



Le Rêve Casino

Strategic Analysis

Peter Almond
Benjamin Ellis
Darren Myers
Michael Wojtasek

EXECUTIVE SUMMARY

Steve Wynn bought his wife a \$318MM birthday present in 2000. That present, 212 acres of land on the north end of the Las Vegas Strip in Nevada, is slowly becoming a \$2.5 billion, 2,700-room luxury hotel and casino resort unlike any other. Scheduled to open in 2005 as “Le Rêve,” or “The Dream,” after a 1934 Picasso painting, the property will boast an 18-hole golf course, Ferrari and Maserati Dealerships, a 3-acre lake, 18 restaurants, a 1-million gallon “performance” pool, and the requisite 118,000 square foot casino. Steve Wynn’s past gambles such as Mirage and Bellagio have been major successes. Will Le Rêve find similar success?

The following analysis attempts to answer the above question. First, Le Rêve will be described in more detail to give the reader a big-picture framework of the major issues to be discussed in the paper. The Las Vegas gaming market will then be analyzed using a 6-forces framework to determine whether Le Rêve is entering an economically attractive marketplace. This analysis is followed by a more in-depth discussion of Le Rêve’s competitors, with a focus on differentiating techniques and potential rivals. What will these competitors do in response to Le Rêve? Will they accommodate the new entrant, or enter into a price war? The conclusion will include recommendations on how to ensure the success and maximize the profitability of the new resort.

LE RÊVE – AN OVERVIEW

After pioneering the idea of a mega-casino with the hugely successful Mirage in 1989, Steve Wynn has continued to up the ante each time he builds a new resort. Of the 12 major casinos built since 1989, Wynn was responsible for four of the largest (Mirage, Treasure Island, Monte Carlo, and Bellagio). Wynn sold Mirage Resorts, Inc. to MGM for \$6.8 billion; Le Rêve will most likely be his swan song on the Las Vegas Strip. Le Rêve will be the first mega-resort to open in Las Vegas since 2000. The following are key descriptive points for the property:

- Le Rêve will be positioned as a high end destination resort and casino.
- Approximately 65% of the site will be occupied by a Tom Fazio designed golf course. This golf course is the only one located on the Strip. Fazio is considered the preeminent course designer in the world, claiming seven of the top one hundred courses in the United States. Fazio was responsible for Wynn’s Shadow Creek, the most exclusive course in Las Vegas.
- The hotel / casino will be 45 stories with 2,400 rooms and a 118,000 square foot casino. 18 restaurants are planned with 6 classified as fine dining, highlighted by a restaurant operated by acclaimed New York City chef Daniel Bouloud. Appendix B has more details on the specifics of the Casino’s features compared to its peer group.
- As is customary in Las Vegas, Le Rêve will have a large showroom (2,080 seats). Franco Dragone, who was the original producer of “O” at the Bellagio and is currently producing Celine Dion’s new show at Caesar’s, is designing Le Rêve’s water-themed show.
- Steve Wynn is well known for his extensive private art collection. When he was affiliated with the Bellagio, Wynn loaned many of his most famous pieces to the hotel’s art gallery. He plans on doing the same with an art gallery at Le Rêve.
- Le Rêve is situated across the street from Fashion Show Mall, the second largest mall in the United States. The mall has eight major anchors, including Saks, Neiman Marcus, and

Nordstrom's. The mall recently underwent a \$300MM renovation. Appendix A has gives an aerial view of Le Rêve's location on "The Strip."

- Le Rêve is the only hotel between the Las Vegas Convention Center and the Sands Expo Center. The former is the 2nd largest convention center in the US, while the latter is the 4th largest.

LAS VEGAS GAMING MARKET ANALYSIS

The market for Le Rêve was analyzed using a 6-forces model to ascertain the relative strengths and weaknesses of the gaming environment. Is Le Rêve positioned to take advantage of the market's strengths while also adequately addressing the potential weaknesses?

