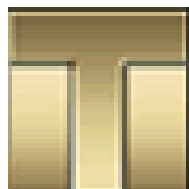


IMMINENT INVESTORS



DIANNE DE LUISE



TAKASHI HANZAWA



SMIT SHARMA



PETER GENIS



JULIA KIM

Company	Price	DCF Valuation		Relative Valuation		Option Valuation	Recommendation
		Model Used	Value	Multiple Used	Value		
Trump Entertainment Resorts	\$ 14.77	FCFF3	\$ 21.43	EV/EBITDA	\$ 23.25		Buy
Morgan Stanley	\$ 52.62	DDM	\$ 64.00	PBV	\$ 56.60		Buy
Wynn Resorts LTD.	\$ 52.94	FCFFSt	\$ 50.30	Forward PE	\$ 29.48	\$ 57.69	Sell
NEC Electronics Corp.	\$ 4,740.00	FCFF2	\$ 7,761.00	PE	\$ 5,109.00		Buy
General Motors Corp.	\$ 26.68	FCFFSt	\$ 17.88	PBV	\$ 17.19		Sell

Trump Entertainment Resorts – BUY

(DELISTED: Formerly Trump Hotel and Casino Resorts Pre-Bankruptcy)

Potential High Growth

Company Overview

Trump Hotel Casino Resorts filed Chapter 11 in November of 2004. According to public bankruptcy and restructuring plan documentation, upon restructuring the company will reemerge as Trump Entertainment Resorts. The company owns and manages four casino hotel properties: Trump Taj Mahal (Atlantic City), Trump Marina (Atlantic City), Trump Plaza (Atlantic City) and Trump Indiana (Gary, Indiana).

- **Taj Mahal:** Destination resort located on the northern end of AC's boardwalk. Features 1,250 hotel rooms, including 242 suites, 19 dining and 12 beverage locations, parking for approximately 6,950 cars, 140,000 square feet of meeting space, and 159,086 square feet of gaming space housing approximately 4,419 slot machines, 129 tables, and 78 poker tables
- **Plaza:** Located at the center of AC's boardwalk, the Plaza features 904 hotel rooms, including 140 suites, 36,000 square feet of conference space and 91,366 square feet of casino space housing 2,842 slot machines and 91 table games
- **Marina:** Located in the Marina district, the Marina features 728 guest rooms, including 153 suites, 97 of which are luxury suites, 79,700 square feet of gaming space housing 2,545 slot machines, 76 table games, a simulcast racetrack facility and approximately 58,000 square feet of convention, ballroom and meeting space
- **Indiana:** Located 25 miles from Chicago, Trump Indiana is located on a 280 foot gaming vessel with approximately 43,000 square feet of gaming space housing 1,632 slot machines, 30 table games, 30 poker tables and capacity to accommodate approximately 2,700 passengers. Shares a docking facility and 40,000 square foot land-based pavilion, which it shares with its joint venture partner, Majestic Star Casino.

Valuation

DCFF Rationale: We used the three-stage FCFF discount model given the firm's high degree of leverage (6.5x Debt/EBITDA upon emergence from bankruptcy). FCFF, unlike FCFE, more appropriately adjusts for the volatility brought on by significant debt repayment and the sensitivity of the value of equity (small % of overall firm capitalization) to assumptions about growth and risk.

3 Stage Rationale: We selected a three-stage model because the firm, despite modest growth in the first few years, has the potential for significant growth as a result of the construction of a new hotel tower at its Taj Majal casino in Atlantic City. We expect the company to return to more normalized growth levels upon achieving the full benefit from these room additions (expected within 24 months of opening).

