

Edgar Filing: CAESARS ENTERTAINMENT INC - Form 425

CAESARS ENTERTAINMENT INC

Form 425

November 04, 2004

Filed by Harrah's Entertainment, Inc. Pursuant to Rule 425

under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities Exchange Act of 1934

Subject Company: Caesars Entertainment, Inc.

Commission File No.: 001-14573

This filing relates to a proposed acquisition (the "Acquisition") by Harrah's Entertainment, Inc. ("Harrah's") of Caesars Entertainment, Inc. ("Caesars") pursuant to the terms of an Agreement and Plan of Merger, dated as of July 14, 2004 (the "Merger Agreement"), by and among Harrah's, Harrah's Operating Company, Inc. and Caesars. The Merger Agreement is on file with the Securities and Exchange Commission (the "SEC") as an exhibit to the Current Report on Form 8-K filed by Harrah's on July 15, 2004, and is incorporated by reference into this filing.

The following is a series of slides that were presented by Harrah's at the Deutsche Bank 2004 Hospitality & Gaming Conference in New York, New York on November 4, 2004:

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Harrah's Entertainment, Inc.

Jonathan S. Halkyard

Vice President and Treasurer

November 4, 2004

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**Agenda**

Review of HET core strategy: organic growth through loyalty

CZR acquisition enhances long-term growth profile

Development pipeline provides complementary growth

Compelling valuation

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**Clear Vision: Leading Distributor Of Gaming**

[GRAPHIC]

**Key Statistics**

**5 Brands** Harrah's, Rio, Horseshoe, Showboat, and Harveys

**28 Properties**

**\$4.3B in revenue (2003)**

**\$1.1B in EBITDA (2003)**

**Over \$1.3 billion in cross-market play (2003)**

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**HET Capabilities Enhance Loyalty**

**Total  
Rewards**

**Decision  
Science**

**Tiered  
Card**

**Revenue  
Management**

**Cross-market  
Marketing and  
Accounting**

**Increased Share of Customer Budget**

**Staffing  
Optimization**

[CHART]

**Operational  
Analysis**

**Procurement**

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**Recent Same Store Sales Growth**

[CHART]

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**CZR Acquisition: Review of Strategic Rationale**

Desirable assets

Combination creates premier distribution network

Increases exposure to stable regulatory environments

Opportunity to create value through synergies and performance improvement

Application of HET capabilities to CZR assets

Optimal timing

CZR nearing completion of significant growth capital cycle

Resulting financial strength allows pursuit of complementary growth projects

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**Enhanced Network**

[GRAPHIC]

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**Increased Exposure To Stable Regulatory Environments***Note: figures are unaudited*

	2003 Property EBITDA		
	HET (1)	CZR	Pro forma (1,2)
<b>Nevada</b>			
Las Vegas	16.4%	31.8%	25.1%
Other Nevada	10.3	2.8	7.3
<b>Total Nevada</b>	<b>26.7%</b>	<b>34.6%</b>	<b>32.4%</b>
<b>Atlantic City</b>	<b>21.8%</b>	<b>36.9%</b>	<b>27.9%</b>
<b>Other locations</b>			
Illinois	7.1	0.0	4.1
Indiana	9.5	6.1	6.1
Iowa	4.1	0.0	2.4
New Orleans	4.7	0.1	2.7
Other Louisiana	7.2	0.0	4.1
Mississippi	7.2	16.2	10.6
Missouri	9.5	0.0	5.4
Other	2.3	6.0	4.3
<b>Total other locations</b>	<b>51.5%</b>	<b>28.4%</b>	<b>39.7%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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(1) Proforma for full year of Horseshoe and sale of Harrah's Shreveport

(2) Proforma for announced divestitures of Harrah's East Chicago, Harrah's Tunica, AC Hilton, Bally's Tunica, and Bally's New Orleans

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**Premier Gaming Brands**

Harrah's

Horseshoe

Caesars

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**Performance Improvement Opportunity**

*We believe the application of our capabilities will  
unlock the value of some CZR assets*

**2003 LV Strip Property Metrics**

	Revenue / Available Room
<b>Caesars Palace</b>	<b>\$ 567.74</b>
Rio	\$ 441.56
Harrah s	\$ 367.66
<b>Paris/Bally s</b>	<b>\$ 314.14</b>
<b>Flamingo</b>	<b>\$ 237.89</b>

	EBITDA Margin
Harrah s	30.6%
<b>Flamingo</b>	<b>28.7%</b>
Rio	25.7%
<b>Paris/Bally s</b>	<b>24.7%</b>
<b>Caesars Palace</b>	<b>20.0%</b>

**2003 AC Property Metrics**

	Revenue / Position
<b>Caesars</b>	<b>\$ 332.45</b>
Harrah s	\$ 257.29
<b>Bally s</b>	<b>\$ 249.81</b>
Showboat	\$ 233.54

	EBITDA Margin
Harrah s	38.6%
<b>Caesars</b>	<b>32.4%</b>
Showboat	31.9%
<b>Bally s</b>	<b>26.8%</b>

**CZR Is Near Completion of Significant Growth Capital Cycle**

Caesars Palace

Roman Plaza opened July 2004

Forum Shops expansion opened October 2004

949-room hotel tower scheduled to open Summer 2005

Caesars Atlantic City

New parking garage scheduled to open 2Q05

The Pier at Caesars scheduled to open in 2005

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**Expected Outcomes of CZR Acquisition**

Improved long-term growth profile

Enhanced distribution network = greater cross-market potential

Value creation through operational synergies

Greater development opportunities resulting from financial strength

Increased stability

Greater diversification

Increased exposure to stable regulatory environments

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**Closing Process**

Legal / Regulatory

Received 2<sup>nd</sup> request for information from FTC; working to comply

State filings underway

Operational

Position of Chief Integration Officer created; formation of integration team nearly complete