BARRIERS TO ENTRY ® LOW

While certain barriers exist in the Las Vegas market, they do not significantly hinder the ability of a new entrant to compete. The primary barriers are:

- **Capital Cost** – With land costs of over \$1.5MM per acre, and development costs running well over \$1.5 billion, the new projects on the Las Vegas Strip are largely the domain of four companies: Harrah's, MGM Mirage, Mandalay Bay, and Park Place Entertainment. However, costs cannot be considered a significant barrier since almost anyone with the ability to attract capital could conceivably build a casino resort (Steve Wynn, for example).
- **Land Constraints** – Since the Las Vegas Strip is a relatively well-defined limited area, property is at a premium. However, older or poorly performing properties are constantly being razed and replaced. Also, several off-the-Strip properties have proven successful (Hard Rock, The Palms).
- **Expertise** – Aladdin's bankruptcy is the most recent example of a non-expert entering the Las Vegas market and failing. While most entities would have trouble raising \$1.0 billion to build a casino if they do not have significant expertise and experience, the developers of Aladdin somehow got the property built.
- **Regulatory** – The gaming market is highly regulated, and numerous licenses must be obtained before a casino can open. These regulations do allow for control of potential entrants, but do not constitute a significant barrier.

What has Le Rêve done to counteract the low barriers to entry in the market? The fact that one man was able to raise (barely) \$2.5 billion is indicative of (1) the extreme confidence people have in Steve Wynn and (2) the extremely attractive location of Le Rêve. Few properties (if any) are as attractive as Le Rêve's, which limits the ability of new entrants to compete on the same level as Le Rêve. The "big four" casino companies all have relatively new high-end properties in place, so building a new one anytime soon is unlikely.

BUYER BARGAINING POWER ® HIGH

With numerous options to choose from, visitors to Las Vegas have significant buying power when selecting a casino resort. The buyers can be segmented into four types, each with certain unique characteristics:

- **High Rollers** – These are the whales that casinos love to have. There are only a few hundred in the world, which gives them the ability to really negotiate with casinos to get the best deal. Casinos spend millions of dollars to attract them, including exorbitant “comps” such as new cars, watches, or trips on a private jet. Le Rêve’s strategy is to lure these buyers with an opulent atmosphere and completely private areas (including an entirely separate hotel on the property) for VIPs.
- **Convention Groups** – By offering to take up a couple hundred rooms, they have significant power over the casinos. With its proximity to the Las Vegas Convention Center and the Sands Expo Center, Le Rêve may have slightly more power, but it’s not significant since there are other large hotels (Treasure Island, Venetian) near these centers. Due to the large size of most Las Vegas conventions, the more expensive hotels such as Bellagio and Le Rêve can still potentially book a significant percentage of rooms to convention goers.
- **Regular Guests** – The individual guests or small groups that come to Las Vegas often look for the best deal when booking a hotel room. With so many properties near each other on “The Strip”, many people will stay at the hotel that gives them the best deal since they can easily walk to other hotels that may have more attractive amenities.
- **Foot Traffic** – These customers often move from hotel to hotel and will rarely stay in one place for more than a few hours.

Overall, switching costs are low for the groups of buyers. Also, customers can choose to not come to Las Vegas if the costs are too high. Hotels attempt to mitigate these switching costs and threat of not coming to Vegas through “player’s cards” and “comps” that reward gamers for gambling at the same casino multiple times, much like airlines do to lock-in frequent flyers. Le Rêve is able to mitigate the negative effects of high buyer power in several ways. First, the strategic location between two of the largest convention centers in the US, coupled with its expected reputation as the nicest casino on the strip, should allow the casino to command a premium room rate. The casino’s position next to the Fashion Show Mall and its golf course are unique attributes that will also allow them to command a higher price from customers. The high profits at Bellagio (Appendix C has financial details) suggest that wealthy regular customers value atmosphere and service over room rates, so Le Rêve’s positioning in that niche is wise.

