Fitch Upgrades Wynn's IDR to 'BB'; Wynn Macau Bank Debt to Investment Grade; Outlook Positive
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Fitch Ratings upgrades the Issuer Default Ratings (IDRs) of Wynn Resorts, Ltd's (Wynn Resorts or the parent) and its subsidiaries (collectively, Wynn or the company) to 'BB' from 'BB-'. The Rating Outlook is Positive.

Subsidiaries include Wynn Las Vegas, LLC (Wynn LV LLC) and Wynn Resorts (Macau), SA (Wynn Macau SA). Fitch currently equalizes the IDRs of all three entities.

Fitch also upgrades the senior secured bank credit facility and senior secured first mortgage notes at Wynn LV LLC to 'BB+' from 'BB' and upgrades the senior secured credit facility at Wynn Macau SA to 'BBB-' from 'BB+'. A full list of rating actions is at the bottom of this release.

The IDR upgrade and the Positive Outlook reflect Wynn's robust operating trends, primarily in Macau. The 'BB' IDR is further supported by Wynn's strong liquidity position; Fitch's increased comfort with the scope and funding of the potential Cotai project; management's historically prudent balance sheet management; and Wynn's strong brand value and high asset quality.

Main credit concerns include the company's high leverage at its Las Vegas subsidiary, its concentration of assets in two markets, development risk/capital intensity, continued shareholder friendly actions and key management risk.

Macau Operating Trends Continue to Outperform Expectations:

Macau's gaming revenues continue to trend ahead of Fitch's expectations. Market revenues are up roughly 45% year-to-date (YTD) through June 2011 on top of a 67% increase for the same period in 2010, and a 58% increase for full year 2010. Fitch believes the market is poised to continue to grow solidly (albeit not at these recent growth levels) in the near-to-medium term, driven by pending transportation infrastructure improvements, the fast growing Chinese wealthy and middle class and new gaming supply (Galaxy Macau and Las Vegas Sands' Sites 5&6).

However, the growth is susceptible to economic and regulatory conditions in China, as nearly 60% of Macau's visitors come from Mainland China, while another roughly one-quarter come from Hong Kong. Most notable risks include China and Macau government policy decisions, a major real estate correction and a disruption in the credit markets.

Visa restrictions were implemented when Macau's inflation rate approached double digits in 2008 and the inflation rate has been rising steadily again for the last 18 months to the mid-single digit range. If revenue growth continues at a torrid pace and inflation continues to rise, there is a good likelihood the Chinese and Macau governments would take corrective measures to cool the growth. Fitch believes that Macau revenue growth sustaining well above 30% would be considered uncomfortable for the government.

The Macau government's mindset with respect to sustainable growth bears watching with respect to Wynn's Cotai development plans. There is currently a table cap in effect through 2013. Additionally, Wynn needs to be granted a land concession, while MGM China and SJM also do not currently have Cotai operations and are pursuing developments there as well. Fitch believes investment in non-gaming amenities will be an important part of the project approval process, and that could potentially pressure returns on invested capital.

The company's performance in Macau has been consistent with the general market trends. Through March 31, 2011, Wynn's Macau latest 12 months (LTM) adjusted EBITDA of $984 million is up 73% over the prior year LTM period, driven by the April 2010 Encore Macau opening. And, according to various reports, Wynn's market share of revenue through June 30, 2011 has remained steady in the mid-teens.

Wynn's Las Vegas Trends Also Outperform:

Wynn's EBITDA growth in Las Vegas has outperformed the Las Vegas results of all its peers (LVS, Caesars, and MGM) in six of the last eight reported quarters and Fitch expects Wynn's competitive position in Las Vegas to continue to strengthen. Recent investments included the opening of two night clubs and a room remodel at Wynn Las Vegas, while capital reinvestment in Las Vegas by the company's competitors remains strained. As of March 31, 2011, the company's Las Vegas LTM adjusted EBITDA of $342 million is at its highest level in three years, but remains 18%-19% below its peak in 2007, which was prior to the December 2008 opening of Encore Las Vegas.

