SAL. OPPENHEIM

Century Casinos

Travel & Leisure

2008-10-15

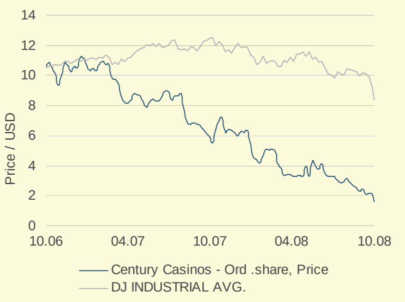
Applied disclosures can be found in the appendix

Buy (Neutral)

Fair Value USD3.10

Price USD1.62 (Closing price as of 2008-10-07)

PRICE AND REL. PERFORMANCE



12 month high/low $			7.39/1.62
Rel.%	1m -16.7	3m -43.0	12m -59.5
Abs.%	1m -29.9	3m -52.1	12m -72.8

MARKET DATA

Reuters	CNTY.OQ
Bloomberg	CNTY US
Market cap USDbn	0.0
Number of shares m	23.9
Free float %	75.0
Daily turnover shares	185,307

NEXT EVENTS

Quarterly results	2008-11-10

Rel. Sector	0

POSITIVE TRIGGERS AHEAD

The share price of Century Casinos, with gaming assets mainly in the US, Canada, South Africa and Poland, was down approx. 80% over the last two years. For the following four reasons, we believe performance may improve going forward: (a) valuation has become attractive again (2009e PER of 7.5x; EV/EBITDA of 3.4x); (b) Q3 results are expected to improve significantly q-o-q; (c) an upcoming referendum in Colorado may result in the abolition of the current USD5 wager limit; and (d) the intended sale of the South African assets may raise cash of up to USD2 per share. We reduce our DCF valuation to $3.1 but increase our recommendation from Neutral to Buy.

SALES: CAGR 2007-2010E OF 2.3% INSTEAD OF 7%

We now expect revenue growth rates of -2.6%, 3.8% and 5.8% in 2008, 2009 and 2010. The decline in 2008 mainly results from the renovation at Womacks in Colorado and negative FX effects in South Africa.

MULTIPLES COME DOWN TO ATTRACTIVE LEVELS

The P/E ratio is expected to decline from 38x (2007) to 7.5x in 2009. Moreover, we estimate EV/EBITDA to decrease from 10.9x in 2007 to 4.1x in 2008.

CUTTING FV TO $3.1 PER SHARE BUT UPGRADING TO BUY

Century Casinos intends to sell its South African casinos, apparently in response to improving prices for gaming assets in the region. The equity value could be up to $2 per share, which is close to the current share price. This and a positive outcome of the upcoming vote on higher maximum wagers and broader range of allowed games in Colorado (jointly with the presidential election in November) could act as a catalyst for the share price. So far, we haven't included a positive vote in our forecasts and valuation (positive for the FV, of course)). We reduce our DCF based fair value from USD5.1 to USD3.1 but change our rating to Buy.