SUPPLIER BARGAINING POWER ® LOW

Le Rêve has many of the same supplier inputs as a typical hotel:

- **Typical hotel suppliers** – These include companies that provide hotels with furnishings, linens and other supplies. Las Vegas hotels are large projects that are highly sought after by these companies. With many companies competing for these contracts, the Las Vegas hotels hold the power.
- **Labor** – This is a very significant input for hotels in Las Vegas since they are providing a wide array of services to their guests. However, most of the labor is hourly and can be easily replaced, which lowers the power of labor. Some labor groups are unionized (casino dealers) but the unions do not significantly shift the balance of power. Le Rêve has already been able to hire away top employees from other casinos, but these employees can command a premium price and do hold some power.

- **Makers of gaming equipment** – IGT has been effective at becoming the market leader in gaming equipment, primarily slot machines. However, their power is limited since the industry is regulated and therefore places a cap on prices.

Due to its focus on 5-star service, Le Rêve can expect to have higher labor costs than its rivals. This could create organizational problems, but management has taken steps to mitigate an increase in supplier power. The hotel is designed to limit walking distance for staff and to require fewer staff on the casino floor. These details can lower staffing costs by up to 25%.

SUBSTITUTE PRODUCTS ® HIGH

Like most tourist destinations, Las Vegas has numerous substitutes. If the customer would like to gamble, several options exist:

- **Domestic gambling destinations** – If someone is looking solely for gambling and does not need the atmosphere of Las Vegas, there are numerous options available across the country. Atlantic City and Indian casinos in the Northeast are similar in size to Las Vegas casinos and offer many of the same amenities (shows, spas, high end restaurants). Riverboat gambling in the Midwest has become very popular for people looking for a gambling fix or trying to double their paycheck. The riverboats typically do not have the scope or amenities of casinos in Las Vegas. Indian casinos are becoming more popular in the West, especially in California with the passing of Proposition 5 in the late 1990s. Due to regulations, Indian casinos in California are limited only to games that involve cards, which do not provide as many options to customers as Las Vegas.
- **International gaming destinations** – There are numerous countries that allow gaming (Monte Carlo, Macau, Bahamas). These locations offer an alternative to international tourists that may be less expensive than Las Vegas.
- **Online casinos** – For the true gambling addict, there are many Internet sites that offer gaming online. Most of these sites offer the same array of games that are offered in Las Vegas. However, sitting at home gambling alone is nowhere near the same experience as gambling in a casino.

If the customer merely wants an outlet for his or her discretionary income, once again several substitutes for Las Vegas exist:

- **Travel to other locations** – For someone looking for a vacation to a warm location, there are hundreds of places (Hawaii, Cancun, etc.) that one could go to instead of Las Vegas.
- **Other enjoyable items** – Rather than spending the money to take a trip to Las Vegas, consumers can choose to go to nice restaurants, Broadway shows, attend sporting events or many other items where consumers use discretionary income.

The primary mitigating factor is that there's only one Las Vegas. If someone is looking for the ultimate gaming vacation, Las Vegas is the place to go. If someone is looking for just a warm place to vacation, Las Vegas likely won't be on their list of potential locations unless they enjoy gambling. Le Rêve is following the trend at most Las Vegas casinos of offering numerous activities outside of gambling. This has two beneficial effects: it lengthens the average stay

(now 3.6 days) and makes the experience attractive for family vacations. In the past, casinos lost potential customers to less sin-oriented destinations because Vegas was viewed as a gamblers-only location. Casinos still develop the bulk of revenues from gaming, but revenue from other activities is steadily increasing and keeping occupancy levels high. Appendix D shows the projected revenue breakdown for Le Rêve.

RIVALRY ® LOW

Profit margins on “The Strip” average around 12-15%, with off-Strip margins even higher at almost 20%. This suggests that rivalry is low, with the following characteristics:

- **High Demand** - Occupancy rates have remained high despite the economic downturn. For the first 9 months of 2002, total hotel (motel is separate category) occupancy rates were approximately 90%. Total occupancy rates on “The Strip” have stayed between 85% and 90% for the last 10 years, which is very impressive given the number of available rooms has increased by nearly 50% during that time period. The fact that occupancy remains high even with 12 new mega-casinos coming online since 1989 suggests that each new casino attracts visitors to Vegas rather than cannibalizing from other casinos.
- **Conventions** - With its combination of entertainment and facilities, Las Vegas was the #1 trade show destination in 2001. For the first 9 months of 2002, Las Vegas convention attendance was up 5%, which shows that it continues to be a top destination.
- **Payout Rates** – Las Vegas casinos have a much higher payout than those in Atlantic City, suggesting that competition is higher. However, Atlantic City casinos are prohibited from posting payout rates which limits customer information.
- **Wealthy Customers** – Rivalry varies depending on the demographic of the customers. Casinos spend millions to attract high-end gamers, but that business can be extremely profitable for the top one or two in market share. Several large casinos have exited this business when it became unprofitable.
- **Low-end gamers** – Downtown Las Vegas and older casinos on “The Strip” compete heavily for customers through free buffets and high payout rates. Customers care less about amenities and more on price, which results in lower profit margins for lower-end casinos. These casinos are often torn down and replaced with higher-end properties. Interestingly, the influx of higher-end properties has not lowered profits but rather attracted more customers to the city.

Le Rêve’s positioning at the highest end of the gaming market should limit the effects of rivalry. The ability to build a casino from the ground up limits the capital costs necessary to cater to the wealthiest customers, since other casinos have to retrofit at a significant cost to be competitive. Caesar’s, for example, is spending in excess of \$300MM to build and retrofit facilities to bring Celine Dion in concert.

Is demand a concern? Should demand fall, it is reasonable to assume that rivalry would increase. However, a more than 50% increase in rooms has not lowered profitability, and the expansion of convention space has served only to bring in more customers to the area. Bellagio has reported that it turns away thousands of customers each year, suggesting the rivalry at the top-end will not increase dramatically with the addition of Le Rêve.

COMPLEMENTS ® MEDIUM

Le Rêve has several significant complements:

- **Air travel** – Most people who come to Las Vegas travel via air since there aren't that many places that are close enough to drive. Therefore, it is important for the hotels that there are numerous flights that are convenient to travelers.
- **Travel Agents** – A lot of people that go to Las Vegas look for the best deal. Travel agents are able to easily find package deals that give travelers a good deal on airfare and lodging for a trip to Las Vegas.
- **Conventions** – These are the only groups that are able to take significant blocks of rooms. Le Rêve has a competitive advantage here due to its close proximity to the two major convention centers in Las Vegas. This can add significantly to hotel guests if Le Rêve partners with the convention centers and can add to casino traffic due to the foot traffic generated by the conventions.
- **Entertainment** – Broadway-style shows and other entertainment draw millions to Vegas.
- **Fashion Show Mall** - The mall is significantly upgrading its facilities to make it one of the premier shopping destinations in Las Vegas. Improvements at the mall will likely increase the number of mall visitors, which will likely bring in more foot traffic to Le Rêve. Le Rêve will have a walkway connecting it to the mall.
- **Weather** – Las Vegas' sunny climate makes it a major destination during the colder months not only in the U.S. but also in Asia. The only significant slow down comes during summer, when Las Vegas reminds everyone that it is in the middle of the desert.
- **City by the Bay / Trump Tower** – The land across the street from Le Rêve is going to be the home of two properties that should complement Le Rêve. The first, City by the Bay, will be a San Francisco-themed resort designed to attract a lower-end gamer to the area. Conditional on the development of Le Rêve and City by the Bay, Donald Trump has plans for a Trump Tower on another parcel of land across from Le Rêve. Both of these properties should bring customers to the north end of the strip, a boon for Le Rêve since it is the casino to see for tourists in the area.

Las Vegas' complements should continue to help drive demand to Las Vegas. High airline prices to the city are a potential concern, but the other complements are continuing to be beneficial. Perhaps the largest big-picture complement is discretionary spending, both by consumers in the form of tourism and by businesses in the form of conventions.

IMPLICATIONS

What are the implications of the 6-forces analysis for Le Rêve? With low barriers to entry, high buyer power, and readily available substitutes, the market has some potential issues for Le Rêve to address. As explained above, the resort has successfully addressed the low barriers to entry through its strategic location and ability to raise capital. High buyer power has been addressed by targeting the picky but profitable high-end market, and most importantly the casino has significant expertise in knowing what they want. The casino's custom-built facilities catering to

the wealthy also minimize the ability of another casino to mount an aggressive counter-attack for the whales since the cost would be prohibitive.

