

**Gaming: Gaming Operators**
**Century Casinos, Inc. | CNTY - \$1.50 - NASDAQ | Buy**

Stock Data	
52 Week Low - High	\$0.60 - \$6.00
Shares Out. (mil)	23.88
Mkt. Cap.(mil)	\$35.8
3-Mo. Avg. Vol.	63,099
12-Mo.Price Target	\$4.00
Cash (mm)	\$8.3
Tot. Debt (mil)	\$49.0
Est. 3Yr. EPS Growth	15%

EPS (\$)			
Yr Dec	2008	—2009E—	—2010E—
	Actual	Curr	Curr
1Q	0.02A	0.01E	—
2Q	0.04A	0.03E	—
3Q	0.05A	0.05E	—
4Q	0.00E	0.07E	—
YEAR	0.11E	0.16E	0.22E
P/E	13.6x	9.4x	6.8x

All EPS estimates are pro forma. Please see attached model for details.

Revenue (\$ millions)			
Yr Dec	2008	—2009E—	—2010E—
	Actual	Curr	Curr
1Q	21.0A	19.9E	—
2Q	21.5A	20.8E	—
3Q	21.9A	21.5E	—
4Q	20.2E	21.9E	—
YEAR	84.6E	84.1E	89.4E


**Central City approves Amend 50; Two catalysts make shares compelling**

- Central City approves Amend 50.** Yesterday Central City residents approved Amendment 50 paving the way for gaming expansion measures to take effect on July 1st of this year for all Colorado gaming markets. Residents of Blackhawk and Cripple Creek already approved the measure, which includes raising the max bet from \$5 to \$100, allows 24hr gaming ops, craps and roulette, and caps the gaming tax rate.
- Colorado exposure and positive impact.** The company's two Colorado casinos in Cripple Creek and Central City currently represent roughly ~33% of trailing EBITDA and will likely represent 50% of total EBITDA following the sale of the company's S. African casinos (see below). Therefore, gaming expansion is meaningful and we est the impact to be 7 to 9 cents in incremental EPS on an annual basis.
- Wrapping up a tough year in Colorado.** Earlier today the state of Colorado released gaming revenue for the month of December indicating a decline of -18% y/y statewide. This is the second worse monthly decline following September and is higher than the previous month's decline of -15% and the ytd decline of -13%. This was to be expected considering the economic downturn in late '08. Assuming stable market share, combined Col property rev looks to be tracking roughly in line with our 4Q08 est. Going forward we look for stabilization in the market in 1H09 and growth in the back half when gaming expansion takes effect.
- S. African casino sale at 8.5x EBITDA.** Century also recently announced that it signed an agreement to sell both of its S. Africa casinos for net proceeds of US\$37 million. The purchase price multiple works out to be 8.5x our trailing EBITDA estimate for the combined properties and related corp exp. We believe this is an excellent price considering today's current operating environment.
- Credible buyer.** The acquirer is Tsogo Sun Gaming, which jointly owned by Hosken Consolidated Investments (listed on Johannesburg Stock Exchange) and SAB Miller (listed on London Stock Exchange). The purchase price is guaranteed by the parent company and the sale is expected to close in 1H09.
- Strong cash position post asset sale.** Following the asset sale we project a net cash position of roughly \$7M (\$48M in cash and \$38M in debt). We believe the company will look to use its strong cash position to 1) reduce high int Colorado debt (\$18M at 11% int rate), 2) pursue distressed M&A deals, and 3) repurchase shares at current levels.
- Valuation remains compelling.** Most casino operators are out of favor with investors due to declining financial performance and balance sheet issues (i.e. too much debt). However, we believe Century is in a much better position than its competitors with expectations for growth in key markets (Edmonton and Colorado) and a pending transaction that should place it in a net cash position. Furthermore, we believe shares are compelling trading for only 2x our adjusted EBITDA post transaction. As such, we reiterate our BUY rating and \$4 PT on CNTY Shares.

Refer to important disclosure information and rating System Definition on page 4 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: \$1.55 intraday-2:11pm Eastern

## VALUATION

Shares of CNTY currently trade for 2x 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.

### 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.

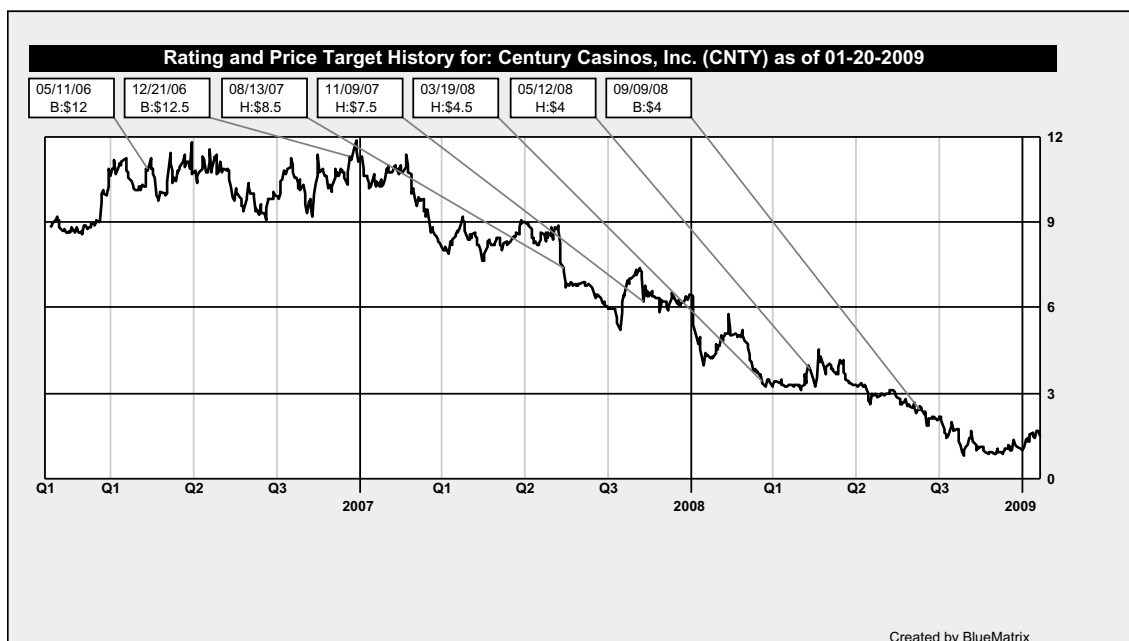
## COMPANY DESCRIPTION

Century Casinos, Inc. is an owner, operator, and developer of mid-sized domestic and international casinos. The company owns and operates the Womacks Casino and Hotel in Cripple Creek, CO, the Century Casino and Hotel in Central City, CO, the Century Casino and Hotel in Edmonton, Alberta, Canada, the Caledon Hotel, Spa, and Casino in Caledon, South Africa, the Monte Vista Casino in Newcastle, South Africa, the Casino Millennium in Prague, Czech Republic, and the company operates casinos aboard three different cruise lines.

## MENTIONED COMPANIES

## 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 01/21/09	
			Count	Percent
BUY [B]	125	64.1	12	9.6
HOLD [H]	60	30.8	3	5.0
SELL [S]	2	1.0	0	0
NOT RATED [NR]	8	4.1	1	12.5

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.