

Gaming: Gaming Operators
Century Casinos, Inc. | CNTY - \$1.33 - NASDAQ | Buy
Analysis of Sales/Earnings

Estimates Changed, Target Price Changed

Stock Data	
52 Week Low - High	\$0.60 - \$4.51
Shares Out. (mil)	23.88
Mkt. Cap.(mil)	\$31.8
3-Mo. Avg. Vol.	28,414
12-Mo.Price Target	\$3.50
Cash (mm)	\$45.8
Tot. Debt (mil)	\$37.4
Est. 3Yr. EPS Growth	15%

EPS (\$)					
Yr Dec	2008	—2009E—		—2010E—	
	Actual	Curr	Prev	Curr	Prev
1Q	(0.02)A	(0.04)E	0.01E	0.02E	—
2Q	(0.01)A	(0.02)E	0.03E	0.04E	—
3Q	(0.65)A	0.02E	0.05E	0.05E	—
4Q	(0.08)A	0.01E	0.07E	0.03E	—
YEAR	(0.76)A	(0.03)E	0.16E	0.14E	0.22E
P/E	NM	NM	8.3x	9.5x	6.0x

EPS est. are from cont. ops. See model for details. Cash and debt reflects pending sale of S. African casinos.

Revenue (\$ millions)					
Yr Dec	2008	—2009E—		—2010E—	
	Actual	Curr	Prev	Curr	Prev
1Q	12.8A	11.8E	19.9E	13.7E	—
2Q	13.3A	12.6E	20.8E	14.6E	—
3Q	13.4A	14.2E	21.5E	15.2E	—
4Q	11.7A	13.1E	21.9E	14.1E	—
YEAR	53.0A	51.6E	84.1E	57.1E	89.4E

CY08 quarterly revenue does not add up to annual due to the removal of S. African Ops


4Q misses on weak rev & negative FX; CO expansion & asset sale looming

- Results Summary.** Century reported 4Q rev of \$11.7M (ex S. Africa Ops) and EPS from Cont Ops of (\$0.08). Rev missed our est by \$2.2M on lighter than expected CO rev and negative FX movements. GAAP EPS of (\$0.03) missed our est by 3 cents on lower rev and margins. However, excl a \$472k FX loss, EPS would have only missed our est by a penny.
- Property Highlights.** CO revenue declined 25% y/y on increased comp, smoking ban, and a weak economy. The decline was larger than expected missing our est by \$1.2M. While the company's Edmonton property posted healthy rev growth of +7%, negative FX movements resulted in a decline of 14% y/y when translated into USD.
- Strong cash position ex asset sale.** Mgt still expects to close on the sale of its two S. Africa casinos in 2Q09 for net proceeds of US\$38M. The transaction should place the company in a net cash position of \$8M (\$37M debt, \$45M cash). Mgt will likely use the proceeds to reduce long-term debt and buy back shares.
- Removing S. Africa Ops, updating est's & PT.** We are updating our estimates to reflect the pending sale of the company's S. African casinos, as well as the negative impact from a rising USD relative to the Canadian dollar. Our new FY09 and FY10 estimates are (\$0.03) and \$0.14, respectively. We are also lowering our PT from \$4 to \$3.50 to reflect our lower estimates for continuing ops.
- Outlook should improve, Maintain BUY.** While we anticipate near term results to be impacted by poor macro trends and FX movements, we look for a return to growth in 2H09 led by healthy results in Edmonton and the implementation of Colorado expansion measures (effective July 1st). As such, we maintain our BUY rating on CNTY shares.

Refer to important disclosure information and rating System Definition on pages 4 - 5 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.

VALUATION

We believe shares of CNTY are compelling trading for only 2x our expected CY09 adj EBITDA estimate (post asset sale). Our new \$3.50 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

CNTY — Income Statement (\$ in 000s, except per share data)

