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Announcement: Moody's changes outlook on US gaming industry to negative from stable

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New York, June 30, 2014 -- Moody's Investors Service has revised its outlook on the US gaming industry to negative from stable. The negative outlook reflects recent declines in comparable monthly gaming revenue for most jurisdictions, as well as the flat revenues that preceded them, outside Nevada, over the last year and a half.

"The fact regional gaming revenues excluding Nevada remained flat, despite further improvement in the economy and additional regional casinos throughout the US, is a strong indication that US consumers will continue to limit their spending to items more essential than gaming, even as the US economy continues to improve," says Moody's Senior Vice President Keith Foley in the report "Outlook Update US Gaming Industry: Moving to Negative Outlook on Weaker-than-Expected Gaming Revenue."

The recent overall decline in total gaming revenue was not severe -- 1.8% in April and 0.8% May for the 15 out of 18 jurisdictions that have released May results. Moody's had expected, all else equal, that the month-on-months comparisons would post small gains.

Moody's currently estimates that total US gaming revenues reported by state gaming authorities will decrease at a rate of between 3.0% and 5.0% over the next 12 to 18 months, translating to a decrease in overall industry earnings before interest and taxes (EBIT) of between 4.5% and 7.5%. Because gaming involves relatively large fixed assets and costs, Moody's expects earnings to decline at a faster rate than revenues. Moody's had previously expected gaming revenue to increase between 0% and 2% and for EBIT to increase between 0% and 4%.

Moody's says the Las Vegas Strip continues to perform relatively well in terms of gaming revenue, a trend the rating agency expect to continue. Although a large market -- Las Vegas Strip gaming revenue for the latest 12-months ended April 30, 2014 was about \$6.4 billion -- it accounts for less than 20% of total gaming US gaming revenue. Therefore, it is not the primary driver of the US gaming industry outlook.

The outlook expresses Moody's expectations for the fundamental business conditions in the industry over the next 12 to 18 months.

For more information, Moody's research subscribers can access this report at http://www.moody.com/viewresearchdoc.aspx?docid=PBC_172269.

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