

CASE

1

WYNN RESORT

ROAD TO GOLD TIMELINE

October 25, 2002

- IPO NASDAQ WYNN

October 31, 2002

- Groundbreaking of Wynn Las Vegas

April 28, 2005

- Doors open at the Wynn Las Vegas

September 6, 2006

- Doors open at the Wynn Macau

December 15, 2007

- 2nd phase of Wynn Macau is complete

2009

- Expected completion of the Encore Las Vegas Diamond Suites

Future

- Wynn Resorts on the Cotai Strip

"KNOW WHEN TO HOLD 'EM; KNOW WHEN TO FOLD 'EM"

Millions of people travel to Las Vegas each year with big dreams of hitting the jackpot; most of them leave Las Vegas empty handed, heartbroken, and even further in debt. Very few people win big, and even fewer

make their lives' fortune in "Sin City"; Steve Wynn is one of the lucky few who has. He went from humble beginnings in a family-run bingo parlor in Maryland to Chief Executive Officer (CEO) and Chairman of Wynn Resorts, Ltd. premium-destination world-class casinos and resorts. Seen by many in the entertainment industry as a visionary, Steve Wynn has revolutionized the city of Las Vegas one casino at a time.¹

He started with small stakes in the Frontier Hotel in 1967 as a newcomer to Vegas to upping the ante with a complete renovation of the Golden Nugget from a dingy downtown Vegas casino to a four-star resort and gaming facility. Mr. Wynn was not satisfied with his accomplishment of attracting high net-worth clientele to downtown Vegas; he had dreams of expanding his casino empire, starting with a twin Golden Nugget resort in Atlantic City, a rival gambling destination. Also on his repertoire of great successes are the magnificent Mirage (1989), Treasure Island (1993), and the breathtaking Bellagio (1998). After what was considered the largest merger in the gaming industry's history, the Mirage became a part of MGM, Inc. for \$6.4 million. Steve Wynn stepped down as Chairman and CEO of the Mirage and set his sights on developing his largest casino resort yet, the Five Diamond Wynn Las Vegas.

Wynn Resorts, Ltd. owns and operates the Wynn Las Vegas and the Wynn Macau, a casino resort located in the Macau Special Administrative Region of the People's Republic of China (PRC). The company is in the process of developing an expansion

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to the Wynn Las Vegas, called the Encore Diamond Suites. In addition, the company continues to explore opportunities to develop additional gaming or related businesses in other markets, both domestic and international.

The officers of the company include the following:

- *Stephen A. Wynn*, Chairman of the Board and Chief Executive Officer
- *Marc D. Schorr*, Chief Operating Officer
- *John Strzemp*, Executive Vice President and Chief Administrative Officer
- *Matt Maddox*, Chief Financial Officer and Treasurer

As mentioned, Mr. Wynn was previously the Chairman of the Board, President, and CEO of Mirage Resorts. In 1997, under his leadership, Mirage Resorts was ranked by *Fortune* magazine as the second-most admired company among American companies. It was also rated in the top three for innovativeness and quality for product and services. Steve Wynn is a man who is obsessed with details and continually strives for perfection.

The Wynn Las Vegas Resort and Casino opened on April 28, 2005. The property, which encompasses 217 acres of land, is located at the intersection of the Las Vegas Strip and Sands Avenue. The resort not only features an 111,000 square-foot casino with 137 table games, but also luxury hotel accommodations of 2,674 hotel rooms and suites, 36 fairway villas, and 6 private entry villas. The property offers its guests 18 restaurants; a Ferrari and Maserati car dealership; 76,000 square feet of high-end retail shops; recreational facilities, including an 18-hole golf course; five swimming pools; full cabanas; a full service spa and salon; and lavish nightlife (nightclubs and lounge entertainment). The Wynn Las Vegas has been described on the strip as "intimate" because it is significantly smaller than some of its competitors' structures. Because of the demand for the services provided by Wynn Las Vegas, the Encore Diamond Suites are currently in development. Encore will be located on the Strip, adjacent to Wynn Las Vegas and is expected to be completed in 2009.

Wynn Resorts is constantly looking for additional locations and opportunities to expand both domestically and internationally. In addition, Wynn is currently looking at opportunities for possible resorts in the Philippines as well as expanding into new markets, such as horseracing.

WHO IS THE PIT BOSS?