Year End: Dec	2007	Mar Q1:08	Jun Q2:08	Sep Q3:08	Dec Q4:08	2008	Mar Q1:09E	Jun Q2:09E	Sep Q3:09E	Dec Q4:09E	2009E	Mar Q1:10E	Jun Q2:10E	Sep Q3:10E	Dec Q4:10E	2010E
Net Revenue																
Womacks	16,722	2,882	2,859	3,086	2,416	11,243	2,450	2,573	3,302	2,899	11,224	2,940	3,165	3,467	3,044	12,616
Edmonton	19,297	5,557	5,795	5,656	4,948	21,956	4,815	5,049	5,079	5,177	20,120	5,152	5,402	5,435	5,539	21,528
Central City	20,374	4,407	4,617	4,655	3,756	17,435	3,966	4,340	5,027	4,319	17,653	4,561	4,991	5,279	4,535	19,366
Other (Cruise Ships)	2,603	0	0	0	551	2,401	550	600	750	750	2,650	1,000	1,000	1,000	1,000	4,000
Corporate & Eliminations	47	2	1	0	4	7	0	0	0	0	0	0	0	0	0	0
Total Net Revenue (Consolidated)	59,043	12,848	13,272	13,397	11,675	53,042	11,781	12,562	14,159	13,145	51,647	13,653	14,558	15,181	14,118	57,510
% change y/y	85.6%	#DIV/0!	#DIV/0!	#DIV/0!	-17.3%	-10.2%	-12.9%	-9.5%	1.4%	12.6%	-2.6%	15.9%	15.9%	7.2%	7.4%	11.4%
Adjusted EBITDA																
Womacks	5,439	279	433	616	339	1,667	367	515	826	667	2,374	735	855	971	761	3,321
Edmonton	5,673	1,928	2,262	2,129	1,677	7,996	1,685	1,919	1,981	2,019	7,604	2,061	2,161	2,174	2,216	8,611
Central City	4,922	835	1,216	1,184	671	3,906	793	955	1,357	1,080	4,185	1,140	1,348	1,425	1,134	5,047
Other (Cruise Ships)	283	0	0	0	125	454	127	138	173	173	610	230	230	230	230	920
Corporate (Includes equity earnings)	(5,983)	(1,120)	(1,703)	(1,507)	(1,774)	(6,101)	(1,150)	(1,150)	(1,150)	(1,150)	(4,600)	(1,135)	(1,135)	(1,135)	(1,135)	(4,540)
Total Adj. EBITDA (Consolidated)	10,334	1,922	2,208	2,422	1,038	7,922	1,822	2,376	3,186	2,788	10,173	3,031	3,458	3,665	3,205	13,359
% margin	17.5%	15.0%	16.6%	18.1%	8.9%	14.9%	15.5%	18.9%	22.5%	21.2%	19.7%	22.2%	23.8%	24.1%	22.7%	23.2%
Depreciation & amortization	6,379				1,648	6,922	1,648	1,643	1,638	1,633	6,562	1,633	1,633	1,633	1,633	6,532
% of net revenue	10.8%				14.1%	13.1%	14.0%	13.1%	11.6%	12.4%	12.7%	12.0%	11.2%	10.8%	11.6%	11.4%
Share-based compensation					398	1,443	350	350	350	350	1,400	350	350	350	350	1,400
Non-recurring charges (gain)	(95)				0	9,357	0	0	0	0	0	0	0	0	0	0
Non-operating (income) expense	4,706				1,038	4,099	963	873	718	593	3,147	518	443	368	293	1,622
% of net revenue	8.0%				8.9%	7.7%	8.2%	6.9%	5.1%	4.5%	6.1%	3.8%	3.0%	2.4%	2.1%	2.8%
Pretax income	(1,580)				(2,065)	(13,797)	(1,139)	(490)	480	212	(936)	530	1,032	1,314	929	3,805
% margin	-2.7%				-17.7%	-26.0%	-9.7%	-3.9%	3.4%	1.6%	-1.8%	3.9%	7.1%	8.7%	6.6%	6.6%
Tax provision (benefit)	(1,038)				(189)	4,060	(171)	(74)	72	32	(140)	80	155	197	139	571
% tax rate	65.7%				9.2%	-29.4%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Minority interest, net of tax	(14)				(46)	77	0	0	0	0	0	0	0	0	0	0
Preferred dividends	0				0	0	0	0	0	0	0	0	0	0	0	0
Cont Ops Net income	(528)				(1,830)	(17,934)	(968)	(417)	408	180	(796)	451	877	1,117	790	3,235
% margin	-0.9%				-15.7%	-33.8%	-8.2%	-3.3%	2.9%	1.4%	-1.5%	3.3%	6.0%	7.4%	5.6%	5.6%
Discontinued Ops	5,461				1,179	4,461					-					-
GAAP Net income	4,933				(651)	(13,473)	(968)	(417)	408	180	(796)	451	877	1,117	790	3,235
% margin	8.4%				-5.6%	-25.4%	-8.2%	-3.3%	2.9%	1.4%	-1.5%	3.3%	6.0%	7.4%	5.6%	5.6%
Continuing Ops EPS - Diluted	(\$0.02)	(\$0.02)	(\$0.01)	(\$0.65)	(\$0.08)	(\$0.76)	(\$0.04)	(\$0.02)	\$0.02	\$0.01	(\$0.03)	\$0.02	\$0.04	\$0.05	\$0.03	\$0.14
GAAP EPS - Diluted	\$0.21	\$0.02	\$0.04	(\$0.60)	(\$0.03)	(\$0.57)	(\$0.04)	(\$0.02)	\$0.02	\$0.01	(\$0.03)	\$0.02	\$0.04	\$0.05	\$0.03	\$0.14
Pro forma EPS - Diluted*	(\$0.02)	(\$0.02)	(\$0.01)	(\$0.65)	(\$0.08)	(\$0.76)	(\$0.04)	(\$0.02)	\$0.02	\$0.01	(\$0.03)	\$0.02	\$0.04	\$0.05	\$0.03	\$0.14
Basic common shares	23,088	23,303	23,468	23,526	23,551	23,455	23,551	23,551	23,551	23,551	23,551	23,551	23,551	23,551	23,551	23,551
Weighted shares outstanding (fully-diluted)	23,879	23,632	23,568	23,526	23,551	23,455	23,551	23,551	23,551	23,551	23,551	23,551	23,551	23,551	23,551	23,551

Notes

*Pro forma results adjusts for the following one-time items:

*Quarterly results may not add to annual results due to reclassifications and the removal of S. Africa Ops to discontinued ops.

n/a = not applicable or data not available

Source: Company reports and Roth Capital Partners estimates.

Todd J. Eilers
Roth Capital Partners, LLC
949-720-5781
teilers@rothcp.com
3/16/2009

Adam Krejcik
Roth Capital Partners, LLC
949-720-7187
akrejcik@rothcp.com
3/16/2009

Disclosures:

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Rating	Count	Percent	IB Serv./Past 12 Mos. as of 03/17/09	
			Count	Percent
BUY [B]	125	64.8	12	9.6
HOLD [H]	64	33.2	2	3.1
SELL [S]	1	0.5	0	0
NOT RATED [NR]	3	1.6	0	0

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