "jeeproject@yahoo.com" <jeeproject@yahoo.com>
Subject:
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BUY OR SELL-Is Vegas recovery reality or mirage for MGM?

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Shares up 60 percent so far this month * Macau joint venture a "hidden jewel" By Deena

Beasley LOS ANGELES, Sept 25 (Reuters) -

Gamblers are starting to head back to Las Vegas, helping shares of MGM Mirage rise some 60 percent so far this month.

But some investors question whether Sin City's recovery will be strong enough to absorb a coming wave of new resort capacity. MGM's CityCenter, a multi-tower enclave of casinos, hotels, condominiums and shops being developed in partnership with Dubai World, will begin a phased opening on the Las Vegas Strip in December. EARNINGS UNDERESTIMATED? Cost-cutting has helped MGM weather the recession and will bolster its bottom line in coming quarters, although its borrowing costs are climbing as the highly-leveraged casino operator refinances its debt at higher rates. Some analysts think the potential of the world's second-largest casino operator has been underestimated. The number of visitors to Las Vegas fell 1.3 percent year-over-year in July, compared with a drop of 6 percent for the first seven months of the year. "MGM has the most opportunity leverage to a recovery here," said Bill Lerner, a principal at Las Vegas-based Union Gaming. He said Wall Street's average forecast of \$1.6 billion for MGM's 2011 earnings before interest, taxes, depreciation and amortization could be an underestimate of 20 percent to 30 percent. Others spot a buying opportunity as investor sentiment toward gambling stocks becomes more positive. The specter of default, and potential bankruptcy, pushed MGM shares below \$2 in March, but the company has been able to restructure some debt. Shares traded near \$12.30 on Friday -- a steep drop from \$31.00 a year ago. MGM, with nine Strip resorts, is heavily dependent on the health of Las Vegas, but it does possess "one hidden jewel