The greatest operational strength Wynn Resorts, Ltd. has is the founder himself, Steve Wynn. With more than 30 years experience in Las Vegas, this man has contacts, alliances, and knowledge that could not be easily replaced. As told by a bartender at Wynn Las Vegas, Mr. Wynn continues to be a very hands-on CEO. He can be seen regularly on the casino floor, talking with customers and employees. His passion for perfection can be seen throughout Las Vegas, from the Golden Nugget to the Bellagio. When talking about the Wynn Macau and its scale in comparison to some other casinos, Mr. Wynn stated, "Bigger ain't better. Better is better." This is the idea that lays the foundation in which Wynn Resorts relies to differentiate their resorts from those in direct competition.

Many of the other senior executives joined Mr. Wynn when he left the Mirage. The management team at Wynn Resorts has a tremendous amount of experience with building quality resort casinos. As Wynn Resorts continues its growth, the combined experience of these individuals will ensure the resort continues to build world-class operations. However, that Wynn Resorts is able to maintain competitive advantages is due in large part to the executive involvement of Steve Wynn.² If Steve Wynn left the company for any reason other than death or a severe disability, the resort would lose all lines of credit. Although Mr. Wynn is an operational strength, the company's complete dependence on him is a significant weakness.

ACES WILD

According to the Travel Industry Association of America (TIA), the U.S. tourism industry is the third largest retail industry after automotive and food stores and provides the nation with one of its largest service export industries.³ The hotel/tourism industry has changed in recent years due to possible threats of terrorism and cutbacks in consumer spending on travel. In the years that followed the September 11, 2001, terrorist attacks, the United States has introduced stricter visa and passport requirements. Recent escalating airline fuel costs have also brought airfare increases. These changes impact the number of people who choose to travel and vacation farther away from home, thus affecting the overall industry.

There are many opportunities in the gaming industry from a social and demographic vantage point. As the legalization of gambling is spreading in the United States, the social acceptance of the pastime is beginning to spread as rapidly. In the past, gambling was negatively tied to addiction and corruption, but today gambling is being seen more and more as a socially acceptable and fun recreational activity, especially among the elderly.

In 2006, the Las Vegas strip had 38.9 million visitors, and Wynn Las Vegas enjoyed 94.4% occupancy at its 2,716-room hotel, far exceeding the area's average.⁴ Wynn Resort's brand is synonymous with luxury in the casino market, and it capitalizes on this reputation, appealing to the high-end market.

Based on demographic trends in the United States, Wynn Las Vegas is in the right industry at the right time. In a 2006 report provided by Mintel Research on casino and casino-style gambling, they note that the population is aging, which is good news for the industry. The assumption is that, as people get older, they are more likely to gamble. As the report indicates, "Overall, the U.S. population is growing older . . . Casino gambling is very much a sport of a graying generation. Retirees and empty nesters typically enter casinos with a disposable income, financial security, and free time."⁵

Currently in the United States, the baby boomers are in the process of retiring; they are healthier and wealthier than earlier generations and have greater spending power. As the boomers retire, they are spending more money on leisure and recreation, and they are piling into the casinos. This growing market segment represents an opportunity for the gaming industry and for Wynn Resorts specifically.

There are a few social and demographic threats that Wynn Resorts must take into account. First is that social norms in the United States differ from those practiced in Macau and should not be universally applied. The occupancy rate at the Wynn Macau resorts is 80%, which is significantly less than that of the Las Vegas resort.⁶

Of those who visit Macau, only 25% actually stay overnight. Those that did stay overnight tended to stay for a short period of time (one to two nights). This is significantly different than the average visitor in Las Vegas. Although Wynn is investing in expansion of the Macau facility, it is important to bear in mind this distinction. Macau visitor behavior may change, but analysts agree that it will not happen overnight. Investing in the hotel arena may not be a safe bet

for Wynn and other casinos.⁷ Wynn's ideal client is what is referred to as a "whale" aka the risk-friendly, deep-pocketed, high-roller gambler. With increased global competition, it will be imperative for Wynn Resorts to maintain its social status and high brand image to attract and retain the "whale," customers. If they go elsewhere, it will be a substantial loss for the company.

PUT ON YOUR POKER FACE

Within the gaming and resort entertainment industry, there are many competing properties, including the Mirage, Las Vegas Sands, the Venetian, Paris, and the Bellagio, to name a few. Each casino has their own theme, attracting a significant number of visitors and directly competing with the Wynn Las Vegas.

