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Sent: Wed 9/30/2009 11:12:03 PM

BUY OR SELL-Is Vegas recovery reality or mirage for MGM?

25 September 2009 18:46 GMT Reuters News English (c) 2009 Reuters Limited *

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