

Isle of Capri Casino Falls on Downgrade

New York (AP) – Shares of Isle of Capri Casinos Inc. slumped to a multi-year low Monday as an analyst downgraded the casino operator, citing economic concerns and a possible Iowa smoking ban.

Ryan Worst of Brean Murray, Carret & Co. expects the St. Louis-based company will continue to look to lower costs, but believes sales growth will be harder to achieve in the next few quarters, which will likely keep the stock from rising much.

Gaming companies, as well as many other sectors, have started to see increased analyst and investor concern due to economic worries. Consumers have curbed spending due to factors including escalating gas prices, the continued housing downturn, deteriorating credit and recession fears. The tightened consumer spending has led many companies to look for ways to increasingly control costs while trying to achieve revenue and earnings growth.

Isle of Capri may also be hurt by a possible smoking ban in Iowa. The state's House recently passed a smoking ban in which casinos would be exempt, but the Senate removed the exemption before passage, according to Worst.

„We believe a smoking ban that does not exclude casinos in Iowa would add further headwinds to Isle's turnaround, given that its Iowa properties comprise about 25 percent of the company's earnings before interest, taxes, depreciation and amortization (EBITDA),“ the analyst wrote in a client note.

Isle's Iowa properties include those in Bettendorf, Waterloo and Davenport.

Worst lowered Isle's rating to „Hold“ from „Buy“ and cut his 2008 forecast to a loss of 94 cents per share from a loss of 80 cents per share on lower-than-expected third-quarter gaming revenue at most casinos.

Isle of Capri Casinos' stock shed 18 cents, or 2 percent, to USD 8.87 in morning trading. The stock hit USD 8.64 earlier in the session – it's lowest point since 2001. At this time a year ago, shares traded as high as USD 28.24.