- *Ameristar Casino* has casinos in Black Hawk, Colorado; North Chicago, Indiana; Council Bluffs, Iowa; Vicksburg, Mississippi; Kansas City and St. Charles, Missouri; and Jackpot, Nevada. They are established as the premier gaming and entertainment facility in these areas.
- *MGM Mirage* owns featured resorts such as the Mirage, Bellagio, Mandalay Bay, and Luxor, just to name a few.
- *Las Vegas Sands Corporation* is one of the leading international developers of multiuse integrated resorts. The company owns the Venetian Resort Hotel Casino, the Sands Expo and Convention Center in Las Vegas, the Sands Macau in the PRC Special Administrative Region of Macau. the company has recently opened 2 new resorts in 2007: the Palazzo Resort Hotel Casino in Las Vegas and the Venetian Macau Resort Hotel Casino in Macau. They are also developing the Cotai Strip, a development of resort casino properties in Macau, and were selected by the Singapore government to build the Marina Bay Sands, an integrated resort scheduled to open in Singapore by the end of 2009.
- *Boyd Gaming Corporation* is one of the premier casino entertainment companies in the United States. They have operations in Illinois, Indiana, Louisiana, Mississippi, New Jersey, and Nevada.
- *Harrah's* owns, operates, and/or manages about 50 casinos: Bally's, Caesars, Harrah's, and

Horseshu just to name a few. The majority of the casinos are based primarily in the United States and the United Kingdom. Operations include casino hotels, dockside and riverboat casinos, and Native American gaming establishments.

Steve Wynn feels unaffected by competition, as he believes his casinos cater to travelers who have higher demands. Wynn's main focus is to target high-end players with fancy new suites and baccarat tables. Wynn focuses on differentiating the company by concentrating on the atmosphere and design of the resorts and by enhancing customer service and luxury as a full-service provider.

The timing could not be better for Steve Wynn to start something new. The \$9.4 billion merger between Harrah's and Caesar's Entertainment, along with MGM and Mandalay Bay coming together, give Wynn several top managers to choose from when developing his casinos. In addition, due to such mergers, it could be expected that casinos like Harrah's, which traditionally target middle-market gamblers, will reduce their focus away from the Caesar's Palace high-end customer to target the middle-class gambler. Such a move could result in additional revenues for Wynn, as such gamblers will look to Wynn Resort for higher-class amenities.

In general, rival casino operators say that new properties are good for Vegas because they create more reasons for people to come to town. Behind the scenes, however, they compete for the kind of gamblers who feel comfortable betting \$10,000 or more per hand. MGM may already have launched its counteroffensive. "They're throwing tons of events, shopping sprees, baccarat tournaments, fishing trips," said Steve Conigliaro, an independent businessman who hosts high-rollers at various casinos. "Steve Wynn is going to take some business away. He knows what people like."⁸

LUCK OF THE DRAW

In the resort casino industry, the ability to find land and licenses in legal areas is very difficult because many countries have strict regulations about gaming resorts. Gaming licenses are difficult to obtain due to government regulations and limited availability. It is arguably more difficult to find a location that not only can support the size but also meets the legal requirements of that location. Today, Wynn Resorts, Ltd. has a premier

spot on the Las Vegas strip that is also home to the strip's only golf course. Wynn is also the holder of one of only four licenses in Macau. Having such scarce resources provides the company with a remarkable advantage.

Regulations regarding expansion in China remain questionable and could potentially be a barrier to entry. In Wynn Reports 10-K, they note certain risk factors for the company, including the fact that their concession in Macau effectively expires in June 2017, at which time the government in Macau has the right to take over the operation. The company also notes that there are currently only three gaming concessions granted until 2009. If the government in Macau were to revise this situation by granting more concessions, they would, in essence, alleviate this particular barrier to entry for other casinos and Wynn could potentially see more competition in the area.

Macau, an island located 37 miles southwest of Hong Kong and an hour ferry ride away, has become a popular gaming destination. At this time, there are 24 operating casinos in Macau with several others in the construction and development phase. Sociedade de Jogos de Macau (SJM) owns and operates 17 of these 24 casinos. Most are relatively small facilities that are not on the high-end like the Wynn. However, SJM controls three of the largest casinos in Macau: the Hotel Lisboa, the Greek Mythology Casino, and the Jai Alai.⁹

Currently, Wynn Macau is charged a 35% tax on gross gaming revenue and expected to contribute up to 4% of gross gaming revenue for the promotion of public interests, social security, infrastructure, and tourism in Macau.¹⁰ If regulations were to change and taxes lowered, Wynn Resorts would be able to retain more of its earnings.

