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Casino

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Leaping FORWARD

Gaming companies up the ante in international markets and CEO compensation

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After a slower than expected recession recovery, the gaming industry is beginning to see signs of optimism, leading towards an economic rebound.

Casino revenues have been increasing along with a stronger domestic and international presence. Commercial gaming is now in 22 U.S. jurisdictions and companies have also begun serious developments in emerging international markets. These increases have produced a noticeable impact on executive compensation for certain gaming leaders; however, others are sitting at the table with a short stack.

Our annual review of gaming CEOs compared 2011 compensation in relations to stock performance, EBITDA growth, and market capitalization over a three year period. The results are expressed in our HVS Value Index which reveals whether each CEO was over or underpaid based on performance.

After two years of holding the top spot of Top HVS Value Index, Full House CEO Andre Hilliou comes in second to Las Vegas Sands (LVS) CEO Sheldon Adelson, who moved up from the number 12 ranking last year. According to our analysis, Adelson was underpaid by 93.6 percent, or approximately \$13 million. The LVS stock price rose 228 percent over the survey period, while 13 other gaming stocks improved from 2010 to 2011. Entertainment Gaming Asia had the largest stock appreciation with a 272 percent increase.

SALARY AND BONUS

The average base salary for a gaming CEO was \$776,000, a 13 percent increase over 2010. Seven CEO's had a base salary of \$1 million or higher with Stephen Wynn leading the group at \$2.95 million. The average bonus payout for 2011 was \$1.32 million, a 25 percent increase from the 2010 average of \$1.06 million and a 120 percent increase from 2009. This is a clear sign that business has been improving as most bonus payouts were based a financial performance metrics.

Five CEOs did not receive a bonus in 2011, while eight got nothing in 2010 and eleven in 2009. The largest bonus payouts were made to the same players as last year: Stephen Wynn, Wynn Resorts (\$10.1 million), Sheldon Adelson, Las Vegas Sands (\$6.3 million), and James Murren, MGM Resorts (\$5.4 million).

LONG-TERM INCENTIVES

Long-term incentives, typically granted in the form of restricted stock grants and stock options averaged \$2.04 million in 2011, a 28 percent increase above 2010. Gary Loveman of Caesars Entertainment garnered the largest long-term incentive package of \$13.4 million. Caesars Entertainment rejoined the list after a hiatus of five years with their successful IPO.

TOP GAMING SHORT-TERM INCENTIVES

CEO	COMPANY	BONUS
WYNN, Stephen A.	Wynn Resorts	\$10,125
ADELSON, Sheldon G.	Las Vegas Sands	\$6,304
MURREN, James J.	MGM Resorts	\$5,486
LOVEMAN, Gary W.	Caesars Entertainment	\$3,900
CARLINO, Peter M.	Penn National	\$2,557
ARISON, Micky	Carnival	\$2,075
WEIL, A. Lorne	Scientific Games Corporation	\$1,516
HADRILL, Richard	Bally Technologies	\$1,400
HART, Patti S.	International Game Technology	\$1,242
KANOFISKY, Gordon R.	Ameristar Casinos	\$1,063

Based on bonus, non-equity incentive plan; or both of those things in table; combined and called short term incentive

Seven CEOs received nothing in the form of long-term incentives, which we thought odd in light of pay-for-performance pressures from shareholders and boards. The average amount of "other" compensation was \$388,726 in 2011, which was a 71 percent increase from the 2010 average of \$227,000.

The average CEO total compensation for 2011 was \$4.5 million with Gary Loveman of Caesars Entertainment leading the way with his \$20.4 million package. Lorne Weil of Scientific Games Corporation followed closely with a package of \$19.9 million.

TOP GAMING LONG-TERM INCENTIVES

CEO	COMPANY	L-T INCENTIVES
LOVEMAN, Gary W.	Caesars Entertainment	\$13,428
WEIL, A. Lorne	Scientific Games Corporation	\$13,289
CARLINO, Peter M.	Penn National	\$7,298
HART, Patti S.	International Game Technology	\$6,487
ARISON, Micky	Carnival	\$4,376
HADRILL, Richard	Bally Technologies	\$4,058
KANOFISKY, Gordon R.	Ameristar Casinos	\$3,740
ADELSON, Sheldon G.	Las Vegas Sands	\$3,650
SMITH, Keith E.	Boyd Gaming	\$2,025
GAMACHE, Brian R.	WMS Industries	\$1,907

Based on value of restricted stock and stock options

LOOKING EAST

It is an interesting and pivotal time for casino companies as we start to see signs of recovery and growth. Of course, growth in Asian markets, especially fueled by new developments in Macau, Singapore and Cambodia are responsible for much of the overall growth within the industry. Gaming executives that are playing these markets are poised to fare much better than those focused solely in the U.S. Fifteen states have seen overall GGR increases in 2011, most of which occurred in states that opened new casinos.