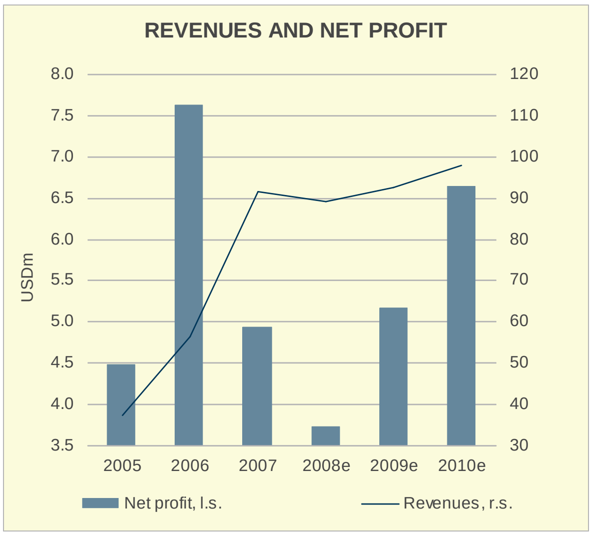
KEY CHANGES

EBT %	08e:	-61.4	09e:	-56.3
EPS %	08e:	-51.9	09e:	-49.6
FV %				-39.2

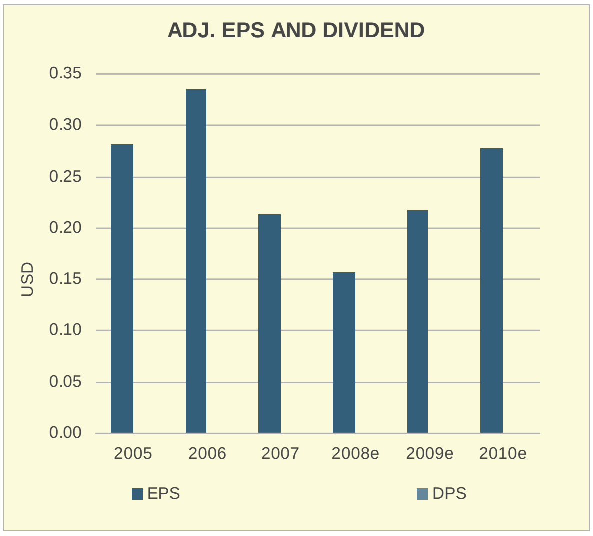
KEY DATA

$ (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Sales m	56.29	91.65	89.27	92.67	98.02
EBIT m	3.25	11.03	9.12	10.55	12.67
Net profit m	7.63	4.93	3.74	5.17	6.64
Oper. CF m	12.00	17.81	15.03	17.52	18.72
Adj. EPS	0.33	0.21	0.16	0.22	0.28
Dividend	0.00	0.00	0.00	0.00	0.00
PER	30.2	38.0	10.3	7.5	5.8
Div. yield %	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	39.5	10.9	4.1	3.4	2.7
Price to book	2.3	1.7	0.3	0.3	0.3
EBIT margin %	5.8	12.0	10.2	11.4	12.9
ROCE %	2.3	6.7	5.7	6.7	8.2
Sust. FCF yield %	5.3	12.3	32.6	39.4	47.9
EPS CAGR 07-10e: 9 %			ROE: 08e: 3 %	Eq. ratio 08e: 64 %	

Paul Hoffmann
+43 (0) 1/5 18 66 - 27 30
paul.hoffmann@oppenheim.at



Source: Oppenheim Research



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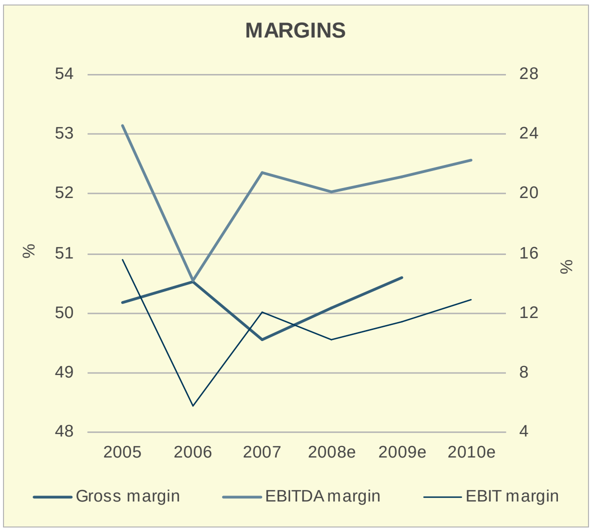

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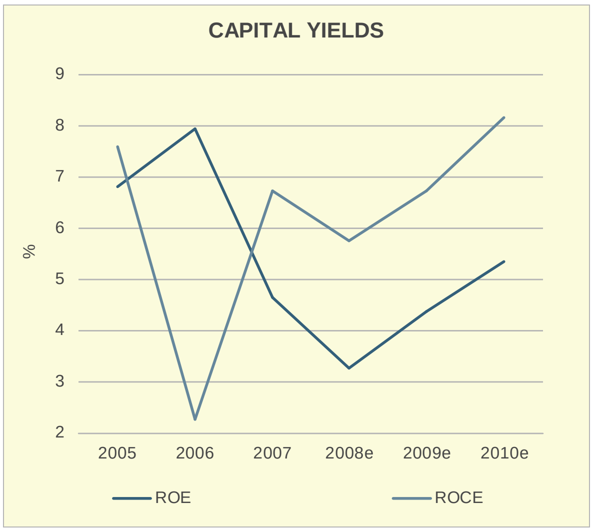

