



AAGI		Stock Price - Daily Average			Prior Period % Change	Prior Year % Change	Contribution to Index
		Jul-12	Jun-12	Jul-11			
Operators	Ameristar Casinos, Inc. (ASCA)	\$17.37	\$18.29	\$23.14	(5.07) ▼	(24.96) ▼	(0.02)
	Boyd Gaming (BYD)	\$6.61	\$7.20	\$9.06	(8.24) ▼	(27.06) ▼	(0.04)
	Caesars Entertainment (CZR)	\$9.35	\$11.83	N/A	(20.94) ▼	N/A	(0.52)
	Las Vegas Sands (LVS)	\$39.93	\$44.61	\$45.30	(10.48) ▼	(11.85) ▼	(19.64)
	MGM Resorts International (MGM)	\$10.03	\$10.93	\$14.93	(8.22) ▼	(32.81) ▼	(0.46)
	Penn National Gaming, Inc. (PENN)	\$41.92	\$43.94	\$41.58	(4.60) ▼	0.82 ▲	(0.18)
	Pinnacle Entertainment, Inc. (PNK)	\$9.50	\$9.56	\$14.86	(0.71) ▼	(36.09) ▼	0.04
	Wynn Resorts, Ltd. (WYNN)	\$97.33	\$101.71	\$158.87	(4.30) ▼	(38.74) ▼	(0.67)
Manufacturers	Bally Technologies, Inc. (BYI)	\$45.85	\$46.03	\$40.79	(0.40) ▼	12.41 ▲	0.63
	International Game Technology (IGT)	\$14.52	\$14.47	\$18.18	0.36 ▲	(20.11) ▼	0.52
	Shuffle Master, Inc. (SHFL)	\$14.97	\$13.71	\$9.43	9.18 ▲	58.74 ▲	0.28
	WMS Industries (WMS)	\$19.59	\$19.83	\$28.49	(1.20) ▼	(31.24) ▼	0.12
Composite	Increase (Decrease) to Index						(19.94)
	AAGI - June 2012						403.74
	AAGI - July 2012						383.80

During the month of July 2012, gaming sector stock performances were less than positive. All eight gaming operators comprising that segment of the Applied Analysis Gaming Index (AAGI) posted month-to-month declines in their valuation. Lackluster second quarter earnings reports released late in the month and continued economic concerns have investors backing away from the gaming sector. An economic slowdown in key Asian markets remains concerning for investors in both casino and equipment manufacturing companies. Volatility in the high-end gaming market in Las Vegas also produced somewhat unexpected results, which has put a spotlight on the sector.

The AAGI reached a composite score of 383.80 points by month-end (-4.9 percent), which included the mixed results of gaming equipment manufacturers as two edged north and two retreated. With three consecutive months of overall declines, the index contracted to levels last reported nearly two years ago. On a year-over-year basis, the AAGI shed 27.7 percent of its valuation. Conversely, the broader markets edged up; the S&P 500 (when computed on a similar basis) was up 2.7 percent from June 2012 and up 2.6 percent from July 2011.

Selected earnings reports released during the month include the following:

- » **Wynn Resorts, Ltd. (WYNN)** – Net revenues for Wynn Resorts declined 8.3 percent to \$1.2 billion, attributable to a decrease in revenues in both Macau and Las Vegas. Adjusted EBITDA was \$384.1 million during the second quarter, down 14.1 percent compared to the same quarter in 2011. In Las Vegas, net revenues declined 11.6 percent to \$345.6 million, while adjusted EBITDA fell 38.3 percent to \$81.9 million. Casino revenues declined a dramatic 37.7 percent during the quarter to \$98.6 million, with the company citing significantly lower than expected hold (15.0 percent on table games compared to 27.6 percent in the 2011 quarter). Meanwhile, non-gaming revenue increased 5.5 percent during the quarter to \$290.7 million. Food and beverage revenues increased 9.8 percent to \$138.4 million, due primarily to strong performances in the company's nightclub segment. Room revenue increased 5.6 percent to \$96.2 million, attributable to a 3.8-percent increase in revenue per available room (RevPAR) to \$222. Although occupancy declined 1.6 points to 87.6 percent, average daily room rate (ADR) increased 5.6 percent to \$254. Notably, all rooms were available for rent during the quarter; in the prior year quarter, 1.7 percent of rooms were out of rotation due to renovations.
- » **Boyd Gaming (BYD)** – Boyd Gaming reported net revenues of \$615.2 million for the second quarter of 2012, up 7.1 percent from the same period a year ago. Adjusted EBITDA declined 3.9 percent during the quarter to \$113.8 million. The company notes that the revenue growth was attributable to strong performances in the Midwest and South regions, while EBITDA declined due to weaker performance in Nevada. Net revenues in the Las Vegas Locals market declined 1.9 percent during the second quarter of 2012 to \$149.0 million, while adjusted EBITDA fell 10.5 percent to \$34.5 million. The company notes that the weaker performance during the quarter was attributable to lower hold in sports books throughout its properties, higher expenses associated with employee benefits and declines in casual gaming customers. The downtown market reported net revenues of \$55.9 million, down 1.1 percent compared to a year ago. Adjusted EBITDA fell 13.4 percent to \$8.1 million. The company reported that business volumes were impacted due to changes in marketing efforts targeting the downtown segment's core Hawaiian customers. However, the company believes the segment will recover in the third quarter from what it believes are temporary impacts resulting from these changes.
- » **Penn National Gaming (PENN)** – Penn National reported net revenues of \$712.6 million during the second quarter of 2012, up 3.6 percent over the same period last year. Adjusted EBITDA remained relatively flat at \$189.8 million. The company notes that this year's results benefitted from a full quarter's contribution from M Resort, which the company owned for just one month in last year's second quarter. Six of the sixteen properties operated by Penn National reported year-over-year revenue increases, while eight reported adjusted EBITDA growth. The East/West segment, which included the M Resort in Las Vegas, reported net revenues of \$348.7 million in the second quarter, up 9.4 percent over the same quarter in 2011. Adjusted EBITDA increased 8.6 percent to \$98.4 million.
- » **Pinnacle Entertainment (PNK)** – Net revenues for Pinnacle Entertainment increased 3.1 percent to \$298.3 million during the second quarter. Adjusted EBITDA increased 24.7 percent to \$73.2 million, attributable to record EBITDA increases at L'Auberge Lake Charles as well as a strong performance in St. Louis. The second quarter of 2012 represents the tenth consecutive quarter in which the company reported revenue, EBITDA and EBITDA margin growth. In Nevada, the company closed the disposition of Boomtown Reno for approximately \$12.9 million on June 26, 2012.
- » **Las Vegas Sands (LVS)** – During the second quarter of 2012, Las Vegas Sands reported net revenues of \$2.6 billion, up 10.1 percent over a year ago. However, adjusted EBITDA decreased 6.3 percent to \$844.7 million, while EBITDA margin fell 5.7 percentage points to 32.7 percent, due to lower hold in Macao, Singapore and Las Vegas. The second quarter of 2012 appears to have been a positive one for players, with almost all of the companies in the AAGI reporting results that were significantly impacted by lower than expected hold. In Las Vegas, net revenues declined 1.6 percent to \$327.3 million, while adjusted EBITDA fell 28.5 percent to \$64.4 million. Non-gaming segments, including food and beverage and convention, retail and other revenue reported increases of 3.8 percent and 4.3 percent, respectively, during the second quarter. Room revenues decreased by a modest 0.1-percent, due to a 0.6-percent decline in revenue per available room (RevPAR). Although average daily room rate (ADR) reported a 2.5-percent increase to \$205, the decline in RevPAR is attributable to a 2.6-point decline in occupancy rate to 86.2 percent. Currently, the company is renovating 1,000 rooms and remodeling the gaming floor at The Venetian and plans to offer new entertainment in the fall.
- » **International Game Technology (IGT)** – International Game Technology reported a 9-percent increase in net revenues to \$532.8 million during the latest quarter, primarily attributable to interactive businesses and North America machine sales. Gaming operations revenue increased 13 percent to \$301.2 million. However, excluding interactive businesses, gaming operations revenue remained flat year-over-year. Product sales revenue improved during the quarter, increasing 5 percent to \$231.6 million; the company noted North America product sales increased while international sales were down year-over-year. Despite the revenue increase, average machine sales price declined 11.0 percent to \$13,700 mainly due to an unfavorable pricing mix. Also notable, replacement sales in North America increased 43.5 percent to 5,600, while internationally, the company experienced lower sales in Europe and South America but increased shipments to Australia, Asia and Mexico.

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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 twelve major gaming related companies, comprised of eight operators and four 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.

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