Currently, the Chinese government does not allow casinos on its mainland, only Macau,¹¹ so the breaking of the casino monopoly in Macau has provided an enormous growth opportunity for Wynn Resorts.¹² The government of Macau is trying to turn Macau into the "tourist destination of choice" in Asia.¹³ In 2002, the government-sanctioned casino monopoly in Macau ended when the government granted concessions to three outside companies to operate casinos in Macau. Each of the three was allowed, with the approval of the government, to grant one sub-concession to another gaming operator.¹⁴ If this legal situation were to occur in other areas of the globe, it could provide additional global growth opportunity for Wynn Resorts. Under the concession granted to Wynn Resorts, Wynn is able to develop an unlimited

number of casino resorts in Macau with the government of Macau's approval.¹⁵ This legal opportunity provides significant value for Wynn Resorts because they are one of a select few with such a right. In addition, because a limited number of companies have casino operating rights in Macau, Wynn is operating in a somewhat restricted competitive environment because they hold one of those six gaming licenses.¹⁶

Recently, Wynn Resorts was granted concession for its land application for 52 acres in Macau's Coati Strip. This legal right is essential for Wynn Resorts' future expansion plans. Steve Wynn stated during Wynn Resorts' third quarter 2007 conference call that he plans to build "the most beautiful hotel on Earth" in Coati. Currently, the designs include a 1,500- to 2,000-suites hotel to occupy all 52 acres. Wynn stated this hotel will have things that have never been seen before; it will be expensive but "it will be an experience."

The Chinese government has and is expected to continue to relax restrictions on travel and currency movements between China and Macau. Thus far, by relaxing its currency and travel restrictions, Chinese citizens from certain urban and economically developed areas are able to visit Macau without tour groups and are now allowed to bring more money into Macau.¹⁷ If the Chinese government continues to loosen its restriction on travel and currency, tourism to Macau will grow, and the profit potential for Wynn Resorts will increase.

In 1999, Portugal returned Macau to Chinese control after 450 years of Portuguese control. Macau's legislative, regulatory, and legal institutions are still in a phase of transition because this change in control occurred less than eight years ago.¹⁸ The long-term success of Wynn Macau will depend on the successful development of the political, economic, and regulatory framework in Macau. Wynn Resorts could be affected if an unfavorable environment develops in Macau.

By doing business in an emerging market, there are significant political, economic, and social risks for Wynn Macau.¹⁹ For example, domestic or international unrest, health epidemics such as the bird flu, terrorism, or military conflicts in China or Macau will drastically affect Wynn Macau by not only reducing the inflow of customers from a decrease in tourism, but also by decreasing discretionary consumer spending and increasing the risk of higher taxes and government controls over gaming operations.

Furthermore, under Wynn Resorts' agreement with the government of Macau, the government has

the right at any time to "assume temporary custody and control over the operation of a casino in certain circumstances."²⁰ The ability of the government to take control of the casino at any time it deems appropriate is a significant threat to the success of Wynn Resorts because it could lose control of its operations in Macau.

Additionally, Wynn Macau is subject to strict regulatory controls by the government, which limits its freedom of operations and creativity. For example, one of the regulations requires Wynn Macau to have an executive director who is a permanent resident of Macau and holds at least 10% of the company's capital stock.²¹ The Macau government must approve this executive director and any successor, and they have to approve all contracts for the management of the casino's operation in Macau. This is just one example of the type of restrictions and the level of control the government holds over Wynn Macau.

The Macau land concession poses additional threats to Wynn Resorts. Under the agreement, Wynn Macau is leasing the 16 acres from the government of Macau for 25 years. The government of Macau may redeem the concession beginning June 24, 2017, and Wynn Macau will be entitled to fair compensation based on the amount of revenue generated during the previous tax year.²² If the government takes back the land, the long-term plans of Wynn Resorts would be derailed, possibly leaving them with high debt and no means to repay. However, if the government does not take back the land, the concession may be renewed but the semiannual payments to use the land could substantially increase, taking away from Wynn's bottom line.

After April 1, 2009, the government of Macau obtained the right to offer additional concessions for the operation of casinos in Macau.²³ If additional concessions are granted, Wynn Macau will face further competition because these competitors already own land in Macau but do not have concessions to build yet. In addition, if the efforts to legalize gaming in Thailand or Taiwan are successful, Wynn will face competition from the surrounding area.²⁴ This competition will draw away customers, reducing the level of potential profits, and Wynn Macau could lose key employees to more attractive employment opportunities elsewhere in Asia.

Another threat exists in the possibility of Wynn Resorts, Ltd. being unable to collect on its gaming debts. This could have a significant negative impact on Wynn Macau's operating results if the company

cannot collect its earnings. In Macau, taxes are due on gross gaming revenue regardless of whether revenue was actually collected. In essence, Wynn Macau would have to pay taxes on money it never received if it was unable to collect on the debt.²⁵

As the competitive environment in Macau increases, the available employee talent pool will decrease, which could hamper future expansion plans in Macau. Wynn Resorts will need to petition the government to allow visas for more immigrant workers. If they are unable to do so, they run the risk of having employees who cannot run the facilities. If Wynn is successful, the strict immigration laws will take time to change that could threaten Wynn's future in Macau.