DIFFERENTIATION AND POSITIONING

The above section revealed that the big-picture marketplace for Le Rêve is attractive. This section will focus on differentiation and positioning to further analyze whether Le Rêve offers the right product for success. What separates Le Rêve from its peers? Is the planned casino differentiated enough from its peers to attract the clientele that can help pay off over \$2.5 billion in initial costs? Is the differentiation and positioning a sustainable competitive advantage? Three critical issues are examined below, each of which is critical for success on “The Strip”:

AMBIANCE

This will be the overwhelming strength of Le Rêve. Having developed Bellagio and Mirage, both the most innovative casinos of their time, Steve Wynn is an expert on what each segment of buyers wants and needs:

- Wynn avoids “themed” casinos – Often gimmick-driven, themed casinos do not attract the most profitable customers to the casino. More importantly, they can fail dramatically (Aladdin) if consumers tire of the theme.
- Wynn also avoids “hip” casinos – The Hard Rock and The Palms are small and cater to a very specific clientele, allowing them to be successful. With 2,700 rooms, Wynn is wise to avoid this trendy and volatile market.
- Landmarks – Wynn is turning the curb inside-out at Le Rêve. A 100-foot tall wall will greet visitors from the street, drawing them into the casino to see what awaits on the other side. Once inside, the wall turns into a huge mountain and waterfall above a 3-acre lake. The effect of this is to bring people into the grounds to spend money, as opposed to just watching from the street as they do at Bellagio and Treasure Island.
- Bellagio has proven successful for almost 6 years catering to the wealthy, and demand is there for another high-end casino. Wynn is essentially building a better Bellagio which should be the perfect positioning for success.

AMENITIES

Non-casino factors drive significantly more traffic to Las Vegas resorts than ever before. As mentioned earlier, Wynn needs to attract new customers to Las Vegas and cannibalize customers from Bellagio in order to be successful. The planned amenities are differentiated and innovative enough to grab both sets of customers:

- Non-casino factors are why people stay in a certain hotel. Most casinos are the same (same games, carpet, atmosphere, etc.) so need to differentiate elsewhere.
- Shows – Can be huge draws (“O” at Bellagio) but also cost a fortune (Celine Dion at Caesar’s). Le Rêve will have a state of the art concert center, as well as a show designed by the creator of “O.”
- Golf Course – While other casinos have golf courses nearby, only Le Rêve has one actually on the strip. This will help them attract important people for no other reason than to say you played golf at Steve Wynn’s Fazio-designed course on “The Strip.” Wynn is well-known by

golfing gamblers for his super-exclusive Shadow Creek (#1 course in NV, #48 course in the United States), so people will probably flock to play Le Rêve.

- Attached mall (Forum Shops at Caesars, Desert Passage at Aladdin) – Aladdin’s shops were a famous disaster because people had no reason to walk through them. Caesar’s, Bellagio, and now Le Rêve have huge shopping areas in the primary traffic areas for going between casinos. Le Rêve is cooperating with the nearby Fashion Show Mall (Neiman-Marcus, other major tenants) by giving them a walkway to Le Rêve.
- Kids Activities (Excalibur, Circus Circus) – Bellagio made a point of not really “welcoming” kids, and Le Rêve will do the same thing. Of course children are permitted, but they do not come in the same volume as they do at themed hotels such as Circus Circus and Excalibur.
- Le Rêve is full of amenities that top even the Bellagio, including the Maserati/Ferrari dealerships. We believe the Wynn mystique, the huge art collection, and the rich-people-watching will be enough amenities to attract the foot traffic. The wealthy clientele should also be attracted, considering the ultra-luxury amenities and the private facilities for the mega-rich.

