



AAGI		Stock Price - Daily Average			Prior Period % Change	Prior Year % Change	Contribution to Index
		Aug-12	Jul-12	Aug-11			
Operators	Ameristar Casinos, Inc. (ASCA)	\$16.92	\$17.37	\$19.46	(2.56) ▼	(13.04) ▼	(0.04)
	Boyd Gaming (BYD)	\$6.01	\$6.61	\$6.25	(9.03) ▼	(3.85) ▼	(0.06)
	Caesars Entertainment (CZR)	\$8.01	\$9.35	N/A	(14.36) ▼	N/A	(0.28)
	Las Vegas Sands (LVS)	\$40.81	\$39.93	\$43.38	2.20 ▲	(5.92) ▼	6.65
	MGM Resorts International (MGM)	\$9.97	\$10.03	\$11.36	(0.60) ▼	(12.16) ▼	(0.03)
	Penn National Gaming, Inc. (PENN)	\$38.20	\$41.92	\$37.64	(8.88) ▼	1.49 ▲	(2.20)
	Pinnacle Entertainment, Inc. (PNK)	\$11.13	\$9.50	\$12.39	17.16 ▲	(10.19) ▼	0.21
	Wynn Resorts, Ltd. (WYNN)	\$102.12	\$97.33	\$142.31	4.92 ▲	(28.24) ▼	10.18
Manufacturers	Bally Technologies, Inc. (BYI)	\$43.94	\$45.85	\$32.48	(4.17) ▼	35.27 ▲	(0.68)
	International Game Technology (IGT)	\$11.67	\$14.52	\$15.41	(19.65) ▼	(24.30) ▼	(2.16)
	Shuffle Master, Inc. (SHFL)	\$14.41	\$14.97	\$8.26	(3.78) ▼	74.34 ▲	(0.08)
	WMS Industries (WMS)	\$16.19	\$19.59	\$22.13	(17.34) ▼	(26.84) ▼	(0.66)
Composite	Increase (Decrease) to Index						10.85
	AAGI - July 2012						383.80
	AAGI - August 2012						394.64

Gaming sector stocks generally continued to report sluggish performances during August 2012, barring a select few. Casino operators with substantial investments abroad, particularly Las Vegas Sands (LVS) and Wynn Resorts, Ltd. (WYNN), experienced modest gains during the latest month pressing the Applied Analysis Gaming Index (AAGI) into positive territory. With 6.7- and 10.2-point contributions to the index for Sands and Wynn, respectively, the AAGI increased in valuation from 383.8 in July to 394.6 in August (+2.8 percent). The mid-month rise for Macau-based operators was partially attributable to anecdotal reports of better-than-expected gaming performances in the region and analyst upgrades. Other market movements were sourced to second quarter earnings reports that were released early in the month, several of which included little to no growth in top-line revenues and deteriorating earnings. Additionally, all four manufacturers within the AAGI posted lower values during the month, offsetting gains from the operator component of the index. The gaming sector moved in a similar direction as the broader equities markets; the S&P 500 edged up 3.2 percent during August.

Selected earnings reports released during the month include the following:

- » **Caesars Entertainment (CZR)** - Total net revenues for Caesars Entertainment increased a modest 0.2 percent to \$2.2 billion, while property EBITDA declined 4.3 percent to \$518.3 million. The revenue increase was primarily attributable to increased revenues from the company's international properties and online operations, including Playtika, Ltd., which was acquired in May 2011.

In Las Vegas, net revenues reported a 0.7-percent decline to \$780.7 million. EBITDA declined 8.0 percent to \$214.4 million. The company notes that the region's results were negatively impacted by lower casino revenues as a result of a 3.3-percent decline in visitor spend per trip as well as inconveniences resulting from Linq construction activities. Hotel revenues in Las Vegas increased 4.4 percent due to a 2.3-percent increase in visitor trips and additional rooms resulting from the January 2012 opening of Octavius Tower. The company notes that Nobu Tower at Caesars Palace is on track to open by the end of the year. In addition, the foundation plinths for the High Roller observation wheel are complete, and recently, the company was granted the Amusement and Transportation System permit from Clark County, allowing all construction on the wheel to move forward.

