

Ameristar Casinos Head Game for More Stock

By CATHERINE SHU

SINCE THE BEGINNING of August, the head of Ameristar Casinos has laid down \$2.9 million for shares of the casino operator.

Craig H. Neilsen, chief executive officer and chairman of Ameristar, purchased 150,000 shares in three separate purchases on Aug. 8, 10 and 24 at prices ranging from \$18.40 to \$19.84 per share. Neilsen's purchase on Aug. 8, for 49,600 shares at prices ranging from \$18.58 to \$19.09 each was also his first purchase of Ameristar stock on the open market since the company went public in 1993.

Neilsen first assumed a leading position at Cactus Pete's, Ameristar's predecessor, in 1971, after his father, a partner at the company, died. He became the president and chairman of Cactus Pete's in 1984, and has been the chairman and CEO of Ameristar since the company's public inception.

Ameristar operates two casinos in Jackpot, Nev., as well as properties in Missouri, Iowa, Colorado, Louisiana, Nebraska and Mississippi. The stock fell nearly 36% from May 3 (when it hit a 52-week intraday high of \$26.57) and July 21 (when it closed at \$16.96), but has since been recovering steadily. Shares closed at \$20.18 on Monday.

Analyst Lawrence A. Klatzkin of Jefferies & Co. notes that Ameristar fell along with the entire gaming group, which was pressured by concerns about the economy and rising gas prices.

With this month's round of purchases, Neilsen now holds 55.3% of Ameristar's 56.2 million outstanding shares, and is the company's largest shareholder.

This level of insider ownership, particularly by a CEO, "is always a good thing," says Ben Silverman, director of research at InsiderScore.com. "You can almost look at it as a historically family-owned business."

In addition, Neilsen's purchases began two weeks after Ameristar announced a buyback plan on July 26 for up to 2.8 million shares, or 5% of its outstanding stock, to be repurchased over the next three years.

"[Neilsen] is putting his money where the company's mouth is," says Silverman. He adds, "There is a nice correlation between the company returning equity to shareholders and his going back out into the public market to buy stock."

Neither Neilsen nor representatives from Ameristar could be reached for comment by deadline.

Michael Painchaud, managing director of research at Market Profile Theorems, says that his firm ranks Ameristar a Buy based on the size of Neilsen's purchases, as well as a transaction last month by Chief Financial Officer Thomas M. Steinbauer, who exercised 10,860 options for \$6.97 each and held on to the shares. Painchaud notes that Steinbauer's and Neilsen's transactions reverse the insider-trading trend at the company, which has consisted mostly of options-related selling over the past three years.

Other gaming companies have also seen recent insider-buying activity, Painchaud notes, including MGM Mirage, International Game Technology, and Wynn Resorts (see "Executive Sees a Wynn-Win Situation," Barron's Online, Aug. 9, 2006).

Ameristar also saw support from an institutional shareholder in the second quarter. Silverman of InsiderScore.com notes that Private Capital Management disclosed ownership of 7,128,978 Ameristar shares, or a 12.7% stake, on Aug. 14, up from a 10.2% stake it had reported on Feb. 10.

"That's another good thing. Between [Nielsen and Private Capital], you've got 68% of the stock in very strong hands," says Silverman.

Analyst sentiment on the stock has also been bullish. Banc of America Securities analyst Jeremy Cogan maintained a Neutral rating and \$23 price target on Ameristar shares on Aug. 22. But Cogan noted that Ameristar "remains 'aggressive' in its pursuit of potential [merger-and-acquisition] opportunities." Ameristar's recently hired president, John Boushy, a former senior executive at Harrah's Entertainment, has a background in operations, info-technology and mergers-and-acquisition development that "could prove a good fit with [Ameristar]," Cogan wrote.

Meanwhile, Klatzkin of Jefferies & Co., who has a Buy rating and \$27.50 price target on the stock, calls Ameristar "one of the better-run gaming companies out there."

Nielsen's buys means that "he's showing confidence in his company," Klatzkin adds. "I don't think management believes that the stock should be this low."