LOCATION

Being on “The Strip” is important for the large hotels like Le Rêve. Others, like Hard Rock, can do fine off the strip because they are smaller and don’t rely nearly as much on foot traffic. Off-strip resorts attract primarily the locals market, which will not support huge casinos. Another key advantage of the location:

- Proximity to rivals - Le Rêve is far enough away from the Bellagio to avoid a “war” for pedestrians. The proposed development across the street (Trump Tower, for example) should be complementary by bringing new traffic to the north end of the strip, an area that wasn’t previously well trafficked because of the older casinos in the area. The upgraded Fashion Show Mall is also an attractive feature of the area.

PRICING/SEGMENTATION

Bellagio has the highest EBITDA margin on the strip, implying that its pricing structure has been successful. Despite the high room rates, the hotel also has to turn thousands of people away each year. Le Rêve should replicate this pricing structure, while being able to extract an even higher price most likely due to its custom amenities and industry-best design features.

IMPLICATIONS

Le Rêve is significantly differentiated from its peers. Bellagio has been hugely successful, and Le Rêve should combine the good aspects from that project while improving upon the rest.

COMPETITOR REACTIONS

Will Le Rêve’s competitors decide to accommodate the new entrant or to attack it? The analysis below suggests that competitors will most likely choose to accommodate Le Rêve:

- Le Rêve will be the first new large hotel / casino in Las Vegas since Aladdin opened in 2000. People will likely wait to see how it is received before really considering any type of attack.
- Most hotels in Las Vegas have a niche. Le Rêve will pose a threat to Bellagio for the high-end gamer niche, but as mentioned earlier demand will be sufficient to minimize the effects from 2,700 more upscale rooms. Also, Le Rêve doesn't pose a significant location threat due to its location on the north end of "The Strip" while the Bellagio is in the middle portion.
- Bellagio may attack Le Rêve for the high-end gamers. However, the options available to attract these gamers are limited since most wealthy customers already get "comped" for all expenses at the hotel. This leaves upgrading facilities as the only real option for hotels that want to compete for this group. This is an expensive proposition for any hotel and likely will not provide an attractive return.
- Room exists for at least two high-end casinos in Las Vegas. The opening of Le Rêve will focus customers' attention more on the high-end aspect of gaming and will likely entice more people to come to Las Vegas rather than just divide the current tourists in half.
- Aladdin is the only major hotel that is in significant financial trouble. With prosperity by all of the other hotels and a steady stream of visitors, there reward of attacking is not commensurate with the associated risks and costs.
- Cooperation is unlikely to be significant. Gaming is a highly regulated industry, which makes cooperation between firms more difficult. The casinos do have a strong alliance and lobby with regulatory agencies.
- A war of attrition will likely not happen. Only the lower-end casinos are hurting for visitors, while the high-end casinos are turning away traffic. Due to its positioning at the extreme high-end, Le Rêve will survive for at least a decade before it loses steam. Other, less-differentiated casinos such as Monte Carlo and Paris will probably lose customers to Le Rêve and attract a lower-end gamer as the high-end shifts to the "latest and greatest."

WILL LE RÊVE SUCCEED?

Le Rêve should prove to be a huge success. The history of Las Vegas has shown that the biggest and best casinos win more often than not, and Steve Wynn's plan for Le Rêve gives every indication that the risks have been well thought out. Certainly some risks do remain. Wynn's last major project, Bellagio, had almost \$400MM in cost overruns, limiting its return for shareholders. Steps have been put in place to address the potential for a similar problem at Le Rêve, such as making the contractors liable for delays. A complete economic collapse in the United States, or even globally, combined with the continued threat of terrorism, could lower demand for upscale casino resorts. This could lead to a significant increase in rivalry, which would be devastating for profits and could permanently alter the competitive landscape in Las Vegas.

Another risk that requires further clarification is the "staircase" effect with mega-casinos in Las Vegas. Each time a new, better casino arrives, the previous "best" casino drops down to 2nd best. Each time this happens, the clientele drops to a lower price level, eventually leading to the razing of the casino when it becomes old and unprofitable. Is this a relevant risk for Le Rêve? What can Wynn do to minimize this risk? By not making the casino overly large (Le Rêve has significantly fewer rooms than Venetian, Mandalay, Bellagio, and Mirage), Wynn has ensured that the casino will probably never have an "empty" feel that would signal its demise. Also, the

uniqueness of the property will allow him to refresh the property if it is ever stale. The golf course and location of the property near the mall and convention centers are sustainable competitive advantages.