Wynn Resorts has positioned itself well in the growing gaming markets, particularly in Macau. The development of a casino in this area is a strategic opportunity. From an economic standpoint, Macau's GDP has grown nearly 30% in the first two quarters of 2007. The growth in gambling has also resulted in increased foreign investment in the area. United States exports to Macau have seen a tremendous increase as well.²⁶

Macau's gross domestic product (GDP) growth is not likely to be sustainable. With increased competition in the region, Wynn's first-mover advantage will be diminished. Also, the company only has two casinos producing revenue, and with development efforts underway on their next projects, cash flow is undoubtedly going to be an issue.

PUT YOUR MONEY WHERE YOUR MOUTH IS

One of Wynn Resorts' greatest marketing strengths is strategic development of its product. The product that Wynn sells is a luxury destination experience that makes customers feel pampered and valued through high-quality amenities and customer service. This lavish experience allows consumers to justify spending significant amounts of money gambling, dining, drinking, shopping, and at the spas. The company strategically developed the Wynn brand name to be synonymous with high-quality goods and services. Continuous promotion of the brand is part of Wynn's overall company strategy.²⁷

Steve Wynn is known for raising the luxury bar in Las Vegas. The packaging of Wynn's product is the

glitz and glamour of its hotels, casinos, restaurants, and shops (such as a Ferrari and Maserati dealership). As customers enter the lobby of a Wynn hotel, they are instantly struck with grandiose decor. This feel extends throughout the hotel in the hallways, hotel rooms, suites, villas, and private-entry villas. The casino takes flash and glitz to another level. A mere glimpse of the lights and sounds would make any customer excited to gamble. The casino floor is designed specifically for the high-end customer and contains many private VIP areas and high-roller tables. These special areas and tables further contribute to the high-end customer experience.

The resort is able to charge a premium price due to the clout of the Wynn name, the high-income base of its customers, and the high quality of its products and services. In 2006, Wynn generated the highest room rate on the Las Vegas Strip. The average room rate for the quarter ending December 31, 2006, was \$291, with the next highest being the Bellagio at \$260 and then the Venetian at \$243.²⁸

Wynn is further segmenting the high-income customer market with the introduction of the Encore at Wynn Las Vegas, an all-suite hotel with its own casino, restaurants, nightclub, pool, and spa. This product layering allows Wynn to capitalize on the "celebrity" obsession with Las Vegas. The Encore at Wynn Las Vegas will be superior to Wynn Las Vegas in luxury, amenities, and, of course, price. This will serve to keep out people who cannot afford the price and will be attractive to elite customers who seek privacy as well as luxury.

Steve Wynn is by no means a newcomer to Las Vegas, and he knows the importance of strategic placement on the Vegas Strip. Wynn owns 235 acres on the strip, which houses hotels, casinos, and a golf course, the only golf course on the strip. Wynn was also strategic in the purchase of land in Macau and Coati, obtaining significant portions of land in the middle of all the excitement.

Wynn has been successful in the past with direct marketing to its high-end target customer. This past year, it expanded its promotion to include various media channels, such as print media, radio, and television.²⁹ Wynn Macau provides the opportunity for cross marketing with Wynn Las Vegas. Because the target market segment in both Wynn Las Vegas and Wynn Macau is high income, customers have the resources to travel and vacation in other parts of the world, which can make cross-marketing very

effective. Wynn is the only gaming operator to target high-end customers in both Las Vegas and Macau.³⁰ Wynn Las Vegas already has a strong client base of Asian customers, and Macau provides the opportunity to increase this customer segment. Wynn recognizes that the Chinese economy is on the rise and that the population is becoming increasingly educated and wealthy. The "premium customer" in China, those in the top income brackets, will increase to approximately 180–200 million over the next 10 years.³¹

Because Wynn has the highest rates on the strip, it would be tough to extend its customer base beyond high-end clients. In addition, the already high prices may cause Wynn to increase rates at a slower percentage per year than other hotels on the strip. For the quarter ending December 31, 2006, Wynn's average room rate increased 4.4% from 2005 to 2006, while competitors' rates increased from 5.0% to 9.5%.³²

Wynn faces the challenge of understanding the customer in Macau and other global markets. To accomplish this, Wynn has marketing executives located in offices around the world. However, a sole marketing executive in strategic global locations may not be sufficient to conduct thorough market research and adjust the product as necessary. Finally, focusing solely on the high-end market could be a marketing weakness in that Wynn is missing a large customer base of middle-income clients. This segment includes vacationers and younger people looking for a relatively inexpensive place to stay with the understanding that most of their budget will go to dining and entertainment.