Recommendation: BUY

Fair Value: \$21.43 (45% upside from expected emergence value of \$14.7)

The assumptions used to build the DCF model are as follows:

Phase	Stable	High	Stable	Terminal	Notes:
Period	2005-2007	2007-2009	2009-2014	Perpetuity	
Risk Free Rate	4.20%	4.20%	4.20%	4.20%	Based on 10 year treasury
Bottom-up Beta Calculator:					
Unlevered beta for sector =	0.95	0.95	0.95	0.95	Based on industry average (see comps)
Firm's Current mkt D/E ratio =	70.90%	76.03%	57.10%	46.27%	Based on model
Firm's Current tax rate =	42.00%	42.00%	42.00%	42.00%	As disclosed in company filings
Bottom-up beta for firm =	1.34	1.37	1.26	1.20	Calculation
Expected Return on the Market	10.00%	10.00%	10.00%	10.00%	Expected return - Chase Gaming Index
Cost of Equity (CAPM)	11.98%	12.14%	11.54%	11.19%	CAPM Calculation
Debt	1418.2	1686.4	1471.4	1082.1	Model
Equity	582	582	582	582	Model
Debt/(Debt+Equity)	70.90%	74.34%	71.66%	65.03%	Based on model
Pre Tax Cost of Debt	8.23%	7.65%	7.15%	6.65%	Model
Tax Rate	42.00%	42.00%	42.00%	42.00%	As disclosed in plan
After Tax Cost of Debt	4.78%	4.44%	4.15%	3.86%	Calculation
WACC	6.87%	6.41%	6.24%	6.42%	Calculation

Based on these inputs our valuation is as follows:

	Pre-Reorg	Reorg Plan Value	Post Reorg Fair Value (based on DCFF)
Valuation Composition			
Present Value of FCFF in Stage 1 - stable growth phase			(\$193.91)
Present Value of FCFF in Stage 2 - High growth phase			\$160.91
Present Value of FCFF in Stage 3 - stable growth phase			\$390.50
Present Value of Terminal Value of Firm =			\$1,862.26
Value of the firm =	\$1,900.00	\$2,047.00	\$2,219.76
+ Cash and Marketable Securities =	\$30.00	\$90.00	\$90.00
Market Value of Debt =	\$1,850.00	\$1,465.00	\$1,465.50
Implied Value of Equity =	\$80.00	\$582.00	\$844.26
Shares Outstanding	29.90	39.40	39.40
Value of Equity per Share =	\$2.68	\$14.77	\$21.43
<i>% Variance Versus Plan</i>			45.1%

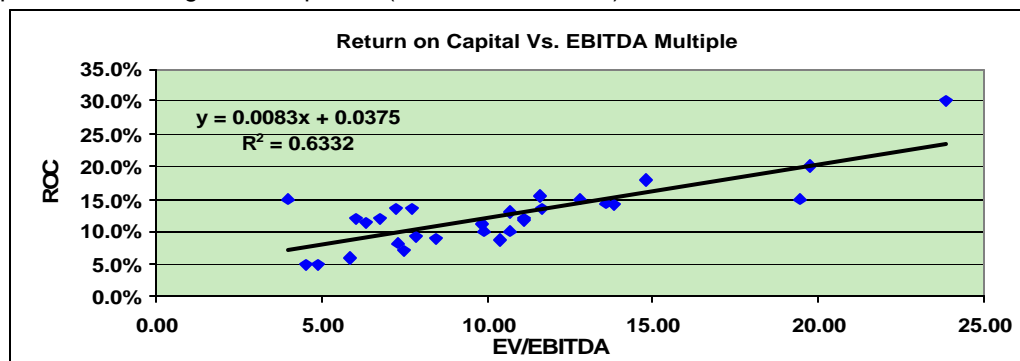
Relative Valuation

We used 15 companies to perform the relative valuation analysis. This data was collected from companies that operate in both local and destination gaming markets in the US. Our selections were based on those companies that were most "alike" (based on size, asset quality, diversification and leverage) to Trump Entertainment Resorts upon emergence from bankruptcy (see Appendix Exhibit A for more detail).

The EV/EBITDA multiple here is 9.6x resulting in a stock price of \$23.25.

Trump Entertainment <i>See Public Comps Worksheet</i>	Peer Group Averages		
	EV/2005E EBITDA	EV/Revenue	P/E
Implied Multiple	9.6x	2.5x	21.6x
Current Price (Post Reorganization)	\$14.77	\$14.77	\$14.77
Implied Enterprise Value	\$2,291.43	\$2,924.43	\$1,731.46
Total Debt	\$1,465.50	\$1,465.50	\$1,465.50
Cash	\$90.00	\$90.00	\$90.00
Net Debt	\$1,375.50	\$1,375.50	\$1,375.50
Implied Equity Value	\$915.93	\$1,548.93	\$355.96
Shares Outstanding	39.40	39.40	39.40
Implied Price Based on Industry	\$23.25	\$39.31	\$9.03
% (Over)/Under Valued	57.4%	166.1%	-38.8%

Regressions were completed with the EV/EBITDA, the EV/Revenue and the PE multiples. The EV/EBITDA produced the highest R-squared.(See Exhibit Below)



Regression Analysis

For our regression analysis, we selected a broader sample of 29 companies from the Gaming and Lodging sector to more accurately compare against the industry.

