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Buyout firms bet big on Harrah's From Staff and wire reports

LAS VEGAS - Harrah's Entertainment has received a \$15.05 billion takeover offer from two private-equity firms in what would be the biggest deal ever for a casino operator and the fifth-largest leveraged buyout in history.

Analysts Monday said it's too early to tell what effect the deal would have on Harrah's New Orleans holdings.

The takeover offer comes from Apollo Management and Texas Pacific Group, which are offering \$81 a share in cash: a 22 percent premium to Harrah's closing stock price Friday on the New York Stock Exchange.

Harrah's said it has not committed to the deal, but it established a special committee of independent directors to review the offer and retained UBS Securities LLC as an adviser.

"The special committee has not determined that a transaction is in the best interest of Harrah's and its stockholders," Harrah's said. "There is no assurance that Harrah's will enter into this or any other transaction."

The Las Vegas company did not immediately respond to calls for comment.

Harrah's operates about 40 casinos nationwide, including Caesars Palace in Las Vegas. It beefed up its portfolio with last year's purchase of Caesars Entertainment Inc., giving it an upscale offering on the Las Vegas Strip.

In addition to its casino and hotel in downtown New Orleans, Harrah's operates the Louisiana Downs race-track casino and the Horseshoe Casino riverboat, both of which are in Bossier City.

Roger Gros, editor and co-publisher of Global Gaming Business magazine, said the buyout firms are probably interested in Harrah's because it has an enviable assembly of properties linked through the company's customer loyalty programs. Because that is what makes Harrah's unique, new owners probably wouldn't want to get rid of properties, Gros said.

"I think nothing would happen to Harrah's New Orleans," Gros said. "This is just going to be a

change in ownership."

However, the opposite view is held by Matt Sodl, managing director of Innovation Capital LLC, a casino-industry investment bank in Los Angeles that is related to Innovation Group, a New Orleans casino consulting firm.

That the buyout firms have offered such a premium on Harrah's current valuation suggests that they think they can deliver more value than Harrah's current management is doing. One way to do that, Sodl said, is to pare down the portfolio of properties to those that deliver the best returns or have the potential to do so.

But Sodl doesn't think Harrah's New Orleans would find itself on a list to be sold off, and last month's opening of the hotel and entertainment mall on Fulton Street only make Harrah's New Orleans more valuable.

"My guess is that Harrah's New Orleans is a core asset," Sodl said.

Apollo Management of New York did not immediately respond to a request for comment. A Texas Pacific Group spokesman said the firm, with more than \$20 billion in capital under management, had no comment.

If the deal is consummated, it would be the fifth-largest leveraged buyout ever, excluding assumed debt, according to numbers from Thomson Financial. The largest ever was RJR Nabisco Inc.'s \$25 billion acquisition by Kohlberg Kravis Roberts & Co. in 1998.

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