



April 22, 2005

Kerzner International (KZL): Will their bets payoff?

Recommendation – Hold

Current Price (4/22/05): \$57.83
Target Price: \$55.74
Downside: 4%
52 Week Range: \$39.94-67.21
Market Cap: \$1.75B

kerznerSM



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- We are initiating coverage of Kerzner International (KZL) at a Hold with the current price of \$57.83 and a target price of \$55.74.
- Core assets in Bahamas and Gaming Revenue from Mohegan Sun drive cash flow while speculation on future projects presents high risks/rewards.
- High demand for luxury resorts and gaming destinations in exotic regions has led to development opportunities for company.
- Management has good track record of investing in profitable joint ventures and speculative real estate, however probability-weighted success of future developments has been factored into the current valuation.

Please see the disclaimer at back of this report for important information

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Investment Thesis

We are initiating coverage of Kerzner International with a Hold recommendation, based on a 4% downside from the current price of \$57.83 to our target price of \$55.74. Our investment thesis is that Kerzner is currently fairly priced. The company is well positioned in the destination resort segment, its strongest segment, and has to date been successful in moving upscale with its One & Only Resorts brand. It has benefited from its early role in developing the highly successful Mohegan Sun casino, and is preparing to enter various emerging casino markets in the Middle East and potentially the United Kingdom.

Our analysis and valuation anticipates that Kerzner will sustain its success with flagship resorts such as Atlantis, Paradise Island and continue to make headway in the gaming and luxury resort segments. We view these latter two segments as having higher risk/return profiles than the standard destination resort segment, and as such they represent a smart diversification strategy for Kerzner. However, when our analysis is adjusted to capture market risks—particularly uncertainty with new gaming licenses—our valuation is lowered to a fair pricing.

Company Overview

Based in the Bahamas, Kerzner International Ltd. is a leading resort developer and manager. It has three primary revenue streams: Destination Resort, Gaming and One&Only Resorts. Kerzner has a number of development projects as well as prospective projects awaiting approval. In each market it has a presence, the company competes in the highest end of the luxury segment. In the past Kerzner has relied on Resort revenue from its flagship operation is the Atlantis on Paradise Island in the Bahamas. Through a wholly owned subsidiary, Kerzner owns 50% of the joint venture TCA, which developed and, until January 1, 2000, managed Mohegan Sun in Uncasville, CT. TCA receives 5% of Mohegan Sun's gross revenues for fifteen years, as of January 1, 2000. Currently Kerzner manages and partially owns nine One&Only resorts, a fast growing and award winning line of luxury resorts located in diverse areas of the world.

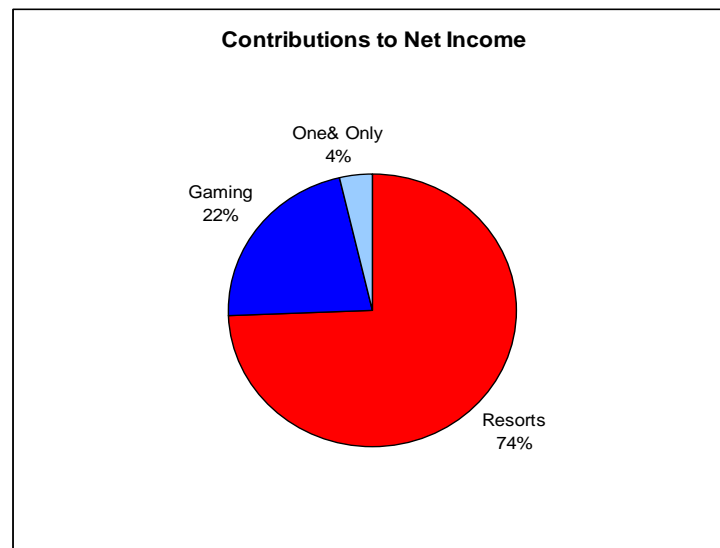


Source: Corporate presentation to Global Gaming Expo, October 5, 2004

Five characteristics of the company link up our investment thesis and valuation.

1. Three Revenue Streams

Kerzner primarily earns revenue in its three business segments: Destination Resorts, Gaming and One&Only. Resorts contribute the greatest percentage of contribution to net income at 74%, followed by gaming at 22% and One&Only at 4%, as seen in the chart below. Although One&Only made the smallest contribution, it is the fastest growing as its contribution to net income rose 1771% over the previous year, while gaming was down 11.7% and Resorts contribution grew at 9.5%. Net income contribution is aided by the lack of capital expenditures required by Mohegan Sun and the properties in the Indian Ocean and Dubai as well as the lack of corporate tax in the Bahamas and on fee income from Dubai and Indian Ocean.¹



Data Source: Corporate 20-F

Destination Resorts

The majority of Kerzner's revenue comes from its flagship property, Atlantis, Paradise Island, which include tour operations, restaurants and retail. Currently the resort has over 2,300 rooms and is expanding both its number of rooms and other retail and restaurant space. Kerzner is also developing Atlantis, The Palm in Dubai which is described more in the development section below.

¹ Company Presentation Slides



Gaming

As mentioned above, Kerzner no longer manages Mohegan Sun but continues to receive income from them as part of their agreement with the tribe for developing the casino and managing it until 2000. While gross revenues at Mohegan Sun were up slightly in 2004, expenses in the U.K. brought the net contribution of gaming down for the year. Kerzner will continue to receive revenue from Mohegan Sun equal to 2.5% of its gross revenues until 2015. Other gaming revenue is expected to come online as projects are approved, and management agreements depend on the project.

Source: Corporate presentation to Global Gaming Expo, October 5, 2004

One&Only

Kerzner currently operates One&Only luxury resorts in the Bahamas, Mexico, Mauritius and Maldives. Ownership percentage varies from 0-100% and can be seen in the table below. Net revenues are growing quickly, bolstered by increasing RevPAR at many of the resorts. In October of 2004 Condé Nast Traveler’s 2004 Annual Readers’ Choice Awards selected One&Only Palmilla (Mexico) as the top resort in Latin America after just nine months of operation. Also recognized was One&Only Ocean Club (The Bahamas) as the top resort in the Atlantic and number five in the world.² The brand as a whole has been very successful and Kerzner has plans to develop and manage additional resorts. One&Only’s contribution to net income grew substantially in 2004 (at 1117%) and we project revenues to continue strong growth.