- » **MGM Resorts International (MGM)** - MGM Resorts International reported net revenue of \$1.5 billion for its wholly owned domestic resorts, which represents essentially no change when compared to the same quarter in the prior year. Adjusted EBITDA increased 4 percent to \$345 million. In Las Vegas, net revenues increased slightly to \$1.2 billion (excluding CityCenter), while adjusted EBITDA witnessed a modest 0.5-percent decline to \$269.5 million.

Among properties, Circus Circus reported the greatest revenue and adjusted EBITDA increase of 7.3 percent and 15.5 percent, respectively, partially attributable to an 11.9-percent increase in RevPAR to \$47. ARIA at CityCenter achieved an occupancy rate of 92.7 percent and RevPAR of \$187, which are the highest levels for the property since it opened in December 2009. Major changes are coming to some of the company's Las Vegas properties. Recently, MGM Resorts announced a partnership with the Morgans Hotel Group, which will transform THEhotel at Mandalay Bay into the Delano Las Vegas. Room renovations will begin in mid-2013. Room renovations at MGM Grand and Bellagio continue with completions expected in 2013. In addition, construction of Hakkasan, a new dining and entertainment venue at MGM Grand is currently underway, and new Cirque du Soleil shows will be opening at ARIA and Mandalay Bay.

- » **Ameristar Casinos (ASCA)** - Ameristar Casinos reported net revenues of \$296.3 million during the second quarter of 2012, down 2.9 percent compared to the same quarter of the prior year. Adjusted EBITDA fell 4.3 percent year-over-year to \$90.2 million. The company notes that its second quarter performance was affected by increased competition, construction disruption and a pull-back in consumer discretionary spending. Net revenues at the company's properties in Jackpot, Nevada declined 10.2 percent to \$14.2 million, while adjusted EBITDA fell 25.8 percent to \$4.0 million. The latest quarter's weaker performance in the region was primarily attributable to road repaving on Highway 93 between Twin Falls, Idaho and Jackpot as well as a hotel renovation that was not completed until July 2012.
- » **Bally Technologies (BYI)** - Bally Technologies reported record net revenues of \$245.8 million during its fiscal fourth quarter of 2012, up 15 percent when compared to the same period of the prior year. Adjusted EBITDA reached a record \$81.8 million, which is a 22-percent increase compared to the prior year period. Gaming equipment revenues reported a 33-percent increase to \$96.8 million, attributable to higher unit sales from replacements and new casino openings. Also notable, the average selling price of gaming devices increased 3 percent to \$17,182 per unit. Gaming operations revenues also reported a year-over-year increase, rising 14 percent to a record \$93.7 million. The company notes that the operation segment's latest performance is primarily attributable to a 72-percent increase in the installed base of WAP games. Other notable results for the fiscal fourth quarter of 2012 include a 15-percent increase in maintenance revenues and a 6-percent decline in systems revenues.
- » **WMS Industries (WMS)** - WMS reported net revenues of \$195.9 million during the company's fiscal fourth quarter of 2012, down 3.6 percent compared to the same period a year ago. Despite the year-over-year decline, the period represents the third consecutive quarter of sequential revenue growth for the company. Product sales revenues increased 1.9 percent year-over-year to \$133.1 million. However, the number of new units on which revenue was recognized and the average selling price per new unit declined 5.6 percent and 5.7 percent, respectively. Gaming operations revenues declined a dramatic 13.5 percent to \$62.8 million, partially attributable to a 3.1-percent decline in total installed participation units. Also notable, during the fourth quarter of 2012, WMS entered into an agreement to launch My Poker video poker games by the end of the year at Station Casinos' properties in Las Vegas.

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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