The Regression equation is: $EV/EBITDA \text{ Multiple} (EV/EBITDA \text{ versus } ROC) = .938 (\text{Intercept}) + 75.89 (ROC)$

The Regression Summary is:

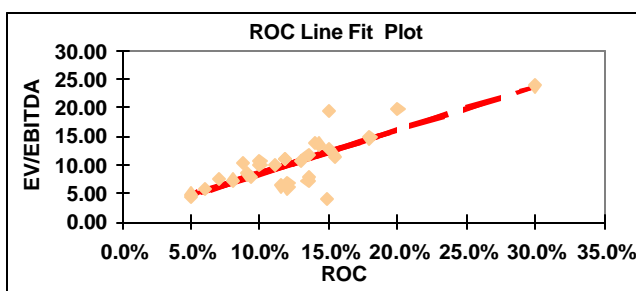
Regression Statistics	
Multiple R	0.795723932
R Square	0.633176576
Adjusted R Square	0.619590523
Standard Error	2.912647626
Observations	29

	Coefficients	Standard Error	t Stat
Intercept	0.938764372	1.476984032	0.635595478
ROC	75.89134478	11.11671513	6.826777864

EV/EBITDA= 7.97x

Based on our analysis, TER's predicted EV/EBITDA multiple is 7.97x forward EBITDA, resulting in an implied equity value per share of \$15.40.

EV/EBITDA=	7.97x
EBITDA	\$248.77
Valuation Multiple	7.97x
Enterprise Value	\$1,982.27
Net Debt	\$1,375.50
Equity Value	\$606.77
S/O	39.40
Implied Price Per Share	\$15.40
Current Price	\$14.77
% Over/(Under) Valued	4.26%



Market Valuation

The Market regression equation is:

$Enterprise \text{ Value } /EBITDA = 8.554 + 1.016 g(\text{rev}) - .150 (\text{Tax rate}) - .0664 (\text{Debt/Capital}) - 0.0188 \text{ Reinvestment Rate}$
 $(R^2 = 38.0 \%)$

Based on this equation TER's EV/EBITDA multiple is 8.5x, resulting in a stock price of \$15.30.

Final Analysis

The Current Post Reorganization stock price is set for \$14.77. By this measure, the Market, Industry and Select comps all indicate TER is undervalued.

Trump Entertainment <i>See Public Comps Worksheet</i>	Peer Group Averages			Valuation Output		Averages
EV/2005E EBITDA	EV/Revenue	P/E	DCF Price	TEV Regression		
Implied Multiple	9.6x	2.5x	21.6x	9.28x	7.97x	9.32x
Current Price (Post Reorg)	\$14.77	\$14.77	\$14.77	\$14.77	\$14.77	\$14.77
Implied Enterprise Value	\$2,291.43	\$2,924.43	\$1,731.46	\$2,219.76	\$1,982.27	2229.9x
Total Debt	\$1,465.50	\$1,465.50	\$1,465.50	\$1,465.50	\$1,465.50	1465.5x
Cash	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	90.0x
Net Debt	\$1,375.50	\$1,375.50	\$1,375.50	\$1,375.50	\$1,375.50	1375.5x
Implied Equity Value	\$915.93	\$1,548.93	\$355.96	\$844.26	\$606.77	854.4x
Shares Outstanding	39.40	39.40	39.40	39.40	39.40	39.4x
Implied Share Price	\$23.25	\$39.31	\$9.03	\$21.43	\$15.40	\$21.68
% (Over)/Under Valued	57.4%	166.1%	-38.8%	45.1%	4.3%	46.8%

I recommend to **BUY** Trump Entertainment Resorts

NEC Electronics Corporation (TSE: 6723)
Foreign Company

NEC Electronics Corporation (TSE: 6723) specializes in semiconductor products encompassing advanced technology solutions for the high-end computing and broadband networking markets, system solutions for the mobile handsets, PC peripherals, automotive and digital consumer markets, and platform solutions for a wide range of customer applications. NEC Electronics Corporation is a subsidiary of NEC Corporation (NEC holds 70.04% of NEC Electronics Corporation's voting stocks). However, as an enterprise primarily engaged in system LSIs and other semiconductor businesses, the company is responsible for its own management and conducts its business operations independently.

