

Tom Graves, CFA
Casino &
Hotel Analyst

Contacts:

Inquiries &
Client Support
800.523.4534
clientsupport@
standardandpoors.com

Sales
800.221.5277
roger_walsh@
standardandpoors.com

Media
Michael Privitera
212.438.6679
michael_privitera@
standardandpoors.com

Replacement copies
800.852.1641

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Editor: Eileen M. Bossong-Martines
Production: GraphMedia
Statistician: Sally Kathryn Nuttall
Production Coordinator: Paulette Dixon

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CURRENT ENVIRONMENT

Room for future growth

A rebound in business travel and continued strength in leisure-related spending are helping the lodging industry enjoy increases in both occupancy levels and room rates. In the gaming industry, consumer spending is being fueled by stronger economic conditions and the addition of new casinos.

Standard & Poor's expects these positive factors to generally continue in 2005, bolstering revenue levels and profitability for both industries. Over the longer term, US demographic trends should prove generally favorable for the domestic lodging and gaming industries. Baby boomers, now in their peak earning years, are likely to want elaborate or expensive vacations. Also, many Americans can be counted on to want to travel when they retire.

Hotel industry still recovering from downturn

We believe the current lodging industry cycle hit bottom around mid-2003 and has been bouncing back since then.

Based largely on data for the first 11 months of 2004 from Smith Travel Research (STR), a provider of lodging industry information and analysis, Standard & Poor's esti-

mates that US hotel room occupancy averaged about 61.3% in 2004, compared with the 59.2% reported by STR for 2003. The average room rate rose an estimated 3.9% in 2004, leading to a projected 7.6% rise in revenue per available room (RevPAR). We also estimate that the number of rooms sold in 2004 was up 4.6%, and the number of rooms available rose 1.0%. Standard & Poor's further estimates that, on average, about 2.8 million hotel rooms were sold per night in the United States, up moderately from 2003.

Standard & Poor's estimates that, for 2004, lodging industry pretax profit totaled \$15.5 billion, up about 21% from the \$12.8 billion that STR estimated for 2003. We note, however, that this 2004 figure still would be considerably below the recent peak of \$22.5 billion that STR estimated for 2000.

Lodging industry performance in 2004 was especially strong at luxury and urban hotels, categories that are likely to have benefited particularly from spending by higher-end consumers, business travelers, and international visitors. STR reports that, in the first 11 months of 2004, the numbers of rooms sold at luxury and urban hotels were up 6.6% and 6.4%, respectively, compared

LODGING FUNDAMENTALS

(Selected performance measures)

YEAR	ROOM DEMAND		OCCUPANCY RATE (%)	AVERAGE DAILY ROOM RATE		REVENUE PER AVAILABLE ROOM		INDUSTRY REVENUE (BIL. \$)	GROSS OPERATING PROFIT AS % OF REVENUES	PRETAX INCOME (BIL. \$)
	SUPPLY	% CHANGE		(\$)	% CHANGE	(\$)	% CHANGE			
E2004	1.0	4.6	61.2	86.24	3.8	52.87	7.5	114.4	38.0	14.5
2003	1.2	1.7	59.2	83.12	0.1	49.18	0.6	105.3	35.0	12.8
2002	1.6	0.3	58.9	83.01	(1.4)	48.91	(4.0)	102.6	35.7	14.2
2001	2.4	(3.4)	60.0	84.92	(1.3)	50.96	(5.9)	103.5	37.1	16.2
2000	3.1	3.7	63.5	85.24	4.9	54.15	5.5	112.1	39.1	22.5
1999	4.1	3.0	63.2	81.29	4.0	51.33	2.9	102.9	39.2	22.1
1998	4.2	3.1	63.8	78.17	4.6	49.86	3.6	93.1	40.2	20.9
1997	3.6	2.8	64.4	74.71	5.9	48.13	5.1	85.6	40.3	17.0
1996	2.4	2.3	64.9	70.53	6.5	45.81	6.3	77.4	38.2	12.5
1995	1.5	2.1	65.1	66.22	4.8	43.10	5.4	70.4	37.0	8.5

E-Estimated. Note: Some historic numbers may not reflect subsequent updates.
Source: Smith Travel Research.

with a 4.7% rise for the overall lodging industry. But Standard & Poor's believes the lodging industry recovery has been limited by consumer price-shopping on the Internet, and by cost pressures from employee health-care benefits and property taxes. After increasing for more than a decade to \$85.37 in 2000, the industry's average daily room rate declined in both 2001 and 2002, and rose only 11 cents in 2003, to \$83.12, based on STR data. The average room rate estimated for 2004 is still only about 1.2% above 2000's level.

Improvement expected in 2005

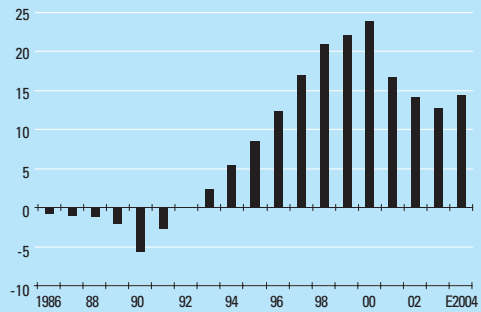
Assuming that concern about terrorism on US shores doesn't rise significantly, Standard & Poor's expects that 2005 will be a year of good revenue growth for the lodging industry. We look for growing business travel demand — which we believe began in the latter part of 2003 — to continue.

Furthermore, we expect the lodging industry's revenues in 2005 to be driven more by room rate increases than by occupancy gains, which should be favorable for profit growth. This is because we don't expect as much incremental cost to be associated with room rate increases as we do with higher occupancy (e.g., housekeeping services).

In 2005, Standard & Poor's looks for RevPAR to increase 6.6%, including an average room occupancy level of 62.8% and an average room rate of \$89.99 (up about 4.2%).

LODGING INDUSTRY PRETAX PROFITS

(In billions of dollars)



E-Estimated.

Sources: PricewaterhouseCoopers LLP; Smith Travel Research.

Higher spending on lodging construction seen

For 2004, we estimate that the dollar value of new lodging industry construction put in place by the private sector totaled about \$11.8 billion, up from the \$9.9 billion reported by the US Department of Commerce for 2003, which was the lowest annual dollar value since 1995. Private spending on lodging construction peaked in 2000 at \$16.3 billion.

With industry conditions having improved in 2004, and prospects for 2005 looking good, we expect that lodging industry capital spending will rise in the year ahead. This includes money spent on property renovations, some of which may have been deferred during the recent industry downturn.

Gaming: Native American casinos to see largest gains

For the US gaming industry, Standard & Poor's estimates that casino winnings totaled \$45 billion in 2004, up 8% from the \$41.6 billion estimated for 2003. We look for the gaming industry to post moderate growth in 2005, with much of it again coming from Native American casinos. Standard & Poor's estimates that gaming revenues at Native American Class III (casino-style) facilities totaled about \$16.7 billion in calendar 2004, or 37% of the industry total. (This excludes an estimated \$2.2 billion at Class II Native American locations, which are limited in scope and typically emphasize bingo-related games.)

With budget deficits looming, we've seen various states raise taxes or fees for the gaming industry. Also, some states are allowing

LODGING INDUSTRY PROFILE

(First 11 months of year)

SEGMENT	OCCUPANCY (%)		ROOM RATE (\$)		% CHANGE 2003-04		
	2003	2004	2003	2004	ROOM REVENUE	ROOMS AVAILABLE	ROOMS SOLD
Industry, total	60.2	62.4	50.15	54.03	8.8	1.0	4.7
By price							
Luxury	67.2	69.9	92.71	99.36	9.9	2.5	6.6
Upscale	62.1	64.5	57.38	61.83	9.5	1.6	5.5
Midprice	58.2	60.5	39.86	42.95	8.6	0.8	4.7
Economy	55.4	57.2	29.38	31.18	5.8	(0.4)	2.8
Budget	56.6	58.0	24.59	25.91	5.0	(0.3)	2.1
By location							
Urban	64.0	66.7	72.17	79.32	12.1	2.0	6.4
Suburban	59.2	61.2	43.14	46.20	8.9	1.7	5.2
Airport	62.6	66.1	47.85	52.03	8.8	0.0	5.6
Highway	56.9	58.3	36.27	38.17	5.3	0.1	2.5
Resort	64.6	67.6	81.11	87.71	8.4	0.3	4.9

Source: Smith Travel Research's *Lodging Review*.

new or expanded gaming facilities in order to boost revenues from taxes or fees.

For example, in mid-2004, Pennsylvania Governor Edward G. Rendell signed legislation that would bring slot machines to 14 locations in the state, including seven race-tracks. We expect that this legalization of gaming in Pennsylvania will result in greater competition for casinos in Atlantic City, New Jersey, which are located quite close to eastern Pennsylvania.

Vegas and Atlantic City

Nevada remains the state with the largest gaming business, helped by a highly developed infrastructure, including more than 120,000 hotel rooms in the Las Vegas area. In 2004, we estimate that the state's casino winnings rose 10%, to \$10.6 billion, from the \$9.6 billion reported for 2003. We expect that about half of Nevada's 2004 casino winnings came from gaming facilities in the Las Vegas Strip area.

In the Las Vegas Strip area, at the highest volume casinos, table game revenue is a much larger part of the revenue mix than it is at Atlantic City's 12 casinos. In the 12 months ended November 2004, table games represented about 47% of the winnings at the 24 highest-volume Strip-area casinos, while, during the same period, table games provided only about 26% of the casino winnings in Atlantic City. We believe that the higher table game winnings in Las Vegas are due, in part, to the ability of casinos there to attract high-stakes players, including gamblers from overseas, while the Atlantic City market relies more on relatively low-stakes daytrippers, who are likely to put more of their money into slot machines.

In April 2005, we expect that Wynn Resorts Ltd. will open a large new gaming project — called Wynn Las Vegas — along the Las Vegas Strip, on the site of the former Desert Inn Resort & Casino. This project, which is expected to cost more than \$2 billion, will include about 2,700 guest rooms, a casino of about 111,000 square feet, 18 dining outlets, an 18-hole golf course, and a new water-based entertainment production. Wynn Resorts Chairman and Chief Executive Officer Stephen A. Wynn was previously chairman and chief executive officer of Mirage Resorts Inc., which developed such Las Vegas gaming projects as the Bellagio, the

Mirage, and Treasure Island at the Mirage. MGM Grand (now known as MGM Mirage) acquired Mirage Resorts in 2000.

Another large new casino/hotel in Las Vegas is planned by Las Vegas Sands Inc., which already owns and operates the Venetian Casino Resort and the Sands Expo and Convention Center in Las Vegas. In August 2004, Las Vegas Sands began construction of the Palazzo Casino Resort, which is expected to include an all-suites hotel tower with about 3,025 rooms, a gaming facility of about 105,000 square feet, an enclosed shopping, dining, and entertainment complex of about 400,000 square feet, plus meeting and conference space. The project is expected to open in the first quarter of 2007.

In November 2004, MGM Mirage announced a plan to create a multibillion dollar, multi-use development, known as Project CityCenter, on a 66-acre Las Vegas Strip site. The first phase of the project, for which a 2010 opening is anticipated, would include the development of 18 million square feet of space, including a 4,000-room casino/hotel, three 400-room boutique hotels, about 550,000 square feet of retail shops, dining and entertainment venues, and 1,650 units of luxury condominium, hotel/condominium, and private residence clubs. We expect some of the facilities would be built and operated by parties other than MGM Mirage. Assuming this project goes forward, we expect that it would be part of a long-term trend toward a diversification of the revenue base in Las Vegas, toward noncasino sources.

Both Las Vegas Sands and Wynn Resorts are also active in Macao, an island gaming market that is part of China. Macao, which was formerly a Portuguese territory, is located about 36 miles southwest of Hong Kong. We believe that Macao is already one of the world's largest gaming markets, with gaming revenue of about \$3.7 billion in 2003. According to Las Vegas Sands, Macao is the only location in China that allows casino gaming. There are about one billion people living within a three-hour flight of Macao.

In Macao, Las Vegas Sands owns and operates the Sands Macao, which opened in 2004. The company also plans to build the Macao Venetian Casino Resort, an all-suites hotel, casino, and convention center complex, which would have a Venetian-style

US CASINO INDUSTRY GAMING REVENUES

	NO. OF CASINO PROJECTS*	REVENUES (MIL. \$)				% CHANGE		
		2001	2002	2003	E2004	2001-02	2002-03	2003-04
Nevada/Atlantic City, total	†357	13,772	13,829	14,114	15,366	0.4	2.1	8.9
Nevada total	†345	9,469	9,447	9,625	10,559	(0.2)	1.9	9.7
Las Vegas Strip	41	4,704	4,654	4,760	5,166	(1.1)	2.3	8.5
Atlantic City	12	4,303	4,382	4,489	4,807	1.8	2.4	7.1
Western towns, total	159	735	786	768	789	7.0	(2.3)	2.7
Deadwood, SD	114	58	66	70	73	14.3	6.2	3.6
Colorado	45	677	720	698	716	6.4	(3.1)	2.6
Other land-based, total	1	250	275	282	1,508	10.1	2.5	434.8
New Orleans	3	1,007	1,125	1,130	320	11.7	0.5	(71.7)
Detroit	4	1,257	1,400	1,412	1,188	11.4	0.9	(15.9)
Riverboats, total	84	9,714	10,156	10,232	10,636	4.5	0.7	4.0
Iowa	10	615	656	694	727	6.7	5.8	4.7
Illinois	9	1,784	1,832	1,710	1,717	2.7	(6.6)	0.4
Mississippi	30	2,701	2,717	2,700	2,796	0.6	(0.6)	3.6
Louisiana	14	1,633	1,610	1,566	1,559	(1.4)	(2.7)	(0.4)
Missouri	11	1,138	1,279	1,332	1,473	12.4	4.1	10.6
Indiana	10	1,843	2,062	2,230	2,364	11.9	8.1	6.0
Native American casinos	230	11,400	13,290	15,055	16,700	16.6	13.3	10.9
TOTAL	834	36,877	39,461	41,581	44,999	7.0	5.4	8.2

*Some projects contain more than one casino. †Unrestricted facilities. E-Estimated.

Sources: Primarily state gaming regulatory organizations; *Casino Journal's National Gaming Summary*; Las Vegas Convention and Visitors Authority; Standard & Poor's estimates.

theme similar to that of the company's Venetian casino/hotel in Las Vegas.

Wynn Resorts is constructing Wynn Macau, a project that is expected to include about 600 hotel rooms and 100,000 square feet of gaming space. As of late 2004, the project budget was \$704 million. The facility is scheduled to open to the public in the third quarter of 2006.

The United Kingdom is another overseas market that has received attention from US gaming companies. In the United Kingdom, a liberalization of gaming laws may open the door for future development opportunities.

Borgata helps to drive growth

In Atlantic City, gaming revenues in 2004 totaled \$4.8 billion, up 6% from \$4.5 billion in 2003. We have seen growth being fueled by the mid-2003 opening of The Borgata, a large new casino/hotel owned by Boyd Gaming Corp. and MGM Mirage.

The Borgata was the first new casino/hotel to open in Atlantic City since 1990, when the Taj Mahal debuted. However, various expansions have been completed in Atlantic City during recent years, including room additions at the Tropicana and Resorts International casino/hotels in 2004.

According to data from the New Jersey Casino Control Commission, The Borgata had \$637 million of casino winnings in 2004, up from a partial year's \$267 million (in 2003), or a 2004 market share of 13%. We believe the presence of the Borgata, with its roughly 2,000 hotel rooms and various entertainment and dining facilities, has boosted the number of overnight visitors to Atlantic City and has helped to attract both younger visitors and gamblers interested in playing table games. In 2004, Borgata's casino accounted for a leading 19% of the table game winnings in Atlantic City.

In the second half of 2004, Boyd announced plans for two expansions of the Borgata. Phase I, which is expected to cost about \$200 million and be completed by the second quarter of 2006 will include 600 additional slot machines, 36 gaming tables, 56 poker tables, four additional restaurants, and two more nightclubs. Phase II will include a new hotel tower with about 800 guest rooms, suites, and condominiums, plus a new parking garage. It is scheduled for completion in mid-2007.

We expect that an approximately month-long labor strike (largely in October 2004) at seven of Atlantic City's 12 casino/hotels had

a relatively modest negative impact on that market's overall 2004 casino winnings.

Gaming boats stay afloat

For 2004, we estimate that "riverboat" gaming facilities in six states produced casino winnings of \$10.6 billion, up modestly from the \$10.2 billion we calculated for 2003. (Although water-based casinos are often described as riverboats, some are actually located on barges and/or are sited on lakes or bays.)

◆ **Mississippi.** The largest statewide total is expected to come once again from Mississippi. We project that the state's approximately 29 water-based casinos generated \$2.8 billion of winnings in 2004, up moderately from \$2.7 billion in 2003. In the summer of 2005, we expect that the Gulf Coast region will see its first new water-based casino since 1999 — the Hard Rock Hotel and Casino set to open in Biloxi. The Hard Rock is expected to be a \$235-million project, including a Hard Rock-themed casino and a hotel with 306 rooms or suites. The Hard Rock would be the 13th casino in Mississippi's Gulf Coast region.

◆ **Indiana.** In Indiana, where 10 boats currently operate, we look for casino winnings of \$2.4 billion in 2004, a 6% rise from the 2003 level. The state began allowing casino boats to operate dockside in August 2002, which made it easier for customers to enter; previously, the boats were required to

cruise or, if docked, to restrict times at which customers could board. We believe that this change has contributed to higher casino revenue. Indiana is authorized to grant 11 gaming licenses, and the final one may be used for a casino boat in French Lick, Indiana.

◆ **Illinois.** Illinois's nine casino boats generated \$1.7 billion in gaming revenue in 2004, essentially flat compared with 2003's level. Since 1999, gaming revenues have been boosted by legislation permitting casino boats to offer dockside gaming, as in Indiana. However, the state significantly raised tax rates on gaming revenues in both mid-2002 and mid-2003. In full-year 2004, state and local taxes from casino wagering and admission taxes rose 11%, to \$802 million, although riverboat casino winnings were up only 0.4% from the year before. In 2003, the tax hike brought the state's top tax rate on casinos to 70% of annual casino winnings that exceed \$250 million.

Illinois allows 10 gaming licenses, each of which permits the operation of two boats. As of year-end 2004, there were casino boats operating under nine licenses.

According to the Illinois Gaming Board, the 2003 tax increase is to remain in effect until July 1, 2005, or until the first date on which gambling becomes operational under the state's 10th (recently dormant) license or through issuance of an additional license beyond the 10 currently authorized. However, we would not be surprised if an effort is

MARKET SHARES OF ATLANTIC CITY CASINOS

CASINO	DATE OPENED	REVENUES (MILLIONS OF DOLLARS)						% SHARE					
		1999	2000	2001	2002	2003	2004	1999	2000	2001	2002	2003	2004
Bally's Atlantic City †	12/79	494.8	521.5	520.8	526.7	678.2	644.7	11.9	12.1	12.1	12.0	15.1	13.4
Borgata	7/03	...	...	...	...	266.9	636.5	...	...	...	...	...	13.2
Caesar's	6/79	461.4	481.1	489.5	527.4	519.1	496.0	11.1	11.2	11.4	12.0	11.6	10.3
Claridge ‡	11/81	165.9	164.0	160.0	159.5	...	...	4.0	3.8	3.7	3.6	...	...
Harrah's Marina	11/80	382.8	410.7	413.1	451.0	451.0	449.9	9.2	9.5	9.6	10.3	10.0	9.4
Hilton*	12/80	292.0	324.1	326.7	308.1	309.4	295.4	7.0	7.5	7.6	7.0	6.9	6.1
Resorts Int'l.	5/78	222.1	237.5	243.8	262.8	233.1	252.8	5.3	5.5	5.7	6.0	5.2	5.3
Sands	8/80	230.1	233.6	236.8	209.8	185.8	190.2	5.5	5.4	5.5	4.8	4.1	4.0
Showboat	3/87	360.0	353.8	354.4	369.1	377.8	392.6	8.6	8.2	8.2	8.4	8.4	8.2
Tropicana**	11/81	398.5	426.6	417.2	406.9	372.4	363.9	9.6	9.9	9.7	9.3	8.3	7.6
Trump Marina***	6/85	272.8	271.6	272.3	283.0	259.7	263.0	6.6	6.3	6.3	6.5	5.8	5.5
Trump Plaza	5/84	358.8	325.4	333.0	341.1	318.2	318.3	8.6	7.6	7.7	7.8	7.1	6.6
Trump Taj Mahal	4/90	525.1	550.8	535.3	536.2	517.1	503.3	12.6	12.8	12.4	12.2	11.5	10.5

*Formerly known as Golden Nugget Casino and as Bally's Grand. **Formerly known as TropWorld. ***Formerly Trump's Castle. †Formerly Bally's Park Place. ‡Now part of Bally's Atlantic City.