Property	Location	Percentage Ownership	Number of Rooms, Suites and Villas
One&Only Ocean Club	The Bahamas	100.0%	108
One&Only Palmilla(1)	Mexico	50.0%	172
One&Only Le Saint Géran(2)	Mauritius	20.4%	163
One&Only Le Touessrok(2).....	Mauritius	20.4%	200
One&Only Kanuhura	Maldives	20.0%	100
One&Only Royal Mirage	Dubai	—	466
Sugar Beach Resort(2).....	Mauritius	20.4%	238
La Pirogue Hotel (2).....	Mauritius	20.4%	248
Le Coco Beach Hotel(2).....	Mauritius	20.4%	333

Source: Corporate 20-F

² Company Press Release date October 8, 2004

Geographic Diversity of the resorts



Source: Corporate presentation to Global Gaming Expo, October 5, 2004

2. Aggressive Development

Atlantis, Paradise Island

The amended Phase III project will include the following components:

- An all-suite luxury hotel with 600 rooms. Construction on the hotel is expected to begin in the second quarter of 2005.
- A condo hotel with 400 units. Kerzner plans to collaborate with Turnberry Associates, a premier property management and real estate development company in the United States. Development costs associated with this project is projected to be \$200 million which will be funded on a non-refundable basis based on pre-sales. Kerzner began pre-sales of the condo-hotel in January.
- Other project aspects include a considerable expansion to Atlantis's water park and expansion of group and meeting facilities, the Marina Village and added timeshare phases.

Dubai, UAE

Atlantis, The Palm, Jumeirah is a proposed \$1.1B destination resort in Dubai. It is being developed as a joint venture with Istithmar, an entity of the Royal Family of Dubai. It will have 2,000 rooms and water-park on 1.25 miles of beachfront. Construction is expected to begin this month depending on final financing.³



Source: Corporate presentation to Global Gaming Expo, October 5, 2004

³ Company Earnings Call, 3 February 2005.

Morocco

Kerzner has partnered with Moroccan companies SOMED and CDG and the partnership has entered into an agreement with the Government of the Kingdom of Morocco to develop Mazagan Resort near El Jadida. Construction on the 600-room resort is expected to begin in November or December of this year and will include a golf course, restaurants, convention space and a casino.⁴ The joint venture has secured exclusive gaming rights in area that includes Casablanca and Rabat. The territory of exclusivity includes four million people and lasts 15 years.

Cape Town, South Africa

Kerzner has partnered with Victoria & Alfred Waterfront Limited to develop a high-end luxury hotel on the waterfront of Cape Town. The project will be a One&Only brand resort with 163 rooms.

Wembley

In March of this year Kerzner partnered with Starwood Capital Group, LLC and Waterford Group, LLC to form the joint venture BLB Investors, LLC. The primary purpose of the venture is to acquire a 22.2% interest in Wembley, PLC. Wembley owns gaming and tracks in the United States as well as race tracks in the United Kingdom. BLB specifically targeted a holding company of Wembley that owns operations in Rhode Island and Colorado. The main interest is Lincoln Park, a racino in Lincoln, Rhode Island.

Catskills, New York

A Kerzner subsidiary owns 50% of Trading Cove New York, LLC, (TCNY) which has a development agreement with the Stockbridge-Munsee Band of Mohican Indians, a federally recognized tribe with a casino in Wisconsin. The parties are waiting approval for developing a casino in the Catskills. If approved, the agreement calls for TCNY to provide funding, some financing and provide exclusive development services to the tribe. When the Catskills Project opens, TCNY will earn a development fee and 5% of gross revenues for 20 years for its services.

United Kingdom

The United Kingdom is expected to grant a single license gambling license. Previously they were expected to grant 32 licenses, but this number was reduced to eight and more recently negotiated down to one license for a mega-casino⁵. During this time when more licenses were expected to be allotted, Kerzner had been selected to develop the following projects:

- Millennium Dome, Greenwich, London- planned hotel and casino, a \$350 million project.
- Sportcity, Manchester- selected by Manchester City Council to develop \$350 million hotel and casino at Sportcity, home of Manchester City FC and other sports facilities

⁴ Company Earnings Call, 3 February 2005.

⁵ Mathiason, Nick. "Casino hope crumbles for Dome owner" [The Observer](#). 10 April 2005.

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- SECC (Scottish Exhibition + Conference Center), Glasgow- appointed as the preferred developer for \$300 million resort casino and hotel complex (all from presentation)

With the intense competition for only one license, hopes that any of these projects will be realized have greatly diminished.

Singapore

In February Kerzner submitted a joint bid with CapitaLand for a gaming resort in Singapore, whose government has recently changed regulations to allow for gaming.⁶

3. Intense Competition

Kerzner competes in the highest end of resorts and competes primarily by developing and managing differentiated, innovative resorts.

Bahamas

In the Bahamas, the Atlantis and One&Only Ocean Club compete in a broad sense with all warm weather resorts, cruises and more particularly other resorts in the Bahamas. However the casino at Atlantis, the largest in the Caribbean, attracts visitors from their competitors in the Bahamas. Head to head, the Wyndham Nassau, an 850-room resort and casino, and Four Seasons on Great Exuma Island compete with the Kerzner properties.

Connecticut

The most direct competition of Mohegan Sun is Foxwoods resort and casino, another Native American-operated casino near Mohegan Sun. They are the only casinos in Connecticut and have 22 million adults within 150 miles. In February of this year Foxwoods announced a development project which includes a new hotel tower, expansion of the convention facilities, additional restaurants and retail stores, and expansion of its casino that will accommodate 1,500 more slot machines. Mohegan Sun also competes with other Native American casinos in New England and New York as well as the casinos in Atlantic City. Additionally, other tribes have requested for approval to develop casino projects in New York, Rhode Island, Connecticut and Massachusetts.

Mauritius

Kerzner-managed properties in Mauritius are One&Only Le Saint Géran, One&Only Le Touessrok, Sugar Beach Resort, La Pirogue Hotel and Le CoCo Beach Hotel. Kerzner owns 20.4% of all these properties. This market attracts tourists primarily from Europe, southern Africa and some Asian locations. Competitors for these tourists seeking high-end accommodations include SRL, which operates two owns two of seven luxury hotels in Mauritius. SRL also own mid-market rooms, which compete against the high end as well. There has also been an addition of 550 new mid-level rooms in the mid-level market in the past few months.

⁶ Lim, Kevin and Prystay, Cris. "Singapore Places Bet on Casinos" *Wall Street Journal*. 19 April 2005.

