



NASDAQ Capital Market & Vienna Stock Exchange: CNTY



Initial interview with Mr. Peter Hoetzing,  
President and co-CEO

-  
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**Smallcaps.us:** Hi everyone and welcome to another Smallcaps.us interview. We have the pleasure today of speaking with Mr. Peter Hoetzing, the President and co-Chief Executive Officer of Century Casinos Incorporated, which is listed on NASDAQ under ticker symbol CNTY. Century Casinos is an intriguing Company for investors as you'll undoubtedly find out in the course of this interview. This is our first conversation with Mr. Hoetzing, so we're excited to introduce him and his Company. Peter, thank you so much for being here.

**Peter Hoetzing:** Thank you for having me.

**Smallcaps.us:** Before we get into financials, would you tell us a bit about the background of Century Casinos and how the Company got started?

**Peter Hoetzing:** Yes, sure. I am happy to. The beginning of the proliferation of gaming in North America; that was the time when we formed Century Casinos. That was in the early 90s. Up until then, Erwin Hartzmann, who is now my co-CEO at Century Casinos and I ran the entire international business of Casinos Austria. But when the opportunities in North America started to come up in huge numbers and casino management companies were in high demand, the board of that state-owned organization was too slow in making decisions and that's when we started Century Casinos Inc. Today, we own and operate 23 casinos in the US, in Canada, in the Caribbean, in Poland, and on luxury cruise vessels with over 3,000 slot machines and 240 gaming tables in action pretty much 24/7. We're profitable, our stock, as you mentioned, is listed on NASDAQ and also on the Vienna stock exchange. We have more cash than debt on our balance sheet and a number of exciting projects in various stages of development.

**Smallcaps.us:** Great. With that in mind, what would you say has been the Company's focus thus far?

**Peter Hoetzing:** Our focus is the operation

of casinos for the local and regional markets in any well-regulated country worldwide. That's not the large resort-type casino that you are familiar with when you think about Vegas or Macau that requires high-capital expenditures and high volumes of people that need to take vacation and flights. But we focus on the more smaller that every other day or every other week type of hometown casino. About 70% of our customers are repeat customers and members of our loyalty club. It's one of the highest ratios in the industry, and besides that very important loyalty factor, this also allows for a very efficient, direct, and personalized marketing and promotions program. We also place heavy focus on our responsible gaming program with education, creating awareness, and even providing on-site assistance. Balance sheet wise, we focus on conservative leverage associated with more cash than debt which is great and rare to find in our industry.

**Smallcaps.us:** OK, let's move over to the financials now. Results for fiscal year 2010 were released March 31st. How did Century Casinos perform? And were expectations met?

**Peter Hoetzing:** We are reasonably pleased with the overall performance for the fourth quarter with net operating revenue increasing at all of our major operations that is in Edmonton and Calgary, Canada, at our two operations in Colorado as well as in the shipboard casino segment. Revenues increased by 29% in the quarter, earnings from operations increased to close to 1 million, and we generated earnings per share of 4 cents in the quarter. For the full year 2010, we reported a revenue increase of 22% to \$61 million and a net profit of just over a million or 4 cents per share. With regards to expectations, if you refer to a research reports and estimates from analysts, yes, we met revenue expectations and exceeded net profit and earnings per share estimates.

**Smallcaps.us:** Well, congratulations with

those results. And can you also give us an idea of what the balance sheet looks like?

**Peter Hoetzing:** It looks very healthy. We have decreased our long-term debt from \$14.7 million at the end of '09 to only \$9.3 million as of December 31st 2010, and we have cash and cash equivalence of \$21.5 million. The book value per share sits at the \$4.67.

**Smallcaps.us:** Now, let's take a look where Century Casinos is active. And this is actually very interesting as the Company is involved in three major markets, being North America, Europe and on cruise ships. Let's cover them one by one. First of all, in North America, Century has recently opened a new casino in acCalgary while also announcing a contract with a major hotel in Aruba.

**Peter Hoetzing:** Right. Last year, we acquired the Calgary casino and after extensive refurbishment works, we reopened it under the Century Casino brand in late November. The casino offers 530 slots, 17 table games, 24-hour poker, and also has various bars and restaurants, a 18,000 square feet multipurpose entertainment venue, a 5,000 square feet show lounge, and a 30-lane bowling alley.

Since the reopening, we are focusing on increasing revenues and gaining market share. A strategy that seems to be working well as we are seeing solid double digit revenue increases. The Colorado casino market, where we operate two properties with 1,000 slot machines, 17 gaming tables, and about 50 hotel rooms is also showing signs of good recovery. Both properties increased revenues in the fourth quarter of 2010 and also are looking up in the first quarter of this year.

Also, in the fourth quarter of last year, as you've mentioned, we have been chosen by the Radisson Hotel Group to manage their casino at the Radisson Resort in Aruba, in the Caribbean. The casino will be upgraded over the next several months to become an

attractive entertainment spot for locals and tourists alike. We have no investment in that casino, but we get management fees based on revenues and EBITDA.