Sources: New Jersey Casino Control Commission; Casino Association of New Jersey; Atlantic City Action.

made to have the 2003 tax hike on casino winnings stay in place beyond mid-2005.

◆ **Louisiana.** Standard & Poor's estimates that Louisiana's casino boats generated \$1.6 billion in 2004, similar to 2003's level. The state awards 15 riverboat gaming licenses, with no more than six licenses per parish (equivalent to a county in other states). Gaming space per boat is limited to 30,000 square feet — less than half that allowed to casino complexes in Mississippi. The elimination of cruising requirements in April 2001 increased dockside access, although many casino boats had already received cruise waivers due to local conditions.

In Louisiana, Pinnacle Entertainment Inc. is developing what would be the state's 15th casino boat facility. This approximately \$365 million resort project, at Lake Charles, is scheduled to open in the spring of 2005.

Louisiana has one land-based casino that is not on Native American land. In October 1999, Jazz Casino Co. LLC opened this facility in New Orleans, and Standard & Poor's estimates that the Jazz casino, which is owned by Harrah's Entertainment, had winnings of about \$320 million in 2004, a rise of 13%.

◆ **Missouri.** In Missouri, we estimate that gaming revenues at the state's 11 casino boat complexes were up 11% in 2004, to \$1.5 billion. Casino customers remain limited to a maximum loss of \$500 per visit.

In the St. Louis area, there are proposals from Pinnacle Entertainment for two new gaming projects. One of them, an approximately \$208 million project, would be in downtown St. Louis, while the other would be a roughly \$300 million project in the suburb of Lemay. As of late 2004, there were 11 casino boat projects operating in Missouri, including three in the St. Louis area. These three gaming facilities had total casino winnings of about \$611 million in the fiscal year ended June 2004.

◆ **Iowa.** For 2004, we estimate that gaming revenues at Iowa's 10 casino boats totaled \$727 million, up 5% from approximately \$694 million in 2003. In addition, we project that slot machines operating at three racetracks in the state had winnings of about \$334 million.

Detroit

Standard & Poor's estimates that casino winnings totaled \$1.2 billion at Detroit's three gaming facilities in 2004, up 5% from 2003's \$1.1 billion. In the long term, Detroit should become more of an overnight destination market for gamblers if the three casino projects there add hotel rooms. On September 1, 2004, the tax rate on casino winnings in Detroit increased to 24%, from 18%.

Machines at racetracks

Legislation passed in 2001 paved the way for the introduction of gaming machines at racetracks in New York State. We see a likelihood that additional states will approve the introduction of gaming machines at racetracks, such as are already in operation in Delaware and Iowa. According to the American Gaming Association, gaming activity at racetracks in six states had \$2.2 billion of revenue in 2003, and these facilities (known as "racinos") paid a total of \$766 million in gaming taxes to state or local governments.

As a reliable source of tax revenues, the gaming business is likely to find greater receptivity in states experiencing budget deficits. Once a state has introduced a form of gaming (such as slot machines at tracks or riverboat casinos), bordering states are likely to feel pressured to do the same or lose out on potential taxes, tourism, and jobs.

Legislative results mixed

In November 2004, there were mixed results from various ballot initiatives related to gaming.

In Florida, voters narrowly approved a measure that could lead to the introduction of gaming machines at greyhound racetracks and *jai alai* frontons in Miami-Dade and Broward counties. Standard & Poor's expects that local votes in these two counties — on whether or not to allow such machines — will occur in 2005. It appears that local approval could lead to the debut of gaming machines at up to seven locations in those counties.

In California, voters turned down several prospective means of expanding legalized gaming. One rejected measure, called Proposition 68, would have legalized slot machines at card clubs and racetracks in the state unless Native American tribes in the state

agreed to a 25% tax on their gaming revenues. A second rejected measure, called Proposition 70, would have allowed Native American tribes an unlimited number of gaming machines at their casinos, in exchange for paying what would have been similar to a state corporate income tax.

In Michigan, voters approved a proposal that should limit the ability to expand gaming in that state. Except for Native American gaming facilities, local votes would be required for future gaming projects, which could include efforts to introduce slot machines at racetracks.

In Nebraska, voters rejected several initiatives regarding prospective gaming expansion. They opposed the idea of amending the state constitution to allow authorization of games of chance through the initiative process. Voters also were against the idea of a statute being enacted that would permit communities to authorize, in certain situations, games of chance or gaming devices.

In general, we expect that efforts to broaden the legalization of gaming in the United States will fare better during weak economic times, with gambling initiatives offering prospects for increased tax, tourism, and employment revenue. When economic times are better, approval of new jurisdictions is less likely, with initiatives facing concerns about the morality and social consequences of government-sanctioned gaming.

Internet gambling

Regulation of casino-style gaming in the United States is largely the province of individual states. Unless approved by some combination of state legislation, voter referendum, or gubernatorial action, such gaming is typically illegal. Under the Tenth Amendment of the US Constitution, the states are largely entitled to powers that either were not given to the federal government or are not prohibited to the states by the Constitution. However, this mandate still leaves some ambiguity, since the US Congress has authority to regulate interstate commerce and commerce with Indian tribes, under Article 1 of the Constitution. We believe that the authority over interstate commerce, which may include rules related to telecommunications and financial trans-

actions, has contributed to a number of efforts at the federal level to curb or prohibit Internet-based gambling.

Even if the US Congress passes new laws banning various forms of Internet gambling, such activity is unlikely to end, and enforcement could be difficult. Some Internet-based gambling is currently offered from foreign locations, where operations are beyond the jurisdiction of US officials.

From a business standpoint, Standard & Poor's views Internet gambling as both a threat and an opportunity for traditional casino companies. Placing bets through home computers offers convenience for consumers and a potentially low-cost business model for gambling companies. If prospects for Internet-based gambling attract newer industry entrants (providing online casinos, for example), their presence is likely to take market share away from the older casino companies. However, some of today's large casino companies, such as Harrah's or MGM Mirage, should have financial clout and brands that could make them formidable participants in the online world. ■



INDUSTRY PROFILE

Selling hospitality — and dreams of wealth

The US lodging and gaming industries are interrelated to some extent. Most of the highest-volume casinos in the United States are attached to big hotels. And some of the largest hotels, with more than 2,000 rooms apiece, are located in gaming markets such as Las Vegas and Atlantic City.

However, most US hotels do not offer casino activity. By our estimates, fewer than 10% of the roughly 4.5 million hotel rooms in the United States are part of gaming facilities.

Meanwhile, in terms of ownership, the largest US operators of hotels and casinos

don't intersect to a significant degree. Hotel companies such as Cendant Corp. and Marriott International Inc. have little or no presence in the gaming industry, while big casino companies such as Harrah's Entertainment Inc. and MGM Mirage generally don't operate nongaming properties.

Based on revenue and number of properties, lodging is a much larger industry than gaming. The two industries generated combined revenues of about \$161 billion in 2004, up from approximately \$148 billion in 2003, according to Standard & Poor's estimates. Room sales accounted for roughly 54% of 2004 revenues, while casino revenues ("winnings"), a category that excludes other forms of legal gambling, represented about 28%. We estimate that about 18% of revenues came from other sources, such as food and beverage sales.

Most large companies are publicly owned

In the lodging and gaming industries, most of the largest companies, and many smaller businesses, are part of publicly owned firms. However, some major participants remain privately held, including Carlson Companies Inc., which owns the Radisson Hotels chain, and the Pritzker family's Hyatt Hotels.

Both industries have become more consolidated over time due to acquisitions and internal growth. However, no single lodging company encompasses hotels (including franchises) that account for more than 15% of all hotel rooms in the United States.

Based on affiliated rooms worldwide, the largest US-based hotel company is franchisor Cendant, the parent of nine lodging chains with more than 6,500 properties and about 530,000 rooms. Cendant's lodging brands include Days Inn, Howard Johnson, Knights Inn, Ramada (United States), Super 8, and Travelodge.

LARGE HOTEL COMPANIES

(Based on number of affiliated rooms worldwide)

COMPANY	MAJOR CHAINS	NO. OF PROPERTIES*	NO. OF ROOMS*
Cendant Corp.	Days Inn, Ramada (US) ¹ , Super 8, Howard Johnson, Travelodge (N. Amer.)	6,399	518,435
InterContinental Hotels Group**	Holiday Inn, Inter-Continental	3,500	536,000
Marriott International †	Marriott, Courtyard Residence Inn, Fairfield Inn, Renaissance, Ramada (outside the US) ¹	2,806	505,658
Accor S.A.	Motel 6, Mercure, Ibis, Novotel, Red Roof Inns, Hotel Sofitel, Formule 1	3,980	462,000
Choice Hotels Int'l ‡	Comfort Inn, Quality Inn, Econo Lodge	4,900	400,000
Hilton Hotels ‡	Hilton (US), Hampton Inns, Doubletree, Embassy Suites, Homewood Suites	2,244	356,524
Best Western Int'l §	Best Western	4,121	310,928
Starwood Hotels & Resorts	Sheraton, Westin	735	231,295
Carlson Hospitality Group	Radisson, Country Inns & Suites By Carlson, Regent International Hotels	888	149,000
Total		29,573	3,469,840

*Based on latest data available as of December 2004. Property and room totals are worldwide, and may include timeshare and executive apartment properties, including some timeshare units in active sales but not ready for occupancy. **Formerly Six Continents Hotels. †Includes vacation ownership properties and Marriott Executive Residences. ‡Not-for-profit association. §Includes some hotels that are part of other chains. ¹Cendant acquired Ramada hotel business outside the United States from Marriott International in December 2004.

Sources: Company reports; American Hotel & Motel Association's 2002 *Directory of Hotel & Motel Companies*; *Hotel & Motel Management* magazine; Standard & Poor's estimates.

In the gaming industry, the largest company (ranked by casino winnings) is Harrah's Entertainment Inc. Standard & Poor's estimates that US gaming properties owned by Harrah's (as of year-end 2004) generated about 11% of the approximately \$45 billion won by US casinos in 2004. Including Har-

rah's pending acquisition of Caesars Entertainment Inc., we expect that the Harrah's market share of US casino winnings will grow to roughly 16% in the second half of 2005, including the impact of some expected divestitures by Harrah's or Caesar's.

Based on the number of hotel rooms, we believe that Las Vegas is the largest US hotel market, with about 129,000 rooms as of year-end 2004.

OVERVIEW OF US GAMBLING

(In millions of dollars)

ACTIVITY	AMOUNT LOST BY GAMBLERS (INDUSTRY WINNINGS)			% SHARE OF INDUSTRY WINNINGS
	2002	2003	% CHG.	2003
Parimutuels:				
Horses	3,445.5	3,362.4	(2.4)	4.6
Greyhounds	423.0	398.4	(5.8)	0.5
<i>Jai alai</i>	26.0	25.3	(2.7)	0.0
Total	3,894.5	3,786.1	(2.8)	5.2
Lotteries:				
Video lottery	2,420.0	2,578.0	6.5	3.5
Other games	16,237.7	17,351.2	6.9	23.8
Total	18,657.7	19,929.2	6.8	27.3
Casinos:				
Nev./NJ slots	9,535.0	9,804.4	2.8	13.5
Nev./NJ tables	4,096.6	4,309.2	5.2	5.9
Deepwater cruise ships	294.4	301.2	2.3	0.4
Cruises-to-nowhere	385.1	414.0	7.5	0.6
Riverboats	10,175.5	10,231.8	0.6	14.0
Other land-based	1,911.2	2,102.8	10.0	2.9
Other commercial	136.7	169.4	23.9	0.2
Noncasino devices	1,324.0	1,356.6	2.5	1.9
Total	27,858.6	28,689.4	3.0	39.4
Legal bookmaking:				
Sportsbooks	110.4	123.6	12.0	0.2
Horsebooks	5.8	5.0	(13.8)	0.0
Total	116.2	128.6	10.7	0.2
Card rooms	973.3	851.3	(12.5)	1.2
Charitable bingo	1,162.2	1,108.7	(4.6)	1.5
Charitable games	1,508.4	1,559.7	3.4	2.1
Total	3,643.9	3,519.7	(3.4)	4.8
Indian reservations				
Class II	1,753.9	2,018.5	15.1	2.8
Class III	12,718.4	14,802.6	16.4	20.3
Total	14,472.3	16,821.2	16.2	23.1
Internet gambling*	4,007.0	5,691.4	42.0	7.8
Total legal gambling	68,643.2	72,874.2	6.2	100.0

*Because Internet gambling is conducted globally, gambling revenue from Internet gambling is not included in the grand total.
Source: Christiansen Capital Advisors LLC.

Lodging

Standard & Poor's estimates that as of year-end 2004, the US lodging industry comprised roughly 4.5 million rooms at about 55,000 properties — about one hotel room for every 65 US residents. We estimate total lodging industry revenues at \$114 billion for 2004, up about 8% from the 2003 estimate.

Demand for hotel rooms comes from both US residents and international travelers. In 2004, Standard & Poor's estimates that the number of international visitors to the United States exceeded 43 million, which would have been the first annual increase since the year 2000.

In the first nine months of 2004, there was a 16% rise in the number of overseas visitors to the United States, including a 15% increase in arrivals from Western Europe and a 27% rise from Japan. Standard & Poor's expects that the weakness of the US dollar compared with foreign currencies has encouraged travel from various foreign markets. Between year-end 2002 and mid-December 2004, the Japanese yen appreciated 14% against the US dollar, while the Euro and the British pound rose 28% and 21%, respectively. This has enabled foreign visitors to convert their local currency into more US dollars, giving them increased purchasing power in the United States.

The Canadian dollar also has appreciated significantly, rising 28% in value (versus the US dollar) since year-end 2002. This likely has contributed to a 9.2% increase in Canadian visitors to the United States during the first nine months of 2004. In 2004, we expect that nearly 30% of international arrivals came from Canada and about 23% from Mexico.

While many international visitors likely stay with family or friends, we believe that foreign visitors contribute significantly to hotel room demand, particularly in such cities as New York and Washington, D.C.

Gaming

We estimate that more than 500 legal casinos operate in the United States. This excludes facilities whose primary emphasis is bingo, as well as other facilities such as racetracks in Delaware and Iowa, where casino-type activity is limited to gaming machines.

By state, Nevada has the largest number of legal casinos. We estimate that, as of year-end 2004, the state had about 240 casinos with annual gaming revenue of at least \$1 million each, in addition to smaller facilities, such as taverns and retail stores that have video poker machines.

Other locations with legal casinos include Atlantic City, with 12 high-volume gaming facilities (the most recent of which opened in July 2003), and six southern or midwestern states with a total of about 84 waterborne casino projects (some consisting of more than one casino boat or barge). Detroit has three casinos, New Orleans has a land-based casino, and more than 50 limited-stakes casinos operate in three small Colorado towns and in Deadwood, South Dakota. We believe that more than 150 casinos now operate on Native American land in various states, including two in Connecticut that are among the highest-volume gaming facilities in the United States.

Of the estimated \$45 billion in casino winnings in 2004, we estimate that about 34% came from the two oldest gaming areas: the state of Nevada (\$10.6 billion) and Atlantic City (\$4.8 billion). Another estimated \$10.6 billion was generated from casinos in the six states that allow water-based ("riverboat") gambling, while an estimated \$16.7 billion came from casinos on Native American land. The final estimated \$2.3 billion came from gaming facilities in Detroit, Colorado, and South Dakota, plus a land-based casino in New Orleans. In addition to these sums, we estimate that gamblers lost more than \$2 billion during 2004 to gaming devices (often resembling slot machines) located at racetracks, and at facilities sometimes known as "racinos," which are located in such states as Iowa and Delaware.

INDUSTRY TRENDS

Among the most prominent trends currently affecting the lodging and gaming in-

dustries alike are a growing emphasis on entertaining customers and gaining their loyalty, acquiring new businesses, and building new facilities.

Entertaining and serving

The services of lodging and gaming companies overlap other entertainment and service-oriented industries. Hotel companies like Marriott International, Hilton Hotels Corp., and Starwood Hotels & Resorts Worldwide Inc. are involved in such lodging-related businesses as timeshare facilities and/or corporate apartments.

For their part, casinos emphasize entertainment in their "theme" properties, whose architecture or interior design may allude to a historical period or place, providing marketing differentiation and additional interest for customers. For example, large casino/hotels in Las Vegas include gaming projects that replicate features of Venice and Paris. Even at small waterborne casinos, customers can find facilities based on themes such as the Old West or the Caribbean Islands.

Some casino/hotels feature retail stores as a means of attracting casino visitors' winnings while also appealing to people who want alternatives to gambling. Over the long term, we expect that noncasino activities will be used more frequently to draw a larger visitor base to gaming markets and to keep guests entertained. Overall, the presence of more retail stores within casino/hotels is likely to increase total spending by visitors. However, money spent at retail stores may generate a smaller profit percentage for casino/hotel operators than do winnings at the table games or slot machines.

In our view, despite efforts to combine gambling with other forms of entertainment, Las Vegas and Atlantic City are not likely to rival Orlando, Florida, or the national parks as destinations for family vacations anytime soon. The splashy motifs of the new casino/hotels do provide some differentiation from competitors, but a principal lure for most tourists is the opportunity to gamble.

Winning customer loyalty

Companies are working harder to win customer loyalty. Efforts include reward pro-

grams for frequent visitors at a given hotel or casino, and targeting a property's best customers for direct marketing programs. For example, Marriott now counts more than 20 million members in its multibrand Marriott Rewards frequent-guest program. This program offers members staying at various Marriott-related lodging properties the choice of earning points for rewards such as free hotel stays, golf and ski packages, merchandise, or frequent-flyer mileage. In the gaming industry, companies keep track of customer gaming activity and offer rewards, such as complimentary items, to preferred customers for their patronage.

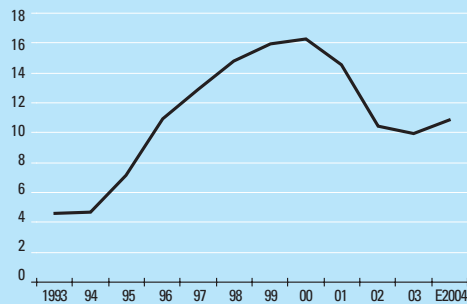
Greater use of computers should help companies mine their databases more effectively. For example, with computerized records, companies can better identify their best customers and what the preferences of these visitors have been (*e.g.*, room selection). They then can target these customers with news of special events and promotions that can encourage return visits.

Companies in the travel industry can boost their exposure and brand loyalty through cross-marketing arrangements. For example, various hotel companies have teamed up with airlines. Travelers benefit by earning frequent-flyer miles for staying at certain hotels.

In recent years, we believe that the increased availability of third-party Internet sites offering discounted rooms has discouraged customer loyalty to a particular brand. These discount sites (*e.g.*, Expedia.com and Priceline.com) allow consumers to more readily shop based on price across multiple brands.

LODGING CONSTRUCTION EXPENDITURES

(In billions of dollars)



E-Estimated based on data through October.
Source: US Department of Commerce.

Acquisition activity

The lodging and gaming industries are seeing a long-term trend toward consolidation. Acquisitions can reduce costs by eliminating duplicative functions and instituting more economical purchasing, while enhancing revenues through cross-promotion.