Development of integration plan underway

Strategic

Portfolio review underway

Recently announced asset sales could reduce scope of FTC inquiry

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**St. Louis**

[GRAPHIC]

\$80M expansion

210 hotel rooms

F&B enhancements

Opened August 2004

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**Kansas City**

[GRAPHIC]

\$107M expansion

206 hotel rooms

F&B enhancements

2005 opening

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**New Orleans**

[GRAPHIC]

\$142M expansion

450 hotel rooms

1H06 opening

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**Chester Downs**

[GRAPHIC]

Site near Philadelphia, PA

\$250M - \$275M budget (incl. license fee)

HET interest: 50% ownership + mgmt fee

2,000 slots initially

2006 opening targeted

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**Native American Gaming**

Recently renewed Cherokee and Rincon contracts

Expansion projects recently completed / underway at 3 of our managed properties

Continue to pursue new contracts for Class III and Class II operations

CZR provides additional opportunities

Development / management agreement for facility in Sullivan County, NY with St. Regis Mohawk Tribe

Development / management agreement for facility near Fresno, CA with Big Sandy Band of Western Mono Indians

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UK

[GRAPHIC]

Enabling legislation expected spring 2005

Site selection process for regional casinos underway

CZR recently announced joint venture to develop \$600M resort casino near Wembley Stadium

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**World Series of Poker**

[GRAPHIC]

Participation in 2004 tournament 3x greater than previous record

WSOP Tournament Circuit begins in January

Multiple income streams:

Licensing/sponsorship

Broadcast fees

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**Demonstrated Record Of Success**

**2003 Est. ROIC vs. WACC**

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Source: Wall Street Research

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**Valuation Comparison**

**5-Year EPS CAGR**

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**Dividend Yield**

[CHART]

**P/E (2005E)**

[CHART]

Source: Bloomberg

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**Summary**

Review of HET core strategy: organic growth through loyalty

CZR acquisition enhances long-term growth profile

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[LOGO]

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### **Additional Information about the Acquisition and Where to Find It**

In connection with Harrah's proposed acquisition of Caesars, on October 20, 2004 Harrah's filed preliminary materials with the Securities and Exchange Commission, including a registration statement on Form S-4 that contains a preliminary prospectus and a preliminary joint proxy statement. These materials are not yet final and will be amended. INVESTORS AND SECURITY HOLDERS OF HARRAH'S AND CAESARS ARE URGED TO READ THE DEFINITIVE VERSIONS OF THE PROSPECTUS AND JOINT PROXY STATEMENT WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT HARRAH'S, CAESARS AND THE ACQUISITION. The preliminary materials filed on October 20, 2004, the definitive versions of these materials and other relevant materials (when they become available), and any other documents filed by Harrah's or Caesars with the SEC, may be obtained free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, investors and security holders may obtain free copies of the documents filed with the SEC by Harrah's by directing a written request to: Harrah's Entertainment, Inc., One Harrah's Court, Las Vegas, Nevada 89119, Attention: Investor Relations or Caesars Entertainment, Inc., 3930 Howard Hughes Parkway, Las Vegas, Nevada 89109, Attention: Investor Relations. Investors and security holders are urged to read the proxy statement, prospectus and the other relevant materials when they become available before making any voting or investment decision with respect to the Acquisition.

Harrah's, Caesars and their respective executive officers and directors may be deemed to be participants in the solicitation of proxies from the stockholders of Caesars and Harrah's in connection with the Acquisition. Information about those executive officers and directors of Harrah's and their ownership of Harrah's common stock is set forth in the Harrah's Form 10-K for the year ended December 31, 2003, which was filed with the SEC on March 5, 2004, and the proxy statement for Harrah's 2004 Annual Meeting of Stockholders, which was filed with the SEC on March 4, 2004. Information about the executive officers and directors of Caesars and their ownership of Caesars common stock is set forth in the proxy statement for Caesars' 2004 Annual Meeting of Stockholders, which was filed with the SEC on April 16, 2004. Investors and security holders may obtain additional information regarding the direct and indirect interests of Harrah's, Caesars and their respective executive officers and directors in the Acquisition by reading the proxy statement and prospectus regarding the Acquisition when it becomes available.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

### **Safe Harbor**

This document includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements contain words such as may, will, project, might, expect, believe, anticipate, intend, could, would, estimate, or other variations thereof or comparable terminology. In particular, they include statements relating to, among other things, future actions, strategies, future performance, future financial results of Harrah's and Caesars and Harrah's anticipated acquisition of Caesars. These forward-looking statements are based on current expectations and projections about future events.

Investors are cautioned that forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that cannot be predicted or quantified and, consequently, the actual performance or results of Caesars and Harrah's may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors as well as other factors described from time to time in our reports filed with the Securities and Exchange Commission (including the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations contained therein): financial community and rating agency perceptions of Harrah's and Caesars, the effects of economic, credit and capital market conditions on the economy in general, and on gaming and hotel companies in particular; construction factors, including delays, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues; the effects of environmental and structural building conditions relating to our properties; the ability to timely and cost-effectively integrate into Harrah's operations the companies that it acquires, including with respect to its acquisition of Caesars; access to available and feasible financing, including financing for Harrah's acquisition of Caesars, on a timely basis; changes in laws (including increased tax rates), regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies; litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation; the ability of our customer-tracking, customer loyalty and yield-management programs to continue to increase customer loyalty and same store sales; our ability to recoup costs of capital investments through higher revenues; acts of war or terrorist incidents; abnormal gaming holds; and the effects of competition, including locations of competitors and operating and market competition.