**Smallcaps.us:** And what can you tell us about your activities in Europe?

**Peter Hoetzing:** In Europe, we own a one-third stake in Casinos Poland Limited, the leading casino Company in Poland with a market share in excess of 50%. We believe the market has great future potential as a recent change in the gaming law end all slot machines in bars and restaurants with significant advantage for the casinos. In 2010, revenues of Casinos Poland increased by 7%, net earnings by about 45%. So, we are very happy with our investment there.

**Smallcaps.us:** Century has recently announced the launch of a new casino on board of a luxury cruise vessel. What are your expectations for this development and what are the benefits and disadvantages of working with ship-based casinos?

**Peter Hoetzing:** You are referring to the brand new cruise vessel of Oceania Cruises called Marina. With over 1,200 passengers, this is the second largest in our fleet of shipboard casinos and performs really, really well. In total, we currently operate casinos on 11 cruise ships and we have 2 more under the contract. This segment of our operations contributes about 7% of our total revenues and can generate really nice profit margins. We have been active in that market since the inception of Century Casinos in the early 90s and are by now the largest independent operator of casinos on luxury cruise vessels. It is a profitable segment for us but we are to a large expense, dependent on the type and quality of the passengers the cruise lines bring on board. The cruise lines are telling us that the business is great and expect to further improve and increase with high occupancy rates over the short of mid term which is certainly great for us.

**Smallcaps.us:** OK, now that we know where

Century Casinos owns and operates casinos at this moment, tell us about your Company's plans for growth. Where do you feel are opportunities and are there any other areas in which your Company plans to expand?

**Peter Hoetzing:** Yes. We have Southeast Asia high on our list, and while most investors focus their attention on the large-scale properties in Macau or Singapore, we see opportunities in the small to mid-sized casino markets in Macau as well as in other smaller markets such as Vietnam, the Philippines, or others in that geographical area.

In Europe, we recently announced the casino project in Switzerland, the Canton of Neuchatel in the west of the country. That region is currently not served by the increasing casinos and offers great potential. We are applying for a license for a casino with up to 250 slot machines and 18 tables in a great location just outside the city of Neuenburg with an easy driving range of the cities of Bern, Lausanne, and Geneva. The decision by the Swiss Casino authorities about that license application is expected in June or July this year.

We also see growth potential at most of our existing casinos in Canada and the U.S. In Calgary, we continue to focus on gaining market share while the other properties are working on optimizing the programs to increase the margins. And finally, we look forward to the opening of the two new cruise ship casinos later this year.

**Smallcaps.us:** And can you give us a quick overview of the industry, to put this all in context?

**Peter Hoetzing:** The casino industry has grown over the last two decades quite a lot and it has become more than simply an entertainment past time. The casino industry has emerged as an economic mainstay in many communities and placed an increasingly prominent role in states and regional economies. Casinos can increase

jobs and reduces the level of unemployment and government assistance in communities that legalize it and certainly has met economic benefits for economically depressed communities. Studies in North America show that those communities closest to casinos experienced a 12% to 17% drop in welfare payments, unemployment rates, and unemployment insurance. All this results in casino gaming becoming legalized and regulated in more and more markets and in many countries that don't have it yet, which is great for an international growth Company such as ours.

**Smallcaps.us:** Can you tell us a bit about your background and about the other key executives at Century Casinos?

**Peter Hoetzing:** I joined the casino industry right after university in 1986 and since then, never did anything else but developing and operating casinos worldwide. Some key factors in my decision to join the industry were the objective growth of the casino industry, the international aspect of it, and the fact that it became well regulated in more and more countries around the globe. By now, Erwin Haitzmann, my partner and I have developed and operated around 130 casinos in 25 countries and on cruise ships. That's probably quite unique in the industry. We have a great team of experienced executives from the U.S., Canada, and Europe with us. Our international focus, our casino locations, including the ones on luxury cruise vessels, make us a very attractive employer and in total, we have 1,600 employees from 32 different nationalities of whom 51% are female.

**Smallcaps.us:** Peter, before we close, do you have any final thoughts for our listeners? Why should we keep a close eye on Century Casinos?

**Peter Hoetzing:** I can give you a quick look at how the first quarter of this year started out. So far, the biggest surprise is Colorado. We see a single-digit growth at our property in central city and even double digit

growth in our second property in the state in Cripple Creek. Its revenue was up in Q4 really as well. This could be more than just a short-term thing, a sign of real recovery.

In Canada, our property in Edmonton also had a very good start into the quarter with high single-digit growth. And the newly reopened casino in Calgary really starts to show its revenue potential with quarter over quarter revenue gains of between 25% and

30%. Overall, we feel really good about the Company, the markets we're in, and the potential to grow organically as well as through new projects. And remember all that with more cash than debt on our balance sheet.

**Smallcaps.us:** Fantastic. Well Peter, it's been a pleasure speaking with you and we look forward to having you back to discuss the Company in the future.

## **Interview Feedback**

We welcome your questions and feedback regarding this interview at: <http://smallcaps.us/up-close-personal-with-century-casinos-co-ceo-mr-peter-hoetzing>.

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