In mid-2004, a pair of proposals was announced that would combine four of the casino industry's largest companies into two.

Harrah's Entertainment Inc. announced on July 15 that it had agreed to acquire Caesars Entertainment Inc. in a transaction through which Caesars' shareholders would receive 66.5 million Harrah's common shares and \$1.8 billion in cash. As of early December 2004, we valued the stock and cash to be received by Caesars' shareholders at \$6.0 billion. We look for the deal — which is subject to various approvals — to be completed around mid-2005.

At the time of the announcement, Harrah's and Caesars each operated about 28 casinos, and each had one or more gaming facilities in markets such as Atlantic City, Las Vegas, and northern Mississippi. We expect that efforts to receive regulatory approval for the deal will lead to the divestiture of one or more casinos currently operated by Harrah's and Caesars.

For 2003, Harrah's reported total casino winnings of \$3.9 billion, while Caesars had winnings of \$3.2 billion. We believe that the bulk of this revenue was from the United States and that it excludes casino winnings at some joint venture properties.

Also in mid-2004, Harrah's acquired privately owned Horseshoe Gaming Holding Corp., which owned and operated casinos in Louisiana, Mississippi, and Indiana. Including the assumption of debt, the price was \$1.45 billion.

The other big deal

On June 16, 2004, MGM Mirage and Mandalay Resort Group announced a merger agreement calling for MGM Mirage to pay about \$4.8 billion for Mandalay's common stock. Following the acquisition, MGM Mirage is expected to operate and/or have an ownership interest in about 28 gaming properties, including an especially large presence in Las Vegas. We look for the deal — which is subject to various approvals — to close by

mid-2005. However, we expect that regulators will require MGM Mirage, Mandalay, or the newly combined business to divest equity ownership of a casino in Detroit, where each company currently has majority or full ownership of a casino project.

For 2003, MGM Mirage reported total casino winnings of \$2.1 billion. For the fiscal year ended January 2004, Mandalay had casino winnings of \$1.2 billion.

Other acquisition activity

In November 2004, Penn National Gaming Inc. and Argosy Gaming Co. announced a merger agreement under which Penn would pay about \$1.4 billion for Argosy's common stock. Upon completion of the transaction, which is expected in the second half of 2005, the combined company would own 13 gaming facilities — including four pari-mutuel horse racing facilities, seven off-track wagering sites, and a 50% interest in a fifth pari-mutuel horse racing facility — and would hold a management contract for a casino in Canada.

Earlier, in mid-2004, Boyd Gaming Corp. acquired Coast Casinos Inc. in a deal that has expanded significantly Boyd's presence in the Las Vegas market, especially with local gamblers (that is, area residents). Including the expected payment of cash and stock, and the assumption of about \$460 million of Coast debt, we value the transaction at \$1.4 billion. Also, in May 2004, Boyd acquired a casino project in Shreveport, Louisiana, for an estimated \$190 million.

In December 2004, privately owned Hyatt Corp. said that it would purchase the 143-unit AmeriSuites hotel chain from affiliates of The Blackstone Group, a private investment firm. Hyatt expected the transaction to be completed in January 2005.

According to Hyatt, the AmeriSuites acquisition would be part of a process that's expected to result in the formation of Global Hyatt Corp., which would encompass various Hyatt-related hotel or timeshare operations. AmeriSuites was previously part of Prime Hospitality Corp., which an affiliate of the Blackstone Group acquired in October 2004.

Also, in May 2004, lodging company Extended Stay America Inc. was acquired by an affiliate of The Blackstone Group. We estimate that the total value of the transaction was about \$3.1 billion, including about

\$1.9 billion for Extended Stay shareholders, plus debt related to the Extended Stay business. Extended Stay America owned and operated 475 hotels in 42 states, including 95 StudioPLUS Deluxe Studios, 341 Extended StayAmerica Efficiency Studios, and 39 Crossland Economy Studios hotels.

Looking ahead, we expect InterContinental Hotels Group (IHG), whose operations include the Holiday Inn and InterContinental brands, to be a seller of hotels. As of late 2004, the company had sold (or had agreed to sell) 43 hotels since April 2003; it said that 93 properties remained on the market. However, we do not expect IHG to be getting out of the hotel business; we look for the company's emphasis to increasingly shift toward managing and franchising lodging properties.

Casinos may add lodging

In newer gaming jurisdictions, casinos are trying to attract overnight customers. Initially, most of the new casinos in the riverboat states opened without any attached hotel facilities. As a result, many of their visitors tended to be daytrippers and nearby residents.

However, state and local officials are looking for casino companies to make greater investments in lodging facilities, in the hope of encouraging longer visits from out-of-towners and thus helping local economies. The casino companies also see advantages: overnight visitors are likely to spend more on a per capita basis than are daytrippers.

"Racinos" gain popularity

In general, betting levels at horse and dog tracks have weakened, reducing revenues that support horse racing and dog racing. However, gaming machines at racetracks — facilities sometimes known as "racinos" — are gaining popularity. When a track introduces slot machines, however, both the total number of visitors to that facility and the amount of betting done there are likely to increase.

Some of the slot machine profits can be used to award larger prizes for the horse or dog racing, which in turn can attract faster horses or dogs that hold greater interest for bettors. The machines also raise tax revenues for the states that permit them.

We estimate that revenues at US racetrack casinos (including those in Delaware, Iowa, Louisiana, New Mexico, Rhode Island, and West Virginia) totaled more than \$2 billion in 2004. Other states that might authorize gaming machines at racetracks include Kentucky, Ohio, and Pennsylvania.

Increased role of the Internet

The Internet and other technological developments are helping to facilitate sales and marketing relationships. For example, hotel companies are reaching consumers via the Internet in a variety of ways. In addition to employing their own Web sites for room reservations, they often allow third-party Web sites to book rooms at their properties, frequently at discounted prices.

The increased availability of information and booking capability on the Web has boosted travelers' ability to compare lodging and other travel costs. We expect that this will restrain hotels' efforts to raise prices. This should be especially true in hotel markets in which consumers have a significant number of lodging choices.

We expect that many consumers may research travel choices on the Internet, but not actually book or pay for accommodations online, due to concerns about the security of such transactions or the desire to speak with a service representative. However, we expect that consumers are generally becoming more comfortable with electronic commerce, and that a growing portion of hotel bookings will be done on the Web.

Merchant versus agent sales

We see hotel rooms increasingly being sold via the Internet, through both online travel agents and the web pages of hotel companies. We believe that many of the online agency sales have been made through what is called a "merchant model," whereby an agency such as Expedia acquires discount rooms from hotel companies and resells them to consumers. For example, Expedia might sell a hotel room for \$100, of which \$75 is then owed to the room supplier. However, that same room might have gone unsold if the hotel operator had not allocated it to a third party such as Expedia. We believe that third-party merchants generally are not obligated to pay room suppli-

ers for inventory that they do not end up selling to consumers.

An alternative means of selling hotel rooms through third parties is the agency business model, involving commission-based transactions. In such sales, the online travel agency passes a customer's reservation to the travel supplier (e.g., a hotel company), and often receives a commission for its services — perhaps 10% of the price that is charged to the consumer. However, it is the supplier that establishes the retail price paid by the customer.

The use of third-party online agencies to resell hotel rooms (via the merchant model) provides advantages for hotel companies but also poses potential problems. On the plus side, the online agencies provide increased access to consumers, especially those who are shopping on the basis of price. Third parties may sell rooms that otherwise would have gone empty and produced no revenue at all. However, we see a growing use of such intermediaries as turning hotel rooms into a price-based commodity, with the travel agency having ultimate control over what is being charged for the rooms.

Especially in times of rising demand for hotel rooms, we expect that hotel companies will seek to limit the appeal of the third-party merchants. Several lodging companies have announced policies whereby they will either match or beat the lowest price for one of their rooms available through a third-party Web site. In addition, as lodging demand improves, we expect hotel companies to be more restrained in how much inventory they make available to third-party merchants, and to be more aggressive in setting wholesale prices.

Offering customers Internet connections

We expect that traditional in-room telephone service is now less of a profit center for lodging and gaming companies than it used to be. The prevalence of personal cell phones among customers is likely to lessen the use of phones being provided by the lodging establishments.

However, customer Internet usage likely is creating demand for new or enhanced services, such as high-speed and wireless access to the Web. Hotels have various choices with such a service, ranging from offering free in-room access as a marketing tool, to

charging a fee for a fast Internet hook-up. Even if there's no additional charge, the availability of such service can be a point of competitive differentiation or can be used as a basis for seeking to increase the overall price of a room.

Slots hit the jackpot

Coin-operated devices now account for more than 60% of all casino gaming revenues. One reason for their popularity is that it's easier to feed a slot machine than to learn the nuances of various table games, particularly for new gamblers.

Casino companies have been allotting additional floor space to slot machines and to video gaming machines as they seek to broaden their customer base. Companies also have created large jackpots through systems of linked machines in various casinos. New slot machines increasingly have been based on familiar games or television shows (such as *Monopoly*, *Wheel of Fortune*, and *The Munsters*) and may offer multigame formats and/or bonus features.

Looking ahead, we expect that casinos will continue to purchase more gaming machines capable of dispensing and accepting cash-equivalent tickets rather than coins or tokens. A growing use of such tickets should reduce the amount of casino labor required to service slot machine customers.

We believe that, at year-end 2004, there were more than 700,000 legal gaming machines in the United States. International Game Technology (IGT), a leading maker of gaming machines, estimated an installed US base of 719,000 machines as of September 30, 2004. This includes 205,000 machines (29% of the total) in Nevada, 224,000 (31%) at Native American facilities, and 165,000 (23%) at what IGT calls regional jurisdictions (mostly riverboat casinos in six states). Atlantic City had only an estimated 42,000 machines (6%), but we believe this includes some of the highest-volume machines in the country. We estimate that, in 2004, on average, Atlantic City's gaming machines won about \$85,000 each from gamblers, compared with annual averages of about \$30,000 in Nevada, close to \$110,000 in Indiana (which has about 18,150 machines), and approximately \$150,000 in Illinois (about 9,900 machines).

Casinos down on their luck

Although the odds at table games and slot machines favor the casino, that alone doesn't guarantee a firm's financial success. Construction and acquisitions can burden a company with large amounts of debt that its casinos' profits must service. Other expenses for casino/hotels may include such giveaways as coins, hotel rooms, and beverages that are used to attract customers. There have been bankruptcies and/or closings of casinos in various gaming markets.

Of the 14 casino/hotels that have opened in Atlantic City since gambling was legalized in 1978, at least five have gone through bankruptcy proceedings (some of them more than once), although they have not necessarily closed. In November 2004, Trump Hotels & Casino Resorts Inc. entered into Chapter 11 bankruptcy proceedings, but all of its casino facilities, including three in Atlantic City, have remained open.

HOW THE INDUSTRY OPERATES

The hotel industry's main purpose is to offer travelers a refuge for rest and privacy. However, many hotel properties possess features well beyond the basic bed, bathroom, and telephone. For example, some facilities provide conference centers in order to attract business meetings or conventions, while others maintain recreational facilities, such as pools and tennis courts, for the benefit of both vacation and business travelers. The level of amenities and service that a hotel provides is reflected in its room price.

The gaming industry is more dependent on recreational visitors than the hotel business is. Whether it's for a day trip, a long weekend, or a more extended vacation, many patrons visit a gaming facility to engage in games of chance and entertain their fantasies. Larger casino complexes typically also offer hotel rooms, food and beverages, and entertainment such as nightclubs. Casinos compete with many other forms of recreation for patrons' discretionary dollars. (This description clearly excludes problem gamblers, who may feel that they have little control over their betting activity.) The potential for winning money from a casino creates excitement for visitors, which may offset their knowl-

edge that the odds favor the house. In some cases, gaming businesses offer free amenities such as lodging, food, and beverages as a means of rewarding and attracting preferred customers.

How lodging and gaming are similar

The lodging and gaming industries are interrelated to a certain extent; most of the largest US casinos are attached to big hotels. This connection lets the gaming companies encourage longer stays and offers their casino visitors a wide assortment of amenities, including complimentary rooms for their best customers.

However, most of the approximately 55,000 hotels in the United States don't offer casino activity. In large part, they're prohibited from doing so. Much of the gaming industry is highly regulated, and the introduction of casino activity requires licenses or agreements with state authorities.

Common characteristics

Here, we detail some of the characteristics shared by the two industries. Later, we'll describe operational features that are more particular to each sector.

◆ **Three ways to grow.** For hotel and casino owners and operators, there are three main avenues to growth: raise sales or profits at existing properties, open new units, or make acquisitions.

With existing hotels, potential means of boosting revenues include refurbishing or expanding the property and changing the hotel's brand affiliation (e.g., leaving one chain and joining another). New unit development entails finding attractive sites and making sure that capital is available for new construction. As for acquisitions, one rationale in their favor may be that they can offer faster and possibly more economical growth than would new construction.

◆ **Sizable capital investments.** Much of the capital that hotel and casino owners require — for such fixed assets as land, buildings, furnishings, and equipment — is likely to be borrowed. For a large new casino/hotel project, capital costs can total hundreds of millions of dollars. The financial viability of each new lodging or gaming facility depends partly on

the level of interest rates and the amount of related debt that the owner has incurred.

◆ **Large-scale employment of service-oriented workers.** Both industries sell hospitality to their customers. Employees are needed to provide such functions as housekeeping and food service. In some cases, unions represent industry employees.

◆ **Dependence on tourism and leisure travel.** Leisure travelers are an important source of revenue and profit for both the lodging and the gaming industries. As a result, lodging demand and casino activity alike are affected by factors such as personal income, consumer confidence levels, and people's willingness to travel. Compared with the gaming industry, we generally view the hotel industry as being more sensitive to macroeconomic conditions, due to the importance of business travel to its results.

◆ **Strong influence of supply and demand.** Both industries are subject to supply and demand cycles, with new construction likely to be influenced by interest rate levels and lenders' receptivity. Because casinos are still quite new in most parts of the United States, they are more of a novelty than are traditional hotels. However, supply can grow rapidly in new jurisdictions, leading to a shakeout of poorly capitalized companies or firms that don't have prime locations.

◆ **Regulation is a key factor.** The lodging and gaming industries are both subject to state and local regulation. Zoning approvals, for example, often are needed before construction can begin on a lodging property.

In the gaming industry, regulation is even more significant. Acquiring a license or reaching an agreement (or compact) with a state government is a key requirement for opening a new casino. Thus, a state license can be a barrier to entering the industry and is one of a gaming firm's most important assets.

Some states issue a limited number of licenses, while other states set no specified upper limit. However, even if they do not cap the number of licenses, state regulators still subject casino developers to review processes and background checks.

Lodging and gaming companies often face special taxes that are specific to their industries.

For example, states and localities may apply room taxes for lodging customers and a casino tax on money won by a gaming establishment.

◆ **High fixed costs.** Lodging and gaming companies alike must accommodate a high level of fixed and semi-fixed costs (such as payrolls). For example, hotels face such ongoing costs as property taxes, insurance, depreciation and amortization, interest, rent, and equipment leases. In addition, for a hotel or gaming facility to be operational, a minimum level of labor is necessary. Thus, a portion of a facility's labor costs can be viewed as fixed (of course, incremental labor may be added as business activity grows). Once revenues pass the break-even point, however, a substantial percentage of incremental revenues typically become profit.

Transportation system important

For many lodging and gaming properties, customers arrive via airline, especially business and vacation travelers. Concerns about the safety of airline travel and potential delays at airports can cause people to defer or cancel trips. We also believe that cutbacks in airline routes have made it less convenient to reach various lodging destinations.

Following the September 11, 2001, terrorist attacks, casinos that depended on travelers arriving by air were hurt much more than those relying on regional drive-in customers. Thus, casinos on the Las Vegas Strip generally lost more business than ones in areas drawing drive-in or local customers. In October 2001, casino winnings in the Strip area were down 10.6%, year to year, while winnings in Mississippi and Atlantic City were down less than 3.0%.

Lodging business models

In the lodging industry, companies can choose to own, manage, or franchise their properties; some do all three.

Franchising

Under franchise agreements, the parent company, the franchisor, typically grants the use of its brand name to lodging properties that it neither owns nor manages. The franchisor receives some revenues — typically a percentage of room sales — without investing much incremental capital. It also gains

visibility by having more affiliated properties. In addition, most franchisees help promote the brand name by contributing some of their own marketing dollars to national or regional ad campaigns.

From a franchisee's point of view, potential advantages include leveraging brand-name recognition and having access to shared resources such as national reservation systems. Chain affiliation often gives prospective property developers an edge with lenders, who are reassured by the connection to an established business. Franchising has helped many people to become entrepreneurs without having to assume as much risk as going into business on their own.

Owning

Owning a property is a capital-intensive business, requiring more of an investment than franchising or managing. In return, it offers both control of the business and the possibility of future gains from appreciating property values.

There are various forms of ownership for hotels, including corporations, partnerships, and real estate investment trusts (REITs). A company that owns lodging properties may also have some hotels or motels that are part of another firm's franchise system.

Managing

Managing is a service business. A management company may work with properties that it owns and/or with hotels belonging to another party. Customer satisfaction and the efficient use of resources, including labor, are important factors. Management contracts may include incentive fees based on a given property's financial success.

Chain or independent?

One decision for owners and operators of hotels is whether they want their property to be part of a chain or to be independent. Standard & Poor's estimates that about 70% of the roughly 55,000 lodging properties in the United States are affiliated with a chain.

The foremost feature of a lodging chain is a shared name, generally an owned trademark, which identifies facilities whose prices and amenities are standardized. Potential advantages of chain affiliation include the use of a name that consumers know (*e.g.*, Holiday Inn

or Ramada) and access to a chain-wide reservation system. Chain membership also can increase the likelihood of obtaining financing from lenders. A company may become part of a hotel chain by: owning and operating its own branded hotel facilities; owning a hotel that it hires another company to manage; managing another firm's property; or licensing to franchisees the right to operate its branded hotels. In the latter case, franchisees generally are expected to pay royalty fees to the chain's parent company and possibly to contribute to marketing costs to promote the brand.

The owner or operator of an independent (nonchain) hotel does not need to conform to a franchisor's established guidelines, giving it greater flexibility to develop a unique style and ambiance for a given property. However, it may be more difficult to attract new customers without the name recognition, reservation system, or marketing support of a well-known chain. Nonetheless, there always will be room for hotels that go it alone, particularly if they have a prime location or distinctive qualities that attract visitors.

Room sales as a revenue source

Standard & Poor's believes that, based on data from Smith Travel Research (STR), about 75% of the US lodging industry's revenues come from room sales, while approximately 18% are generated by food and beverage service. The remainder likely comes from sources such as phone call charges, movies viewed in the room, and other purchases. (Although most of the largest US casinos are attached to hotels, we believe that

gaming revenues are generally not included in these percentages.) However, the distribution of revenues varies widely by type of property. At limited-service properties, which generally offer fewer amenities, room sales account for about 94% of total revenues.

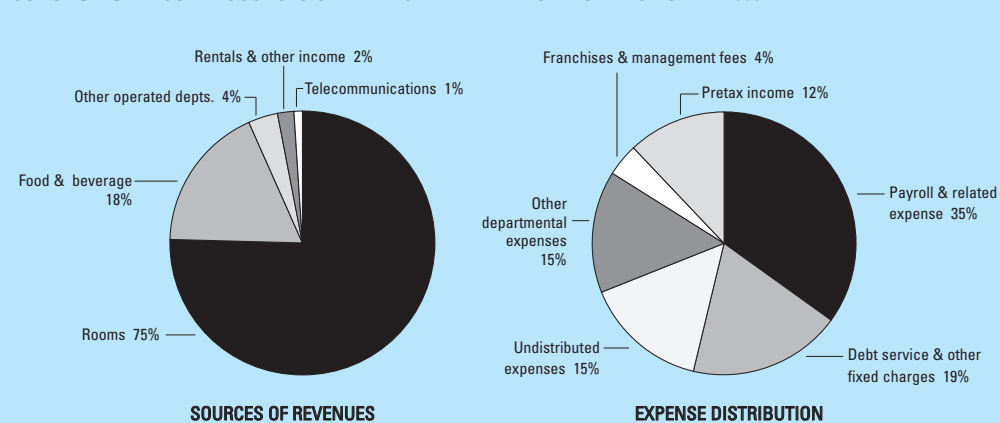
Although the lodging industry is likely to receive higher room rates on weekday nights (Sunday through Thursday) when there are more business travelers, more rooms are filled on weekend nights (Friday and Saturday). When the room rate and occupancy levels are combined, however, the revenue generated per available room is almost identical for weekday and weekend nights, based on STR data. Overall, about 55% of hotel customers are individuals attending a business meeting, conference, or group meeting, based on data from the American Hotel & Lodging Association, a lodging industry federation.