Maldives

The One&Only properties in the Maldives compete primarily with other luxury resorts in the Maldives, but they also compete as a destination for Europeans, southern Africans and some Asian.

Dubai

The current Kerzner-managed property in Dubai, One&Only Royal Mirage, competes with other hotels on the “golden mile” of Jumeirah beach. The strongest competitors are Jumeirah Beach Hotel, which has a family focus, the royal Meridien, a middle market hotel, and the Madinat Jumeirah, a recently opened five-star hotel. However this area of coastline is undergoing rapid development and Kerzner is party to that development with its Atlantis, The Palm, Jumeirah. Jumeirah is one of three man-made islands that are attracting resort, residential and entertainment development.

Mexico

The five-star One&Only Palmilla, near Cabo San Lucas in Baja, Mexico, competes primarily with two other five-star resorts in its market, Las Ventanas al Paraiso and Esperanza. The 50% Kerzner owned property underwent renovation and expansion that was completed in early 2004, but trails the market leader Las Ventanas al Paraiso. However Palmilla is the only one of the three to have its own golf course, giving it a competitive advantage over the competition.

4. Management

Sol Kerzner is the founder and chairman of Kerzner. He is an industry leader recognized innovator in the resort industry. His long and successful career began in home country of South Africa where he founded the largest hotel groups there, Southern Sun Hotels and Sun International South Africa. He and his interests hold 16.5% of outstanding KZL stock and voting rights of an additional 4.1%. He has been named Hotelier of the year by HOTELS magazine and inducted into U.S. Gaming Hall of Fame. He recently received the innovation Award from Hotel Investment Conference Asia Pacific in Hong Kong.

Butch Kerzner, son of Sol Kerzner, was appointed CEO December of 2003 after being with the company since 1995. He is a Stanford MBA and was previously an investment banker with Lazard.

5. Recent Results

Kerzner’s 2004 4th Quarter net income was \$8.4 million, up from \$3 million the same quarter in the previous year. 4th Quarter results were boosted by improving margins, and a 3% increase in Revenue per available room (RevPAR) at Atlantis, Paradise Island, a 18% RevPAR increase at One&Only Ocean Club and record revenue from Mohegan Sun. For 2004, net income was down 4.8% to \$68.13 million as it was largely impacted by unusual hurricane activity in the 3rd quarter. Despite the impacts of the hurricane EBITDA increased 5% from 2003.

Risks

Kerzner faces five main business risks, which we have considered each of these in our valuation. We judge interest rate risk and the failure to win new licenses to be the most significant risks, but note that company is taking steps to address both.

- Decline in gaming demand. A decline in demand for gaming would adversely impact Kerzner's revenues. This risk includes reduced gaming expenditures at either its own properties or Mohegan Sun, in which it has an indirect interest. We address this risk in our assessment of the future performance of these properties.
- Decline in destination resort demand. A decline in demand for and visitation to destination resorts, would also impact Kerzner's revenues. This risk includes reduced visitation and spending through its flagship property, Atlantis, Paradise Island, its jointly owned time share, and its wholly owned tour operator, PIV. It also includes reduced visitation and spending at its One&Only deluxe resort properties in the Bahamas, Mauritius, Dubai, the Maldives, and Mexico. We are less concerned about this risk, given the segment's recent trends and independence from gaming.
- Interest rate risk. Kerzner faces interest rate risk related to its bank debt and interest rate swaps on its fixed rate debt. The company has total debt of \$729.3M and a debt/equity ratio of .66 (trailing twelve months).⁷ As of December 31, 2004, Kerzner had interest rate swaps on \$150M of its fixed rate debt, which totals \$800M.⁸ These are entered into with institutions with investment grade credit ratings to minimize credit risk.
- Legislative/regulatory risk. Kerzner is exposed to changes in legislation or regulations that would limit casino expansion or the creation of new gaming jurisdictions. The UK's recent decision to offer only one casino license offers both large upside—the awardee will have a monopoly—and large downside—the probability of winning a license is now lower. While some analysts believe KZL may have an advantage over other operators in winning the license, we have not explicitly handicapped the company in our valuation.
- Failure to win licenses in new markets. Kerzner is betting heavily on the ability to expand into new markets in the Middle East and the U.K. Failure to win licenses in these new markets would substantially affect future growth and the company's valuation. Given these uncertainties, which relate not only to regulation but also to economic conditions and competition, we are generally cautious about KZL's success rate and pace of expansion in these new markets.

⁷ Yahoo! Finance.

⁸ Company reports.

Valuation

We used two models to value Kerzner International, the traditional Discounted Cash Flow and a Sum of Parts method. We feel the Sum of Parts Method more accurately values the future projects and we use this as the basis for the final valuation of \$55.74.

Discounted Cash Flow

Using a DCF analysis for our valuation, we have calculated an estimated value of \$55.06 per share, representing a 5% discount to the closing price on Friday, April 22, of \$57.83.

Assumptions underlying our valuation, which are based on historic ratios and industry trends, include:

Revenue Growth by Segment

Destination resorts- In line with recent industry trends and estimates from 1Q05, we assume a 6% growth in room, casino, food and beverage and other revenue in 2005 and then slightly declining until 2008 and 2009 in which we have 30% growth when the Atlantis Expansion has a full year of operations. The growth returns to a normal rate of 3% by the end of the analysis

Gaming- We assume gaming revenue from the Mohegan Sun contract begins growing at 5% annually, trailing down to 3% as the gaming trend in the United States begins to taper off. In 2015, the revenue contract expires and the gaming revenue from Mohegan Sun goes to zero. For other projects that currently have negative returns, we project reaching positive income in 2006 and growing at an expected 3% rate due to the uncertainty surrounding the development.

One&Only- We project the current resorts to grow modestly at 5% in 2005 and 2006 trailing off to 3% over the projected period in line with industry projections, but to improve their profit margins to positive numbers reaching 12% by the end of the analysis. Other Resorts, in which Kerzner has an equity partnership, will grow at 3% in 2005 and 2006, which includes the impact from the 2004 Tsunami. In 2007, growth increases to 10% as the resorts fully recover from the damage. In 2008 new projects go online increasing revenues by 30 and 50% over the following two years before the growth trails back down to 3%. Gross Margins for these projects are higher as a majority of the expenses are captured by the partnership and the net amount accounted for at the company level. Note there was damage from the 2004 Tsunami to two hotels in which Kerzner has an equity partnership. Claims will be filed to recover the majority of costs and related business interruption losses, but equity earnings are expected to be adversely affected in the near term, as reflected in the low growth rates for the Other Resorts.