When a customer pulls into the Wynn entrance off the Las Vegas or Macau strip, the feel is that of just being removed from a busy crowded city street and dropped into a tropical paradise. Entering the casino, one is surrounded by beautiful flower gardens and soothing sounds of water. Though close in the distance are the sounds of the casino floor, a gaming atmosphere is not the first to strike a person. Wynn Resort makes customers feel at ease by inviting them to relax and enjoy the serene surroundings. In the restaurants, specifically the Mediterranean-themed Bartolotta's, the renowned chef comes out and interacts with the diners. Every moment in the casino and each interaction with staff are designed to be the ultimate customer experience. The staff is focused on giving the customer a luxury experience and quality customer service.

Wynn Resorts' goal is to attract high-end gaming customers. In August 2006, Wynn Resorts, Ltd.

changed its tip-pooling policy to include pit bosses and table supervisors. Operationally, this move made it feasible for experienced dealers to take positions as supervisors, who, up until that point, generally earned less than the dealers. The company expects that the new tip-pooling policy will ensure that pit bosses and table supervisors will have more invested in keeping high-rolling gamblers happy. They will give more comps, and in return, customers will stay longer and return more often. This tip-pooling policy is an example of the kind of moves Wynn has made to further the luxury experience the customer receives.

SMALL BLIND, BIG BLIND

It is clear that Steve Wynn has been successful at building and operating a casino resort empire that turned his personal worth into \$1.6 billion. This feat was accomplished with his personal ambition, business savvy, and vision for what entertainment really means to the world. Although Steve Wynn appears to be the epitome of casino resort gurus, this label does not hold the key for guaranteed future success of Wynn Resorts, Ltd. There are many challenges that Wynn will have to face, and the future may throw some curveballs along the way. Currently, there are three major challenges the firm will need to address in the future. The first is the need to secure a way to maintain the competitive advantage as increased competition is introduced both domestically and abroad into the gaming industry. Second, the Macau government reserves the right to take control of the Wynn Casino in 2017, as mentioned earlier; this would be detrimental to the profits for the company, and some solutions will need to be devised to ensure that the survival of the company is not majorly dependent on the revenues generated by the Wynn Macau resort and casino. A third concern about future success, but certainly not the final concern, is the loss of Steve Wynn himself. Losing Steve Wynn would mean losing his expertise, passion, and governmental ties, concessions and licenses. In the most likely scenario, a loss of Steve Wynn may result in the sale of the firm to a competing company, such as MGM Inc. Although the Wynn Resorts is not guaranteed future success, it is certainly on the right track and quite the remarkable company.

Financial Statements (February 22, 2008 10-K Edgar Online)
WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share data)

	Year Ended December 31		
	2007	2006	2005
Operating revenues:			
Casino	\$1,949,870	\$ 800,591	\$ 353,663
Rooms	339,391	283,084	170,315
Food and beverage	353,983	309,771	173,700
Entertainment, retail and other	<u>245,201</u>	<u>205,213</u>	<u>125,230</u>
Gross revenues	2,888,445	1,598,659	822,908
Less: promotional allowances	<u>(200,926)</u>	<u>(166,402)</u>	<u>(100,927)</u>
Net revenues	<u>2,687,519</u>	<u>1,432,257</u>	<u>721,981</u>
Operating costs and expenses:			
Casino	1,168,119	439,902	155,075
Rooms	83,237	73,878	44,171
Food and beverage	212,622	194,403	118,670
Entertainment, retail and other	161,087	134,530	80,185
General and administrative	310,820	231,515	118,980
Provision for doubtful accounts	36,109	21,163	16,206
Pre-opening costs	7,063	62,726	96,940
Depreciation and amortization	219,923	175,464	103,344
Contract termination fee	—	5,000	—
Property charges and other	<u>60,857</u>	<u>25,060</u>	<u>14,297</u>
Total operating costs and expenses	2,259,837	1,363,641	747,868
Equity in income from unconsolidated affiliates	<u>1,721</u>	<u>2,283</u>	<u>1,331</u>
Operating income (loss)	<u>429,403</u>	<u>70,899</u>	<u>(24,556)</u>
Other income (expense):			
Interest and other income	47,765	46,752	28,267
Interest expense, net of capitalized interest	(143,777)	(148,017)	(102,699)
Distribution to convertible debenture holders	—	(58,477)	—
Increase (decrease) in swap fair value	(6,001)	1,196	8,152
Gain on sale of subconcession right, net	—	899,409	—

