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Casino

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THE NEW DEAL

Tom Breitling of Ultimate Gaming is among the players hoping to profit from real-money online poker in Nevada and New Jersey



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DOLLARS AND SENSE

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Expanding Wallets

International gaming companies continue to perform well and their CEO are reaping some of the rewards in the form of growing salaries

BY KEITH KEFGEN, KC&R EXECUTIVE SEARCH

This year's analysis of CEO compensation was a story about the large and small players in gaming. Our study included 44 CEOs from the United States, Europe and Asia. All run public companies that derive a significant portion of their revenues from gaming. The market capitalization of the group ranged from Las Vegas Sands at \$45 billion to Littlefield at \$4 million, a wide range to say the least.

Although size is an important factor in determining compensation, our value index allows for reasonable comparisons between the industry's smaller and larger operators and suppliers. In addition to company size, our pay-for-performance index takes into account EBIDTA growth and stock appreciation over a three-year period to determine a CEO's performance relative to his or her pay (see *Gaming Industry CEO Survey chart*).

Based on our pay-for-performance index, Joe D'Amato at Empire Gaming was the industry's most underpaid boss or top performing CEO, depending on your point of view. Rounding out our list of the top ten most underpaid/top performing bosses are Danny Gladstone at Ainsworth Game Technology and Robert Saucier at Galaxy Gaming, all small company players. Jim Murren of MGM International was the only large casino operator to make that list; a sign that he probably deserves a pay raise.

SALARY SITUATION

That said most of the big casino companies paid their CEOs reasonably relative to their performance. With a

value index of approximately 100, Gary Loveman at Caesars Entertainment, Steve Wynn at Wynn Resorts and Sheldon Adelson at Las Vegas Sands all deserved their hefty paychecks. For all those critics who think all CEOs are overpaid, we demonstrate that performance should dictate pay and these guys deserved every penny.

The top salaries in the gaming industry ranged from Steve Wynn's salary of \$4 million to \$1 million for Richard Hadrill at Bally Technologies. Rounding out the group were most of the big casino CEOs, including Jim Murren, Gary Loveman, Peter Carlino at Penn National and Sheldon Adelson.

INCENTIVE PLANS

Most of the same players had the largest short-term incentives (bonuses), with Steve Wynn pulling in a cool \$12 million. The other top ten bonuses were all over \$1 million, with Murren at \$3.2 million and Adelson at \$2.9 million.

The long-term incentive category was very interesting this year, as founding CEOs such as Steve Wynn, Norbert Teufelberger of bwin.party, Lyle

GAMING INDUSTRY CEO SURVEY (CEOs RANKED BY 2012 TOTAL COMPENSATION IN US\$ THOUSANDS)