Expenses

Growth of expenses was tied to historic percentages of revenue, most notably General Corporate Expenses that account for 5.47% of revenue.

In the current environment, the government of the Bahamas does not levy taxes, but Kerzner is susceptible to taxes based on the jurisdiction of the projects. We are currently

projecting a tax rate of .62% based on the historic tax levels and due to the fact that the taxes may be accounted for at the partnership level for projects subject to taxation.

Terminal value growth rate is 3%. Note that the Terminal Value is a large portion of the total value. This is caused by the large investment outlays for the future projects in the early years of the DCF and is considered normal.

A WACC was calculated to be 8.97%. Cost of equity was determined using CAPM with a beta from Yahoo! Finance and adding 1% for additional country risk. The cost of debt was determined by a premium of 2% over the risk free rate, in line with its BB- debt rating. Please see Appendix. (Note: Bloomberg calculates a WACC of 7.62%, which may not account for additional country specific risk of the investments.)

DCF Analysis (000s)

		Terminal value				year	2016											
		WAAC		8.97%		CF	261,543											
		Terminal Growth rate		3.0%		r-g	5.97%											
						Terminal value	4,378,984											
in 000s	0	1	2	3	4	5	6	7	8	9	10	11	TV	Total				
Years ended December 31,	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016						
Free cash flow	286,574	132,641	(28,931)	(319,877)	(21,380)	214,105	242,490	251,828	268,132	280,207	289,101	253,925	4,378,984					
WAAC	1.00	0.92	0.84	0.77	0.71	0.65	0.60	0.55	0.50	0.46	0.42	0.39	0.39					
PV(Free cash flow)	286,574	121,719	(24,362)	(247,190)	(15,161)	139,328	144,806	138,000	134,837	129,306	122,426	98,676	1,701,685	2,730,644				
PV (Free Cash Flows)			2,730,643,927															
-debt			754,129,000															
			1,976,514,927															
Common Stock Outstanding			35,900,000															
Price per share \$			55.06															
current Price			57.83															
Up/(Downside)			-5%															

Sum of Parts

To better estimate the value of Kerzner, we performed a sum of parts analysis similar to what is used by other analysts covering the industry, taking to account the value of future projects. The analysis was broken into three pieces, Kerzner International ex Mohegan Sun, Mohegan Sun, and future projects.

Kerzner ex Mohegan Sun

We took the 2005 estimated EBITDA for Kerzner International and removed the portion relating to Mohegan Sun (as this expires in 2015). We then applied an EV/EBITDA multiple of 14x to arrive at the EV of this portion. The multiple was based on the top competitors in the upper-end, hotel and resort industry; Four Seasons-48x, Wyndham International-13.3x, Starwood Hotels and Resorts-15x.

Mohegan Sun Revenue

The NPV of the Mohegan Sun revenue was then valued through 2015.

Summing these, subtracting debt and adding back cash attained a value of \$41.88 per share, which would be the value of the current projects. (See next page for detail)

Future Projects

The six future projects that may begin in the next few years were then valued. The EBITDA was calculated using a 20% return on invested capital (based on historical averages and planned investment as detailed in the Company Reports) and then applied against an EV/EBITDA multiple. For straight casino deals we applied an 8x multiple and for the resort hotels we applied a 14x. The 8x multiple was attained by looking at casino developers and operators with a similar market cap to Kerzner; Ameristar Casinos-9x, Argosy Gaming-8.6x, and American Real Estate Partners-6.5x. The equity value was then discounted at 15% from the expected opening year to 2005 at a discount rate of 15%, 6% higher than the WACC due to the uncertainty of the projects and additional risks. We then assessed the probability of the projects occurring; this is most notable in the UK projects in which legislation dropped the number of casinos from eight to one, decreasing the likelihood of Kerzner developing there. Based on this analysis the expected value of the future projects is \$13.86 per share. See below. (Note: we did not include the possibility of Singapore and some other gaming projects as they are still in the very initial stages and it is unclear of the scope and certainty of the projects.)

(\$millions except per share data)

Future Projects	Expected Opening	Expected Investment		Return on Inv	EBITDA Multiple	EV	Equity	NPV	Probability of Completion	Expected NPV
		(Company report)								
Phase III Expansion Paradise Island	2007	650		20%	130	8 1040	390	295	100%	295
Dubai	2008	100		20%	20	14 280	180	118	95%	112
SECC, Glasgow	2008	300		20%	60	8 480	180	118	1%	1
Sportscity, Manchester	2008	350		20%	70	8 560	210	138	1%	1
Millenium Dome, London	2008	350		20%	70	8 560	210	138	15%	21
Morrocco	2008	47		20%	9	14 132	85	56	95%	53
Wembley	2008	47.4		20%	9	8 76	28	19	75%	14
		1,844.4			369	3,127	1,283	882		497
value of future projects per share										\$ 13.86

Total Valuation

Adding the various parts resulted in a total valuation of the company of \$55.74, a 4% discount from the current value. This is slightly higher than the DCF valuation.

Segment	2005E EBITDA	EV/EBITA	EV
Kerzner ex Mohegan	125,937	14	1,763,119
Mohegan	31,950	NPV of Income through 2015	314,134
Total EV			2,077,252
Less 2004 Debt			754,129
2004 Cash			180,341
Value of Equity			1,503,464
2004 Year-end Shares O/S			35,900
Price/Share for existing projects			41.88
Value per share of future projects			13.86
Total Value/Share			55.74
current Price			57.83
Up/(Downside)			-4%

Sensitivity Analysis-

We performed a sensitivity analysis of the sum of parts method by changing the EV/EBTDA (used in the valuation of current projects) and the Return on Invested Capital used to calculate the future projects. This resulted in a range of prices with only the extreme scenarios resulting in worthwhile investment schemes.

		EV/EBITDA for current Operations					
		12x	13x	14x	15x	16x	17x
Return on Invested Capital	18%	45.54	49.04	52.55	56.06	59.57	63.08
	19%	47.13	50.64	54.14	57.65	61.16	64.67
	20%	48.72	52.23	55.74	59.24	62.75	66.26
	21%	50.31	53.82	57.33	60.84	64.34	67.85
	22%	51.90	55.41	58.92	62.43	65.94	69.44

Recommendation

Kerzner International has many potential high return projects that could justify a high valuation, but due to the risk, uncertainty, and speculative nature of these projects the valuation is modest. Based on the various valuation methods utilized in the report, we feel that under the current conditions and expectations, Kerzner International is fairly priced by the market. As projects begin to develop or legislation turns favorable, removing the uncertainty, Kerzner could be a potential play.

