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Panel says gaming industry consolidation could benefit private investors

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Corporate consolidation and diversifying gaming opportunities will continue to create new avenues for private investors to buy into the casino industry, a panel of experts said Wednesday at Global Gaming Expo.

Likewise, such developments could drive money toward startups and other smaller gaming ventures that have previously struggled to raise capital in today's Wall Street-heavy investment environment, panelists added.

Multibillion-dollar mergers such as MGM Mirage's acquisition of Mandalay Resort Group and Harrah's Entertainment's takeover of Caesars Entertainment create scenarios that can benefit smaller, more-flexible operators and those that wish to finance them, said Matt Sodl, managing director of El Segundo, Calif.-based Innovation Capital, an investment bank. Advertisement

Properties that don't fit a new corporate profile can often be purchased at great value by private interests, Sodl said. In addition, management teams displaced by buyouts offer investors a ready-made executive team that can quickly turn private money into new cash-generating opportunities.

Valerie Red-Horse, whose Tarzana, Calif.-based Red-Horse Financial Group specializes in securing funds for tribal gaming operators, said the growing number of tribal gaming ventures has opened other doors for new casino investors.

While tribal ownership requirements prevent Indian casinos from buyouts akin to the Caesars or Mandalay deals, private groups can still offer debt to tribal operators in exchange for management fees or other considerations.

Large tribal gaming operators such as the Mashantucket Pequot Tribal Nation, owner of Connecticut's Foxwoods Resort, and its neighboring Mohegan Tribe are also joining the trend, she added, by investing in other tribal and nontribal gaming ventures.

"(Large tribes) are realizing to have one facility is not the way to go," Red-Horse said.

Sodl listed several companies with Las Vegas ties among the private sector's biggest gaming players.

For example, Fort Mitchell, Ky.-based Columbia Sussex Corp., which bought the shuttered Maxim in September 2002 and reopened the off-Strip resort 14 months later as The Westin, has become "perhaps the most-aggressive acquirer of middle market gaming assets in the country," he said.

Los Angeles-based Colony Capital, whose Resorts International division owns the Las Vegas Hilton, among other hotel-casinos, and Golden Gaming, which operates the local chain of PT's taverns, a lucrative Las Vegas-area slot route as well as three casinos in Black Hawk, Colo., are also heavily in the private investment mix, Sodl added.

Both Sodl and Red-Horse admitted public companies maintain several advantages over private interests, most notably their access to capital at reduced interest rates.

But Sodl said private companies can thrive by operating under the radar and "going into crevices to find opportunities that wouldn't be there if you're publicly traded."

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