DCF Valuation

Model used: FCFF 2 stage

Strategic Background

NEC Electronics Corporation is one of the largest semiconductor firms in Japan. Most semiconductor businesses in Japan have grown only as one division of general electronic companies, such as NEC, Hitachi, Toshiba, Fujitsu and Mitsubishi. Such semiconductor divisions were expected to provide key components for the parents' main businesses, such as PC, Server, and Digital Consumer Products. NEC determined to carve-out its semiconductor business so that the new company could capture lucrative businesses in broadband networking markets as well as above mentioned markets not only from its parent, but also from their competitors.

Why 2 stage?

While semiconductor business is not new, its markets are still expanding. For instance, PC, Server, Digital Consumer (DVD set top box, Digital TV, and HDD recorder), Mobile phone, Game consoles, broadband networking devices are all promising markets. NEC Electronics Corporation focuses on System LSI which serves for those applications. Whereas DRAM is already a commodity product, System LSI, including CPU, is customized and highly sophisticated products. Developing and manufacturing such semiconductors need extremely heavy investment, cutting edge technologies and experienced engineers. NEC Electronics Corporation is in a leading position in this world. We expect that the growth trend will continue over the next 5 years.

Why FCFF?

Since NEC Electronics Corporation is a younger firm, the capital structure is fluctuating and debt ratio is not stable. FCFF valuation is better for the firm.

Assumptions used to build DCF model are

Input	High Growth	Stable Growth
Length of growth period	5	Forever
Growth rate	15.37%	1.49%
Debt ratio	24.59%	24.59%
Beta	3.14	2.00
Riskfree rate	1.24%	1.24%
Risk Premium	1.21%	1.21%
Cost of Debt	2.24%	2.24%
Tax Rate	40.57%	40.57%
Return on Capital	4.00%	3.08%
Reinvestment Rate	384.14%	48.32%
Cost of Equity	5.03%	3.66%
Cost of Capital	4.12%	3.08%

Based on these inputs the valuation was as follows: (Unit: 100M Japanese Yen)

Firm Value	11,512
Market Value of Debt	1,913
Market Value of Equity	9,599
Value of Equity Option	14
Value of Equity in Common Stock	9,585
Market Value of Equity/share	7,761 Yen
Present market value =	4,740 Yen (as of 04/28/2005)

Relative Valuation

21 companies were used as comparables. Mainly US based semiconductor firms with Market Capitalization greater than \$1.5 bn were used.

Regression was completed with PE ratio. The regression with PE produced high R-squared and is reproduced below.

The regression equation is

Current PE = 144 - 36.5 Payout Ratio - 58.9 Value Line Beta

Predictor	Coef	SE Coef	T	P
Constant	143.97	18.01	7.99	0.000
Payout Ratio	-36.53	26.07	-1.40	0.178
Value Line Beta	-58.90	10.99	-5.36	0.000

S = 20.1434 R-Sq = 62.7% R-Sq(adj) = 58.5%

As the Value Line Beta for NEC is not available, I used average Value Line Beta of semiconductor firms with similar revenues, which is 1.70. I also applied bottom-up beta used in my DCF valuation, which is 3.14. Payout ratio as of April 28, 2005 is 0.125. EPS is JY 130. Based on this regression, NEC's predicted PE is as follows:

(Value Line Beta 1.70) : PE=39.3, resulting in a Price/share of JY 5109.

(Bottom-up Beta 3.14) : PE=-45.5, making no sense.