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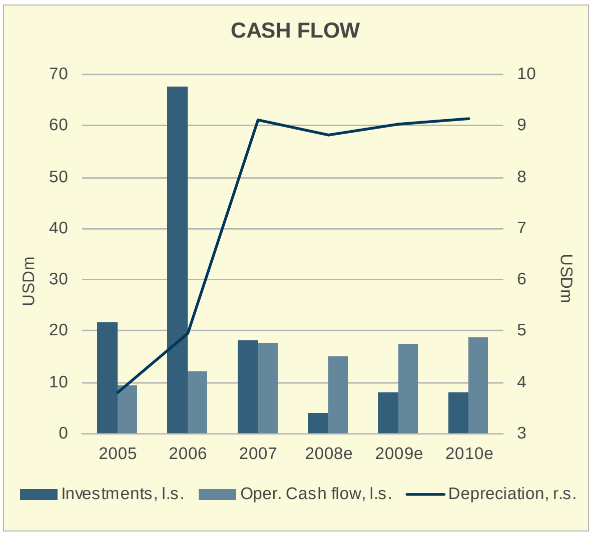

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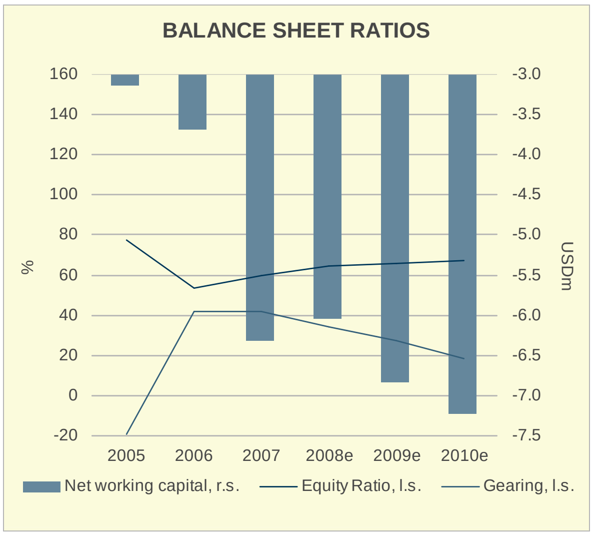

Source: Oppenheim Research

Century Casinos - P&L (Cost of Sales)					
USDm (Yr. end: 12/31)	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Sales	**56.3**	**91.7**	**89.3**	**92.7**	**98.0**
Cost of goods sold	-28.0	-45.4	-45.0	-46.3	-48.4
Gross profit	**28.2**	**46.3**	**44.2**	**46.4**	**49.6**
Administrative costs	-19.3	-27.2	-27.2	-27.9	-29.0
Other operating income/expenses (net)	-0.9	0.5	0.9	1.1	1.2
EBITDA	**8.0**	**19.7**	**17.9**	**19.6**	**21.8**
EBIT	**3.3**	**11.0**	**9.1**	**10.6**	**12.7**
Interest result	-2.5	-6.1	-5.0	-4.2	-3.9
Financial result	**2.7**	**-6.1**	**-5.0**	**-4.2**	**-3.9**
Participation result	5.2	0.0	0.0	0.0	0.0
Other income / expenses (net)	0.5	0.9	0.2	0.2	0.2
Profit or loss on ordinary activities	**6.0**	**5.0**	**4.1**	**6.3**	**8.7**
EBT	**6.4**	**5.9**	**4.3**	**6.5**	**8.9**
Taxes	0.1	0.3	0.0	0.8	1.5
Profit / loss for the year (cont. operations)	**6.3**	**5.6**	**4.3**	**5.7**	**7.4**
Minority	-1.3	0.6	0.6	0.6	0.8
Net profit	**7.6**	**4.9**	**3.7**	**5.2**	**6.6**
Adjusted net profit	**7.6**	**4.9**	**3.7**	**5.2**	**6.6**

