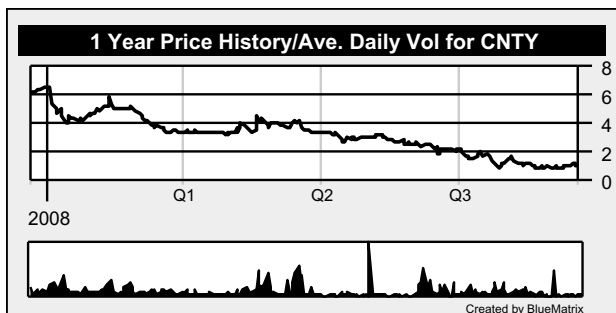


Century Casinos, Inc. | CNTY - \$1.02 - NASDAQ | Buy

Prev Close: \$1.02
Price Target: \$4.00
Market Cap: \$24.4



Century Sells S. African Casinos for 8.5x EBITDA; Stock trades for 1.5x EBITDA

- S. African Sale.** This morning Century announced that it signed an agreement to sell 100% of Century Casinos Africa (CCA) to Tsogo Sun Gaming. Century's CCA subsidiary owns and operates its Caledon (100% owned) and Newcastle (60% owned) casinos in S. Africa. The sale is expected to close in 1H09 and the price has been guaranteed by the purchaser's parent.
- Purchase price.** The purchase price is based on an EV of ZAR 460M (US\$48M) and is expected to result in net proceeds of ZAR 357M (US\$37M). We note the US\$48M gross amount already adjusts for the company's 60% ownership interest in Newcastle and the US\$37M net adjusts for \$11M in property level debt.
- Great deal, in our opinion.** We calculate the purchase price to be 8.5x the avg 3-yr consolidated property EBITDA and 8.8x our CY08 est. We note that our multiple calculations adjust EBITDA to reflect CNTY's 60% ownership in Newcastle and exclude \$2.0M in corp exp related to the company's S. African operations. We believe this to be an excellent price in a normal market, and represents an extraordinary price given today's operating environment and depressed valuations across the sector.
- Use of proceeds.** We believe mgt will use the \$37M in proceeds to repay a portion of its higher int Colorado debt (~\$22M) and to buy back stock. We also expect the company to keep a portion of the cash for potential M&A/development opportunities. Furthermore, we note that a continued reversal in the USD vs. the ZAR could result in additional proceeds.
- Any tax implications?** We anticipate tax implications to be negligible as Century plans to record the sale through its Mauritius subsidiary, which has no capital gains taxes and a corp tax rate of 3%. We also expect debt reduction at Colorado properties to occur via intercompany loans thus circumventing any tax issues.
- Outlook remains favorable.** We believe gaming expansion in Colorado (effective July 2nd) and the expected cash proceeds from the S. Africa casino sale place the company in an excellent position going forward. Following the sale, we project the company to have a net cash position of \$7 million (\$45M in cash, less \$38M in debt) and we project the company's remaining properties to contribute ~\$14 million in adjusted EBITDA in CY09 (includes Poland min).
- Valuation compelling.** Shares currently trade for ~1.5x our CY09 EBITDA post asset sale. Our \$4 PT reflects a 6x multiple to our post sale EBITDA plus expected cash, less debt. Even with today's depressed valuations we believe CNTY's stock price is drastically undervalued. As such, we reiterate our BUY rating.

Refer to important disclosure information and rating System Definition on pages 2 - 3 of this report. Regulation Analyst Certification ("Reg AC"): The research analyst primarily responsible for the content of this report certifies the following under Reg AC: I hereby certify that all views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Price: Intraday-\$1.25-1:42pm Eastern

VALUATION

Shares of CNTY currently trade for 1.5x our expected CY09 adj EBITDA estimate post asset sale and including Casinos Poland minority interest. Our \$4.00 PT represents an EV/EBITDA multiple of 6x our CY09 adj EBITDA estimate.

Valuation Analysis - Post S. Africa Casino sale			
	CY09		
<i>\$ in millions, USD</i>	EBITDA	Multiple	Value
Edmonton Casino	\$9.5	7.0	\$67
Colorado Casinos	\$7.5	5.0	\$38
Casinos Poland (minority owner)	\$2.0	5.0	\$10
Corp overhead (ex \$2M from S. Africa)	(\$5.0)	5.0	(\$25)
Total EV	\$14.0	6.4	\$89
<i>Plus S. Africa proceed, net</i>			\$37
<i>Plus cash</i>			\$8
<i>Less debt (\$49M less \$11M S. Africa)</i>			\$38
Equity value			\$96
Equity value per share			\$4.09
Shares out			23.5
<i>Source: Company reports & Roth Capital Est's</i>			

Impediments

Our estimates assume that Century Casinos, Inc. will maintain all current and any future gaming licenses; there will be no material change to the current level of acceptance of gaming; and that there will be no material changes to the regulatory environment where the company currently has casino operations.

RISKS

Investing in shares of Century Casinos, Inc. involves various risks that could adversely affect the company's operations and stock price. These risks include any future reversal in attitude towards consumer acceptance of gaming domestically and internationally, the ability to maintain current gaming licenses and secure future licenses in new markets, the ability to secure additional sources of financing, foreign exchange fluctuations, and any material changes to the current regulatory environment in which the company has operations within.

Disclosures:

ROTH makes a market in shares of Century Casinos, Inc. and as such, buys and sells from customers on a principal basis.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 12/22/08	
			Count	Percent
BUY [B]	123	63.40	14	11.38
HOLD [H]	60	30.93	3	5.00
SELL [S]	2	1.03	0	0
NOT RATED [NR]	9	4.64	2	22.22

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.