(continued)

Financial Statements (February 22, 2008 10-K Edgar Online)
WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share data) (continued)

	Year Ended December 31		
	2007	2006	2005
Loss from extinguishment of debt	(157)	(12,533)	—
Other income (expense), net	(102,170)	728,330	(66,280)
Income (loss) before income taxes	327,233	799,229	(90,836)
Provision for income taxes	(69,085)	(170,501)	—
Net income (loss)	\$ 258,148	\$ 628,728	\$ (90,836)
Basic and diluted income (loss) per common share:			
Net income (loss):			
Basic	\$ 2.43	\$ 6.29	\$ (0.92)
Diluted	\$ 2.34	\$ 6.24	\$ (0.92)
Weighted average common shares outstanding:			
Basic	106,030	99,998	98,308
Diluted	112,685	111,627	98,308

WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)

	December 31	
	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,275,120	\$ 789,407
Restricted cash and investments	—	58,598
Receivables, net	179,059	140,232
Inventories	73,291	64,368
Deferred income taxes	24,746	13,727
Prepaid expenses and other	29,775	30,659
Total current assets	1,581,991	1,096,991
Restricted cash and investments	531,120	178,788

(continued)

WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data) *(continued)*

	December 31	
	2007	2006
Property and equipment, net	3,939,979	3,157,622
Intangibles, net	60,074	65,135
Deferred financing costs	83,087	74,871
Deposits and other assets	97,531	80,792
Investment in unconsolidated affiliates	5,500	5,981
Total assets	<u>\$ 6,299,282</u>	<u>\$4,660,180</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and construction payable	\$ 182,718	\$ 123,061
Current portion of long-term debt	3,273	6,115
Current portion of land concession obligation	5,738	7,433
Income taxes payable	138	87,164
Accrued interest	12,478	15,495
Accrued compensation and benefits	93,097	71,223
Gaming taxes payable	75,014	46,403
Other accrued expenses	18,367	10,742
Customer deposits and other related liabilities	177,605	127,751
Construction retention	16,755	15,700
Total current liabilities	585,183	511,087
Long-term debt	3,533,339	2,380,537
Other long-term liabilities	39,335	5,214
Long-term land concession obligation	6,029	11,809
Deferred income taxes	152,953	97,064
Construction retention	34,284	8,884
Total liabilities	<u>4,351,123</u>	<u>3,014,595</u>
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, par value \$0.01; 40,000,000 shares authorized; zero shares issued and outstanding	—	—

(continued)

WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data) *(continued)*

	December 31	
	2007	2006
Common stock, par value \$0.01; 400,000,000 shares authorized; 116,259,411 and 101,887,031 shares issued; 114,370,090 and 101,887,031 shares outstanding	1,162	1,018
Treasury stock, at cost; 1,889,321 shares	(179,277)	—
Additional paid-in capital	2,273,078	2,022,408
Accumulated other comprehensive loss	(2,905)	(94)
Accumulated deficit	(143,899)	(377,747)
Total stockholders' equity	<u>1,948,159</u>	<u>1,645,585</u>
Total liabilities and stockholders' equity	\$6,299,282	\$4,660,180

WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Year Ended December 31		
	2007	2006	2005
Cash flows from operating activities:			
Net income (loss)	\$258,148	\$628,728	\$(90,836)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	219,923	175,464	103,344
Deferred income taxes	68,152	170,321	—
Stock-based compensation	18,527	16,712	4,676
Amortization and writeoffs of deferred financing costs, and other	19,318	23,419	14,045
Loss on extinguishment of debt	157	11,316	—
Provision for doubtful accounts	36,109	21,163	16,206
Property charges and other	60,857	25,060	14,297
Equity in income of unconsolidated affiliates, net of distributions	481	(911)	(1,331)
Decrease (increase) in swap fair value	6,001	(1,196)	(8,152)
Gain on sale of subconcession right	—	(899,409)	—
			<i>(continued)</i>

WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands) *(continued)*

	Year Ended December 31		
	2007	2006	2005
Increase (decrease) in cash from changes in:			
Receivables net	(75,029)	(72,927)	(104,418)
Inventories and prepaid expenses and other	(7,565)	(21,261)	(58,934)
Accounts payable and accrued expenses	<u>54,093</u>	<u>164,287</u>	<u>159,578</u>
Net cash provided by operating activities	<u>659,172</u>	<u>240,766</u>	<u>48,475</u>
Cash flow from investing activities:			
Capital expenditures, net of construction payables and retention	(1,007,370)	(643,360)	(877,074)
Restricted cash and investments	(293,734)	205,216	499,765
Investment in unconsolidated affiliates	—	—	(3,739)
Purchase of intangibles and other assets	(43,216)	(59,456)	(40,181)
Proceeds from sale of subconcession right, net	—	899,409	—
Proceeds from sale of equipment	<u>21,581</u>	<u>—</u>	<u>109</u>
Net cash provided by (used in) investing activities	<u>(1,322,739)</u>	<u>401,809</u>	<u>(421,120)</u>
Cash flows from financing activities:			
Proceeds from exercise of stock options	9,180	21,790	1,404
Proceeds from issuance of common stock	664,125	—	—
Cash distributions	(683,299)	(608,299)	—
Proceeds from issuance of long-term debt	1,672,987	746,948	627,131
Principal payments on long-term debt	(297,321)	(440,929)	(121,933)
Proceeds from termination of interest rate swap	—	6,605	—
Purchase of treasury stock	(179,277)	—	—
Payments on long-term land concession obligation	(7,411)	(9,000)	(8,921)
Payment of deferred financing costs and other	<u>(27,045)</u>	<u>(4,572)</u>	<u>(21,008)</u>
Net cash provided by (used in) financing activities	<u>1,151,939</u>	<u>(287,457)</u>	<u>476,673</u>
Effect of exchange rate on cash	<u>(2,659)</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents:			

(continued)

WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands) (continued)

	Year Ended December 31		
	2007	2006	2005
Increase in cash and cash equivalents	485,713	355,118	104,028
Balance, beginning of period	<u>789,407</u>	<u>434,289</u>	<u>330,261</u>
Balance, end of period	<u>\$ 1,275,120</u>	<u>\$ 789,407</u>	<u>\$ 434,289</u>
Supplemental cash flow disclosures:			
Cash paid for interest, net of amounts capitalized	\$ 178,072	\$ 133,850	\$ 95,839
Cash distributions to convertible debenture holders	—	58,477	—
Cash paid for income taxes	79,168	180	—
Equipment purchases financed by debt and accrued assets	—	—	860
Stock-based compensation capitalized into construction	809	1,353	2,651

BOARD OF DIRECTORS

(<http://phx.corporate-ir.net/phoenix.zhtml?c=132059&p=irol-govboard>)

Stephen A. Wynn Chairman of the Board and Chief Executive Officer
Kazuo Okada Vice Chairman of the Board

Linda Chen Director
Dr. Ray R. Irani Director
Robert J. Miller Director
John A. Moran Director
Alvin V. Shoemaker Director
D. Boone Wayson Director
Elaine P. Wynn Director
Allan Zeman Director

Endnotes

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Table 1 A SWOT Checklist

Potential Internal Strengths	Potential Internal Weaknesses
Many product lines?	Obsolete, narrow product lines?
Broad market coverage?	Rising manufacturing costs?
Manufacturing competence?	Decline in R&D innovations?
Good marketing skills?	Poor marketing plan?
Good materials management systems?	Poor material management systems?
R&D skills and leadership?	Loss of customer good will?
Information system competencies?	Inadequate human resources?
Human resource competencies?	Inadequate information systems?
Brand name reputation?	Loss of brand name capital?
Portfolio management skills?	Growth without direction?
Cost of differentiation advantage?	Bad portfolio management?
New-venture management expertise?	Loss of corporate direction?
Appropriate management style?	Infighting among divisions?
Appropriate organizational structure?	Loss of corporate control?
Appropriate control systems?	Inappropriate organizational structure and control systems?
Ability to manage strategic change?	High conflict and politics?
Well-developed corporate strategy?	Poor financial management?
Good financial management?	Others?
Others?	
Potential Environmental Opportunities	Potential Environmental Threats
Expand core business(es)?	Attacks on core business(es)?
Exploit new market segments?	Increases in domestic competition?
Widen product range?	Increase in foreign competition?
Extend cost or differentiation advantage?	Change in consumer tastes?
Diversify into new growth businesses?	Fall in barriers to entry?
Expand into foreign markets?	Rise in new or substitute products?
Apply R&D skills in new areas?	Increase in industry rivalry?
Enter new related businesses?	New forms of industry competition?
Vertically integrate forward?	Potential for takeover?
Vertically integrate backward?	Existence of corporate raiders?
Enlarge corporate portfolio?	Increase in regional competition?
Overcome barriers to entry?	Changes in demographic factors?
Reduce rivalry among competitors?	Changes in economic factors?
Make profitable new acquisitions?	Downturn in economy?
Apply brand name capital in new areas?	Rising labor costs?
Seek fast market growth?	Slower market growth?
Others?	Others?