Appendix

Projected Income Statement

For The Year Ended December 31,
(\$000's)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Destination Resorts:															
<i>Atlantis, Paradise Island</i>															
Rooms	166,410	167,989	174,093	184,539	193,766	199,578	259,452	337,288	387,881	399,517	411,503	423,848	436,563	449,660	463,150
Casino	129,916	138,592	130,879	138,732	145,668	151,495	196,944	256,027	294,431	306,208	318,456	331,194	344,442	358,220	372,549
Food and beverage	118,802	118,414	127,633	135,291	142,056	146,317	190,214	247,276	284,367	292,898	301,685	310,736	320,058	329,660	339,550
Other resort	60,916	61,860	65,040	68,942	72,390	74,561	96,930	126,008	144,910	149,257	153,735	158,347	163,097	167,990	173,030
	476,044	486,855	497,645	527,504	553,879	571,952	743,538	966,599	1,111,589	1,147,881	1,185,379	1,224,125	1,264,161	1,305,530	1,348,278
Less: promotional allowances	22,210	23,579	23,034	24,416	25,637	26,473	34,415	44,740	51,451	53,131	54,866	56,660	58,513	60,428	62,406
	453,834	463,276	474,611	503,088	528,242	545,479	709,122	921,859	1,060,138	1,094,750	1,130,513	1,167,465	1,205,648	1,245,102	1,285,872
Expenses	376,925	379,753	387,660	410,920	431,466	445,544	579,208	752,970	865,915	894,186	923,397	953,580	984,767	1,016,993	1,050,294
Gross Profit	76,909	83,523	86,951	92,168	96,776	99,934	129,915	168,889	194,222	200,563	207,115	213,885	220,880	228,109	235,578
Tour operations															
Harborside at Atlantis fees	29,026	28,875	26,564	27,361	28,182	29,027	29,898	30,795	31,719	32,670	33,650	34,660	35,700	36,771	37,874
	1,579	1,847	2,826	2,911	2,998	3,088	3,181	3,276	3,374	3,476	3,580	3,687	3,798	3,912	4,029
	30,605	30,722	29,390	30,272	31,180	32,115	33,079	34,071	35,093	36,146	37,230	38,347	39,498	40,683	41,903
Atlantis, The Palm fees	-	-	380	391	403	415	428	441	454	467	481	496	511	526	542
Expenses	30,000	20,457	14,062	14,484	14,918	15,366	15,827	16,302	16,791	17,294	17,813	18,348	18,898	19,465	20,049
Gross Profit	605	10,265	15,708	16,179	16,665	17,165	17,679	18,210	18,756	19,319	19,898	20,495	21,110	21,744	22,396
Total GP from Atlantis	77,514	93,788	102,659	108,347	113,441	117,099	147,594	187,099	212,978	219,882	227,014	234,381	241,991	249,852	257,974
Gaming:															
Connecticut	31,367	35,715	36,843	38,685	40,619	42,650	44,356	46,131	47,976	49,415	50,898	52,425	53,997	55,617	-
United Kingdom	-	(329)	(2,182)	(2,247)	225	231	238	246	253	261	268	276	285	293	302
Other	(931)	(1,086)	(4,357)	(4,488)	449	462	476	490	505	520	536	552	568	586	603
	30,436	34,300	30,304	31,950	41,293	43,344	45,071	46,867	48,734	50,196	51,702	53,253	54,850	56,496	905
One&Only Resorts:															
Ocean Club	31,200	34,186	37,731	39,618	41,598	42,846	44,132	45,456	46,819	48,224	49,671	51,161	52,696	54,277	55,905
Expenses	27,201	29,466	34,087	35,791	37,581	38,562	39,719	40,001	41,201	42,437	43,710	45,022	46,372	47,763	49,196
Gross Profit	3,999	4,720	3,644	3,826	4,018	4,285	4,413	5,455	5,618	5,787	5,960	6,139	6,323	6,513	6,709
Palmilla	128	1,481	37,875	39,769	41,757	43,010	44,300	45,629	46,998	48,408	49,860	51,356	52,897	54,484	56,118
Expenses	145	4,494	39,706	37,780	38,834	38,709	39,870	41,066	41,358	42,599	43,877	45,193	46,549	47,946	49,384
Gross Profit	(17)	(3,013)	(1,831)	1,988	2,923	4,301	4,430	4,563	5,640	5,809	5,983	6,163	6,348	6,538	6,734
Other resorts	8,689	10,094	15,753	16,226	16,712	18,384	23,899	35,848	48,395	60,494	66,543	73,197	76,857	79,163	81,538
Expenses	-	1,596	1,517	8,113	8,356	9,192	11,949	17,924	24,197	30,247	33,271	36,599	38,429	39,581	40,769
Gross Profit	8,689	8,498	14,236	8,113	8,356	9,192	11,949	17,924	24,197	30,247	33,271	36,599	38,429	39,581	40,769
Direct expenses	(8,061)	(12,187)	(15,919)	(16,397)	(16,888)	(17,395)	(17,917)	(18,454)	(19,008)	(19,578)	(20,166)	(20,771)	(21,394)	(22,036)	(22,697)
Other(6)	1,079	2,242	4,737	4,879	5,025	5,176	5,332	5,491	5,656	5,826	6,001	6,181	6,366	6,557	6,754
Total profit from One and Only	5,689	260	4,867	2,410	3,434	5,559	8,207	14,979	22,104	28,090	31,050	34,311	36,072	37,154	38,269
Total Operating Revenue	113,639	128,348	137,830	142,707	158,168	166,001	200,872	248,944	283,816	298,168	309,766	321,944	332,913	343,502	297,148
General corporate	(25,188)	(32,842)	(34,489)	(36,425)	(38,613)	(39,956)	(49,502)	(62,094)	(70,658)	(73,513)	(76,110)	(78,814)	(81,431)	(84,054)	(83,630)
Early extinguishment of debt, net o	(20,525)	-	(1,655)	-	-	-	-	-	-	-	-	-	-	-	-
Other, net	15,519	793	(5,945)	(6,279)	(6,656)	(6,887)	(8,533)	(10,703)	(12,180)	(12,672)	(13,119)	(13,585)	(14,037)	(14,489)	(14,416)
Palmilla minority interest(7)	-	-	4,907	5,152	5,410	5,572	5,739	5,912	6,089	6,272	6,460	6,654	6,853	7,059	7,271
EBIT	83,445	96,299	100,648	105,156	118,308	124,730	148,576	182,058	207,067	218,255	226,996	236,198	244,298	252,019	206,373
Provision for Income Taxes	(96)	(162)	(424)	(442)	(512)	(540)	(676)	(870)	(1,011)	(1,066)	(1,106)	(1,147)	(1,181)	(1,211)	(911)
Interest Income (expense), net	(35,685)	(25,870)	(32,092)	(33,770)	(35,535)	(37,393)	(39,348)	(41,405)	(43,570)	(45,848)	(48,245)	(50,767)	(53,421)	(56,214)	(59,153)
Income (loss) from discounted ope	(8,061)	1,305	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	39,603	71,572	68,132	70,944	82,261	86,797	108,553	139,783	162,486	171,341	177,646	184,285	189,697	194,594	146,309
average shares O/S	28,544	28,575	32,550	35,900	35,900	35,900	35,900	35,900	35,900	35,900	35,900	35,900	35,900	35,900	35,900
EPS	1.39	2.50	2.09	1.98	2.29	2.42	3.02	3.89	4.53	4.77	4.95	5.13	5.28	5.42	4.08