Segmentation spurs growth

During the past decade, hotel companies have increasingly employed a strategy called segmentation as a path to growth. It involves establishing different ranges of pricing, service, and accommodation size and style for different types of guests.

While the addition of more hotel brands probably doesn't contribute much to overall demand for rooms at present, individual companies use new brands to broaden their customer bases and to more fully leverage corporate resources, management experience, access to capital markets, and back-office operations. The extent to which

US LODGING INDUSTRY SOURCES OF REVENUE AND EXPENSE DISTRIBUTION — 2003



Source: Smith Travel Research.

additional brands or properties succeed depends largely on whether they take sales away from competitors or cannibalize a company's other hotels.

For the consumer, the proliferation of brands has brought new types of chains (such as all-suite hotels) and possibly a sense of renewal in the lodging industry. A recently constructed facility with a new name — or even a remodeled older property — can impart a sense of freshness, beyond meeting the customer's primary requirements of a roof and a bed.

The gaming scene

The gaming industry is immature compared with the traditional hotel business. As recently as 1988, legal casinos operated in only two states — Nevada and New Jersey (specifically, in Atlantic City). During the 1990s, US gaming industry revenues increased rapidly, due largely to geographical expansion into new regions, such as the Midwest and the South, and to sizable new investment in older markets, especially Las Vegas. Today, more than 20 states allow gambling. Nonetheless, the business remains much less widespread than hotel services. Much of gaming's geographic expansion has been attributable to casinos being allowed on Native American land in various states.

By becoming more geographically accessible and creating "must-see" attractions, the gaming industry has broadened its customer base and increased the likelihood of repeat visits. When casinos open up in a new area, they make gaming more convenient for local residents and are likely to attract visitors to the region. A splashy new facility in an older gaming market, such as Las Vegas, can be a draw for both new and returning visitors.

With the opening of new gaming markets, joint ventures (typically between a large gaming company and a group of local partners) have become increasingly common. Through these alliances, different assets — such as real estate ownership, access to capital, management experience, and political connections — can be combined.

The growth of Native American-owned gaming creates opportunities for casino companies via management contracts. Although outsiders cannot own Native American gam-

ing facilities, they are allowed to manage such properties under contract.

Over time, we expect the incremental demand created by geographic expansion and new facilities to slow. The novelty of new casinos eventually fades, and the amount of incremental revenue generated by easier access should diminish. In addition, the availability of gambling sites on the Internet is likely to siphon off some demand from traditional casinos.

How Las Vegas and Atlantic City differ

Two of the largest US gaming locations — Las Vegas and Atlantic City — remain substantially different markets. Las Vegas is more of an overnight destination for both business and leisure travelers; it has many more hotel rooms than Atlantic City and a busy airport serving many popular destinations. It is also a major convention site and among the fastest growing of the major US population centers. In contrast, Atlantic City is more of a daytripper's destination. About 30% of its visitors arrive by charter bus and generally stay for less than a day.

Gaming-related operations (including casino/hotels) are typically more profitable in Las Vegas than in Atlantic City. Because the Las Vegas market developed earlier, gaming operators there have had more time to pay back debt. Furthermore, casino/hotel operators in Nevada probably face less cost pressure from regulatory requirements and labor costs than do those in Atlantic City.

Large casinos dominate

Casino development is more tightly restricted in Atlantic City than in Nevada, including a requirement that a gaming project in Atlantic City include at least 500 hotel rooms. While there are only 12 gaming facilities in Atlantic City, we believe that Nevada is home to more than 250 casinos, including more than 35 in the Las Vegas Strip area.

On average, Atlantic City gaming facilities generate much higher casino winnings than those in Nevada. In 2004, Atlantic City casinos averaged \$401 million in winnings, while we believe that the average amount of winnings in Nevada (for approximately 260 facilities, with gaming revenue of at least \$1 million) was about \$40 million. However, we believe that the 24 highest-volume casinos in the Las Vegas Strip area averaged

roughly \$200 million in winnings and accounted for about 46% of the total casino winnings in Nevada. Also, we believe that Nevada's higher-volume casinos accounted for most of the profits generated by the state's gaming facilities.

The big casino/hotels generally represent significant capital investments. Especially in Las Vegas, they are often decorated with a distinctive theme, which helps to attract large numbers of walk-in customers who are staying overnight at other facilities. Some of the larger casinos may place a special emphasis on high-end gamblers for games such as baccarat. While these big bettors can get lucky for a while, in the end their collective play is likely to benefit a casino's bottom line.

Waterborne casinos make a splash

As of early 2005, about 84 waterborne casino projects (some comprising more than one boat) were open in Iowa, Illinois, Mississippi, Louisiana, Missouri, and Indiana. We estimate that these gaming boat projects, on average, generated about \$127 million of casino winnings in 2004.

States that limit casinos to rivers, lakes, and oceans are in effect enforcing a form of zoning. Some states also limit the number of licenses available. These methods permit them to control the proliferation of gaming within their borders.

The image of nineteenth-century America evoked by the term "riverboat gambling" has helped to make the casinos' arrival more palatable to many people. Technically, however, not all such facilities are riverboats. Some are on immobile barges, and some operate on lakes or on Mississippi's Gulf Coast, rather than on rivers.

For developers, state taxes on gaming revenues tend to be higher for the new waterborne casinos than they are in Nevada and Atlantic City. At least initially, these costs can be more than offset by lower investment costs and stronger operating margins. However, profitability levels can fluctuate over time, affected by factors such as economic conditions, the entry of new competition, and a change in tax rates.

The first modern-day, state-licensed boat or barge casino in the United States opened in Iowa in April 1991, followed by the debut of water-based gaming in Illinois (September 1991), Mississippi (August 1992), Louisiana

(November 1993), Missouri (May 1994), and Indiana (December 1995).

Of the six states that permit waterborne casinos, Mississippi is the most liberal in terms of regulation. It doesn't limit either the number of gaming licenses or the size of gamblers' bets and losses. However, casino development is subject to local approval. And while Mississippi's gaming tax is the lowest among states that currently permit waterborne gaming, growing competition has contributed to the closure of roughly 10 gaming facilities since the first casino opened. As of early 2005, about 30 water-based casinos were operating in the state.

The city of Detroit is now home to three land-based casinos: two opened in the second half of 1999 and the third in November 2000. A land-based casino operates in New Orleans, and limited casino gambling is available in four historic Western towns — three in Colorado, and Deadwood, South Dakota. Outside of Native American land, other forms of legalized gambling include gaming devices (video lottery terminals) at racetracks in various states.

Native American gaming

Under the Indian Gaming Regulatory Act of 1988 (IGRA), Native American tribes have the right to negotiate for the development of a gaming facility if casino-type activity already exists in a given state. Typically, a tribe will seek an agreement or compact with the state, detailing the gambling activity for which it desires approval.

Based on data from the National Indian Gaming Commission, a federal regulatory agency, we believe that more than 180 of approximately 550 Native American tribes in the United States own and/or operate casinos in the nation. Two of the highest-volume Native American gaming projects are on Mohegan and Mashantucket Pequot land in Connecticut.

Native American casinos are typically not subject to the same state or local taxes on their revenues as other casinos in the same state. Under federal law, Native Americans are entitled to negotiate agreements with a state, through which they can typically move to offer any form of gambling that is already legal in that state. Often, compacts do not require payment of state or local taxes on a casino's winnings. However, there are cases

in which Native American gaming facilities do pay taxes or fees based on casino winnings. In Connecticut, the two Native American casinos pay 25% of their slot machine winnings to the state, essentially for the right to have such gaming machines in their facilities. Slot machines were not already legal in Connecticut prior to the authorization of gaming at Native American facilities. Together, the two casinos' slot machine winnings now total more than \$1 billion annually.

Different stakes for different states

Reflecting diverse state regulations and strategic opportunities, there is considerable variation in the appearance, scope, and location of the new casinos popping up around the United States.

Some waterborne gaming projects have more related land-based infrastructure (such as garages, hotels, and entertainment facilities) than others. In general, when a sizable investment has been made in relatively permanent structures, a company is less likely to sail its gaming vessel to a new site.

In states that recently have legalized casinos, various projects have been developed in stages. A boat or barge with a gambling facility can be opened relatively quickly. Subsequently, if conditions seem favorable and financing is available, a company can enlarge its gaming space and add related facilities such as hotel rooms. The development of lodging capacity helps casinos attract visitors who stay for more than a day.

Most of the early US casino boat projects didn't include hotels. Now, however, Standard & Poor's sees regulators and localities putting more emphasis on encouraging new facilities that provide hotel rooms and other amenities. This should favor financially stronger companies that can better afford such investments.

Gaming markets: standing out in a crowd

As both the new and traditional gaming markets have seen several new players, many operators are trying to differentiate their casinos. Casino floors, with their slot machines and table games, tend to look alike. Therefore, operators need to find ways to make each facility seem interesting and attractive to customers.

Developing special themes and attractions are ways to differentiate one casino/hotel

from the next. For example, the world-famous Las Vegas Strip includes gaming projects that are intended to evoke such varied settings as ancient Egypt, present-day New York City, a pirate ship, and a medieval castle.

Some gaming companies, such as Harrah's Entertainment Inc., are trying to develop strong brand recognition among consumers. Other firms put more emphasis on the distinctiveness of individual properties. Another strategy is to emphasize strong locations. In general, proximity to interstate highways and major population centers provides a significant advantage for new gaming facilities. For a gaming project to be visible from a well-traveled road is an added bonus.

Some casinos are focusing on particular groups of customers. For example, Boyd Gaming Corp. has sought to attract residents of Hawaii; Standard & Poor's estimates that, at Boyd's three casino/hotels in downtown Las Vegas, Hawaiian visitors accounted for about 62% of total occupied room nights in 2003 (latest available). Other Las Vegas facilities emphasize attracting local residents to their casinos.

Some casino/hotels target high-stakes players, particularly those who will wager large sums at table games. Because such players can win or lose millions of dollars during a visit, particularly while playing baccarat, there can be pronounced short-term fluctuations in the revenue and profit levels of such casinos.

Finally, some casino facilities, such as those in Laughlin, Nevada, are weighted primarily toward slot machine activity.

Paying to play

Casinos' popularity is enhanced by the significantly better payouts they give players compared with other forms of gambling. Based on past estimates presented by *International Gaming & Wagering Business (IG&WB)*, an industry trade magazine, we estimate that non-Native American casinos kept about \$4.65 of every \$100 wagered in 2004, compared with about \$21 for every \$100 wagered in pari-mutuel betting (e.g., racetracks). Traditional state lotteries, excluding video machine games, keep about \$45 of every \$100 wagered.

Such comparisons are somewhat misleading, however, because winnings are put back into play (or "recycled") in casinos much

faster than they are in other activities. Thus, a casino has more opportunities to win from a customer. This largely offsets a casino's lower retention rate from the total amount bet.

To generate business for their casinos, operators of gaming facilities provide billions of dollars' worth of complimentary rooms, food, beverages, coins, and other items every year. The value of such giveaways can vary widely between properties. A casino/hotel that hopes to attract a greater number of high-rolling customers is more likely to give away free rooms. In Atlantic City, where casinos also seek to entice lower-stakes gamblers who don't generally stay overnight, rolls of quarters are a big item.

Wagering at gaming tables and slot machines in the two highest-revenue US gaming areas — Atlantic City and the state of Nevada — totaled roughly \$392 billion in 2004, according to Standard & Poor's estimates. However, this doesn't represent the total amount of dollars that came out of gamblers' wallets; most of the wagering is money that comes from a customer's winnings in the course of play. An estimated \$375 billion of the total wagering in 2004 went back to gamblers, with casinos in Nevada and Atlantic City winning about \$15 billion. Although long-term odds favor the casino, the fact that gamblers can bet quickly and repeatedly — often with these recycled funds — is part of casinos' appeal.

Slots prove popular — and profitable

Slot machines are a major revenue generator for the gaming industry. For example, we believe that, in 2004, about 69% of total gaming revenues in Atlantic City and Nevada came from coin- (or ticket-) operated machines, up from 53% in 1987. Slot machines in Atlantic City receive much greater volume, but those in Nevada likely gave gamblers significantly better odds. We believe that Nevada machines, on average, retained about 5.7% of the amount fed into them, while the win percentage in Atlantic City casinos was roughly 8%.

A significant portion of the money or tokens fed into a slot machine consists of winnings from the machine itself (*i.e.*, recycled funds). When these recycled coins are excluded, we estimate that slot machine gamblers lose roughly half of the money that they risk from their own wallets.

Table games chip in

Casinos win about 18% of the chips that gamblers purchase for table games. However, because the same chips are bet repeatedly, visitors' table game losses end up as about 2% of the total amount bet.

KEY INDUSTRY RATIOS AND STATISTICS

► **Consumer confidence.** Measures of consumer confidence indicate how Americans feel about the current economic environment and its prospects. If their mood is positive, they're more likely to open their wallets. If they're worried about their financial situation, they're more likely to postpone or forgo discretionary purchases. Casino visits and vacation travel, which may include hotel stays, are commonly regarded as discretionary expenditures.

One source of information on consumer sentiment is the Conference Board Inc., a nonprofit business research organization that surveys a representative sample of 5,000 US households to produce a monthly index. In December 2004, the Conference Board's consumer confidence index, which measures both consumers' attitudes toward current conditions and their short-term expectations, was at 102.3 (1985=100), up from 92.6 in November 2004. However, the index level remained considerably below its May 2000 reading of 144.7, which matched the previous peak reached in January 2000.

The lodging industry

► **Room supply or construction levels.** This information indicates how much new industry capacity is coming on stream. If industry supply grows faster than demand, this may signal trouble for industry revenue and profit growth.

Construction data related to the lodging industry, measured both in current and in constant dollars, are available in various places, including from the US Department of Commerce's Construction Review, and through a federal government Internet site. (See this *Survey's* "Industry References" section.) Figures for the number of new properties or rooms being added may be found from research firms such as Lodging Econo-

metrics, Smith Travel Research (STR), or PricewaterhouseCoopers.

STR reports that, in November 2004, the number of hotel rooms available in the United States was up 0.8% from the year-earlier level, while the number of rooms sold increased 3.9%. On a year-to-date basis through November 2004, the number of rooms sold was up 4.7%, compared with a 1.0% increase in the number of rooms available. According to the US Department of Commerce, the dollar value of private US lodging industry construction put in place during the first 11 months of 2004 totaled \$10.7 billion, up 17% from the year-ago period.

▶ **Revenue per available room (RevPAR).** RevPAR is calculated as the number of rooms available times the occupancy rate (percentage of rooms occupied), times the average room price in dollars. It measures dollars generated in room-sale revenue, on average, for each room available, both sold and unsold, on an industrywide basis as well as for individual companies, chains, and properties.

STR reports that, in November 2004, the US lodging industry's occupancy level was 56.3%. Thus, 43.7% of available rooms were either unsold or not generating any revenue. The average room rate per sold room (in November 2004) was \$85.00. As a result, RevPAR for all available rooms was \$47.90 (\$85.00 times 0.563 — the 56.3% occupancy rate).

In examining RevPAR, several components or questions should be considered. Is the current dollar level sufficient to bring a reasonable profit? What is the percentage change (plus or minus) in overall RevPAR from the prior-year period? Have costs changed to a similar extent? Hotels and gaming properties often have additional revenue sources, such as food, beverages, and casino winnings, which are not included in RevPAR. However, if such sources have a material impact on how well the company does, then they should also be considered when analyzing revenue, cost, and profitability data.

▶ **Capitalization rate.** The capitalization rate is the average weighted rate of return expected from a hotel property. It typically combines the cost of debt (e.g., a mortgage,

for which the lender charges a certain interest rate) with the expected return on equity capital. The capitalization rate is likely to be applied when purchase of a property is being contemplated or financed, or when the property's value is being calculated. For example, a property on the market for \$5 million might be 75% financed by debt, at an interest cost of 9%. The remaining 25% of the property's cost might come from equity capital, for which a 15% return is sought. Thus, the capitalization rate is $0.75 \times .09$, plus 0.25 times 0.15 , which equals 10.5%.

This measure can be used as a discount rate to estimate the present value of future cash from that property. In a highly simplified example, assume the property is expected to produce \$600,000 a year in future cash flows (earnings before interest, taxes, depreciation, and amortization, or EBITDA). The value of that property could be computed as \$600,000 divided by 0.105 (cash flow divided by capitalization rate), or \$5.7 million — considerably more than the \$5 million asking price. However, we would recommend a more detailed analysis, taking into consideration likely fluctuations in annual cash flows. It's also important to keep in mind that future cash flows could differ significantly from projections.

The gaming industry

▶ **Casino revenues.** Casino revenues include the amount of money won by casinos from various gaming activities, such as slot machines, table games, and sports betting. Various sources — an individual facility, a company, a state, or other entity — report casino revenues. Composite US numbers reflect a total of actual and estimated numbers from various states or categories. (See the "US Casino Industry Gaming Revenues" table for recent annual numbers.)

Monthly information for casinos in individual states is available from local regulatory groups such as the Nevada Gaming Control Board. The kind of information provided varies by jurisdiction. Some states track revenues for each casino (excluding Native American facilities) and publish a statewide total. At least one state (Nevada) provides information on a regional and statewide basis, though not for individual gaming facilities.

LAS VEGAS OVERVIEW

YEAR	VISITORS		CONVENTION ATTENDANCE		HOTEL/MOTEL ROOMS	
	MIL.	% CHG.	MIL.	% CHG.	TOTAL	% CHG.
2003	35.5	1.3	5.7	10.8	130,482	2.9
2002	35.1	0.2	5.1	1.8	126,787	0.1
2001	35.0	(2.3)	5.0	30.1	126,610	1.9
2000	35.8	6.0	3.9	2.1	124,270	3.3
1999	33.8	10.5	3.8	14.3	120,294	10.0
1998	30.6	0.5	3.3	(6.2)	109,365	3.8
1997	30.5	2.8	3.5	6.5	105,347	6.3
1996	29.6	2.2	3.3	13.0	99,072	10.0
1995	29.0	2.8	2.9	9.0	90,046	1.7
1994	28.2	19.9	2.7	10.0	88,560	2.9
1993	23.5	7.5	2.4	23.9	86,053	12.5

Source: Las Vegas Convention and Visitors Authority.

Information may also be found in industry newsletters and magazines, and increasingly, on Internet sites maintained by various states. (See the “Industry References” section of this *Survey*.) Statewide figures can be affected significantly by changes in the number of casinos operating during a given period or in the regulatory environment.

Composite casino revenue numbers for the entire US gaming industry are likely to be estimates, because precise numbers generally are not available for various casinos on Native American land. In addition, some data may include gaming revenues from noncasino locations, such as coin-fed machines at racetracks or bars.

▶ **Visitor levels.** Because much of the gambling at US casinos is done by people who live in other areas, it can be helpful to know how many out-of-town visitors a particular gaming market is attracting. Estimates, if not actual statistics, may be available from regulatory groups such as the Las Vegas Convention and Visitors Authority (LVCVA).

For example, visitors to the Las Vegas area totaled 31.6 million in the first 10 months of 2004, up 5.6% from 29.9 million in the year-ago period, according to the LVCVA.

