

VEGAS BABY YEAH? NO?

RECENT TRENDS SUGGEST A TEPID RECOVERY

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CALL TO ACTION

It's almost the anti-Macau play but not really: Buy MGM because the company has less Macau exposure. How about buying something without any Macau exposure? I suppose the best way to play the Strip would be to buy MGM and short 2882.HK.

So let's look at what you're getting if you could isolate Strip exposure. Solid RevPAR growth? Yes, but if you're looking for that why not buy a hotel stock like HLT or HOT. Las Vegas RevPAR has actually lagged the rest of the country. Gaming revenue growth? Outside of Baccarat we've seen very little actually. And the 2nd derivative in Baccarat went negative in August and the 1st derivative turned in November.

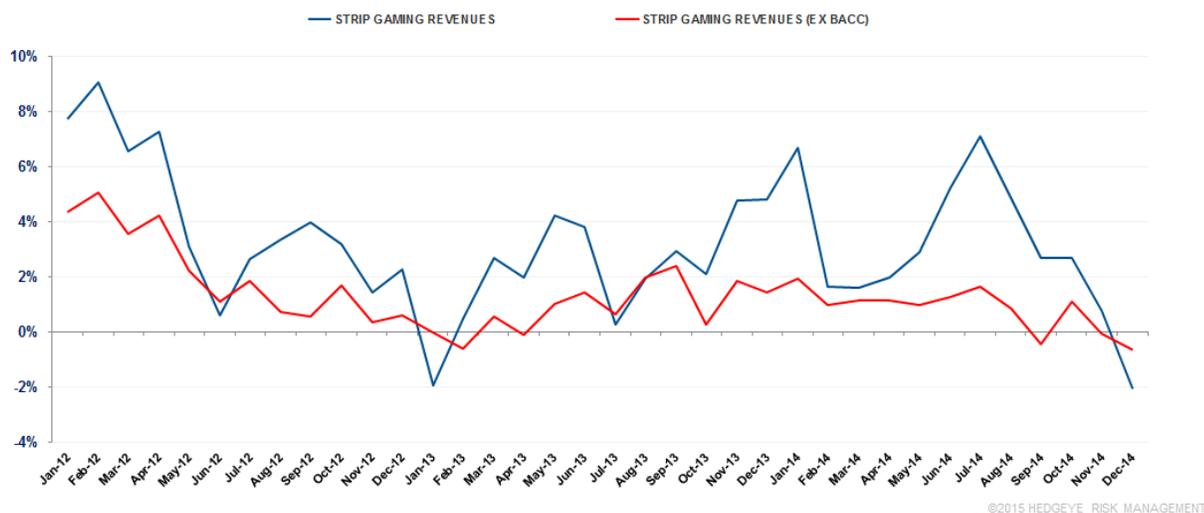
Unlike Macau, Las Vegas is at least stable. Stability is hardly an investment thesis, though.

STRIP GAMING REVENUES

The Baccarat Tailwind is Waning

Strip gaming revenue growth could be described as modest over the past year. However, strip out baccarat, gaming revenues have floated around flat for 3 years and are getting worse. Consider this: baccarat revenue has fallen YoY for 5 straight months and Baccarat volumes declined for 4 straight months.

LV STRIP GAMING REVENUES - ROLLING 12 MONTHS YOY CHANGE

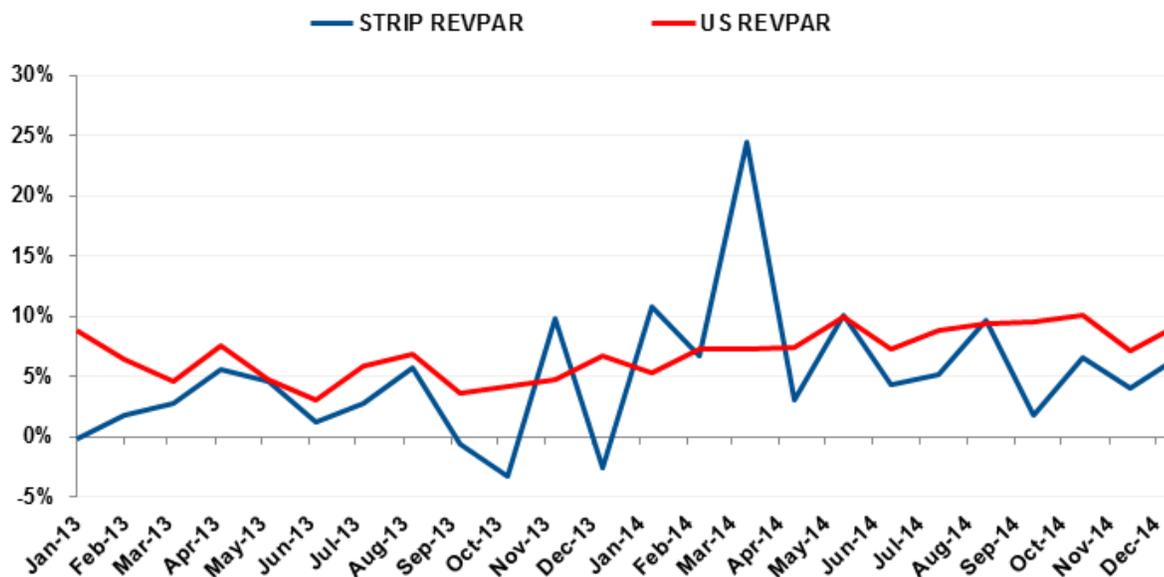


STRIP REVPAR

Decent Growth But Lagging the Rest of the Country

Solid RevPAR growth has been a big part of the Strip investment thesis. However, save for a few scattered months, the Las Vegas Strip has lagged RevPAR growth in the rest of the country.

US VS STRIP REVPAR YOY CHANGE



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CONCLUSION

With lagging RevPAR growth and an upcoming difficult Q1 RevPAR compare, and declining Baccarat revenue, two important legs (is there a third?) of the bullish Las Vegas thesis are in doubt. LVS and WYNN already reported disappointing Q4 results at their respective Las Vegas properties. MGM reports Q4 on 2/17 and we're below the Street. Unless January was off the charts, management may have difficulty spinning the thesis Las Vegas as an investment oasis.

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