Detailed Income Statement Ratios and Assumptions

Destination Resorts:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Atlantis, Paradise Island(1)</i>															
Rooms (YoY Growth)		0.95%	3.63%	6.00%	5.00%	3.00%	30.00%	30.00%	15.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Casino(YoY Growth)		6.68%	-5.57%	6.00%	5.00%	4.00%	30.00%	30.00%	15.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Food and beverage(YoY Growth)		-0.33%	7.79%	6.00%	5.00%	3.00%	30.00%	30.00%	15.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other resort(YoY Growth)		1.55%	5.14%	6.00%	5.00%	3.00%	30.00%	30.00%	15.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Total Revenue (YoY growth)		2.27%	2.22%	6.00%	5.00%	3.26%	30.00%	30.00%	15.00%	3.26%	3.27%	3.27%	3.27%	3.27%	3.27%
Less: promotional allowances (% of gross rev)		4.84%	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%	4.63%
Expenses (YoY growth)		0.75%	2.08%	6.00%	5.00%	3.26%	30.00%	30.00%	15.00%	3.26%	3.27%	3.27%	3.27%	3.27%	3.27%
Gross Profit (Margin)	16.95%	18.03%	18.32%	18.32%	18.32%	18.32%	18.32%	18.32%	18.32%	18.32%	18.32%	18.32%	18.32%	18.32%	18.32%
Tour operations (YoY Growth)		-0.52%	-8.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Harborside at Atlantis fees (YoY Growth)		16.97%	53.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Atlantis, The Palm fees (YoY Growth)		-	-	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenses		-31.81%	-31.26%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross Profit (Margin)	1.98%	33.41%	52.76%	52.76%	52.76%	52.76%	52.76%	52.76%	52.76%	52.76%	52.76%	52.76%	52.76%	52.76%	52.76%
Total GP from Atlantis (YoY growth)		20.99%	9.46%	5.54%	4.70%	3.22%	26.04%	26.77%	13.83%	3.24%	3.24%	3.25%	3.25%	3.25%	3.25%
Gaming:															
Connecticut(YoY growth)		13.86%	3.16%	5.00%	5.00%	5.00%	4.00%	4.00%	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%	-100.00%
United Kingdom(YoY growth)		-	563.22%	3.00%	-110.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other(YoY growth)		16.65%	301.20%	3.00%	-110.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Total gaming Income (YoY growth)		12.70%	-11.65%	5.43%	29.24%	4.97%	3.98%	3.98%	3.98%	3.00%	3.00%	3.00%	3.00%	3.00%	-98.40%
One&Only Resorts:															
Ocean Club(YoY growth)		9.57%	10.37%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenses(YoY growth)		8.33%	15.68%	5.00%	5.00%	2.61%	3.00%	0.71%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross Profit (Margin)	12.82%	13.81%	9.66%	9.66%	9.66%	10.00%	10.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Palmilla (YoY growth)		1057.03%	2457.39%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenses (YoY growth)		2999.31%	783.53%	-4.85%	2.79%	-0.32%	3.00%	3.00%	0.71%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross Profit (Margin)	-13.28%	-203.44%	-4.83%	5.00%	7.00%	10.00%	10.00%	10.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Other resorts(YoY growth)		16.17%	56.06%	3.00%	3.00%	10.00%	30.00%	50.00%	35.00%	25.00%	10.00%	10.00%	5.00%	3.00%	3.00%
Expenses(YoY growth)		-	-4.95%	434.79%	3.00%	10.00%	30.00%	50.00%	35.00%	25.00%	10.00%	10.00%	5.00%	3.00%	3.00%
Gross Profit (Margin)	100.00%	84.19%	90.37%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Direct expenses(YoY growth)		51.18%	30.62%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other(YoY growth)		107.78%	111.28%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Total profit from One and Only(YoY growth)		-95.43%	1771.92%	-50.48%	42.48%	61.88%	47.65%	82.51%	47.57%	27.08%	10.54%	10.50%	5.13%	3.00%	3.00%
Total Operating Revenue (YoY growth)		12.94%	7.39%	3.54%	10.83%	4.95%	21.01%	23.93%	14.01%	5.06%	3.89%	3.93%	3.41%	3.18%	-13.49%
General corporate (% of revenue)	4.53%	5.70%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%	5.47%
Interest Income (expense), net (% of LT debt)		6.20%	4.26%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%
Early extinguishment of debt, net of income tax effect															
Other, net (% of revenue)	-2.79%	-0.14%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%
Palmilla minority interest(7)				5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Income (loss) from discounted operations, net of income tax															
Provision for Income Taxes	0.24%	0.23%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%
Net income (YoY Growth)		80.72%	-4.81%	4.13%	15.95%	5.51%	25.07%	28.77%	16.24%	5.45%	3.68%	3.74%	2.94%	2.58%	-24.81%
Profit Margin	7.12%	12.42%	10.80%	10.65%	11.65%	11.88%	11.99%	12.31%	12.57%	12.74%	12.76%	12.78%	12.74%	12.66%	9.57%