Fitch continues to expect the LV Strip recovery to gain traction this year and be more pronounced in 2012, based largely on the pick up in convention/group business resulting in a positive mix shift. However, the U.S. consumer remains fragile, so the LV recovery is susceptible to macro-economic trends, which have weakened recently in the U.S. Fitch recently revised downward its 2011 U.S. GDP growth forecast by roughly 40 basis points to 2.6%.

Leverage and Coverage:

As of March 31, 2011, there was $2.6 billion of debt at Wynn LV LLC, $551 million at Wynn Macau SA and no debt at the parent level. All of the debt is secured. Fitch calculates consolidated gross leverage and coverage of 2.5 times (x) and 5.4x, respectively, as of March 31, 2011. Driven by the operating outperformance noted above, gross de-leveraging has been better than expected. At the subsidiary level, Fitch calculates gross leverage of 0.7x at Wynn Macau SA and 8.2x at Wynn LV LLC as of March 31, 2011, respectively.

Liquidity and Free Cash Flow:

Wynn maintains a strong liquidity profile. The company's sizable cash balance and robust free cash flow profile in Macau provides significant financial flexibility to fund the Cotai development, return cash to shareholders, and maintain credit protection measures consistent with a 'BB' or 'BB+' IDR, given Wynn's business risks.

As of March 31, 2011, the company had $2.6 billion of available liquidity, consisting of nearly $700 million of cash held at Wynn Resorts, $87 million of cash and $327 million of credit facility availability at Wynn LV LLC, $665 million of cash and $1 billion of credit facility availability at Wynn Macau SA, offset by Fitch's estimate of roughly $200 million-$225 million in cage/operational cash.

Wynn's debt maturities are manageable with a minimal amount coming due in 2011, followed by roughly $200 million annually in 2012-2014 primarily from term loan amortizations. The only significant piece of debt maturing in the near term is the undrawn $1 billion Macau revolver in June 2012, which Fitch believes will be addressed in upcoming quarters, possibly in connection with progress on Cotai development approvals.

With no major development projects underway since the completion of Encore Macau in April 2010, Wynn generated approximately $1 billion of free cash flow (before dividends) in the LTM period ending March 31, 2011. On April 19, 2011, Wynn Resorts declared a regular quarterly dividend of $0.50, equating to roughly $250 million of regular dividends per year.

After paying the regular dividend, Fitch expects Wynn to split the balance of the free cash flow on returning cash to shareholders (special dividends and/or share repurchases) and development funding/dry powder. Wynn has paid a large special dividend in four of the last five years for a total of nearly $2.8 billion. However, Wynn has also liberally issued equity to fund developments or to accumulate capital during the recent recession. Since its initial IPO in 2002, Wynn completed five secondary equity issuances from 2004-2009 in the U.S., raising nearly $1.9 billion, while also raising an additional $1.9 billion in its 2009 Hong Kong IPO of its Macau subsidiary.

Based on Fitch's current free cash flow expectations and a potential Cotai project opening around 2015, the company has the ability to fund the $2 billion-$3 billion development mostly through internally generated funds. However, Fitch believes Wynn will continue to return cash to shareholders and fund the project with a sizable amount of debt, possibly additional secured bank debt. With Wynn Macau SA gross leverage currently at less than 1x and virtually no net debt, Fitch believes the company will be able to maintain low secured leverage levels through the Cotai development, which supports the upgrade of the Wynn Macau SA secured debt rating to investment grade status, or 'BBB-'.

Drivers of Future Rating Actions:

The following rating drivers can potentially place negative pressure on the ratings and/or Outlook:

--Wynn developing another project in conjunction with Cotai. Fitch believes that Wynn would be interested to develop in Massachusetts, Florida, Japan or Taiwan if any of these jurisdictions approve large scale casino resorts.