▶ **Value of casinos’ complimentary items.** This number indicates the value of items — such as rooms, food, and drink — that gaming companies give away to customers. For some gaming markets, composite income statements (including information on complimentary items) are made available for groups of casinos. This information often comes

from regulatory groups such as the Nevada Gaming Control Board and the New Jersey Casino Control Commission. For an individual company, financial documents filed with the US Securities and Exchange Commission may include the total value of complimentary items provided at all of the company’s gaming facilities.

If the value of complimentary items is increasing as a percentage of casino winnings or total revenues, it may indicate that the cost of attracting gaming customers is on the rise. In the gaming industry, reported gross revenues typically include the value of complimentary items, while net revenues exclude them.

Information on complimentary items is often available from individual companies. Sometimes, the retail value of complimentary items may be noted as “casino promotional allowances.” For example, Harrah’s Entertainment reports that in 2003, its promotional allowances for such items totaled \$782 million, or about 20.3% of the \$3.9 billion in casino winnings reported on its income statement.

▶ **Hold percentage.** This number indicates the percentage of customers’ gambling dollars that are won by casinos. For example, if a gambler buys \$1,000 worth of chips to play blackjack and walks away from the table with \$850 in chips, the casino’s “win” is \$150, and its “hold percentage” is 15% (\$150 of \$1,000). (Chips purchased by gamblers, of which the casino generally ends up winning a percentage, are sometimes referred to as “table drop.”)

Typically, the hold percentage is available as an aggregate of all the casinos in a given gaming market. However, on some occasions it may be disclosed for individual gaming facilities or for all facilities operated by a particular company.

Hold percentage indicates whether a market (or casino or casino group) has been particularly lucky or unlucky during a specific period. A sizable fluctuation in the hold percentage is more likely to occur in casinos that emphasize high-stakes games (such as baccarat) versus lower-stakes activities (such as blackjack or slot machines).

Sources for hold percentage information include state regulatory groups and industry publications. For example, the Illinois Gaming Board reports that, in October 2004, nine

riverboat casino projects in that state had a hold percentage of 16.84% from table games, compared with 17.49% in October 2003. For electronic gaming devices (machines that resemble slot machines), the Illinois hold percentage was 6.61% in October 2004, compared with 6.55% in October 2003.

▶ **Gaming taxes.** When looking at a casino company, it is important to know what type of tax obligations it is likely to face. These include prospective state fees and/or taxes on gaming revenue, which can range from less than 10% to more than 20% of casino winnings. Keep in mind that tax levels can change, which could affect the profit outlook for a casino. Information related to tax levels in various gaming markets can be found in corporate filings with the Securities and Exchange Commission (e.g., annual 10K filings), and at Web sites of government regulatory bodies. (See the “Industry References” section of this *Survey*.) Proposed changes in tax levels can be monitored through newspaper and magazine reports and at times through company news releases.

HOW TO ANALYZE A LODGING OR GAMING COMPANY

A number of qualitative and quantitative factors should be considered when evaluating a lodging or gaming company.

Qualitative issues

It is important to consider how well a company is positioned and managed. In doing so, questions to ask include: How big is the company, and does it exploit the potential advantages of being either large or small? Can it raise the capital needed to maintain its operations and to grow? Has the company differentiated itself from its rivals in ways that give it a competitive advantage? What’s the likelihood that other companies will turn up the competitive heat in its particular markets?

These and other questions can be addressed by examining the factors listed below. Some of these issues are also factored into quantitative measures, which are discussed afterward.

Location

Important considerations include a hospitality business’s site selection and its proximity to population centers and transportation networks. Easily accessible and visible locations (e.g., those at airports or next to heavily trafficked highways) offer convenience, which can be the deciding factor in where a traveler stops. For lodging resorts in particular, the proximity of attractive beaches or ski slopes can be a deciding factor.

Offsetting factors can diminish the importance of location. These might include price, the presence (or absence) of nearby competitors, or such amenities as a pool or a business center.

Brand names

For chains, the value of company brands depends on several factors, including how the brands are perceived by consumers and how successfully shared services such as national advertising are administered. However, even non-chain properties can create valuable brand equity, as in the case of a unique resort that gains recognition for its ambiance and amenities. Meanwhile, hotels that are part of a chain still may cultivate an image of uniqueness.

Theme properties

In the gaming industry, operators are increasingly developing theme properties to differentiate themselves. A distinctive look often helps to attract visitors, particularly in the first year or two after a property opens. For example, a casino’s décor may allude to a European city or the Old West. Once its novelty has worn off, however, a facility likely will need to increasingly depend on retaining customers through more traditional means, such as offering good service or attractive pricing.

Management

Standard & Poor’s looks favorably on seasoned management teams that have performed well compared with their peers in both good times and bad. We also prefer a situation in which top executives own stock in the company. In such cases, management’s interests are more likely to be aligned with those of shareholders. However, investors should monitor whether executives are adding to their ownership interest in the com-

pany, or are lightening up on their holdings. In general, we view purchases by executives as favorable, especially if they are adding to their holdings via purchases at the market price, rather than through the exercise of options that offer below-market prices.

Some executives are particularly good at containing costs, while others are better at creating new products or managing expansion. In evaluating a company, it's a good idea to look at top management's track record — either at that company or at other firms — and to assess whether the skills demonstrated in the past address the company's current needs or goals.

In a franchising arrangement, we look for good relationships between franchisees and the parent company, and for the parent's ability to cultivate a favorable quality and value image with consumers.

Access to capital

Ownership of property and equipment within the lodging and gaming industries can be quite capital intensive. For example, development of a new casino/hotel can cost hundreds of millions of dollars.

Keep in mind that access to funds can be an important factor in establishing or maintaining a company's competitive advantage. The two main sources of capital are borrowing from lenders and selling equity (stock).

For companies with a large asset base, borrowing tends to be the primary source of capital. Under current tax laws, one advantage of financing through debt is that interest costs are tax-deductible. In contrast, when new equity is sold, it dilutes the ownership interest of existing stock.

To enhance their confidence about being repaid, lenders typically want a company to own assets worth more than the amount of the money being borrowed. Before providing funds for a specific building project, lenders will generally want to see that a project is being funded partially by cash that the company already has on hand or that it obtains by selling equity. This is similar to the way individuals are expected to make a down payment when applying for a home mortgage or a car loan.

Economic and industry conditions are likely to influence the cost of capital and the extent to which taking on more debt is attractive to the borrower. In general, a tight

money environment, in which interest rates are relatively high, is a less favorable climate for prospective borrowers.

Furthermore, we advise looking at what portion of a company's debt has been borrowed at a fixed rate of interest, and what portion is subject to variable (fluctuating) interest rates. In a rising interest rate environment, a sizeable amount of variable-rate debt could lead to a company facing higher interest costs.

Concerning equity sales, we look for a well-managed company to sell shares when the stock price is relatively high, and to repurchase shares when the stock price is relatively low. Information about these transactions and other financial data are more readily available for publicly owned companies than for those that are privately held.

In assessing a company's financial strength, it's important to look at how much debt and cash a company has. It's advisable to compare the company's cash interest costs with the amount of operating cash flow (before interest costs) that the business is expected to generate. If a company looks likely to have trouble meeting its debt requirements, it may need to go through a financial restructuring with its lenders. In especially dire circumstances, it could file for bankruptcy — a situation in which the value of existing common stock becomes essentially worthless.

It's important to look at the extent to which a company is likely to borrow more in the future, either to finance current operations or to grow. When must it make significant debt repayments, and what are its prospects for doing so or for refinancing its loans?

Furthermore, if a company's cost of borrowed funds (*e.g.*, the interest rate on debt with a similar maturity date) is significantly higher than that of other industry participants, it may be that lenders are wary about the company's prospects and expect to be compensated for the risk.

A company's financial strength affects its access to funds. We advise investors to look at whether a company's debt has been rated by one of the major credit agencies, such as Standard & Poor's or Moody's. In general, debt instruments with a higher credit rating carry a lower interest rate than do those issued around the same time with a lower credit rating. However, once debt has been issued, the rating agencies may raise or lower

their assessments in response to changes in business conditions.

For companies looking to manage hotels owned by others, or to franchise their name and services, access to capital can be a significant issue. If potential franchisees cannot obtain capital at a favorable cost, those capital constraints will limit a hotel brand's growth prospects.

When reviewing a chain's parent company, we advise considering the extent to which the parent provides debt or equity financing for properties that are affiliated with it (through management or franchise agreements) but are owned largely by other parties. In seeking to expand its hotel system, a company may lend money to franchisees, to help them to build new units. Especially if the total amount of such lending activity is relatively large, it's important to assess whether the parent hotel company is making a good business decision. Are the franchisees likely to realize a return on the borrowed capital that's sufficient to repay the parent?

Size

Large companies generally realize economies of scale in their overhead expenses. Their sizable operating budgets also give them purchasing power, which can help with marketing expenditures or in buying new beds for hotel rooms. These cost-cutting factors can give large companies a competitive advantage over smaller firms.

Additionally, big companies with multiple brands or properties have diversified their operations and risks while giving consumers more choices. If one property suffers because of a depressed local economy or the arrival of a new competitor, its losses can be offset by stronger results from another part of the company's asset portfolio.

But bigger isn't necessarily better. Smaller companies are often more nimble in responding to market conditions. Their managers are likely to be more entrepreneurial in nature and less likely to become bogged down by the multilevel decision making typical of very large organizations.

Regulation

In the United States, casino operations are generally regulated by individual states. Some states, such as Illinois and Indiana, restrict the number of casino licenses they is-

sue, so that owning a casino license in those states, particularly in populous areas, is an important asset. State regulations may require that a casino be located at a waterfront site or that it receive local approval.

Regulation has its benefits: states that limit gaming licenses also protect companies somewhat from competition. However, a state with a limited number of gaming licenses may choose to increase the number, leading to additional competition for existing casinos. Also, increasing competitive threats may arise from neighboring states as well as from gaming facilities on Native American land, which are subject to a different approval process. Furthermore, a number of US companies have operations or possible opportunities for expansion in international markets. Recently, we have seen the prospect of gaming regulations being eased in the United Kingdom leading to increased interest among US companies in UK expansion.

In the United States, both casino and non-gaming hotel businesses are likely to face local zoning review, which can affect the location, size, and other specifications of their projects. For a casino project, state regulation may require that a minimum number of hotel rooms be part of the development. Furthermore, state or federal environmental regulations could keep a project from being built in a protected or environmentally fragile area.

A significant form of regulation is taxation. In some gaming markets, the state or local tax on casino winnings may be less than 10%, while in other markets it exceeds 20%. Tax rates and the likelihood of their being changed should be part of evaluating projections of a company's current and future profitability and cash flow.

Technology

Companies can operate more efficiently by using new technologies. For example, Internet-based systems that help hotels to buy from suppliers should bring down related costs. In addition, automated check-out and other such services should help hotels trim their labor costs.

Furthermore, the development of the Internet has enabled consumers to comparison shop among hotels more easily, and to make reservations via their personal computers.

In the gaming industry, technology is spurring the development of new features for slot machines. Some jurisdictions now refer to these machines as “electronic gaming devices,” presumably taking into account their nonmechanical designs — such as video screens, lack of handles to pull, use of tickets rather than coins for payment, and so on.

Over the long term, the Internet may become a more common means of people using their personal computers as a gateway to gambling.

Marketing

How effective is a company at marketing its products or services? Is the company heavily reliant on third parties, such as travel agents or Internet sites operated by others? Is the company successfully differentiating its business from those of competitors?

Labor relations

Since both the lodging and gaming industries are relatively labor intensive, it is advisable to be aware of a company’s relationships and contracts with major employee groups. For example, is a significant union contract scheduled to expire soon? What are the prospects for the contract being renewed without labor unrest or a strike, or without a significant change in the company’s labor costs? Even if there is not a major union presence in the company’s work force, it’s a good idea to be aware of labor market conditions, how difficult it is to hire and retain workers, and whether there is likely to be increased pressure on profits from wage costs.

Analyzing the financial statements

Looking at financial statements is important. Sources of information include quarterly and annual reports to shareholders, filings with the Securities and Exchange Commission (SEC), and reports put out by advisory firms (such as Standard & Poor’s and Value Line) and brokerage companies. Various significant financial considerations are described following.

Sustainability of revenues and earnings

When looking at both revenues and profits, try to determine whether contributions to the current results are likely to recur in fu-

ture periods. If one-time factors have either inflated or depressed results in a prior period, these should be examined as well. For example, earnings may be unsustainably high due to a gain from an asset sale; conversely, they may be unusually low because of a restructuring charge or a one-time writedown in the value of an asset.

Other items that can cause peculiarities in reported profits include unusual tax rates or the cumulative effect of an accounting change. If a particular earnings report contains a significant amount of one-time items, it’s advisable to adjust the reported numbers to what would be considered “normalized” levels. This may provide a better base from which to project future levels of earnings.

However, we advise looking at “one-time” items as well. The size, nature, and frequency of restructuring charges, writedowns, and asset sale gains can reflect strategic changes by management. In addition, such measures as return on overall investment (including the benefits or charges related to assets that were divested) show how well a company has been managed over time.

One-time items can have significant implications for future results as well. For example, a restructuring charge can lead to cost savings in subsequent periods. In addition, while future operating results are likely to depend primarily on results from “continuing operations,” the company’s level of profit and loss from “discontinued operations” provides a view of how earlier investments have fared.

Furthermore, some ongoing costs of doing business can change significantly due to macroeconomic factors or world events. For example, terrorist threats could boost insurance costs, while political unrest or inventory shortages could bring higher energy costs.

While Wall Street often focuses on short-term profits, we believe that longer-term performance (five or 10 years) also should be assessed during a company evaluation. “Normalized” results (which exclude financial items generally expected to be nonrecurring, such as gains on asset sales and restructuring charges) should be considered, along with results that reflect all profit and loss factors, including one-time items.

Another question is the extent to which a company issues options to employees, and whether or not these are treated as expenses on the income statement.

In an effort to bring more transparency and consistency to earnings analysis and forecasts, Standard & Poor's has introduced a new methodology called Standard & Poor's Core Earnings™. Among other things, this measure of profitability calls for stock options that are issued to employees to be treated as an expense. (A detailed explanation of Core Earnings can be found at <http://www.standardandpoors.com>, in the Analytical Methodology section of Equity Research.)

The analyst should also consider if the company has significant pension or employee benefit plans, and if it is accounting for them in a realistic and conservative manner.

A change in accounting standards can affect year-to-year comparisons when calculating growth rates. For example, an accounting change in 2002 caused many companies to cease amortizing goodwill as an ongoing expense on their income statements. As a result, reported net income and earnings per share improved, but this should have had little or no impact on actual cash flow. (Goodwill is essentially the extent to which the purchase price for an acquisition exceeds the book value of the asset acquired; its amortization was previously considered a non-cash expense.) Nor did the improved results that were related to the absence of goodwill expense reflect underlying growth or business health.

Going forward, we expect companies to periodically review the value of goodwill on their balance sheet. If the value appears inflated, we would expect companies to take a one-time charge for goodwill impairment.

It is likely that in 2005, companies will increasingly treat the value of stock options granted to employees as an income statement expense item. For a number of companies, this change would affect the year-to-year comparisons of earnings (versus earlier years, when options were not treated as an income statement expense).

Revenue base and mix

In analyzing a hotel company, one should look at the industry sector in which it operates. For example, does it primarily control full-service hotels in big cities, or is it principally running smaller, limited-service properties located alongside highways or in smaller communities? A big-city hotel may benefit if

business travel is especially strong or if tourism has increased in that area. However, full-service hotels may be more sensitive to rising labor costs, since their staffing levels are likely to be higher than those of properties that offer fewer amenities.

Furthermore, hotel companies may have various revenue streams, based largely on the extent to which they own, manage and/or franchise various properties.

If a hotel company's revenues and profitability come primarily from franchising hotels rather than operating or owning them, one should look at such factors as fees generated from current franchisees and the prospect of adding more properties to the system. For example, if credit conditions are tight, franchise development may slow, since developers of new hotels are less likely to get attractive terms from lenders.

Also, some companies may be moving beyond the traditional hotel business into such related areas as timeshare operations and the selling of condominiums within their hotel properties. It's a good idea to look at how much capital a company is committing to various parts of its operations, and what the returns from such investments may be.

When analyzing a casino business, one should look at its mix of gaming revenue. If it has an unusually large contribution from table games, the casino is likely dependent on big-spending individuals, whose business can yield quite volatile results. If the winnings are heavily weighted toward slot machines, the casino is probably emphasizing middle-market customers, and revenues are likely to be more stable. We also advise looking in a casino company's financial statements for its levels of accounts receivable and allowance for bad debt. This includes both examining trends in time, and comparing them with recent revenue trends and with competitors' comparable numbers. If a casino is giving too much credit to marginal customers, significant bad-debt write-offs could lie ahead.

Cash flow

It's particularly important to evaluate capital-intensive and acquisitive businesses, such as lodging and gaming companies, on the basis of how much cash they generate and absorb. These figures may differ substantially from reported earnings. To ana-

lyze sources and uses of cash, we advise consulting a company's consolidated statements of cash flows.

Servicing debt (making scheduled interest and principal payments) is an especially important use of cash flow. We advise looking at such items as the extent to which earnings before interest and taxes (EBIT) are expected to exceed projected interest expense, and the expected timing and magnitude of expected repayments of principal.

Reported earnings may or may not accurately reflect cash flow generation or financial strength. A company's cash flow statement details the sources and uses of cash. It's a good idea to assess the extent to which a company's cash flow is likely to cover its future spending. In some cases, funds may be obtained by taking on more debt or by selling stock.

When looking at the income statement, keep in mind that some expenses — such as depreciation, amortization, and writedowns in asset values — are likely to be noncash items (which do not require an outlay of cash). These noncash items tend to make a company's pretax operating cash flows higher than its reported operating profit.

However, companies frequently have cash outlays that aren't included on the income statement, such as capital expenditures on new construction and renovations, debt repayment, and dividends to shareholders. These items, which appear on the cash flow statement and are reflected on the balance sheet, are sometimes discretionary and should be considered when evaluating a company's cash flow.

Keep in mind that, with a real estate investment trust (REIT) — an ownership structure used for a number of hotels such as Host Marriott Corp. — considerable attention is given to an item known as funds from operations (FFO). FFO consist largely of net income plus noncash depreciation and amortization. FFO can provide a better view of a company's ability to generate cash flow from its operations than does a net income number. Some of the uses of FFO are dividend payments and capital expenditures.

Profitability ratios

Profitability ratios or margins are measures of how successful a company is in turning revenues into profits. Operating margin

is calculated by dividing revenues by operating profit; it's expressed as a percentage. Net margin is calculated by dividing revenues by net income.

When analyzing profitability ratios, compare a company against its own past performance and against the performance of similar companies.

Hotel operating statistics

Look for data such as occupancy levels, average daily room rate (ADR), and revenues per available room (RevPAR). RevPAR is calculated as the number of rooms available times the percentage of rooms occupied, times the average room price. Hotels typically seek to maximize revenues, profits, and cash flow by finding the optimal relationship between occupancy and room rates.

Keep in mind that some gaming companies may offer attractive hotel prices — even free rooms — to boost casino activity.

Asset values

When looking at a balance sheet, try to judge whether the values reported are an accurate measure of the assets' current worth. For example, undeveloped land may be valued at what it cost the company 20 years ago; in such cases, the current market value may be much higher. Conversely, changes in business conditions or strategy may mean that some assets are overvalued. For example, if a hotel company decides to halt an expansion project, it may end up writing down the value of some land that it had acquired. Also, look for noncore assets that could possibly be divested, generating proceeds that could be used to reduce debt, repurchase stock, or invest in other businesses. When considering significant potential divestitures, it's advisable to consider whether an asset sale likely would lead to a sizable tax bill.

With significant owners of hotel and casino properties (including the land they sit on), we advise considering what the replacement and/or real estate value of their properties might be.

