Harrah’s nears buyout deal with Apollo, TPG: sources

New York (Reuters) – Private equity firms Apollo Management and Texas Pacific Group were near reaching a deal to buy Harrah’s Entertainment Inc., the world’s largest casino operator, with an increased USD 16.7 billion bid, sources familiar with the situation said.

The casino sector has been rife with deals this year as executives move to run their businesses away from the pressure of public markets amid strong demand from private equity firms that are branching out to new areas with hundreds of billions of dollars to spend.

Details of the buyout were still being worked out and the companies may fail to reach an agreement, but the transaction could be announced on Monday or Tuesday, sources said.

The latest offer may be worth up to USD 90 per share, or USD 16.7 billion, sources said, versus an initial USD 15 billion offer.

The deal would be one of the top 10 largest private equity buyouts this year. Others have included the USD 21 billion buyout of HCA Inc. and the USD 20 billion buyout of Equity Office Properties Trust.

A deal would end a takeover saga set in motion more than two months ago, when Las Vegas-based Harrah’s said Apollo and TPG had offered to buy it for USD 81 a share.

According to sources, they raised the offer soon after to USD 83.50 per share. Then, smaller casino operator Penn National Gaming Inc. began considering a bid, a source told Reuters at the time, and last week Apollo and TPG were prepared to bid USD 87 a share.

Harrah’s, which has so far publicly acknowledged only the USD 81 offer, also received an USD 87 per share bid from Penn, the Wall Street Journal has reported.

Harrah’s board had set a December 12 deadline for bids and then met last week to review the offers, sources have previously told Reuters. Talks continued into the weekend, sources said.

Harrah’s stock closed up 0.5 percent at USD 79.50 on Friday in New York – below the bid price – as investors waited to see what the board would do.

That gap between the price offered and the level of Harrah’s shares widened at various points during the past two months as investor confidence that a deal would be reached has vacillated – partly due to concerns the casino licensing requirements could mean a gap of at least a year before the deal can be completed, experts have said.

More uncertainty crept into the market last week as Harrah’s began considering the possibility that instead of a sale, it would undergo a recapitalization, or financial restructuring, according to a source. Typically, that involves issuing new debt and then paying shareholders a special dividend.

Station Casinos Inc. announced on December 4 plans for a USD 4.7 billion management-led buyout.