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Bargain Bin?

By [Roger Gros](#) *Tue, Oct 05, 2010*



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Every time I talk to a casino executive, I hear the same thing. Times are tough. It's difficult to even hold your head above the water. No improvement in sight.

So I begin to wonder what exactly is going to happen in the short term. In the last couple of months, we've seen some sales of casinos across the U.S. While you're not necessarily seeing "fire sale" prices, there are some definite bargains to be considered.

Take, for example, Resorts Atlantic City. Veteran casino executive Dennis Gomes has joined with a new industry investor, Morris Bailey, to take over the venerable Boardwalk property that has struggled mightily over the past several years. With a price tag of \$35 million, Resorts definitely falls into the "bargain" category. Even though Resorts debuted a 400-plus-room tower in 2005—rooms designed with market-leader Borgata in mind—the casino struggled to even maintain revenue levels achieved before the tower opened.

Even with the depressed revenue and struggles surrounding Atlantic City, Resorts hit gross gaming revenues of nearly \$200 million in 2009, a bad year for the city. Operational expenses are high, but if Gomes and Bailey can cut costs and raise revenues by even a little, Resorts can be a winner. Never count Gomes out. He is one savvy operator.

In Mississippi, Harlow's casino was sold last month to Churchill Downs, the racing company's first pure casino play. Longtime Mississippi gaming operators Jeff Dahl and Joe Billhimer have been managing the property over the past two years, and even with gross gaming revenues of just over \$50 million in the last fiscal year, Churchill Downs apparently saw the value in the \$138 million purchase.

Whether this constitutes a "bargain" is debatable, but it's really a further indication that employing a good management team can increase the value of a property.

Then Jumer's Casino Hotel in Rock Island, Illinois, was sold by the Jumer's family to Delaware North for \$180 million. Since a new casino and resort was opened two years ago, replacing the Casino Rock Island riverboat, Jumer's has doubled its market share in the Quad Cities market—which includes Bettendorf and Davenport, Iowa, and Moline, Illinois—in the face of a distressed economy. Jumer's did approximately \$70 million in gross gaming revenues in 2009. The sale, conducted by Innovation Capital Management, has refocused attention on the Quad Cities market. Davenport is bidding out its casino license currently owned by Isle of Capri and its Rhythm City Casino, so this sale should boost the value of that license. Again, this sale demonstrates the value of a solid operation.

The fluid situation in the Cincinnati area drops us back into "bargain" territory. With Penn National Gaming's Hollywood Casino in Lawrenceburg, Indiana, and one of the four Ohio casinos slated for downtown Cincinnati, the value of the Grand Victoria riverboat in Rising Sun, Indiana, was called into question. And one of the best—and most cautious—operators in the business responded. Full House Resorts paid \$43 million, with \$20 million down and the rest to be financed through Wells Fargo Securities. The property has 1,400 slot machines, 37 gaming tables, a 201-room hotel, a restaurant, spa, a theater, a golf course and other amenities on 300 acres. Hyatt Gaming, a subsidiary of Hyatt Hotels, is the current owner of the property. The Grand Vic did about \$100 million in revenues in the last year.

At that price and with that revenue, Full House should be able to get full value from the property despite the stiff competition, which also includes Pinnacle Entertainment's Belterra. The first order of business for Full House is to reverse the recent market-share loss to the recently renovated Hollywood Casino, which takes in about three times the gross gaming revenue that the Grand Victoria does.

So what does all this say about the valuation of casino properties, which has been in flux since the economic crash in 2008?

It's hard to say because the prices—and the revenues—are wildly disparate. But it's clear that owners of casino resorts are ready to consider offers. There are some properties that are considered "distressed" where bargains can be had, but there are also some solid, well-run operations that offer new owners a reasonable return for a reasonable investment.

The expected avalanche of sales never materialized, so analysts are left to examine those different transactions to glean whatever they can. In my view, this is a positive. New investors are getting into the industry and existing companies are seeing value in stand-alone properties. Now, we'll wait for the other shoe to drop: Will the major casino companies begin to shed assets or will it continue to be the "one-of" properties? You're guess is as good as mine.

By Roger Gros



Roger Gros is publisher of *Casino Connection International, LLC*. *Global Gaming Business* magazine, *Casino Connection Atlantic City* and *Casino Connection Nevada* are among the monthly publications Gros publishes. Prior to joining *CCI*, Gros was president of *Inlet Communications*, an independent consulting firm. He was vice president of *Casino Journal Publishing Group* from 1984-2000, and held virtually every editorial title during his tenure. Gros was editor of *Casino Journal*, the *National Gaming Summary* and the *Atlantic City Insider*, and was the founding editor of *Casino Player* magazine. He was a co-founder of the American Gaming Summit and the Southern Gaming Summit conferences and trade shows. He is the author of the best-selling book, *How to Win at Casino Gambling* (Carlton Books, 1995), now in its third edition. Gros was named

“Businessman of the Year” for 1998 by the Greater Atlantic City Chamber of Commerce.

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