

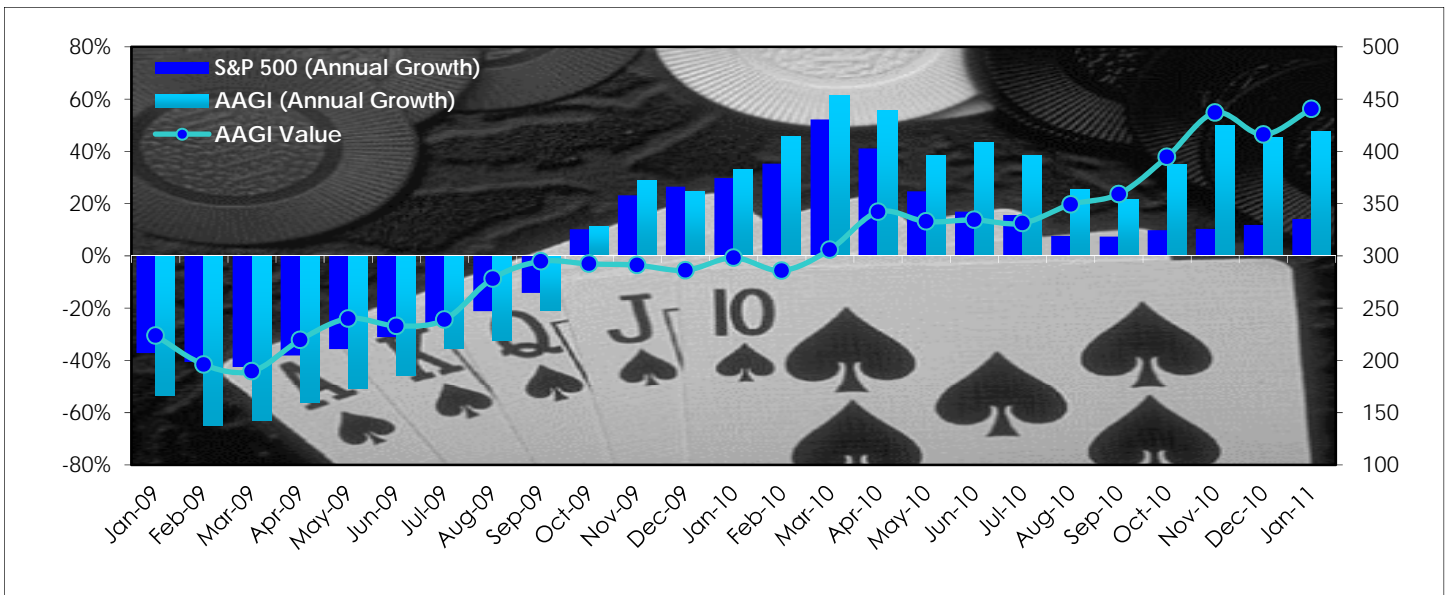
AAGI	Stock Price - Daily Average			Prior Period	Prior Year	Contribution to Index
	Jan-11	Dec-10	Jan-10	% Change	% Change	
MGM Resorts International (MGM)	\$15.60	\$13.84	\$11.46	12.69 ▲	36.18 ▲	1.75
Las Vegas Sands (LVS)	\$47.14	\$46.30	\$17.44	1.83 ▲	170.26 ▲	(2.17)
Wynn Resorts, Ltd. (WYNN)	\$116.23	\$102.80	\$66.55	13.06 ▲	74.66 ▲	25.75
Boyd Gaming (BYD)	\$11.50	\$9.86	\$8.44	16.65 ▲	36.25 ▲	0.23
Penn National Gaming, Inc. (PENN)	\$35.28	\$34.92	\$28.65	1.05 ▲	23.14 ▲	(0.27)
Pinnacle Entertainment, Inc. (PNK)	\$14.47	\$13.88	\$8.73	4.23 ▲	65.75 ▲	0.03
Ameristar Casinos, Inc. (ASCA)	\$15.49	\$16.83	\$15.08	(7.98) ▼	2.73 ▲	(0.30)
International Game Technology (IGT)	\$18.25	\$16.92	\$19.67	7.87 ▲	(7.23) ▼	0.82
WMS Industries (WMS)	\$45.29	\$45.98	\$41.87	(1.50) ▼	8.18 ▲	(0.89)
Bally Technologies, Inc. (BYI)	\$42.19	\$42.21	\$43.84	(0.04) ▼	(3.76) ▼	(0.46)
Increase (Decrease) to Index						24.50
AAGI - December 2010						416.00
AAGI - January 2011						440.50