Key ratios and numbers					
USDm (Yr. end: 12/31)	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Valuation					
PER	30.2	38.0	10.3	7.5	5.8
P/BV	2.3	1.7	0.3	0.3	0.3
EV/Sales	5.6	2.3	0.8	0.7	0.6
EV/EBITDA	39.5	10.9	4.1	3.4	2.7
Sustainable FCF yield %	5.3	12.3	32.6	39.4	47.9
Data per share					
Weighted avg. number of shares	22.78	23.09	23.87	23.87	23.87
EPS (reported)	0.33	0.21	0.16	0.22	0.28
adj. EPS	0.33	0.21	0.16	0.22	0.28
Book value per share	4.33	4.73	4.85	5.06	5.34
Sustainable FCFPS	0.6	0.9	0.8	0.9	1.0
Growth rates %					
Sales	50.3	62.8	-2.6	3.8	5.8
EBITDA	-13.0	145.8	-8.7	9.2	11.3
EBIT	-44.4	239.3	-17.3	15.7	20.0
Net profit	70.3	-35.3	-24.2	38.5	28.3
adj. EPS	19.0	-36.2	-26.7	38.5	28.3
Margins %					
Gross	50.2	50.5	49.6	50.1	50.6
EBITDA	14.2	21.4	20.1	21.1	22.2
EBIT	5.8	12.0	10.2	11.4	12.9
Net profit	**13.6**	**5.4**	**4.2**	**5.6**	**6.8**
Expense ratios %					
Depreciation to sales (Cost of sales)	8.4	9.4	9.9	9.7	9.3
Tax rate	-2.1	-4.7	0.0	-12.0	-17.0
Other ratios					
Interest cover	2.3	2.8	3.4	3.9	4.6

Century Casinos - Cash Flow Statement					
USDm (Yr. end: 12/31)	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Cash flow from operating activities					
EBIT	3.3	11.0	9.1	10.6	12.7
Depreciation / amortization	4.9	9.1	8.8	9.0	9.1
Non Cash Items	1.4	0.7	0.5	1.1	1.2
Cash taxes	-2.4	-1.9	0.5	-0.8	-1.5
Change in other assets & liabilities	1.8	-1.4	-1.9	-2.3	-2.8
Change in Working Capital	4.5	0.6	-1.0	1.0	1.2
Net financial result / income from associates	-1.5	-0.3	-0.9	-1.1	-1.2
Total	**12.0**	**17.8**	**15.0**	**17.5**	**18.7**
Cash flow from investing activities					
Investments in tangible assets	-57.3	-9.4	-4.0	-8.0	-8.0
Investments in financial assets	-15.4	-9.1	0.0	0.0	0.0
Disinvestments	5.5	0.1	0.0	0.0	0.0
Changes in other L.T. assets / acquisitions	-0.4	0.2	0.0	0.0	0.0
Total	**-67.6**	**-18.2**	**-4.0**	**-8.0**	**-8.0**
Cash flow from financing activities					
Net financial result / income from associates	-2.5	-6.1	-5.0	-4.2	-3.9
Change in financial liabilities	53.9	-11.5	-12.2	-3.0	-3.0
Change in shareholders Equity	-0.0	0.0	0.0	0.0	0.0
Other/consolidation/currency	2.1	-1.0	0.0	0.0	0.0
Total	**53.4**	**-18.5**	**-17.2**	**-7.2**	**-6.9**
Change in cash and cash equivalents	**-2.2**	**-18.9**	**-6.2**	**2.3**	**3.8**
Cash and cash equivalents (begin. of period)	37.2	35.0	17.9	13.3	17.5
Cash and cash equivalents (end of period)	35.0	17.9	13.3	17.5	23.4

Ratios and Key Figures					
USDm (Yr. end: 12/31)	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Free cash flow USDm					
Free cash flow to entity	-53.5	-1.4	11.0	9.5	10.7
Sustainable free cash flow to entity	16.8	26.4	23.8	26.6	27.9
Sustainable free cash flow to shareholder	14.2	20.4	18.8	22.3	23.9
Data per share					
FCFPS	-2.3	-0.1	0.5	0.4	0.4
Sustainable FCFPS	0.6	0.9	0.8	0.9	1.0
Yields %					
Free cash flow yield	-17.7	-3.5	8.2	7.8	11.7
Sustainable FCF yield %	5.3	12.3	32.6	39.4	47.9
Ratios					
Operating cash flow / capex	21.0	188.6	375.7	219.0	234.1
Operating cash flow / avg. net financial pos.	0.5	1.2	1.4	1.0	0.8
Maintenance capex / revenues	-8.4	-9.4	-9.9	-9.7	-9.3
Depreciation / capex %	7.9	95.1	220.4	112.9	114.2
Net working capital / sales	-6.6	-6.9	-6.8	-7.4	-7.4

