

Edgar Filing: CAESARS ENTERTAINMENT INC - Form 425

CAESARS ENTERTAINMENT INC

Form 425

January 12, 2005

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 Smith Barney 15th Annual Global Entertainment Media & Telecommunications Conference in Phoenix, Arizona on January 11, 2005:

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Harrah's  
ENTERTAINMENT, INC.

Charles Atwood  
Chief Financial Officer

January 11, 2005

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Agenda

- Gaming Industry Investment Merits

- HET: The Leader In Gaming

- Superior Shareholder Returns

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- Gaming Industry Investment Merits

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- Superior Shareholder Returns

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High Demand For Gaming

Growth in Gaming Spend vs. GDP

[CHART]

Source: AGA, Bloomberg; Gaming includes casinos, lotteries, pari-mutuel wagering, charitable games/bingo

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[LOGO]

**Strong Earnings Growth**

**Historical 5-Year EPS CAGR**

[CHART]

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*Source: Bloomberg, January 2005; Note: TWX is 4-year CAGR*

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**Significant Free Cash Flow**

**TTM Free Cash Flow / Share**

[CHART]

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*Source: Bloomberg; FCF = Operating Cash Flow less Capex*

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**Compelling Valuation**

**EV / 2005E EBITDA**

[CHART]

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*Source: Smith Barney, January 2005*

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Gaming Industry Investment Merits

HET: The Leader In Gaming

Superior Shareholder Returns

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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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**Core Growth Strategy**

*Drive same-store sales growth ( SSSG ) and improve margins*

**1. Brands**

[LOGO]

**2. Player Loyalty**

[GRAPHIC]

**3. Capabilities**

[GRAPHIC]

**Decision  
Science  
Capabilities**

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**Gathering Customer Data**

*Total Rewards:* The industry's first loyalty program

[GRAPHIC]

[CHART]

now with over 28 million members and growing!

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**Closed-Loop Marketing**

[GRAPHIC]

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**Capabilities: Revenue Management Example**

Optimize hotel inventory by generating maximum profit per occupied room

Balance between lodging and gaming revenue

**Room Rate vs. Gaming Revenue Optimization**

[CHART]

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**Revenue Management**

**Revenue per Available Room \***

[CHART]

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\* Same-store

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**Customer Satisfaction - % A Scores**

[CHART]

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**Results: Increasing Customer Loyalty**

**HET Est. Share of Budget**

**1998 2004 YTD**

[CHART]

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**Results: Robust Organic Growth**

**Same-Store Sales Growth**

[CHART]

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**Development Pipeline**

Property Enhancements

New Domestic Markets

International Development

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**Kansas City**

\$107M expansion

206 hotel rooms

F&B enhancements

2005 opening (in phases)

[GRAPHIC]



**New Orleans**

\$142M expansion

450 hotel rooms

1Q06 opening

[GRAPHIC]

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**Chester Downs**

Site near Philadelphia, PA

\$350M budget (incl. license fee)

HET interest: 50% ownership + mgmt fee

[GRAPHIC]

2,500 slots initially

2006 opening targeted

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**International Development**

Europe

United Kingdom

Enabling legislation expected this year

Initial supply limitations bode well for returns

Asia

Singapore

Responding to Request For Concept

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**Strategic Acquisitions**

[LOGO]	Closed 7/1/04 \$1.55 billion cash deal 7.2x forward EBITDA
[LOGO]	Expected 2Q05 close \$9.4 billion cash + stock deal 8.0x forward EBITDA

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**Horseshoe Acquisition**

Closed 7/1/04

On track to achieve \$36mm synergy target by end of year 2

\$0.09 accretive to 3Q04 EPS

3Q04 Combined Horseshoe EBITDA  
[CHART]

**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

Optimal timing

CZR nearing completion of significant growth capital cycle

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**Enhanced Distribution 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%	25.2%
Other Nevada	10.3	2.8	7.0
<b>Total Nevada</b>	<b>26.7%</b>	<b>34.6%</b>	<b>32.2%</b>
<b>Atlantic City</b>	<b>21.8%</b>	<b>36.9%</b>	<b>28.0%</b>
<b>Other locations</b>			
Illinois	7.1	0.0	4.1
Indiana	9.5	6.1	6.2
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>39.8%</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, Bally's New Orleans, and Caesars Tahoe

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**Premier Gaming Brands**

[LOGO]

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**Operational Synergy Opportunities**

**Las Vegas Strip Asset Efficiency:**

**TTM EBITDA / (Rooms + Positions)**

[CHART]

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**CZR Near Completion of 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 Summer 2005

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Gaming Industry Investment Merits

HET: The Leader In Gaming

Superior Shareholder Returns

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**Return on Equity**

[CHART]

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Source: Bloomberg, ROE is for 12 months ended 9/30/04

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**Dividend Yield**

[CHART]

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Source: Bloomberg

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**Stock Performance**

[CHART]

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*Source: Bloomberg*

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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 and December 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, December 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.

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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, negative 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.

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