The first month of 2011 produced positive results overall within the gaming sector. The Applied Analysis Gaming Index (AAGI), a composite score of 10 gaming operators and gaming equipment manufacturers, pressed north as aggregate valuations increased from the final month of 2010, reaching a value of 440.50 (+5.9 percent). Compared to the same month of the prior year the AAGI remains up 47.7 percent. In contrast to a modest decline in December, the gaming sector outperformed the broader market during January 2011. The S&P 500 reported an increase of 3.3 percent during the past month and a healthy, yet more modest, 14.2 percent increase on a year-over-year basis. Gaming operators appear to be in greater demand as compared to equipment makers. The seven gaming operators included in the index generated a combined 6.0-percent (25.03 point) gain, which was marginally offset by a 0.1 percent (0.53 point) decline reported by the three gaming equipment manufacturers.

With limited data points released in the first month of 2011, there were a few items of note. MGM Resorts International (MGM) announced the completion of \$2 billion in financing transactions at CityCenter Holdings, LLC. The transactions included the issuance of \$900 million notes (7.625 percent senior secured first lien due 2016) and \$600 million notes (10.75 percent senior secured second lien due 2017). MGM and its partner Infinity World Development Corp. also kicked in \$77 million in total equity. Funding is expected to reduce outstanding debt on the company's credit facilities, start an escrow reserve fund and pay transaction fees. Maturities were also pushed out on other existing joint venture debt. The transactions also provide additional breathing room and flexibility as the market absorbs the various components of the CityCenter development.

From the manufacturer segment, International Game Technology (IGT) posted earnings for its first fiscal quarter of the year (fourth calendar quarter). The results included a 10-percent decline in total revenue, reaching \$465 million. The decline in revenue was primarily sourced to fewer international openings and expansions compared to the prior year. Margins improved slightly as the company-wide gross margin was up 200 basis points to 59 percent and the game operations gross margin improved 100 basis points to 63 percent. In a separate release later in the month, IGT announced its casino management system was selected for the upcoming opening of the Gun Lake Casino in Michigan, which is being managed by Stations Casinos, Inc.

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WMS Industries (WMS) also reported quarterly results, which included revenue of \$199.9 million, a 6-percent increase sourced to a rise in product sales. The company shipped 6,310 units during the quarter with an 8-percent increase in average selling price to \$16,620 per unit. The gross margin on product sales edged up 170 basis points (sequentially) to 50.4 percent. Total gaming operations revenues dipped 4.1 percent to \$72.7 million. WMS upped its third quarter (fiscal year) revenue guidance by 6 to 9 percent and reiterated its fiscal 2011 annual revenue guidance of \$830 to \$850 million.

The coming month is expected to provide additional insight into the sector's performance as quarterly earnings reports for operators will start to roll out during the first week of February. Release dates already on the calendar include: Bally Technologies (BYI) on February 2nd; Penn National Gaming (PENN) on February 3rd; Las Vegas Sands (LVS) on February 3rd; Ameristar Casinos (ASCA) on February 9th; and MGM Resorts International (MGM) on February 14th. Companies that have yet to announce their release dates include Wynn Resorts, Ltd. (WYNN), Boyd Gaming (BYD) and Pinnacle Entertainment (PNK). Selected economic indicators reported during the month included the following:

- Nevada Gaming Revenues** - After three months of year-over-year increases, Clark County gross gaming revenues declined by 4.7 percent in November. According to the latest report released by the Nevada Gaming Control Board, Las Vegas Strip properties demonstrated similar results with revenues falling 4.1 percent. Within the corridor, total revenue was \$454.3 million, accounting for 63.5 percent of County gaming revenues. Declines were reported across the other major jurisdictions, with the exception of gambling establishments within North Las Vegas, which posted an aggregate increase in revenues of 3.5 percent when compared to the same month of the prior year. Despite declining slot coin-in, Clark County slot win during the month increased by 4.9 percent due to a higher hold percentage. Revenue sourced to games and tables was down 19.4 percent with drop volumes declining 6.8 percent throughout the county, suggesting player luck fared slightly better in November than compared to November 2009.
- Las Vegas Visitation** - According to the latest data released by the Las Vegas Convention and Visitors Authority (LVCVA), visitor volume showed modest improvement for the ninth consecutive month. In November, Las Vegas greeted 2.9 million visitors, an increase of 1.0 percent compared to the same month last year. While an increase is welcoming news, it is the lowest reported increase over the last six months and much less than the 5.7-percent increase witnessed in October. The drop was partially a result of lower demand for conventions as convention attendance reached 372,000, a 14.9-percent decrease over the same period of the prior year. Nevertheless, for the first 11 months of the year, visitor volume is up 2.6 percent while convention attendance is down 0.8 percent, when compared to the same period in 2009. In conjunction with increases in visitor volume, the citywide average daily room rate has moved up, reporting a 2.3-percent increase over the previous year, to an average rate of \$94.73 per night. With nine months of consecutive increases, anecdotal reports indicate casino-resorts are starting to pull back discounts implemented during the latest recession. Nevertheless, room rates are still well off the peak of \$142.47 per night reached in September 2007.
- National Consumer Confidence** - Following a slight downturn in December, the Conference Board's Consumer Confidence Index rose to 60.6 in January. The index remained volatile in the latter half of 2010, hovering around the 50-point mark, making the latest period the highest since May of 2010. It is also important to note that this is only the second time in more than two years that the index has broken the 60-point barrier. The Conference Board noted that consumers "have begun the year in better spirits", a hopeful sign that business conditions will improve in the coming months. The Present Situation Index increased from 24.9 in the prior month to 31.0, which is much higher than seen in recent months, and now stands at a level not seen in more than two years. The Expectations Index also improved from 72.3 to 80.3, another positive sign that consumer are optimistic about the economy over the next six months. With the consumer confidence index considered to be a leading indicator on the outlook of the economy, its rise is a welcome sign that the overall environment will continue to improve in 2011.

What is the AAGI?

The Applied Analysis team updates over 300 market variables and economic indicators on a monthly basis. One set of those indicators is the stock prices and market capitalization for publicly traded, gaming-related enterprises. To meet the needs of our clients and provide some insight into the gaming sector of our local economy, our team has developed the Applied Analysis Gaming Index (AAGI). The AAGI is a monthly gauge on equity valuations of ten major gaming related companies, comprised of seven operators and three manufacturers of machines and equipment.

Who is Applied Analysis?

Applied Analysis is a Nevada-based advisory services firm founded in 1997. We are an information and analysis resource for both the public and private sectors. Our team has extensive experience in economics, information technology and finance. We apply this knowledge in an effort to develop creative solutions to our client's challenges.

Our team has performed analyses in Nevada, California, Mississippi, Colorado and Illinois. We have serviced a broad spectrum of business clients, from gaming operators to healthcare providers. Our public sector practice has analyzed the fiscal and economic impact of developments from five to 23,000 acres, and handled policy issues spanning business tax initiatives to the cost of air quality programs.

Our vision and goals have been the same since our inception. We strive to provide superior advisory services through a better understanding of our clients and their issues. We obtain this superior understanding through listening closely to our clients' needs and designing solutions that take into account their unique nature, circumstances and requirements.

To put it simply, we are a solutions resource. Our future is branded by the success of our clients and the quality of our professionals. Our commitment lies therein.

Contact Us

10100 W. Charleston Blvd.; Suite 200
Las Vegas, Nevada 89135
T: (702) 967-3333 / F: (702) 314-1439
E: info@appliedanalysis.com
W: www.appliedanalysis.com

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