Projected Balance Sheet

Year Ended December 31, (\$ 000's)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ASSETS														
Current assets:														
Cash and cash equivalents	60,232	180,341	129,944	137,779	142,574	176,850	222,071	252,815	263,043	272,340	282,023	291,392	300,779	299,217
Restricted cash	1,445	2,768	2,294	2,433	2,517	3,122	3,921	4,464	4,644	4,808	4,979	5,145	5,311	5,283
Short-term investments	—	203,940	203,940	203,940	203,940	203,940	203,940	203,940	203,940	203,940	203,940	203,940	203,940	203,940
Trade receivables, net	38,397	41,743	44,164	46,827	48,457	60,106	75,475	85,924	89,400	92,560	95,851	99,035	102,225	101,695
Due from affiliates	13,949	15,682	16,317	17,301	17,903	22,207	27,886	31,746	33,031	34,198	35,414	36,591	37,769	37,573
Inventories	10,418	13,453	13,106	13,896	14,380	17,837	22,398	25,499	26,531	27,468	28,445	29,390	30,337	30,179
Assets held for sale	—	12,289	12,289	12,289	12,289	12,289	12,289	12,289	12,289	12,289	12,289	12,289	12,289	12,289
Prepaid expenses and other assets	15,360	21,685	20,301	21,525	22,274	27,629	34,693	39,496	41,094	42,547	44,059	45,523	46,990	46,746
Total current assets	139,801	491,901	442,355	455,989	464,335	523,981	602,674	656,173	673,972	690,151	707,000	723,304	739,639	736,922
Property and equipment, net	1,154,004	1,347,640	1,286,303	1,329,881	1,666,538	2,111,640	2,412,983	2,511,600	2,600,895	2,693,921	2,783,750	2,873,665	2,966,535	3,055,531
Due from affiliates – non-current	34,842	81,737	81,737	81,737	81,737	81,737	81,737	81,737	81,737	81,737	81,737	81,737	81,737	81,737
Deferred tax asset, net	10,473	11,181	11,181	11,181	11,181	11,181	11,181	11,181	11,181	11,181	11,181	11,181	11,181	11,181
Other	33,656	40,678	40,871	43,335	44,843	55,624	69,847	79,517	82,734	85,658	88,703	91,650	94,602	94,111
Investments in associated companies	83,152	114,138	114,138	114,138	114,138	114,138	114,138	114,138	114,138	114,138	114,138	114,138	114,138	114,138
Total assets	1,455,928	2,087,275	1,976,585	2,036,261	2,382,772	2,898,301	3,292,560	3,454,346	3,564,657	3,676,786	3,786,509	3,895,675	4,007,833	4,093,620
LIABILITIES AND SHAREHOLDERS' EQUITY														
Current liabilities:														
Current maturities of long-term debt														
	304	659	659	451	110,238	13	-	400	400	400	400	400	400	400
Accounts payable and accrued liabilities	172,233	168,725	187,642	198,955	205,881	255,376	320,676	365,070	379,840	393,266	407,247	420,776	434,331	432,076
Capital creditors	4,639	16,032	11,078	11,746	12,155	15,077	18,932	21,553	22,425	23,218	24,043	24,842	25,642	25,509
Total current liabilities	177,176	185,416	198,720	211,153	328,274	270,466	339,608	387,024	402,666	416,884	431,690	446,018	460,374	457,986
Deferred revenue	14,652	20,419	21,416	22,707	23,497	29,146	36,599	41,666	43,352	44,884	46,480	48,024	49,571	49,313
Other long-term liabilities	7,290	7,099	7,446	7,894	8,169	10,133	12,724	14,486	15,072	15,605	16,159	16,696	17,234	17,145
Long-term debt	417,220	754,129	641,450	658,176	742,104	950,052	1,065,866	1,105,396	1,139,359	1,174,590	1,208,689	1,242,784	1,277,968	1,310,507
Minority interest	—	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934
Total shareholders' equity	839,590	1,116,278	1,103,619	1,132,396	1,276,794	1,634,570	1,833,829	1,901,841	1,960,274	2,020,890	2,079,557	2,138,219	2,198,752	2,254,735
Total liabilities and shareholders' equity	1,455,928	2,087,275	1,976,585	2,036,261	2,382,772	2,898,301	3,292,560	3,454,346	3,564,657	3,676,786	3,786,509	3,895,675	4,007,833	4,093,620

Detailed Balance Sheet Ratios and Assumptions

Assumptions	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cash /Sales	10.49%	28.81%	19.65%	19.65%	19.65%	19.65%	19.65%	19.65%	19.65%	19.65%	19.65%	19.65%	19.65%	19.65%
Restricted cash/Sales	0.25%	0.44%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%
Short-term investments				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trade receivables, net/Sales	6.69%	6.67%	6.68%	6.68%	6.68%	6.68%	6.68%	6.68%	6.68%	6.68%	6.68%	6.68%	6.68%	6.68%
Due from affiliates/Sales	2.43%	2.50%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%
Inventories/Sales	1.81%	2.15%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%
Prepaid expenses and other assets/Sales	2.68%	3.46%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%
Property and equipment, net/(next year Sales ex Gaming)	185.17%	204.68%	194.93%	194.93%	194.93%	194.93%	194.93%	194.93%	194.93%	194.93%	194.93%	194.93%	194.93%	194.93%
Other Assets/Sales	5.86%	6.50%	6.18%	6.18%	6.18%	6.18%	6.18%	6.18%	6.18%	6.18%	6.18%	6.18%	6.18%	6.18%
Current maturities of long-term debt/(LT debt+current portion)	0.07%	0.09%	0.10%	0.07%	12.93%	0.00%	0.00%	0.04%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%
Accounts payable and accrued liabilities/sales	30%	27%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Capital creditors/sales	1%	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Deferred revenue/sales	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Other long-term liabilities/sales	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
LT debt/(equity+LT debt)	33%	40%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%

Free Cash flow and WACC

Working Capital (000s)	Historical			Projections											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Years ended December 31,															
Working Capital	(37,375)	306,485	243,635	244,837	136,061	253,515	263,066	269,150	271,307	273,268	275,310	277,286	279,266	278,936	
Change in Working Capital	(37,375)	343,860	(62,850)	1,201	(108,776)	117,454	9,550	6,084	2,157	1,961	2,042	1,976	1,980	(329)	