It's also advisable to consider whether a company's physical assets are being adequately maintained or refreshed. If rooms are not refurbished periodically, and convenient technology is not made available to customers (e.g., automated check-out), a property may

lose competitive ground. Typically, for companies that own properties, a portion of capital spending will go toward maintaining or refreshing their facilities. This is sometimes known as maintenance capital expenditures, the level of which (actual or expected) may be detailed in company news releases or conference calls. Other capital expenditures (*e.g.*, building new hotels) may be oriented toward expansion or growth.

Keep in mind that a company may own less than 100% of some assets. In cases where a company has a majority ownership interest in an asset or business, the smaller ownership stake of its partner(s) may be reflected on the liability side of the balance sheet in a line item known as “minority interest.” Alternatively, if a company owns less than 50% of an asset or a business, this may be reflected on the company’s balance sheet in a line item related to “investments.”

Balance sheet ratios

These ratios may offer a view of a company’s financial health and indicate how well a company is putting its assets or capital to work. For example, a company’s dependence on debt as a source of capital can be measured by comparing the amount of debt on its balance sheet to the level of equity it has (known as the debt-to-equity ratio).

A company’s success in investing its capital is indicated by ratios like return on assets (ROA) and return on equity (ROE). In these calculations, annual net income is typically divided into an average asset or equity level during the year being examined. Because the lodging industry is subject to cyclical conditions, there may be unusual income items in various periods. Thus, it’s a good idea to look at average returns over a multiyear period (such as five or 10 years).

Book value

This number measures the balance sheet value of a company’s assets minus its liabilities. Particular attention should be paid to “tangible” book value, which gives credit to assets like land, buildings, and equipment but excludes items such as goodwill (which may include a portion of the purchase price of previous acquisitions).

However, keep in mind that balance sheet valuations may not reflect assets’ replacement cost or their worth to someone else. In

addition, the extent to which “intangible” assets like a brand name or customer loyalty contribute to a company’s worth may not be adequately reflected in a company’s book value, even though they may add greatly to the company’s worth.

Off-balance-sheet commitments or liabilities

Does the company have any commitments or prospective liabilities that are not included on its balance sheet? This could include a conditional guarantee to repay debt of another firm (such as a franchisee) or a commitment to buy back, upon request, some of its own debt at a future point. Try to determine the existence or likelihood of any triggering events (*e.g.*, weaker operating results) that could cause debt holders to demand early repayment.

Valuation measures

Valuation measures are used to determine how much a company or its stock is worth. Common measurements include multiples of cash flow and earnings, with growth rates being used as a tool in deciding which multiple to pay.

Keep in mind that valuations depend on various factors, including overall investor sentiment, industry conditions, the level of interest rates, and the extent to which future earnings seem predictable. As is the case with other measures, valuations of a particular company should be compared with those of similar companies in the same industry. ■

INDUSTRY REFERENCES

PERIODICALS

Business Travel News

VNU eMedia Inc.
770 Broadway
New York, NY 10003
(646) 654-4500
Web site: <http://www.btnmag.com>
Newspaper published 23 times a year, including news related to corporate travel. Also publishes six manuals per year.

The HOST Study

Smith Travel Research
735 E. Main St., Hendersonville, TN 37075
(615) 824-8664
Web site: <http://www.str.biz>
Annual report on hotel industry operating results.

Hotel Business

ICD Publications
45 Research Way, Ste. 106, E. Setauket, NY 11733
(631) 246-9300
Web site: <http://www.hotelbusiness.com>
Magazine published 26 times a year; includes articles on various lodging industry topics.

Hotel & Motel Management

Advanstar Communications Inc.
7500 Old Oak Blvd., Cleveland, OH 44130
(440) 891-3105
Web site: <http://www.hotelmotel.com>
Magazine published about 21 times a year; includes articles on various lodging industry topics.

HOTELS

Reed Business Information
2000 Clearwater Dr., Oak Brook, IL 60523
(630) 288-8260
Web site: <http://www.hotelsmag.com>
Monthly magazine covering US and international hotel markets.

IGWB

Ascend Media Gaming Group
1771 E. Flamingo Rd., Ste. 208A, Las Vegas, NV 89119
(702) 794-0718
Web site: <http://www.gemcomm.com>
Biweekly magazine covering the gaming industry; formerly *International Gaming & Wagering Business*.

Lodging Magazine

American Hotel & Lodging Association
385 Oxford Valley Rd., Ste. 420, Yardley, PA 19067
(215) 321-9662
Web site: <http://www.lodgingmagazine.com>
Monthly magazine published by trade organization.

The STR Lodging Review

Smith Travel Research
735 E. Main St., Hendersonville, TN 37075
(615) 824-8664
Web site: <http://www.str.biz>
Weekly electronic newsletter; data on the US lodging industry.

Value of Construction Put in Place

Manufacturing and Construction Division
US Census Bureau, US Department of Commerce
4700 Silver Hill Rd., Washington, DC 20233
(301) 763-4636
Web site:
<http://www.census.gov/const/www/c30index.html>
Monthly news release containing data on lodging industry construction activity, including historic information.

Local newspapers also can be helpful. For example, among newspapers in the Las Vegas market are the *Las Vegas Review-Journal* (<http://www.lvrj.com>) and the *Las Vegas Sun* (<http://www.lasvegassun.com>).

BOOKS

2004 Directory of Hotel & Lodging Companies

The American Hotel & Lodging Association
Web site: <http://www.ahla.com>
A directory of companies that own, manage, and/or franchise properties. Lists headquarters addresses, phone and fax numbers, names of top executives, and property locations.

Travel Industry Economics: A Guide for Financial Analysis

Harold L. Vogel
Cambridge Univ. Press, 2001
The economics of the travel industry, including topics and data related to hotels and casinos.

TRADE ASSOCIATIONS**American Gaming Association**

555 13th St. NW, Ste. 1010 East, Washington, DC 20004
(202) 637-6500

Web site: <http://www.americangaming.org>
Addresses federal legislative and regulatory issues affecting its members and their employees and customers, such as federal taxation, regulatory issues, and travel and tourism matters. Publishes industry information.

American Hotel & Lodging Association

1201 New York Ave. NW, Washington, DC 20005
(202) 289-3100

Web site: <http://www.ahla.com>
Federation of lodging associations with some 13,000 members worldwide, representing more than 1.7 million guest rooms. Publishes industry information.

Las Vegas Convention and Visitors Authority

3150 Paradise Rd., Las Vegas, NV 89109
(702) 892-0711

Web site: <http://www.lvcva.com>
Quasi-governmental agency; serves as marketing organization and operates the Las Vegas Convention Center. Publishes data pertaining to the Las Vegas area.

National Indian Gaming Association

224 Second St. SE, Washington, DC 20003
(202) 546-7711

Web site: <http://www.indiangaming.org>
Legislative and public policy resource on Indian gaming issues and tribal community development.

Travel Industry Association of America

1100 New York Ave. NW, Washington, DC 20005
(202) 408-8422

Web site: <http://www.tia.org/home.asp>
Nonprofit representing the interests of the US travel industry. Publishes industry information.

RESEARCH/CONSULTING FIRMS**Accenture Ltd.**

Cedar House, 41 Cedar Ave., Hamilton HM12, Bermuda
(312) 737-8842

Web site: <http://www.accenture.com>
Management and technology consulting organization; its Travel Services industry group serves clients in the hotel, casino, cruise line, tour operator, and car rental businesses.

Christiansen Capital Advisors LLC

41 Campus Dr., New Gloucester, ME 04260
(207) 688-4500

Web site: <http://www.cca-i.com>
Provides information and analysis related to the gaming industry.

Lodging Econometrics

500 Market St., Ste. 13, Portsmouth, NH 03801
(603) 431-8740

Web site: <http://www.lodgingeconometrics.com>
Research division of National Hotel Realty, a real estate advisory firm and hotel brokerage firm. Provides information and forecasts related to US hotel real estate.

PhoCusWright Inc.

1 Rte. 37 East, Ste. 200, Sherman, CT 06784
(860) 350-4084

Web site: <http://phocuswright.com>
A strategy and research firm for companies in the online travel marketplace.

PricewaterhouseCoopers LLP

1301 Ave. of the Americas, New York, NY 10019
(646) 471-4000

Web site: <http://www.pwcglobal.com>
Provides services and information related to hospitality and leisure industries.

Smith Travel Research

735 E. Main St., Hendersonville, TN 37075
(615) 824-8664

Web site: <http://www.str.biz>
Provides lodging industry information and analysis.

REGULATORY AGENCIES

Various states have regulatory bodies that oversee gaming activity, and/or publish statistics about casinos within their borders. The National Indian Gaming Commission has responsibility for regulation of gaming activity on Indian land.

California Gambling Control Commission

2399 Gateway Oaks Dr., Sacramento, CA 95833
(916) 263-0700

Web site: <http://www.cgcc.ca.gov>

Colorado Division of Gaming

1881 Pierce St., Ste. 112, Lakewood, CO 80214
(303) 205-1355

Web site:
<http://www.revenue.state.co.us/gaming/home.asp>

Connecticut Department of Special Revenue

555 Russell Rd., Newington, CT 06111
(860) 594-0500

Web site: <http://www.dosr.state.ct.us>

Delaware Lottery

1575 McKee Rd., Ste. 102, Dover, DE 19904
(302) 739-5291

Web site: <http://lottery.state.de.us>
Provides data on video lottery activity at three racetracks in the state.

Illinois Gaming Board

160 N. LaSalle, Ste. 300, Chicago, IL 60601
(312) 814-4700
Web site: <http://www.igb.state.il.us>

Indiana Gaming Commission

Ste. 950, South Tower
115 W. Washington St., Indianapolis, IN 46204
(317) 233-0046
Web site: <http://www.state.in.us/gaming>

Iowa Racing and Gaming Commission

717 East Ct., Ste. B, Des Moines, IA 50309
(515) 281-7352
Web site: <http://www3.state.ia.us/irgc>

Louisiana Gaming Control Board

9100 Bluebonnet Centre Blvd., Ste. 500
Baton Rouge, LA 70809
(225) 295-8450
Web site: <http://www.dps.state.la.us/lgcb>

Michigan Gaming Control Board

1500 Abbott Rd., Ste. 400, East Lansing, MI 48823
(517) 241-0040
Web site: <http://www.michigan.gov/mgcb>

Mississippi Gaming Commission

620 North St., Jackson, MS 39225
(601) 576-3800, (800) 504-7529
Web site: <http://www.mgc.state.ms.us>

Missouri Gaming Commission

3417 Knipp Dr., Jefferson City, MO 65109
(573) 526-4080
Web site: <http://www.mgc.state.mo.us>

National Indian Gaming Commission

1441 L. St. NW, Ste. 9100, Washington, DC 20005
(202) 632-7003
Web site: <http://www.nigc.gov>

Nevada Gaming Control Board

1919 E. College Pkwy., Carson City, NV 89706
(775) 684-7700
Web site: <http://gaming.state.nv.us>

New Jersey Casino Control Commission

Arcade Building, Tennessee Ave. & Boardwalk
Atlantic City, NJ 08401
(609) 441-3000
Web site: <http://www.state.nj.us/casinos/index.html>

South Dakota Commission on Gaming

425 East Capitol Ave., Pierre, SD 57501
(605) 773-6050
Web site:
<http://www.state.sd.us/drr2/reg/gaming/index.htm>

CORPORATE INFORMATION

Many filings with the Securities and Exchange Commission are available through the World Wide Web. To search for such documents, go to the following site:
<http://www.sec.gov/cgi-bin/srch-edgar>

Quarterly and annual reports can be obtained directly from various companies. Some information is available at company Web sites, including:

Marriott International Inc.: <http://www.marriott.com>
Harrah's Entertainment: <http://www.harrahs.com>

WEB SITES

On the World Wide Web, the following sites provide information, opinion, and links pertaining to the lodging, gaming, and travel industries:

<http://gamingfloor.com>
<http://www.hotel-online.com/Neo/welcome.html>
<http://www.hotelnewsresource.com>
<http://rgtonline.com>

To see the final report of the National Gambling Impact Study Commission and other related material, go to:
<http://govinfo.library.unt.edu/ngisc/reports/fullrpt.html>

For statistics generated by the federal government, a starting point on the Web is:
<http://www.fedstats.gov>

DEFINITIONS FOR COMPARATIVE COMPANY ANALYSIS TABLES

Operating revenues

Net sales and other operating revenues. Excludes interest income if such income is “nonoperating.” Includes franchised/leased department income for retailers and royalties for publishers and oil and mining companies. Excludes excise taxes for tobacco, liquor, and oil companies.

Net income

Profits derived from all sources, after deductions of expenses, taxes, and fixed charges, but before any discontinued operations, extraordinary items, and dividend payments (preferred and common).

Return on revenues

Net income divided by operating revenues.

Return on assets

Net income divided by average total assets. Used in industry analysis and as a measure of asset-use efficiency.

Return on equity

Net income, less preferred dividend requirements, divided by average common shareholder’s equity. Generally used to measure performance and to make industry comparisons.

Current ratio

Current assets divided by current liabilities. It is a measure of liquidity. Current assets are those assets expected to be realized in cash or used up in the production of revenue within one year. Current liabilities generally include all debts/obligations falling due within one year.

Debt/capital ratio

Long-term debt (excluding current portion) divided by total invested capital. It indicates how highly “leveraged” a company might be. Long-term debt includes those debts/obligations due after one year, including bonds, notes payable, mortgages, lease obligations, and industrial revenue bonds. Other long-term debt, when reported as a separate account, is excluded; this account generally includes pension and retirement benefits. Total invested capital is the sum of stockholders’ equity, long-term debt, capital lease obligations, deferred income taxes, investment credits, and minority interest.

Debt as a percent of net working capital

Long-term debt (excluding current portion) divided by the difference between current assets and current liabilities. It is an indicator of a company’s liquidity.

Price/earnings ratio

The ratio of market price to earnings, obtained by dividing the stock’s high and low market price for the year by earnings per share (before extraordinary items). It essentially indicates the value investors place on a company’s earnings.

Dividend payout ratio

This is the percentage of earnings paid out in dividends. It is calculated by dividing the annual dividend by the earnings. Dividends are generally total cash payments per share over a 12-month period. Although payments are usually calculated from the ex-dividend dates, they may also be reported on a declared basis where this has been established to be a company’s payout policy.

Dividend yield

The total cash dividend payments divided by the year’s high and low market prices for the stock.

Earnings per share

The amount a company reports as having been earned for the year (based on generally accepted accounting standards), divided by the number of shares outstanding. Amounts reported in *Industry Surveys* exclude extraordinary items.

Tangible book value per share

This measure indicates the theoretical dollar amount per common share one might expect to receive should liquidation take place. Generally, book value is determined by adding the stated (or par) value of the common stock, paid-in capital, and retained earnings, then subtracting intangible assets, preferred stock at liquidating value, and unamortized debt discount. This amount is divided by the number of outstanding shares to get book value per common share.

Share price

This shows the calendar-year high and low of a stock’s market price.

In addition to the footnotes that appear at the bottom of each page, you will notice some or all of the following:

NA—Not available.

NM—Not meaningful.

NR—Not reported.

AF—Annual figure. Data are presented on an annual basis.

CF—Combined figure. In this case, data are not available because one or more components are combined with other items.

COMPARATIVE COMPANY ANALYSIS — LODGING & GAMING

Operating Revenues

Ticker	Company	Yr. End	Million \$							Compound Growth Rate (%)			Index Basis (1993= 100)				
			2003	2002	2001	2000	1999	1998	1993	10-Yr.	5-Yr.	1-Yr.	2003	2002	2001	2000	1999
CASINOS & GAMING†																	
AGY	§ ARGOSY GAMING CO	DEC	959.5	936.8	784.8 A	694.8	594.6	506.7	67.5	30.4	13.6	2.4	1,421	1,387	1,162	1,029	880
AZR	§ AZTAR CORP	DEC	813.1	834.3 C	849.5	848.1	800.3	806.1	518.8 A	4.6	0.2	(2.5)	157	161	164	163	154
BYD	† BOYD GAMING CORP	DEC	1,253.1	1,228.9	1,102.3	1,082.9	987.0 A	975.1	431.2	11.3	5.1	2.0	291	285	256	251	229
CZR	† CAESARS ENTERTAINMENT INC	DEC	4,455.0 D	4,652.0	4,631.0 C	4,896.0	3,176.0 A,C	2,305.0 A	NA	NA	14.1	(4.2)	**	**	**	**	NA
GTK	† GTECH HOLDINGS CORP	# FEB	1,051.3	978.8	1,009.7	936.5	1,010.8	972.9	632.8 A	5.2	1.6	7.4	166	155	160	148	160
HET	* HARRAHS ENTERTAINMENT INC	DEC	4,322.7 D	4,136.4 C,D	3,709.0 A	3,471.1 A	3,024.4 A	2,004.0 A	1,236.3	13.3	16.6	4.5	350	335	300	281	245
IGT	* INTL GAME TECHNOLOGY	SEP	2,128.1 A,C	1,847.6 C,D	1,199.2 A	898.4	929.7 A	824.1 A	478.0 D	16.1	20.9	15.2	445	386	251	188	194
MBG	† MANDALAY RESORT GROUP	# JAN	2,491.1	2,354.1	2,348.5	2,409.6	1,952.3	1,395.8	954.9	10.1	12.3	5.8	261	247	246	252	204
MGAM	§ MULTIMEDIA GAMES INC	SEP	368.8	291.0	131.8 C	96.8 C	88.9	70.5	NA	NA	39.2	26.7	**	**	**	**	NA
PNK	§ PINNACLE ENTERTAINMENT INC	DEC	531.5	514.0	528.6	584.6	681.9	408.0 A	59.3	24.5	5.4	3.4	897	867	892	987	1,151
SHFL	§ SHUFFLE MASTER INC	OCT	67.4	56.1	48.0 A	38.9	28.9	27.1	0.6 A	NM	20.0	20.1	11,955	9,952	8,504	6,890	5,129
WMS	§ WMS INDUSTRIES INC	JUN	178.7	174.7	263.8 D	216.7 D	187.3	99.0 D	331.1	(6.0)	12.5	2.3	54	53	80	65	57
HOTELS, RESORTS & CRUISE LINES‡																	
CCL	* CARNIVAL CORP	NOV	6,718.0 A	4,368.3	4,535.8	3,778.5 C	3,497.5	3,009.3 A	1,556.9	15.7	17.4	53.8	431	281	291	243	225
HLT	* HILTON HOTELS CORP	DEC	3,853.0	3,847.0	3,050.0	3,451.0	2,150.0 A	1,769.0 D	1,358.0	11.0	16.8	0.2	284	283	225	254	158
MCS	§ MARCUS CORP	# MAY	409.2	396.9	389.8	379.1 D	352.1 D	362.9	242.6	5.4	2.4	3.1	169	164	161	156	145
MAR	* MARRIOTT INTL INC	DEC	9,014.0	8,441.0 D	10,152.0	10,080.0	8,739.0	7,968.0	7,430.0	2.0	2.5	6.8	121	114	137	136	118
HOT	* STARWOOD HOTELS&RESORTS WRLD	DEC	4,630.0 D	4,667.0 A,C	3,967.0	4,345.0 D	3,862.0 A,C	4,736.0 A,C	117.0	44.5	(0.5)	(0.8)	3,956	3,988	3,390	3,713	3,300
OTHER COMPANIES WITH SIGNIFICANT GAMING OPERATIONS																	
AGI	ALLIANCE GAMING CORP	JUN	407.6 A,C	594.1 A	528.1	478.1	458.2	417.4	113.1	13.7	(0.5)	(31.4)	360	525	467	423	405
ASCA	AMERISTAR CASINOS INC	DEC	782.0	698.0	626.8 C	342.0	300.3	264.4	50.0	31.6	24.2	12.0	1,563	1,395	1,253	684	600
ISLE	ISLE OF CAPRI CASINOS INC	# APR	1,113.1 A	1,065.7	1,085.3	982.8 A,C	684.8 A	480.4	144.6	22.6	18.3	4.4	770	737	750	680	474
LVS	LAS VEGAS SANDS CORP -REDH	DEC	686.3	605.9	NA	NA	NA	NA	NA	NA	NA	13.3	**	**	**	**	NA
MGG	MGM MIRAGE	DEC	3,908.8 D	4,019.9	3,972.8	3,210.5 A	1,385.6 A	735.5	57.8	52.4	39.7	(2.8)	6,763	6,955	6,873	5,555	2,397
PENN	PENN NATIONAL GAMING INC	DEC	1,163.0 A	657.5	519.4 A	291.8 A	170.4 A	154.1	42.2	39.3	49.8	76.9	2,753	1,557	1,229	691	403
SGMS	SCIENTIFIC GAMES CORP	DEC	560.9 A	455.3	440.2	233.3 A	211.1	159.3	79.5 A	21.6	28.6	23.2	706	573	554	294	266
STN	STATION CASINOS INC	DEC	858.1	802.6	839.4	991.7	942.5	642.2 H	169.5	17.6	6.0	6.9	506	473	495	585	556
WYNN	WYNN RESORTS LTD	DEC	1.0	1.2	1.2	0.1	NA	NA	NA	NA	NA	(12.2)	**	**	**	**	NA
OTHER COMPANIES WITH SIGNIFICANT HOTEL OPERATIONS																	
CHH	CHOICE HOTELS INTL INC	DEC	386.1	365.6	341.4	167.5 C	161.6	165.4	NA	NA	18.5	5.6	**	**	**	**	NA
FCH	FELCOR LODGING TR INC	DEC	1,204.5 D	1,307.8	1,208.3	556.7	504.0	340.1 A	19.0 A	51.5	28.8	(7.9)	6,354	6,899	6,374	2,936	2,659
HPT	† HOSPITALITY PROPERTIES TRUST	DEC	552.8	348.7	303.9	263.0	237.2	175.0	NA	NA	25.9	58.5	**	**	**	**	NA
HMT	HOST MARRIOTT CORP	DEC	3,427.4 D	3,691.0 D	3,793.0	1,473.0	1,376.0	3,564.0 A,C	1,791.0 C	6.7	(0.8)	(7.1)	191	206	212	82	77
IACI	IAC/INTERACTIVECORP	DEC	6,328.1 A,C	4,621.2 A,C	3,468.9 C,D	4,601.5 A,C	3,235.8 A	2,634.1 A	46.2	NM	19.2	36.9	13,698	10,003	7,509	9,961	7,004
IHG	INTERCONTINENTAL HOTELS -ADR	DEC	6,214.4 H	5,675.5	5,924.9	5,582.1 A	7,711.8	7,833.0 D	6,658.7	(0.7)	(4.5)	9.5	93	85	89	84	116
RCL	ROYAL CARIBBEAN CRUISES LTD	DEC	3,784.2	3,434.3	3,145.3	2,865.8	2,546.2	2,636.3	1,112.8	13.0	7.5	10.2	340	309	283	258	229

