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Invest in casino stocks? Too risky, survey finds

Posted: Sunday, September 13, 2015 8:00 am

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When it comes to investing in casino companies, many high-net-worth investors don't like the gamble.

That's according to a Morgan Stanley Wealth Management Investor Pulse Poll of 300 households in the New York metro area.

Even with more casinos in that region, 23 percent of respondents considered them too high-risk, and 62 percent said they were "not for me."

Karen R. Peri, a Morgan Stanley financial adviser in Northfield, finds similar patterns in her practice.

"What we find is even people that visit the casinos are afraid to invest in them," she said.

But the seemingly contradictory sentiments do not necessarily carry over to people who work for gaming companies, she said.

"I find in my practice someone that works for a casino gaming company or in that industry is more likely to invest in it, but not someone who visits it," Peri said.

Those surveyed had at least \$100,000 in investible assets. A third of them had \$1 million or more.

Many high-net-worth investors are older and may be retired, Peri said. This may steer them more to stocks that pay greater dividends.

"They're looking for income, and with interest rates at historic lows, they're looking for ways to get income. And one of the ways to do that is with dividends," she said.

Some casino companies with Atlantic City ties have been subject to the market's volatility in the past year.

Caesars Entertainment Corp., whose subsidiary Caesars Entertainment Operating Co. filed for Chapter 11 bankruptcy protection in January, saw stocks rise above \$17 a share in November and dip below \$5 in July.

On Friday, the company closed at \$9.38 a share.

Boyd Gaming Corp., which owns half of Borgata Hotel Casino & Spa, has seen steadier growth in the past year, rising from about \$9 a share in October to closing Friday at \$16.50.

Elsewhere, Morningstar analyst Dan Wasiolek said stocks in companies such as MGM Resorts International, Wynn Resorts and Las Vegas Sands have hinged much on Macau and the Cotai strip in China.

Those companies have reported fairly solid growth in Las Vegas, but issues in Macau have hampered stock prices in the near term, he said.

MGM, which has one casino on the peninsula and is set to open another in Cotai in fall 2016, currently has the least exposure to that market of the three, he said.

“That has helped their stock performance recently. Because of the near-term uncertainty in Macau for investors, it's fair to say the stocks with larger exposure to Macau more recently have underperformed those with less exposure,” he said.

That area still may have a good growth outlook in the coming years as the Chinese government invests billions in capital improvements, bridges and rail systems, Wasiolek said.

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