Cash Flows (000s)	Historical			Projections											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Years ended December 31,															
EBIT	83,445	96,299	100,648	105,156	118,308	124,730	148,576	182,058	207,067	218,255	226,996	236,198	244,298	252,019	206,373
Taxes on EBIT	517	597	624	652	734	773	921	1,129	1,284	1,353	1,407	1,464	1,515	1,563	1,280
Tax rate	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%
NOPAT	82,928	95,702	100,024	104,504	117,575	123,957	147,655	180,929	205,784	216,902	225,589	234,734	242,784	250,456	205,093
+Depreciation	55,486	55,782	58,948	57,884	59,845	74,994	95,024	108,584	113,022	117,040	121,226	125,269	129,315	133,494	137,499
- Change in working capital requirements	0	(37,375)	343,860	(62,850)	1,201	(108,776)	117,454	9,550	6,084	2,157	1,961	2,042	1,976	1,980	(329)
- Capital expenditures (Net)			193,636	(61,337)	43,578	336,657	445,102	301,343	98,617	89,295	93,027	89,828	89,916	92,869	88,996
Free cash flow	138,414	188,859	(378,524)	286,574	132,641	(28,931)	(319,877)	(21,380)	214,105	242,490	251,828	268,132	280,207	289,101	253,925
YoY growth		36%	-300%	-176%	-54%	-122%	1006%	-93%	-1101%	13%	4%	6%	5%	3%	-12%

Calculation of WACC

WACC:	8.97%	
Assumptions		
Debt	D	754
Equity	E	1,750 market cap
Debt + Equity	D+E	2,504
Debt/Equity	D/E	0.43
Debt/Total Capitalization	D/V	0.30
Tax Rate	T_c	0.62%
Risk Free Rate	r_f	5%
Market Rate	r_m	9%
Equity Risk Premium	r_p	5% 4% for market risk premium and 1% for country risk premium
Cost of Debt	r_d	7.0% 2% premium on rf for BB-
Cost of Equity	r_e	9.81%
beta	β_e	0.962

Cost of Equity

$$r_e = r_f + \beta_e (r_m - r_f)$$

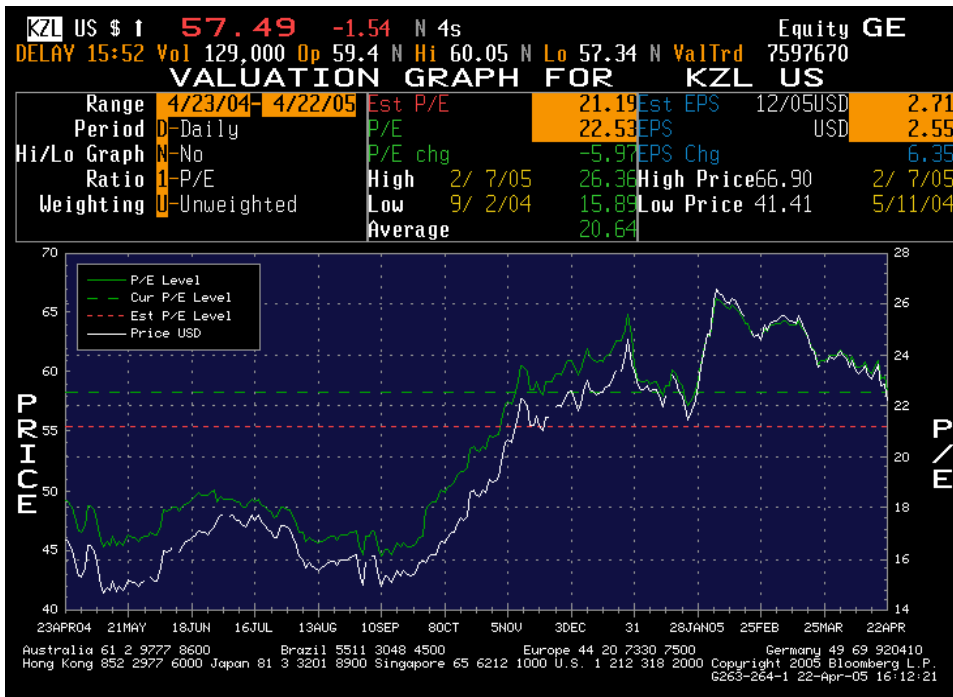
$r_e = 9.81\%$

WACC

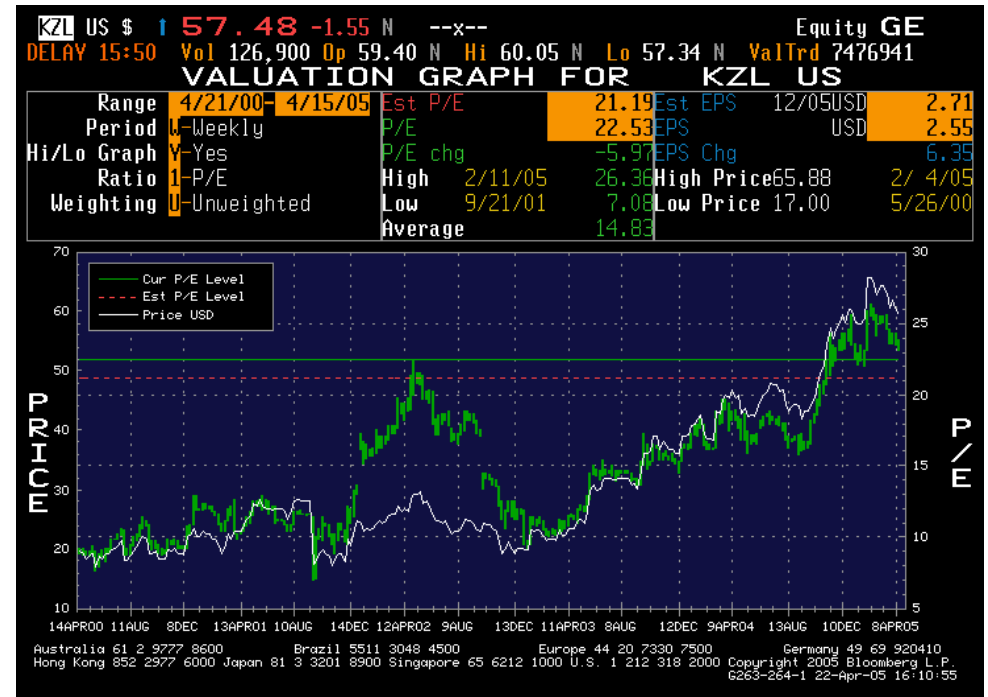
$$WACC = r_E * E/(E+D) + r_D * (1-T_c) * D/(E+D)$$

Initial WACC = 8.97% (versus 7.62% calculated by Bloomberg)

KZL 1-Year Historical Price and P/E Graph



KZL 5-Year Historical Price and P/E Graph



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