(Actual PE): 36.5 (EPS=JY 130, Per share price= JY 4740)

Market Valuation:

The market regression equation is

PE = -8.110+0.528 Payout+14.605 Beta + 0.799 g (R² = 32.5)

Based on this equation the predicted PE=50.09 (w/ Bottom-up Beta), 29.07 (w/ Value Line Beta)

This does not match very well with the comparable firm regression. The market regression will produce higher PE with Bottom-up Beta, and lower PE with Value Line Beta. This result is the opposite of the relative valuation above.

Value of Control:

One common reason why a firm's stock price might be mismatched with its value is poor management. Poor management can lead to severe value loss. It is possible to estimate the value of control in a firm by calculating the firm value under current management and comparing it to the firm value if it were optimally managed. NEC is the case of a firm that could benefit from a value-enhancing strategy. The firm value would increase substantially if it increases its operative efficiency. But taking more debt would not change its value. The following table summarizes the DCF valuation of NEC in its current state.

Year	FCFF	Terminal Value	PV
1	-873		-839
2	-1007		-929
3	-866		-769
4	-353		-303
5	224		186
		14272	11873
Total			9220
		Cash and securities	2291
Firm Value			11512

If NEC were to raise its debt ratio from 25% to 30%, its beta would increase and its cost of capital would also increase rather than decrease. We find that the current debt ratio is almost optimal number and there is no merit of changing debt ratio. The impact of increasing the debt ratio on various valuation variables is highlighted below.

Variable	Old	New
Beta	3.14	3.41
Cost of Equity	5.03	5.36
Cost of Debt	2.24	2.24
WACC	4.12	4.15

If we could increase ROC from 4% to 5%, we would get the following value of control. Actually, the current ROC is lower than the cost of capital. It is highly possible to improve ROC.

Year	FCFF	Terminal Value(PV)	PV
1	-902		-867
2	-1076		-992
3	-950		-843
4	-393		-337
5	249		207
		15879	13210
Total			10379
		Cash and securities	2291
Firm Value	w/control change		12670
Firm Value	Status Quo		11512
Value of Control			1158

(unit: 100M Japanese Yen)

Thus, either incumbent or new management would be able to increase the value of NEC by 1158 by improving ROC.

Final Analysis:

Current price (04/28/05)	JY 4,740
DCF – 2stage FCFF	JY 7,761
RV - PE	JY 5,109 (w/ averaged Value Line Beta)
actual PE	36.5
Comparable regression - predicted PE	39.3 (w/ averaged Value Line Beta)
Market regression - predicted PE	50.09 (w/ Bottom-up Beta), 29.07 (w/ Value Line Beta)

I would place more weight on the DCF valuation than the relative valuation and market regression since relative valuation and market regression produced contradicting numbers. Thus, I think the DCF valuation is most representative of NEC's current value.

I recommend to **BUY** NEC.

**Morgan Stanley (MWD)
Service Company**

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. It operates its business through four segments: Institutional Securities business segment includes Investment Banking, Sales, Trading, Financing and market-making activities and other activities; Individual investor group business segment includes comprehensive brokerage, investment and financial services designed to accommodate individual investment goals and risk profiles; Investment management business segment includes global asset management products and services for individual and Institutional Investors, and Credit services business segment includes discover financial services (DFS), discover network, PULSE EFT Association, Inc. (PULSE) and Consumer Banking Group International. (finance.yahoo.com)

DCF Valuation

Model used: DDM 2 stage

Strategic Background

Morgan Stanley is one of the foremost investment bank and has been earning a high ROE (~20%) for the past few years since its merger with Dean Witter brokerage. It is likely to continue earning excess returns in near future as it exhausts the full gain of the merger synergy. But at the same time it faces tough competition from existing institutions, both from niche players in each of its businesses and also from the traditional full service firms like Goldman Sachs, Merrill Lynch, JP Morgan-Chase, Lehman Brothers, Citigroup and others.

Why 2 stage?

The structure of securities industry is changing, with "consolidation" being the keyword. Big behemoths like Citigroup and JP Morgan-Chase, that combine the muscle of banking deposits to get investment banking business are cutting into the lucrative aspects of Morgan Stanley's (MWD) business and this is likely to slow down MWD's growth after 5 years to a stable growth model.

Why DDM?