Century Casinos - Balance sheet					
USDm (Yr. end: 12/31)	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Assets					
Current assets	**39.8**	**19.6**	**16.1**	**20.3**	**26.4**
Cash and cash equivalents	35.0	17.9	13.3	17.5	23.4
Trade receivable	0.9	0.8	0.7	0.7	0.7
Inventories	0.4	0.4	0.5	0.6	0.6
Other current assets	3.4	0.5	1.6	1.6	1.6
Fixed assets	**146.2**	**169.8**	**164.7**	**163.6**	**162.3**
Tangible assets	124.6	131.9	126.7	126.8	126.0
thereof Property, plant + equipment (PPE)	123.8	131.9	126.7	126.8	126.0
Intangible assets	21.6	26.0	24.0	22.8	22.3
thereof goodwill	12.3	15.2	15.0	13.8	13.3
Financial assets	0.0	12.0	14.0	14.0	14.0
Other assets	6.5	2.8	3.1	3.2	3.4
Prepaid expenses , deferred taxes	5.3	5.8	5.2	5.3	5.4
Total assets	**197.9**	**198.1**	**189.2**	**192.4**	**197.5**
Liabilities and Shareholders' Equity					
Total liabilities	**92.0**	**79.8**	**67.6**	**65.7**	**64.1**
Short-term liabilities	**31.3**	**18.1**	**11.9**	**12.3**	**12.8**
Trade payables	10.6	9.4	8.9	9.3	9.8
Short-term financial debt	20.7	8.7	3.0	3.0	3.0
Long-term liabilities	**60.7**	**61.7**	**55.7**	**53.5**	**51.3**
Long-term financial debt	56.0	55.9	50.3	47.3	44.3
Deferred income & deferred tax liabilities	2.2	2.2	2.7	3.3	3.5
Other long-term liabilities	2.5	3.5	2.7	2.8	3.4
Minority interest	**5.4**	**5.8**	**5.8**	**5.8**	**5.8**
Shareholders' equity	**100.4**	**112.0**	**115.7**	**120.9**	**127.5**
Capital subscribed	0.2	0.2	0.2	0.2	0.2
Reserves	90.2	99.1	104.0	107.8	113.0
thereof capital reserves	69.8	71.2	71.2	71.2	71.2
thereof retained earnings	20.4	27.9	32.8	36.6	41.7
Other equity capital	10.4	12.7	11.5	12.9	14.4
Total equitiy , liabilities	**197.9**	**198.1**	**189.2**	**192.4**	**197.5**

Ratios and Key Figures					
USDm (Yr. end: 12/31)	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Balance sheet structure					
Net working capital	-3.7	-6.3	-6.0	-6.8	-7.2
Net financial debt	41.7	46.8	40.1	32.9	23.9
Capital employed (CE)	142.6	163.5	158.7	156.8	155.0
Enterprise value (EV)	316.2	214.4	73.1	67.4	58.1
Ratios					
Current assets %	20.1	9.9	8.5	10.6	13.4
Long-term assets %	73.9	85.7	87.1	85.0	82.2
Equity ratio %	53.5	59.5	64.3	65.8	67.5
Gearing %	41.6	41.8	34.6	27.2	18.7
Net financial debt / EBITDA	5.2	2.4	2.2	1.7	1.1
EV / CE	2.2	1.3	0.5	0.4	0.4
ROCE %	2.3	6.7	5.7	6.7	8.2
ROE %	8.0	4.6	3.3	4.4	5.3

Century Casinos - Divisional Breakdown					
USDm (Yr. end: 12/31)	**2006**	**2007**	**2008e**	**2009e**	**2010e**
Sales	**56.3**	**91.7**	**89.3**	**92.7**	**98.0**
North America	27.2	56.8	60.3	63.7	67.2
South Africa	24.5	31.1	33.3	35.6	38.1
Other	4.6	5.3	5.8	6.4	7.1
Growth %					
North America	58.4	108.7	6.2	5.7	5.4
South Africa	43.8	27.1	7.0	7.0	7.0
Other	41.8	15.3	9.8	9.8	9.8
EBITDA	**8.0**	**19.7**	**17.9**	**19.6**	**21.8**
North America	4.7	16.3	19.8	23.5	26.2
South Africa	9.6	12.1	13.4	14.8	16.5
Other	-6.2	-7.0	-9.5	-11.6	-14.3
EBITDA Margin %					
North America	17.1	28.7	32.8	36.9	39.1
South Africa	39.2	38.8	40.3	41.5	43.2
Other	-135.1	-131.1	-163.0	-179.9	-202.5