Note: Data as originally reported. ‡ S&P 1500 Index group. * Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year. ** Not calculated; data for base year or end year not available. A - This year's data reflect an acquisition or merger. B - This year's data reflect a major merger resulting in the formation of a new company. C - This year's data reflect an accounting change. D - Data exclude discontinued operations. E - Includes excise taxes. F - Includes other (nonoperating) income. G - Includes sale of leased depts. H - Some or all data are not available, due to a fiscal year change.

Net Income

Ticker	Company	Yr. End	Million \$							Compound Growth Rate (%)			Index Basis (1993 = 100)				
			2003	2002	2001	2000	1999	1998	1993	10-Yr.	5-Yr.	1-Yr.	2003	2002	2001	2000	1999
CASINOS & GAMING†																	
AGY	§ ARGOSY GAMING CO	DEC	51.7	71.5	66.1	46.5	36.4	6.6	10.8	16.9	51.1	(27.7)	478	661	610	430	336
AZR	§ AZTAR CORP	DEC	60.9	58.9	58.0	53.1	22.1	11.5	11.4	18.3	39.6	3.5	535	517	510	467	194
BYD	† BOYD GAMING CORP	DEC	40.9	48.2	25.0	62.8	40.0	28.6	20.1	7.4	7.4	(15.1)	203	240	124	312	199
CZR	† CAESARS ENTERTAINMENT INC	DEC	54.0	155.0	(24.0)	143.0	138.0	109.0	NA	NA	(13.1)	(65.2)	**	**	**	**	NA
GTK	† GTECH HOLDINGS CORP	# FEB	183.2	142.0	75.8	43.1	93.6	89.1	56.2	12.6	15.5	29.0	326	253	135	77	167
HET	* HARRAHS ENTERTAINMENT INC	DEC	292.0	324.6	209.0	(11.3)	219.5	121.7	91.8	12.3	19.1	(10.1)	318	354	228	(12)	239
IGT	* INTL GAME TECHNOLOGY	SEP	375.3	276.7	213.9	156.8	65.3	152.4	105.6	13.5	19.7	35.6	355	262	203	149	62
MBG	† MANDALAY RESORT GROUP	# JAN	149.8	117.5	53.0	119.7	64.2	85.2	116.2	2.6	12.0	27.6	129	101	46	103	55
MGAM	§ MULTIMEDIA GAMES INC	SEP	31.7	25.3	6.7	2.8	(2.5)	2.2	NA	NA	70.2	25.3	**	**	**	**	NA
PNK	§ PINNACLE ENTERTAINMENT INC	DEC	(28.2)	(12.9)	(28.6)	79.5	44.0	13.2	5.2	NM	NM	NM	(546)	(250)	(553)	1,535	851
SHFL	§ SHUFFLE MASTER INC	OCT	16.9	14.0	11.6	8.5	3.6	3.3	(1.1)	NM	38.3	20.8	NM	NM	NM	NM	NM
WMS	§ WMS INDUSTRIES INC	JUN	(8.3)	9.9	31.9	44.4	5.3	(48.8)	30.7	NM	NM	NM	(27)	32	104	145	17
HOTELS, RESORTS & CRUISE LINES†																	
CCL	* CARNIVAL CORP	NOV	1,194.0	1,015.9	926.2	965.5	1,027.2	835.9	318.2	14.1	7.4	17.5	375	319	291	303	323
HLT	* HILTON HOTELS CORP	DEC	164.0	198.0	166.0	272.0	176.0	188.0	102.7	4.8	(2.7)	(17.2)	160	193	162	265	171
MCS	§ MARCUS CORP	# MAY	24.6	19.3	22.5	12.7	21.2	23.1	21.0	1.6	1.2	27.5	117	92	107	61	101
MAR	* MARRIOTT INTL INC	DEC	476.0	439.0	236.0	479.0	400.0	390.0	159.0	11.6	4.1	8.4	299	276	148	301	252
HOT	* STARWOOD HOTELS&RESORTS WRLD	DEC	105.0	246.0	151.0	401.0	(638.0)	141.0	(7.0)	NM	(5.7)	(57.3)	NM	NM	NM	NM	NM
OTHER COMPANIES WITH SIGNIFICANT GAMING OPERATIONS																	
AGI	ALLIANCE GAMING CORP	JUN	40.4	63.8	17.6	(15.0)	(8.8)	(15.3)	(3.7)	NM	NM	(36.7)	NM	NM	NM	NM	NM
ASCA	AMERISTAR CASINOS INC	DEC	47.6	40.5	33.3	(33.7)	0.2	(12.7)	4.9	25.5	NM	17.5	971	826	679	(688)	4
ISLE	ISLE OF CAPRI CASINOS INC	# APR	27.7	45.6	4.3	25.1	32.1	12.1	20.4	3.1	18.0	(39.1)	136	224	21	124	157
LVS	LAS VEGAS SANDS CORP -REDH	DEC	37.4	(38.4)	NA	NA	NA	NA	NA	NA	NA	NM	**	**	**	**	NA
MGG	MGM MIRAGE	DEC	237.1	292.8	170.6	166.2	95.1	68.9	(117.6)	NM	28.0	(19.0)	NM	NM	NM	NM	NM
PENN	PENN NATIONAL GAMING INC	DEC	51.5	36.0	23.8	18.6	6.7	7.5	1.5	42.8	47.0	42.9	3,530	2,470	1,629	1,274	462
SGMS	SCIENTIFIC GAMES CORP	DEC	52.1	65.6	(0.6)	(18.4)	0.4	(15.9)	9.0	19.2	NM	(20.4)	578	727	(6)	(204)	4
STN	STATION CASINOS INC	DEC	44.3	31.2	27.6	94.1	(32.3)	(9.0)	9.4	16.8	NM	41.9	471	332	294	999	(343)
WYNN	WYNN RESORTS LTD	DEC	(48.9)	(31.7)	(17.7)	(10.6)	NA	NA	NA	NA	NA	NM	**	**	**	**	NA
OTHER COMPANIES WITH SIGNIFICANT HOTEL OPERATIONS																	
CHH	CHOICE HOTELS INTL INC	DEC	71.9	60.8	14.3	42.4	57.2	48.1	NA	NA	8.4	18.1	**	**	**	**	NA
FCH	FELCOR LODGING TR INC	DEC	(296.9)	(178.6)	(38.0)	65.6	132.2	117.9	0.7	NM	NM	NM	NM	NM	NM	NM	NM
HPT	† HOSPITALITY PROPERTIES TRUST	DEC	238.2	143.8	132.0	126.3	111.9	88.0	NA	NA	22.0	65.7	**	**	**	**	NA
HMT	HOST MARRIOTT CORP	DEC	(225.0)	(29.0)	53.0	159.0	196.0	194.0	57.0	NM	NM	NM	(395)	(51)	93	279	344
IACI	IAC/INTERACTIVECORP	DEC	126.7	7.4	(186.8)	(88.6)	(27.6)	76.9	(6.4)	NM	10.5	1,616.7	NM	NM	NM	NM	NM
IHG	INTERCONTINENTAL HOTELS -ADR	DEC	33.9	717.5	674.3	2,490.1	636.9	1,104.7	469.7	(23.1)	(50.2)	(95.3)	7	153	144	530	136
RCL	ROYAL CARIBBEAN CRUISES LTD	DEC	280.7	351.3	254.5	445.4	383.9	330.8	106.7	10.2	(3.2)	(20.1)	263	329	238	417	360

Note: Data as originally reported. † S&P 1500 Index group. * Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year. ** Not calculated; data for base year or end year not available.

Return on Revenues (%)

Return on Assets (%)

Return on Equity (%)

Ticker	Company	Yr. End	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999
CASINOS & GAMING†																	
AGY	§ ARGOSY GAMING CO	DEC	5.4	7.6	8.4	6.7	6.1	3.8	5.4	7.1	8.4	6.4	18.8	33.7	46.9	57.4	73.5
AZR	§ AZTAR CORP	DEC	7.5	7.1	6.8	6.3	2.8	4.7	5.1	5.5	5.1	2.0	11.5	12.0	13.1	12.3	4.9
BYD	† BOYD GAMING CORP	DEC	3.3	3.9	2.3	5.8	4.1	2.2	2.6	1.5	4.2	3.1	9.6	12.7	7.3	21.0	16.2
CZR	† CAESARS ENTERTAINMENT INC	DEC	1.2	3.3	NM	2.9	4.3	0.6	1.5	NM	1.3	1.5	1.8	4.6	NM	3.8	3.8
GTK	† GTECH HOLDINGS CORP	# FEB	17.4	14.5	7.5	4.6	9.3	14.6	15.7	8.5	4.7	10.6	41.7	54.8	29.3	14.1	32.2
HET	* HARRAHS ENTERTAINMENT INC	DEC	6.8	7.8	5.6	NM	7.3	4.5	5.2	3.7	NM	5.5	18.2	22.8	15.8	NM	18.8
IGT	* INTL GAME TECHNOLOGY	SEP	17.6	15.0	17.8	17.5	7.0	10.0	10.6	12.1	9.3	3.9	24.1	32.0	109.0	92.6	16.7
MBG	† MANDALAY RESORT GROUP	# JAN	6.0	5.0	2.3	5.0	3.3	3.3	2.8	1.3	2.8	1.6	15.7	12.9	5.3	10.6	5.5
MGAM	§ MULTIMEDIA GAMES INC	SEP	8.6	8.7	5.1	2.9	NM	27.5	38.6	17.9	9.3	NM	37.8	51.6	29.0	22.8	NM
PNK	§ PINNACLE ENTERTAINMENT INC	DEC	NM	NM	NM	13.6	6.5	NM	NM	NM	7.9	4.5	NM	NM	NM	24.8	17.2
SHFL	§ SHUFFLE MASTER INC	OCT	25.1	25.0	24.2	22.0	12.4	28.2	24.8	26.7	26.2	12.2	34.6	30.9	33.8	34.6	16.6
WMS	§ WMS INDUSTRIES INC	JUN	NM	5.6	12.1	20.5	2.8	NM	3.5	12.3	18.6	2.4	NM	3.8	13.8	23.5	3.2
HOTELS, RESORTS & CRUISE LINES†																	
CCL	* CARNIVAL CORP	NOV	17.8	23.3	20.4	25.6	29.4	6.5	8.5	8.7	10.7	13.3	11.3	14.5	14.9	16.4	20.1
HLT	* HILTON HOTELS CORP	DEC	4.3	5.1	5.4	7.9	8.2	2.0	2.3	1.9	3.0	2.7	7.6	10.3	9.7	17.8	22.0
MCS	§ MARCUS CORP	# MAY	6.0	4.9	5.8	3.4	6.0	3.3	2.5	2.9	1.7	3.0	6.4	5.3	6.5	3.8	6.6
MAR	* MARRIOTT INTL INC	DEC	5.3	5.2	2.3	4.8	4.6	5.8	5.0	2.7	6.2	5.9	12.8	12.5	7.0	15.5	14.6
HOT	* STARWOOD HOTELS&RESORTS WRLD	DEC	2.3	5.3	3.8	9.2	NM	0.9	2.0	1.2	3.1	NM	2.5	6.3	4.0	10.5	NM
OTHER COMPANIES WITH SIGNIFICANT GAMING OPERATIONS																	
AGI	ALLIANCE GAMING CORP	JUN	9.9	10.7	3.3	NM	NM	8.2	15.2	4.8	NM	NM	58.8	1,889.9	NA	NA	NA
ASCA	AMERISTAR CASINOS INC	DEC	6.1	5.8	5.3	NM	0.1	4.1	4.0	3.7	NM	0.1	20.8	22.5	35.9	NM	0.3
ISLE	ISLE OF CAPRI CASINOS INC	# APR	2.5	4.3	0.4	2.6	4.7	1.9	3.3	0.3	1.9	3.2	12.5	25.1	2.7	15.6	29.5
LVS	LAS VEGAS SANDS CORP -REDH	DEC	5.5	NM	NA	NA	NA	2.2	NA	NA	NA	NA	NA	NA	NA	NA	NA
MGG	MGM MIRAGE	DEC	6.1	7.3	4.3	5.2	6.9	2.2	2.8	1.6	2.5	4.2	9.1	11.3	7.0	9.7	9.5
PENN	PENN NATIONAL GAMING INC	DEC	4.4	5.5	4.6	6.4	4.0	4.3	5.0	4.2	5.9	3.8	18.5	20.6	26.0	25.5	10.7
SGMS	SCIENTIFIC GAMES CORP	DEC	9.3	14.4	NM	NM	0.2	5.4	9.1	NM	NM	0.2	21.2	56.2	NM	NA	NA
STN	STATION CASINOS INC	DEC	5.2	3.9	3.3	9.5	NM	2.7	1.9	1.8	6.9	NM	14.5	12.0	10.3	37.2	NM
WYNN	WYNN RESORTS LTD	DEC	NM	NM	NM	NM	NA	NM	NM	NM	NA	NA	NM	NM	NM	NA	NA
OTHER COMPANIES WITH SIGNIFICANT HOTEL OPERATIONS																	
CHH	CHOICE HOTELS INTL INC	DEC	18.6	16.6	4.2	25.3	35.4	24.7	19.1	3.6	8.9	13.2	NA	NA	112.1	54.5	93.6
FCH	FELCOR LODGING TR INC	DEC	NM	NM	NM	11.8	26.2	NM	NM	NM	1.0	2.5	NM	NM	NM	2.4	5.5
HPT	† HOSPITALITY PROPERTIES TRUST	DEC	43.1	41.2	43.4	48.0	47.2	8.7	5.7	5.5	5.4	5.3	15.0	9.0	8.5	8.3	8.2
HMT	HOST MARRIOTT CORP	DEC	NM	NM	1.4	10.8	14.2	NM	NM	0.3	1.7	2.3	NM	NM	1.7	11.0	14.5
IACI	IAC/INTERACTIVECORP	DEC	2.0	0.2	NM	NM	NM	0.6	NM	NM	NM	NM	1.0	NM	NM	NM	NM
IHG	INTERCONTINENTAL HOTELS -ADR	DEC	0.5	12.6	11.4	44.6	8.3	0.3	5.2	5.1	19.3	5.2	0.5	8.7	8.5	37.2	13.1
RCL	ROYAL CARIBBEAN CRUISES LTD	DEC	7.4	10.2	8.1	15.5	15.1	2.6	3.4	2.8	6.2	6.2	6.8	9.0	6.9	13.2	13.8

Note: Data as originally reported. ‡ S&P 1500 Index group. * Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year.

