

MGM Mirage shares surge as Kerkorian considers options

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NEW YORK: Shares of MGM Mirage, the casino company, on Tuesday posted their biggest rise ever after the billionaire investor Kirk Kerkorian said that he would consider alternatives for his majority stake in the company and that he planned to start talks to buy two of its properties.

Tracinda, Kerkorian's holding company, said late Monday that it intended to negotiate the purchase from MGM of two Las Vegas properties, the Bellagio Hotel & Casino and the CityCenter complex, which is under construction. Tracinda also is studying options including a financial restructuring for the rest of the company.

Kerkorian, 89, has bought and sold the Metro-Goldwyn-Mayer movie studio three times since 1970. He founded the MGM Grand casino company in the 1980s and acquired Mirage Resorts in 2000 for \$6.4 billion.

"Everything is on the table," Steven Kent, an analyst at Goldman Sachs said in a research note. "The Tracinda filing effectively leaves the door open for any number of transactions."

Shares in MGM Mirage soared \$16.82, or 26.7 percent, to \$79.77 in afternoon trading Tuesday in New York after trading as high as \$82.25. Investors speculated that Kerkorian's moves signaled the company might be taken over. Other options include splitting the company up or turning it into a real estate investment trust, Kent said.

Matt Sodl, an investment banker with Innovation Capital in Los Angeles, said, "This will put them in play."

The company said its board would consider Kerkorian's announcement after the MGM annual shareholders' meeting Tuesday.

Tracinda, in bidding for the Bellagio, is pursuing the "jewel in MGM's portfolio," Robin Farley, an analyst at UBS Securities in New York, said Monday.

Kerkorian tried in November to buy as many as 15 million additional MGM shares, or a 5.3 percent stake, for \$55 each. He eventually bought less than 1 percent as prices soared. His 56 percent stake in MGM Mirage is now valued at \$12.7 billion.

Buyout firms may be attracted to MGM's real estate and cash flow, analysts said. Last year, Apollo Management and TPG agreed to purchase Harrah's Entertainment for \$17.1 billion. Las Vegas real estate prices are soaring, with one property, the New Frontier hotel-casino, selling for almost \$35 million an acre, or \$14.2 million a hectare, last week.

Net income for MGM Mirage in 2006 increased 46 percent to \$648 million, led by a 17 percent jump in revenue. Its 66-acre CityCenter will include hotels and condominiums, at a cost of \$7.4 billion.

Casinos in Las Vegas reported a record \$6.69 billion in gambling revenue in 2006, an 11 percent increase from a year earlier, according to the Nevada Gaming Control Board.