MWD, has consistently given out dividends in the past and is likely to continue with regular increasing dividends in the future. Further, the corporate governance is generally quite good at MWD and in addition the regulators (SEC etc.) keep a close eye on the capital requirements and other ratios.

Beta Calculation

For financial firms we do not unlever and relever the beta since D/E does not have the same meaning as non-financial firms. Moreover, financial firms are much more homogeneous with respect to capital structure.

Assumptions used to build DCF model are

Input	High Growth	Stable Growth
Length of growth period	5	Forever
Growth rate	12.06%	4%
Beta	0.943	1
Riskfree rate	4.5	4.5
Risk Premium	4.84	4.84
Tax Rate	35%	35%
Return on Equity	18.04%	10%
Cost of equity	9.06%	9.34%
Payout Ratio	24.35%	60%

Based on these inputs the valuation was as follows

Value/share = \$64

Present market value = \$52.62 (as of 04/29/2005)

Relative Valuation

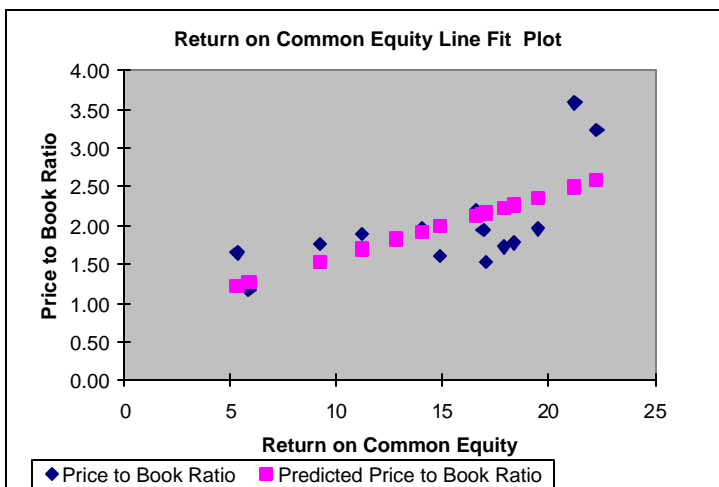
16 companies were used as comparables. Mainly US based financial firms with Market Capitalization greater than \$1 bn were used.

Regression was completed with both PE and PBV ratios. The regression with PBV produced the highest R-squared and is reproduced below. Moreover, PBV relative valuation made sense for MWD, since for financial firms the emphasis is on ROE and the BV of equity is a scarce resource since capital requirements are based on it due to banking regulations. This requires BV to be marked to market as closely as possible and hence BV of equity has more meaning for financial firms. Also, since I only had a limited set of comparables it made sense to include only 1 independent variable.

Regression equation is
 $PBV = 0.8 + 0.08 * ROE$

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.807	0.399	2.023	0.064
ROE	0.080	0.025	3.126	0.008

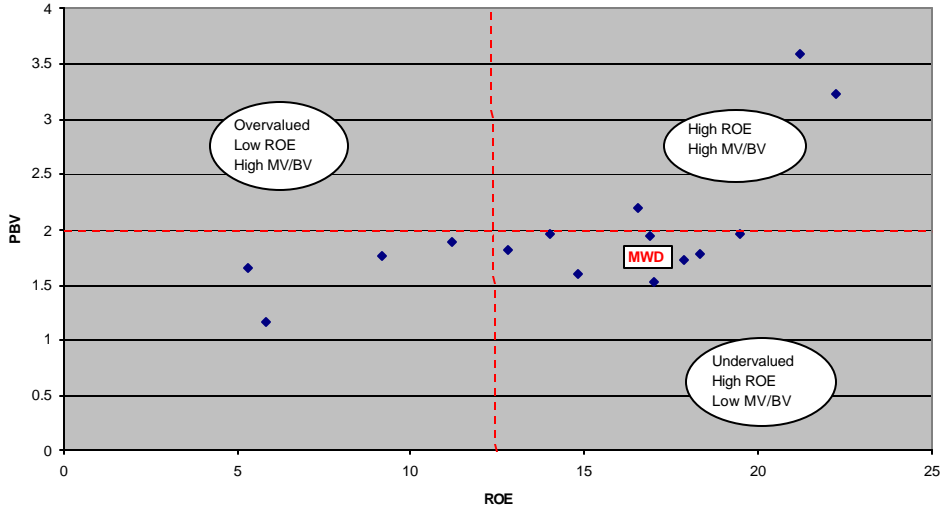
R Square 0.429
Adjusted R Square 0.385



Based on this regression, MWD's predicted PBV = 2.16, while the actual observed PBV = 1.95; indicating that MWD, appears undervalued wrt comparable firms by 10% relative to the way market is pricing the financial sector. BV per share was \$25.83, resulting in a Price/share of \$56.62.