Ticker	Company	Yr. End	Current Ratio					Debt / Capital Ratio (%)					Debt as a % of Net Working Capital				
			2003	2002	2001	2000	1999	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999
CASINOS & GAMING†																	
AGY	§ ARGOSY GAMING CO	DEC	0.6	0.7	0.7	0.7	1.0	68.6	74.6	82.9	58.6	75.1	NM	NM	NM	NM	NM
AZR	§ AZTAR CORP	DEC	1.0	0.9	1.4	1.1	1.3	52.6	48.8	49.1	51.6	53.0	NM	NM	NM	NM	NM
BYD	† BOYD GAMING CORP	DEC	0.8	1.5	0.8	0.8	1.0	71.3	75.0	76.4	75.5	78.6	NM	NM	NM	NM	NM
CZR	† CAESARS ENTERTAINMENT INC	DEC	1.0	0.8	1.3	1.3	1.2	52.7	53.4	52.5	52.7	54.3	NM	NM	NM	NM	NM
GTK	† GTECH HOLDINGS CORP	# FEB	1.5	1.1	1.0	1.2	1.1	42.6	47.4	61.5	49.9	53.5	237.3	653.0	NM	485.6	NM
HET	* HARRAHS ENTERTAINMENT INC	DEC	1.2	1.1	1.1	0.7	1.3	63.4	68.0	69.1	67.4	59.4	NM	NM	NM	NM	NM
IGT	* INTL GAME TECHNOLOGY	SEP	2.2	2.3	2.6	3.1	4.6	40.3	40.3	76.9	91.1	80.3	101.2	142.0	165.0	178.6	129.9
MBG	† MANDALAY RESORT GROUP	# JAN	1.1	1.0	0.9	1.0	1.2	69.7	71.0	68.6	67.1	66.2	NM	NM	NM	NM	NM
MGAM	§ MULTIMEDIA GAMES INC	SEP	1.7	1.6	1.4	1.0	0.7	8.1	0.6	0.0	9.2	14.5	50.8	3.2	0.0	NM	NM
PNK	§ PINNACLE ENTERTAINMENT INC	DEC	1.5	2.0	2.6	2.4	3.0	74.7	65.3	59.1	57.3	68.7	NM	576.9	365.1	378.1	211.5
SHFL	§ SHUFFLE MASTER INC	OCT	3.3	4.6	2.6	2.9	1.9	0.5	2.9	0.0	0.3	3.1	1.0	4.8	0.0	0.8	9.1
WMS	§ WMS INDUSTRIES INC	JUN	8.4	8.9	8.8	5.5	2.7	31.1	0.0	0.0	0.0	0.0	45.3	0.0	0.0	0.0	0.0
HOTELS, RESORTS & CRUISE LINES†																	
CCL	* CARNIVAL CORP	NOV	0.6	0.7	1.3	0.3	0.6	33.4	28.9	31.0	26.3	12.8	NM	NM	617.2	NM	NM
HLT	* HILTON HOTELS CORP	DEC	1.1	1.1	1.1	1.3	1.2	55.8	61.3	65.1	69.1	72.6	NM	NM	NM	NM	NM
MCS	§ MARCUS CORP	# MAY	0.5	0.4	0.5	0.4	0.4	32.7	33.2	43.4	45.7	44.5	NM	NM	NM	NM	NM
MAR	* MARRIOTT INTL INC	DEC	0.7	0.8	1.2	0.7	0.9	26.6	30.3	44.7	38.2	36.6	NM	NM	858.2	NM	NM
HOT	* STARWOOD HOTELS&RESORTS WRLD	DEC	0.8	0.4	0.6	0.6	0.5	45.4	46.7	50.4	47.6	45.6	NM	NM	NM	NM	NM
OTHER COMPANIES WITH SIGNIFICANT GAMING OPERATIONS																	
AGI	ALLIANCE GAMING CORP	JUN	2.8	3.4	2.7	3.7	2.9	77.6	87.7	112.6	116.8	109.9	239.6	195.4	301.0	296.6	291.5
ASCA	AMERISTAR CASINOS INC	DEC	1.3	0.9	0.7	1.7	0.5	73.6	79.0	79.9	95.9	75.8	NM	NM	NM	NM	NM
ISLE	ISLE OF CAPRI CASINOS INC	# APR	1.3	0.9	0.9	0.8	1.5	78.8	82.1	85.4	83.9	83.3	NM	NM	NM	NM	NM
LVS	LAS VEGAS SANDS CORP -REDH	DEC	1.4	1.3	NA	NA	NA	86.6	88.2	NA	NA	NA	NM	NM	NA	NA	NA
MGG	MGM MIRAGE	DEC	1.0	0.8	0.7	0.6	0.9	56.2	54.0	55.4	56.6	53.7	NM	NM	NM	NM	NM
PENN	PENN NATIONAL GAMING INC	DEC	0.7	1.0	0.8	0.8	0.7	74.5	55.8	75.6	76.3	52.1	NM	NM	NM	NM	NM
SGMS	SCIENTIFIC GAMES CORP	DEC	1.5	1.5	1.0	1.1	0.9	68.5	62.9	89.1	82.2	143.8	666.1	766.8	NM	NM	NM
STN	STATION CASINOS INC	DEC	0.9	1.2	1.0	2.5	1.0	74.3	78.3	81.0	75.4	81.2	NM	NM	NM	522.6	NM
WYNN	WYNN RESORTS LTD	DEC	5.7	5.4	10.4	11.8	NA	38.8	27.7	0.1	0.1	NA	191.9	418.1	0.8	0.6	NA
OTHER COMPANIES WITH SIGNIFICANT HOTEL OPERATIONS																	
CHH	CHOICE HOTELS INTL INC	DEC	0.6	0.6	0.6	0.6	0.5	176.6	130.3	112.3	65.6	73.2	NM	NM	NM	NM	NM
FCH	FELCOR LODGING TR INC	DEC	NA	NA	NA	NA	NA	56.9	51.5	49.4	45.9	43.6	NA	NA	NA	NA	NA
HPT	† HOSPITALITY PROPERTIES TRUST	DEC	NA	NA	NA	NA	NA	33.4	22.4	22.5	23.9	21.4	NA	NA	NA	NA	NA
HMT	HOST MARRIOTT CORP	DEC	NA	NA	NA	NA	NA	71.7	76.9	77.0	75.3	73.0	NA	NA	NA	NA	NA
IACI	IAC/INTERACTIVECORP	DEC	2.2	3.0	2.4	1.5	1.3	5.7	8.6	10.1	6.2	7.3	47.9	39.3	39.4	91.7	161.2
IHG	INTERCONTINENTAL HOTELS -ADR	DEC	0.9	0.4	0.5	1.0	0.8	24.6	9.5	14.9	19.4	36.7	NM	NM	NM	NM	NM
RCL	ROYAL CARIBBEAN CRUISES LTD	DEC	0.4	0.4	0.8	0.3	0.2	56.4	56.9	59.0	47.7	40.4	NM	NM	NM	NM	NM

Note: Data as originally reported. † S&P 1500 Index group. * Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year.

Price / Earnings Ratio (High-Low)

Dividend Payout Ratio (%)

Dividend Yield (High-Low, %)

Ticker	Company	Yr. End	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999
CASINOS & GAMING†																	
AGY	§ ARGOSY GAMING CO	DEC	15-9	17-7	15-7	12-6	13-2	0	0	0	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
AZR	§ AZTAR CORP	DEC	14-7	17-7	12-6	13-7	23-9	0	0	0	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
BYD	† BOYD GAMING CORP	DEC	29-17	26-8	17-8	6-3	11-5	23	0	0	0	0	1.3-0.8	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
CZR	† CAESARS ENTERTAINMENT INC	DEC	62-36	25-12	NM-NM	32-21	30-13	0	0	NM	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
GTK	† GTECH HOLDINGS CORP	# FEB	16-8	12-7	18-8	19-12	11-8	16	0	0	0	0	2.0-1.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
HET	* HARRAHS ENTERTAINMENT INC	DEC	19-11	18-12	21-12	NM-NM	18-8	22	0	0	NM	0	2.0-1.2	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
IGT	* INTL GAME TECHNOLOGY	SEP	34-17	24-15	25-12	24-9	37-22	16	0	0	0	9	1.0-0.5	0.0-0.0	0.0-0.0	0.0-0.0	0.4-0.2
MBG	† MANDALAY RESORT GROUP	# JAN	19-10	21-12	38-19	19-8	37-16	31	0	0	0	0	3.2-1.6	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
MGAM	§ MULTIMEDIA GAMES INC	SEP	19-6	18-7	37-4	14-4	NM-NM	0	0	0	0	NM	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
PNK	§ PINNACLE ENTERTAINMENT INC	DEC	NM-NM	NM-NM	NM-NM	8-4	14-5	NM	NM	NM	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
SHFL	§ SHUFFLE MASTER INC	OCT	36-16	32-18	35-13	21-6	23-14	0	0	0	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
WMS	§ WMS INDUSTRIES INC	JUN	NM-NM	68-30	32-15	16-5	94-39	NM	0	0	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
HOTELS, RESORTS & CRUISE LINES†																	
CCL	* CARNIVAL CORP	NOV	24-12	20-13	22-11	32-11	32-23	27	24	27	26	22	2.2-1.1	1.9-1.2	2.5-1.2	2.3-0.8	1.0-0.7
HLT	* HILTON HOTELS CORP	DEC	41-24	32-18	30-14	16-9	26-13	19	15	18	11	12	0.8-0.5	0.8-0.5	1.3-0.6	1.3-0.7	1.0-0.5
MCS	§ MARCUS CORP	# MAY	21-14	27-18	20-14	35-19	23-15	27	33	29	50	31	1.8-1.3	1.8-1.2	2.1-1.4	2.7-1.4	2.1-1.3
MAR	* MARRIOTT INTL INC	DEC	23-14	25-14	52-28	22-13	27-18	14	15	26	12	13	1.0-0.6	1.0-0.6	0.9-0.5	0.9-0.5	0.7-0.5
HOT	* STARWOOD HOTELS&RESORTS WRLD	DEC	72-42	33-16	55-23	18-10	NM-NM	162	69	107	34	NM	3.9-2.2	4.4-2.1	4.7-2.0	3.5-1.8	3.1-1.6
OTHER COMPANIES WITH SIGNIFICANT GAMING OPERATIONS																	
AGI	ALLIANCE GAMING CORP	JUN	33-16	13-8	36-5	NM-NM	NM-NM	0	0	0	NM	NM	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
ASCA	AMERISTAR CASINOS INC	DEC	15-4	22-7	16-3	NM-NM	NM-NM	0	0	0	NM	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
ISLE	ISLE OF CAPRI CASINOS INC	# APR	25-11	15-7	93-43	21-9	12-3	0	0	0	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
LVS	LAS VEGAS SANDS CORP -REDH	DEC	NA-NA	NA-NA	NA-NA	NA-NA	NA-NA	NA	NA	NA	NA	NA	NA-NA	NA-NA	NA-NA	NA-NA	NA-NA
MGG	MGM MIRAGE	DEC	24-15	23-15	31-15	34-16	33-17	0	0	0	4	0	0.0-0.0	0.0-0.0	0.0-0.0	0.3-0.1	0.0-0.0
PENN	PENN NATIONAL GAMING INC	DEC	20-11	23-12	20-6	15-5	23-13	0	0	0	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
SGMS	SCIENTIFIC GAMES CORP	DEC	23-6	9-5	NM-NM	NM-NM	NM-NM	0	0	NM	NM	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
STN	STATION CASINOS INC	DEC	44-22	36-20	36-16	13-8	NM-NM	33	0	0	0	NM	1.5-0.7	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
WYNN	WYNN RESORTS LTD	DEC	NM-NM	NM-NM	NA-NA	NA-NA	NA-NA	NM	NM	NA	NA	NA	0.0-0.0	0.0-0.0	NA-NA	NA-NA	NA-NA
OTHER COMPANIES WITH SIGNIFICANT HOTEL OPERATIONS																	
CHH	CHOICE HOTELS INTL INC	DEC	18-10	17-11	75-34	22-9	19-12	0	0	0	0	0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
FCH	FELCOR LODGING TR INC	DEC	NM-NM	NM-NM	NM-NM	33-22	16-10	NM	NM	NM	297	138	0.0-0.0	5.9-2.7	14.3-6.8	13.3-9.0	13.5-8.4
HPT	† HOSPITALITY PROPERTIES TRUST	DEC	12-7	17-12	14-10	12-9	15-9	101	131	133	131	101	13.6-8.5	11.1-7.8	13.8-9.3	15.0-10.9	11.5-6.9
HMT	HOST MARRIOTT CORP	DEC	NM-NM	NM-NM	NM-69	20-12	17-8	NM	NM	867	140	94	0.0-0.0	0.0-0.0	12.5-5.6	11.4-7.0	11.4-5.7
IACI	IAC/INTERACTIVECORP	DEC	NM-NM	NM-NM	NM-NM	NM-NM	NM-NM	0	NM	NM	NM	NM	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0	0.0-0.0
IHG	INTERCONTINENTAL HOTELS -ADR	DEC	NM-NM	14-9	15-10	5-3	21-13	NM	68	69	20	75	26.5-12.9	7.8-4.8	6.9-4.5	6.7-4.1	5.9-3.5
RCL	ROYAL CARIBBEAN CRUISES LTD	DEC	24-9	13-8	23-6	24-7	27-15	36	29	39	21	19	4.2-1.5	3.7-2.1	6.7-1.7	3.0-0.9	1.3-0.7

Note: Data as originally reported. † S&P 1500 Index group. * Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year.

Ticker	Company	Yr. End	Earnings per Share (\$)					Tangible Book Value per Share (\$)					Share Price (High-Low, \$)				
			2003	2002	2001	2000	1999	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999
CASINOS & GAMING†																	
AGY	§ ARGOSY GAMING CO	DEC	1.78	2.48	2.31	1.64	1.31	(15.36)	(17.62)	(20.12)	1.66	0.30	26.65-15.21	41.50-16.49	34.85-16.31	19.69-9.75	17.44-2.63
AZR	§ AZTAR CORP	DEC	1.72	1.56	1.53	1.28	0.48	14.65	13.00	12.38	10.92	9.96	23.94-11.43	25.90-11.00	18.66-8.88	16.69-8.50	11.13-4.19
BYD	† BOYD GAMING CORP	DEC	0.64	0.75	0.40	1.01	0.65	(0.13)	(0.63)	(1.67)	(0.25)	(1.41)	18.40-11.13	19.20-6.10	6.69-3.25	6.13-3.25	7.38-3.06
CZR	† CAESARS ENTERTAINMENT INC	DEC	0.18	0.51	(0.08)	0.48	0.46	7.45	7.06	6.49	6.52	6.01	11.09-6.50	12.93-6.06	12.93-6.00	15.38-9.88	14.00-6.06
GTK	† GTECH HOLDINGS CORP	# FEB	1.58	1.25	0.64	0.31	0.64	2.93	1.76	0.75	1.40	1.19	25.59-12.81	15.24-8.81	11.88-4.92	5.88-3.84	7.05-4.84
HET	* HARRAHS ENTERTAINMENT INC	DEC	2.68	2.92	1.84	(0.09)	1.74	4.65	2.50	1.88	4.04	6.93	49.94-30.30	51.35-34.95	38.29-22.00	30.06-17.00	30.75-14.19
IGT	* INTL GAME TECHNOLOGY	SEP	1.09	0.82	0.73	0.51	0.16	1.41	0.54	0.40	0.33	J 0.69	37.00-18.05	20.02-11.94	17.99-8.93	12.34-4.36	6.03-3.53
MBG	† MANDALAY RESORT GROUP	# JAN	2.40	1.74	0.73	1.53	0.71	13.43	11.66	12.76	8.81	8.81	46.58-23.40	37.00-21.12	27.89-13.90	28.38-12.88	26.31-11.56
MGAM	§ MULTIMEDIA GAMES INC	SEP	1.22	1.01	0.36	0.16	(0.16)	3.86	2.54	1.34	0.77	0.61	23.00-7.68	18.52-7.40	13.33-1.25	2.25-0.72	3.33-0.68
PNK	§ PINNACLE ENTERTAINMENT INC	DEC	(1.09)	(0.50)	(1.11)	3.02	1.70	6.37	7.98	8.42	9.49	5.79	9.83-3.92	12.68-5.02	13.88-5.40	23.81-12.38	24.06-8.00
SHFL	§ SHUFFLE MASTER INC	OCT	0.67	0.53	0.45	0.35	0.13	1.56	1.58	1.20	0.91	0.62	24.27-10.97	16.63-9.31	15.53-5.80	7.41-1.94	3.04-1.93
WMS	§ WMS INDUSTRIES INC	JUN	(0.27)	0.31	1.01	1.45	0.18	7.45	8.12	7.97	6.66	5.67	27.75-10.50	20.95-9.28	32.64-15.50	23.88-7.38	17.00-6.94
HOTELS, RESORTS & CRUISE LINES†																	
CCL	* CARNIVAL CORP	NOV	1.66	1.73	1.58	1.61	1.68	11.83	11.48	10.13	8.84	8.86	39.84-20.34	34.64-22.07	34.94-16.95	51.25-18.31	53.50-38.13
HLT	* HILTON HOTELS CORP	DEC	0.43	0.53	0.45	0.74	0.66	0.08	(0.51)	(1.25)	(1.86)	(2.47)	17.50-10.38	17.09-9.56	13.57-6.15	12.13-6.38	17.13-8.38
MCS	# MARCUS CORP	# MAY	0.83	0.66	0.77	0.44	0.71	12.35	12.13	11.67	11.57	J 11.03	17.10-11.91	17.98-11.90	15.72-10.59	15.25-8.19	16.31-10.50
MAR	* MARRIOTT INTL INC	DEC	2.05	1.83	0.97	1.99	1.62	10.33	9.14	7.12	5.95	4.42	47.20-28.55	46.45-26.25	50.50-27.30	43.50-26.13	44.50-29.00
HOT	* STARWOOD HOTELS&RESORTS WRLD	DEC	0.52	1.22	0.75	2.03	(3.41)	9.11	7.15	4.71	4.99	4.32	37.60-21.68	39.94-19.00	40.89-17.10	37.50-19.75	37.75-19.50
OTHER COMPANIES WITH SIGNIFICANT GAMING OPERATIONS																	
AGI	ALLIANCE GAMING CORP	JUN	0.82	1.38	0.43	(0.37)	(0.27)	0.54	(0.04)	(0.91)	J (1.35)	(1.18)	27.44-12.80	18.20-10.72	15.13-1.98	2.89-0.29	2.46-0.59
ASCA	AMERISTAR CASINOS INC	DEC	1.80	1.55	1.59	(1.65)	0.01	6.58	4.58	2.87	(2.85)	2.63	26.95-7.78	33.94-11.04	25.51-4.50	6.63-3.00	4.50-2.13
ISLE	ISLE OF CAPRI CASINOS INC	# APR	0.94	1.57	0.15	0.84	1.22	(5.54)	(6.80)	(7.15)	(6.71)	(5.53)	23.20-10.79	23.59-11.36	13.95-6.40	17.75-7.25	14.06-3.63
LVS	LAS VEGAS SANDS CORP -REDH	DEC	37.44	(38.39)	NA	NA	NA	(16.99)	(49.38)	NA	NA	NA	NA-NA	NA-NA	NA-NA	NA-NA	NA-NA
MGG	MGM MIRAGE	DEC	1.59	1.85	1.07	1.15	0.82	15.84	15.58	15.30	14.63	8.76	38.59-24.09	42.03-27.80	32.85-16.19	38.81-18.44	27.28-13.56
PENN	PENN NATIONAL GAMING INC	DEC	1.30	0.95	0.77	0.62	0.22	(7.86)	1.66	(2.61)	0.04	1.50	25.95-14.69	22.25-11.00	15.32-4.63	9.19-3.41	5.19-2.91
SGMS	SCIENTIFIC GAMES CORP	DEC	0.74	1.16	(0.19)	(0.53)	0.01	(2.67)	(1.25)	(5.64)	(7.99)	(2.40)	17.14-4.61	10.21-5.50	8.84-1.86	5.75-2.00	4.88-1.25
STN	STATION CASINOS INC	DEC	0.76	0.54	0.48	1.55	(0.58)	3.15	1.78	1.04	2.88	3.43	33.50-16.55	19.20-10.80	17.43-7.50	20.00-11.79	18.25-5.29
WYNN	WYNN RESORTS LTD	DEC	(0.62)	(0.68)	(86.27)	(53.08)	NA	12.10	12.46	1,811.68	1,909.78	NA	28.61-12.76	14.39-10.76	NA-NA	NA-NA	NA-NA
OTHER COMPANIES WITH SIGNIFICANT HOTEL OPERATIONS																	
CHH	CHOICE HOTELS INTL INC	DEC	2.01	1.55	0.32	0.80	1.04	(6.16)	(5.67)	(3.84)	(0.27)	(0.78)	36.85-20.19	27.00-16.30	23.98-11.00	17.38-7.50	19.75-12.00
FCH	FELCOR LODGING TR INC	DEC	(5.52)	(3.78)	(1.19)	0.74	1.59	16.53	22.09	26.23	29.34	30.17	11.87-5.80	22.00-10.12	24.94-11.90	24.50-16.50	26.13-16.25
HPT	† HOSPITALITY PROPERTIES TRUST	DEC	3.57	2.18	2.12	2.11	2.03	23.81	23.81	24.51	24.98	25.64	42.39-26.50	36.75-25.80	30.35-20.40	25.44-18.50	29.88-17.94
HMT	HOST MARRIOTT CORP	DEC	(0.92)	(0.24)	0.09	0.65	0.89	5.61	4.82	4.83	5.54	5.86	12.33-6.07	12.25-7.50	13.95-6.22	12.94-8.00	14.81-7.38
IACI	IAC/INTERACTIVECORP	DEC	0.19	(0.01)	(0.50)	(0.25)	(0.08)	0.88	1.50	1.72	(10.91)	(12.02)	42.88-20.73	33.53-15.31	28.44-16.45	29.06-16.19	28.44-15.56
IHG	INTERCONTINENTAL HOTELS -ADR	DEC	0.05	0.83	0.78	2.85	0.80	5.78	9.40	8.95	8.73	6.77	10.34-5.05	11.80-7.27	12.00-7.75	13.75-8.50	17.00-10.25
RCL	ROYAL CARIBBEAN CRUISES LTD	DEC	1.45	1.82	1.32	2.34	2.15	20.38	19.52	18.13	17.36	15.43	35.00-12.42	24.38-14.00	30.25-7.75	56.38-16.13	58.88-31.38

Note: Data as originally reported. † S&P 1500 Index group. * Company included in the S&P 500. † Company included in the S&P MidCap. § Company included in the S&P SmallCap. # Of the following calendar year. J-This amount includes intangibles that cannot be identified.

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