PAY RANK	CEO	COMPANY	SALARY	SHORT-TERM INCENTIVES	OTHER	LONG-TERM INCENTIVES	TOTAL	VALUE INDEX ¹
1	LOVEMAN, Gary W.	Caesars Entertainment	\$1,900	\$2,400	\$11,044	\$7,457	\$22,800	100.7
2	WYNN, Stephen A.	Wynn Resorts	\$4,000	\$12,000	\$1,743	\$0	\$17,743	102.5
3	CARLINO, Peter M.	Penn National	\$1,754	\$2,502	\$529	\$7,298	\$12,084	102.2
4	ADELSON, Sheldon G.	Las Vegas Sands	\$1,000	\$2,934	\$3,101	\$3,650	\$10,685	105.9
5	MURREN, James J.	MGM Resorts	\$2,000	\$3,241	\$1,024	\$3,376	\$9,641	112.5
6	ARISON, Micky	Carnival	\$906	\$1,525	\$665	\$3,501	\$6,598	100.7
7	HO, Lawrence	Melco Crown	\$1,387	\$2,250	\$0	\$2,884	\$6,521	114.5
8	HART, Patti S.	International Game Technology	\$955	\$1,565	\$34	\$3,445	\$5,999	98.7
9	WEIL, A. Lorne	Scientific Games Corporation	\$1,541	\$1,297	\$109	\$947	\$3,894	96.1
10	GLYNN, Richard	Ladbrokes	\$919	\$778	\$239	\$1,550	\$3,487	100.6
11	BURKE, Ian	Rank Group	\$1,686	\$1,181	\$84	\$0	\$2,951	102.7
12	SMITH, Keith E.	Boyd Gaming	\$1,000	\$242	\$30	\$1,677	\$2,948	95.4
13	RAMSEY, Patrick J.	Multimedia Games	\$450	\$893	\$18	\$1,213	\$2,574	110.2
14	BETTS, Scott	Global Cash Access	\$600	\$675	\$57	\$1,224	\$2,556	96.1
15	DAHL, Jeffrey J*	MTR Gaming	\$630	\$1,013	\$27	\$253	\$1,923	116.3
16	MCDOWELL, Virginia	Isle of Capri	\$752	\$748	\$0	\$346	\$1,846	91.1
17	GLADSTONE, Danny	Ainsworth Game Technology	\$604	\$1,037	\$128	\$34	\$1,804	213.6
18	SANFILIPPO, Anthony M.	Pinnacle Entertainment	\$900	\$737	\$4	\$152	\$1,793	103.4
19	TEUFELBERGER, Norbert	bwin.party Digital Entertainment	\$791	\$977	\$19	\$0	\$1,788	89.3
20	BAKER, Rod	Great Canadian Gaming	\$525	\$525	\$12	\$669	\$1,732	95.1
21	HADDRILL, Richard*	Bally Technologies	\$998	\$600	\$12	\$0	\$1,610	92.2
22	EVANS, Robert L.	Churchill Downs	\$550	\$875	\$78	\$0	\$1,503	111.6
23	ISAACS, Gavin	SHFL Entertainment	\$516	\$525	\$11	\$362	\$1,414	105.3
24	HILLIOU, Andre M.	Full House Resorts	\$322	\$473	\$5	\$582	\$1,382	86.0
25	SHULDMAN, Bart C.	TransAct	\$462	\$323	\$43	\$83	\$911	89.1
26	FARAH, John	Monarch Casino & Resort	\$508	\$150	\$0	\$219	\$877	96.1
27	WILL, David	Gamehost	\$0	\$0	\$750	\$0	\$750	85.9
28	BERMAN, Lyle	Lakes Entertainment	\$500	\$100	\$83	\$0	\$683	56.8
29	HAITZMANN, Erwin	Century Casinos	\$462	\$150	\$55	\$0	\$667	90.3
30	STEWART, Clark	Butler National	\$467	\$159	\$40	\$0	\$665	68.6
31	BAAZOV, David	Amaya Gaming	\$337	\$0	\$12	\$245	\$594	81.1
32	STURGES, Robert*	Nevada Gold & Casinos	\$412	\$25	\$59	\$83	\$580	31.3
33	RODIO, Tony	Tropicana Entertainment	\$419	\$150	\$1	\$0	\$570	75.3
34	SPIER, Anthony	Wells-Gardner Electronics	\$396	\$0	\$44	\$44	\$485	61.0
35	D'AMATO, Joseph A.	Empire Resorts	\$352	\$100	\$27	\$0	\$479	215.0
36	GRONAU, Gregory S.	Gaming Partners International	\$300	\$150	\$18	\$0	\$468	80.1
37	ROBERSON, Mark	Pokertek	\$148	\$33	\$3	\$255	\$439	147.4
38	CHUNG, Clarence	Entertainment Gaming Asia	\$0	\$125	\$0	\$314	\$439	156.2
39	MORGAN, James B.	Daktronics	\$311	\$0	\$62	\$58	\$430	108.8
40	McGLYNN, Denis	Dover Downs Entertainment	\$300	\$0	\$7	\$32	\$339	30.7
41	RECKS, James	Littlefield Corporation	\$240	\$0	\$24	\$67	\$331	20.3
42	SAMPSON, Randall D.	Canterbury Park	\$222	\$33	\$43	\$0	\$298	143.7
43	LEONG, Siak Hung	Asia Entertainment & Resources	\$262	\$0	\$0	\$0	\$262	84.2
44	SAUCIER, Robert	Galaxy Gaming	\$120	\$0	\$0	\$0	\$120	199.1

1) "Value Index" is based on an average of 100.0 * No longer CEO

Financial data garnered from MarketWatch

Berman of Lakes Entertainment and David Baazov at Amaya Gaming received no long-term incentive this year. Many would say that as significant shareholders they do not need more stock to motivate their performance.

WEALTH MANAGEMENT

The richest CEO in the gaming space is Mickey Arison at Carnival owning company stock worth more than \$6 billion. Sheldon Adelson came in second this year at \$3.6 billion, although his wife and trust control over 50 percent of the company worth in excess of \$20 billion. The other billionaire is Steve Wynn at just over \$1 billion.

It appears that the industry is nursing back to health and so are the paychecks of the industry's CEOs. Globalization has also impacted the landscape of gaming with Asia Entertainment, Rank, Ladbrokes, Entertainment Gaming Asia and Melco Crown becoming part of our study. We suspect that will continue as gaming companies access the public markets around the world for expansion capital.

TOP 10 PERFORMING CEOS (Based on Value Index)

CEO	COMPANY	VALUE INDEX ¹	ACTUAL COMPENSATION (\$K)	SHOULD HAVE BEEN COMPENSATED (\$K)	% UNDER PAID
D'AMATO, Joseph A.	Empire Resorts	215.0	479.18	1,030.23	115%
GLADSTONE, Danny	Ainsworth Game Technology	213.6	1,803.52	3,851.87	114%
SAUCIER, Robert	Galaxy Gaming	199.1	120.00	238.97	99%
CHUNG, Clarence	Entertainment Gaming Asia	156.2	439.00	685.84	56%
ROBERSON, Mark	Pokertek	147.4	439.08	647.29	47%
SAMPSON, Randall D.	Canterbury Park	143.7	298.17	428.32	44%
DAHL, Jeffrey J.	MTR Gaming	116.3	1,922.77	2,236.09	16%
HO, Lawrence	Melco Crown	114.5	6,521.00	7,469.37	15%
MURREN, James J.	MGM Resorts	112.5	9,641.48	10,847.97	13%
EVANS, Robert L.	Churchill Downs	111.6	1,503.12	1,678.01	12%

¹) "Value Index" is based on an average of 100.0

About the Author



Keith Kefgen, is chief executive officer of KC&R Executive Search, has more than 20 years of experience in the field of hospitality executive search. Kefgen is a frequent lecturer on industry related issues and has written more than 100 articles on the topics of executive selection, pay-for-performance, corporate governance and executive leadership.



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