

Buyouts

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Z Capital's latest bid values Affinity Gaming at \$700 mln

By Steve Gelsi

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- Firm makes higher bid for casino operator
- Affinity Gaming carries 7x EBITDA in debt
- Z Capital already owns stake in company

Z Capital on Monday bid \$13 a share to take a majority position in Affinity Gaming in a deal that values the privately-held casino operator at \$700 million, according to a filing and a person familiar with the firm.

"We believe that the company's stockholders will find the combination of value, certainty and speed in our offer extremely attractive, particularly in light of the range of significant challenges that Affinity Gaming continues to face," Z Capital CEO James Zenni said in a November 15 letter to the company.

It's the third takeover bid issued by Z Capital for Affinity Gaming. In June it raised its earlier offer to \$11.50 a share from \$9.75 a share.

The latest offer expires on November 25.

Lake Forest, Ill and New York-based Z Capital already owns a 40.5 percent stake in Affinity Gaming, which carries a negative outlook in its debt rating, according to Moody's.

The operator of casinos in Nevada, Missouri, Iowa and Colorado faces challenges associated with its ability to "continue to turn around its earnings trend in light of our expectation of generally weak gaming demand," Moody's analysts said over the summer.

Affinity Gaming said November 10 its third-quarter EBITDA increased by 33 percent to \$16.6 million, with revenue increasing by 2.7 percent to \$102 million. The company cited improved operating and marketing efficiencies.

A spokeswoman for Z Capital declined to comment. A spokesman for Affinity Gaming did not answer an email and a phone call.

Moody's noted that Affinity Gaming had \$150 million of cash on hand as of June 30; with access to a \$35 million revolver due May, 2017; plus a \$183 million senior secured term loan B due in November, 2017.

The company faces a leverage multiple of about 7.0x EBITDA, which Moody's characterized as "high."

Action item: Affinity Gaming's latest quarterly report, <http://1.usa.gov/1RZxS9I>