--A significant economic dislocation in China caused by a real estate correction and/or credit market disruptions.

--Chinese government enforces stricter restrictions on visitation to Macau by the Chinese nationals, or takes other measures to slow growth.

--U.S. economic recovery stalls or begins to point to a double-dip recession, although that scenario is not currently in Fitch's base case.

--Greater than expected shareholder friendly actions.

If one or more of these drivers were to materialize, Fitch believes that Wynn's IDR and credit profile has the ability to remain firmly in the 'BB' category.

Current consolidated gross leverage and coverage levels are solid for the 'BB' IDR relative to Wynn's business risks, and Fitch forecasts that the company can maintain solid credit protection measures through the Cotai development. As a result, the Positive Outlook incorporates Fitch's view that the IDR could be upgraded to 'BB+' over the next 12-24 months. However, an investment grade IDR is unlikely given the core risks noted above, and Fitch's current belief that there is little incentive for the company to maintain an investment grade credit profile if additional development opportunities present themselves while economic trends weaken.

With Wynn LV LLC gross leverage north of 8x, an upgrade of the IDR to 'BB+' is unlikely to result in an upgrade of the Wynn LV LLC credit facility or first mortgage notes to investment grade, since all of the debt at this subsidiary is secured and Fitch maintains a cautious view of the Las Vegas recovery. An upgrade to investment grade for the Wynn LV LLC secured debt may be possible if the company recapitalizes the subsidiary with a significant amount of unsecured debt replacing much of the secured debt.

Parent and Subsidiary Rating Relationships:

Fitch currently links the IDRs of Wynn Resorts, Wynn LV LLC, and Wynn Macau SA. The parent company and subsidiaries are distinct issuers, the subsidiary debt is non-recourse to the parent, and there are no cross-default provisions or cross guarantees (other than if Chairman and CEO Steve Wynn leaves the company). However, the strategic linkage between the parent and subsidiaries is very high, primarily due to the use of the Wynn brand in the overall corporate strategy, the cross-marketing for high-end Asian customers, and the common management team. In addition, the company has demonstrated intercompany support through a number of transactions, and Fitch is comfortable with the company's ability to move cash tax efficiently.

As credit quality improves, Fitch is likely to continue to link the IDRs if there is positive rating momentum. Conversely, if Wynn's credit quality were to deteriorate, Fitch may opt to view the credits on a stand-alone rather than linked basis at some point. This could occur in the event the credit becomes distressed and intercompany or parent-level support appears unlikely, insufficient, or not possible. The credit would probably have to deteriorate to a weak 'B' or 'B-' IDR level for this to occur.

Fitch has taken the following rating actions:

Wynn Resorts, Ltd. (Wynn Resorts)

--Issuer Default Rating (IDR) upgraded to 'BB' from 'BB-'.

Wynn Las Vegas, LLC (Wynn LV LLC)

--IDR upgraded to 'BB' from 'BB-';

--Senior secured bank credit facility upgraded to 'BB+' from 'BB';

--Senior secured first mortgage notes (FMNs) upgraded to 'BB+' from 'BB'.

Wynn Resorts (Macau), SA (Wynn Macau SA)

--IDR upgraded to 'BB' from 'BB-';

--Senior secured bank credit facility upgraded to 'BBB-' from 'BB+'.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

--'Recovery Ratings and Notching Criteria for Non-financial Corporate Issuers' (May 12, 2011);

--'Country-Specific Treatment of Recovery Ratings' (Feb. 23, 2011);

--'Corporate Rating Methodology' (Aug. 16, 2010);

--'2011 Outlook: Gaming' (Feb. 1, 2011).

Applicable Criteria and Related Research:

Recovery Ratings and Notching Criteria for Non-Financial Corporate Issuers

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=628489

Country-Specific Treatment of Recovery Ratings

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=604286

Corporate Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=546646

2011 Outlook: Gaming

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=601106

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