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GAMING INDUSTRY CEO SURVEY (CEOs RANKED BY TOTAL COMPENSATION IN US\$ THOUSANDS)

PAY RANK	CEO	COMPANY	SALARY	SHORT-TERM INCENTIVES	OTHER	LONG-TERM INCENTIVES	TOTAL	HVS VALUE INDEX ¹
1	LOVEMAN, Gary W.	Caesars Entertainment	\$1,900	\$3,900	\$1,175	\$13,428	\$20,403	106.1
2	WEIL, A. Lorne	Scientific Games Corporation	\$1,500	\$1,516	\$3,649	\$13,289	\$19,955	105.6
3	WYNN, Stephen A.	Wynn Resorts	\$2,950	\$10,125	\$1,541	\$0	\$14,616	112.5
4	ADELSON, Sheldon G.	Las Vegas Sands	\$1,000	\$6,304	\$2,891	\$3,650	\$13,845	193.6
5	CARLINO, Peter M.	Penn National	\$1,703	\$2,557	\$420	\$7,298	\$11,978	108.5
6	MURREN, James J.	MGM Resorts	\$2,000	\$5,486	\$880	\$1,567	\$9,934	142.3
7	HART, Patti S.	International Game Technology	\$800	\$1,242	\$5	\$6,487	\$8,534	105.1
8	ARISON, Micky	Carnival	\$906	\$2,075	\$250	\$4,376	\$7,608	107.0
9	HADRILL, Richard	Bally Technologies	\$998	\$1,400	\$22	\$4,058	\$6,478	103.9
10	KANOFKY, Gordon R.	Ameristar Casinos	\$870	\$1,063	\$137	\$3,740	\$5,809	106.4
11	SMITH, Keith E.	Boyd Gaming	\$1,100	\$743	\$40	\$2,025	\$3,908	105.6
12	GAMACHE, Brian R.	WMS Industries	\$946	\$0	\$546	\$1,907	\$3,398	91.7
13	MCDOWELL, Virginia	Isle of Capri	\$752	\$748	\$0	\$346	\$1,846	88.3
14	DAHL, Jefferey J.	MTR Gaming	\$566	\$631	\$87	\$457	\$1,742	84.6
15	SANFILIPPO, Anthony M.	Pinnacle Entertainment	\$840	\$842	\$3	\$0	\$1,685	104.3
16	BETTS, Scott	Global Cash Access Holdings	\$600	\$300	\$60	\$718	\$1,678	92.2
17	RAMSEY, Patrick J.	Multimedia Games	\$375	\$930	\$255	\$0	\$1,560	145.8
18	EVANS, Robert L.	Churchill Downs	\$550	\$875	\$77	\$0	\$1,502	111.3
19	HILLIOU, Andre M.	Full House Resorts	\$325	\$281	\$6	\$340	\$951	183.1
20	SHULDMAN, Bart C.	TransAct	\$449	\$347	\$41	\$104	\$942	110.5
21	BERMAN, Lyle	Lakes Entertainment	\$500	\$100	\$199	\$0	\$799	61.5
22	FARAH, John	Monarch Casino & Resort	\$400	\$100	\$0	\$240	\$740	44.4
23	D'AMATO, Joseph A.	Empire Resorts	\$360	\$0	\$0	\$339	\$699	172.6
24	LOPEZ, David B.	Shuffle Master	\$281	\$256	\$7	\$145	\$689	131.5
25	HAITZMANN, Erwin	Century Casinos	\$471	\$150	\$60	\$0	\$681	118.4
26	CHUNG, Clarence	Entertainment Gaming Asia	\$0	\$125	\$0	\$517	\$642	173.3
27	STURGES, Robert	Nevada Gold & Casinos	\$412	\$25	\$59	\$83	\$580	124.7
28	GRONAU, Gregory S.	Gaming Partners International	\$300	\$150	\$17	\$0	\$467	43.8
29	ROBERSON, Mark	Pokertek	\$160	\$0	\$6	\$255	\$421	50.0
30	MORGAN, James B.	Daktronics	\$311	\$0	\$7	\$58	\$375	2.6
31	McGLYNN, Denis	Dover Downs Entertainment	\$300	\$0	\$0	\$51	\$351	1.9
32	SAMPSON, Randall D.	Canterbury Park	\$214	\$16	\$1	\$79	\$310	0.8

1) "HVS Value Index" is based on an average of 100

* No longer CEO

Financial data garnered from SmartMoney.com

Additionally, the gaming manufacturing sector, after two years of contraction, has started to post gains in revenue.

With his new developments in Madrid, Sheldon Adelson may significantly increase the gap between himself and Micky Arison of Carnival as the richest CEO in the industry. It appears that growth focused organizations are still getting greater multiples from Wall Street and investors. The key is walking the fine line between accretive growth and a capital stack that will implode at the sign of global economic weakness. 🌐

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