What are the primary strategic advantages of Le Rêve that will lead to its success?

- Attractive market in terms of rivalry. Profits have proven sustainable even with an influx of new casinos in the last decade.
- Positioning has limited the threat of new entrants and forced new casinos to accommodate rather than attack.
- Unique property with golf course and close location to convention centers limits ability of competitors to “one-up” the property anytime soon.
- Vacant lots surrounding Le Rêve will be developed with complementary establishments.
- Design of Le Rêve gives wealthy clientele exactly what they want, limiting buyer power.
- “Inside-out” curb design encourages foot traffic to come inside.
- Cooperation with convention centers and Fashion Show Mall will bring in foot traffic.
- Reputation for past excellence and focus on non-casino amenities should help bring in new customers to Las Vegas in addition to allowing for some cannibalization from Bellagio.
- Steve Wynn is significantly higher on the learning curve for upscale casinos due to his extensive development experience, including Bellagio and Mirage.

RECOMMENDATIONS

How can Le Rêve’s competitive strategy be improved? Several changes listed below would help secure the casino’s position and ensure its success:

- Wynn should continue to influence and encourage the development of the north end of the strip. Several huge lots currently have casinos that need to be upgraded; complementary products in those spaces would bring much needed foot traffic to the area.
- Further leverage the relationship with the Convention Center. Conventions provide a consistent stream of wealthy business clientele, the right demographic for Le Rêve.
- Further leverage the golf course, a key differentiator and something that no competitors can imitate. A PGA tournament, celebrity pro-am, or LPGA tournament would attract wealthy guests and provide excellent publicity that no other casino can get.
- Le Rêve should not attack Bellagio directly or blatantly. A tram is being built to connect these and other casinos, so traffic will flow freely between the two. Demand is high enough, as shown by high occupancy rates and year-over-year increases in tourists, so Le Rêve does not need to rely on cannibalizing guests. A price war would be detrimental and unnecessary for both parties.

Steve Wynn’s Le Rêve casino will be the most expensive casino ever built when it opens in 2005. Based on the above strategic analysis, we believe Le Rêve is also poised to be the most successful casino ever built.

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Appendices

A. Positioning on the Strip



B. Property Comparison

Le Rêve Competitive Positioning

Property	Year Open	Acres	Strip Frontage	Rooms	Casino sq.ft.	Table Games	Slots	Show Room Seats	Convention sq.ft.
Le Rêve	2005	212	2,240	2,701	111,000	136	2,000	2,080	223,000
The Venetian	1999	44	740	3,036	116,000	122	2,124	1,500	500,000
Bellagio	1998	90	1,450	3,005	154,300	141	2,433	1,800	125,000
The Mirage	1989	80	1,420	3,050	138,860	120	2,294	1,504	170,000
Mandalay Bay	1999	60	1,300	3,643	135,000	128	2,083	13,700	125,000

Source: Deutsche Bank Securities, Inc.

C. Financial Comparison

Comparative ROIC for the Strip Mega Resorts

Property	Invested Capital	2002 EBITDA	EBITDA ROIC
Bellagio	\$1,600.0	\$357.0	22.3%
Venetian	\$1,400.0	\$157.0	11.2%
Mandalay Bay	\$1,200.0	\$141.0	11.8%
Paris	\$820.0	\$120.0	14.6%
Aladdin	\$1,000.0	N/A	N/A

Source: Deutsche Bank Securities, Inc.

Relative EBITDA Per Room Comparison

Property	Rooms	EBITDA/Room
Bellagio	3,005	\$118,730
Venetian	3,036	\$59,519
The Mirage	3,044	\$52,304
NY-NY	2,024	\$42,600
MGM Grand	5,034	\$42,576
Mandalay Bay	3,700	\$38,090

Source: Deutsche Bank Securities, Inc.

D. Projected Revenue Sources at Le Rêve

Sources of Revenue

Casino	42%
Rooms	21%
Other	20%
F&B	19%

Source: Deutsche Bank Securities, Inc.