A simple matrix plot of the ROE and PBV of the comparable firms shows that MWD is marginally positioned in the undervalued box due to its high ROE.

PBV - ROE Matrix



Market Valuation:

The market regression equation is

$$PBV = 0.202 ROE - 0.297 \text{ Beta} + 0.0984 g - 0.0135 \text{ Payout} \quad (R^2 = 51.55)$$

Based on this equation the predicted PBV = 3.9.

This does not match very well with the comparable firm regression; nonetheless it confirms that MWD is undervalued with respect to the broader market.

Final Analysis:

All the 3 valuations, DCF, Relative to comparable firms and Market regression show that MWD is undervalued.

Current price (04/29/05)	\$52.62
DCF – 2stage DDM	\$64
RV - PBV	\$56.6
actual PBV	1.9
Comparable regression - predicted PBV	2.2
Market regression - predicted PBV	3.9

I recommend to **BUY** MWD.

General Motors (GM)
Auto & Truck Manufacturers / Consumer Cyclical

General Motors Corporation (GM) has two core businesses: Automotive and Other Operations (Auto and Other), and Financing and Insurance Operations (FIO). GM's Auto and Other segment consists of GM's four automotive regions: GM North America, GM Europe, GM Latin America/Africa/Mid-East, and GM Asia Pacific, which constitute GM Automotive, and Other, which primarily includes the design, manufacturing and marketing of locomotives. GM offers vehicles under the following nameplates: Chevrolet, Pontiac, GMC, Oldsmobile, Buick, Cadillac, Saturn, HUMMER, Opel, Vauxhall, Holden and Saab. GM's FIO operating segment primarily relates to General Motors Acceptance Corporation (GMAC). GMAC provides a range of financial services, including consumer vehicle financing, automotive dealership and other commercial financing, residential and commercial mortgage services, automobile service contracts, personal automobile insurance coverage and selected commercial insurance coverage.

DCF Valuation

Model used: FCFF Stable Growth Model

General Motors is a largest car manufacturer operating in market with a lot of over capacity. High growth is not possible in this environment. We assume that GM will grow at rate that is a little lower than average of economy (3%). Because stable growth model FCFF is used, using current reinvestment from 10K is not valid (it is very high high). Instead, implied "long term" reinvestment is used ($g/ROC \cdot EBIT(1-t)$). For GM, market value of debt is significantly larger than market value of equity. As a result, levered beta of GM is very high (2.79).

Assumptions used to build DCF model are

Input	High Growth	Stable Growth
Length of growth period	0	Forever
Growth rate	-	3.00%
Beta	-	2.79
Riskfree rate	-	4.59%
Risk Premium	-	4.00%
Tax Rate	-	35%
Cost of debt	-	6.02%
Cost of capital	-	5.35%
Reinvestment Rate	-	75.73%
Debt Ratio	-	87.84%

Based on these inputs the valuation was as follows

Value/share = \$17.88

Present market value = \$26.68 (as of 04/29/2005)

Relative Valuation

There are very few companies in Auto & Truck industry. I used Auto & Truck and Auto Parts industry together to run the regression. Both of these industries are part of Consumer Cyclical sector, so regression was also ran against broader list of consumer cyclical companies. While, PE ratio, seems to be most appropriate ratio to used, a lot changed in GM financials since they released 10K report in March, 2005. Since then NI stopped being positive and predicted not to be positive for a while. As a result stock lost about 40% of value and using 10K earnings gives very low value of PE. I decided to use PBV ratio instead due to relatively stable book value of equity. Using Auto & Trucks and Auto Parts, I had sample of 30 companies.

Following is a regression equation:

$$PBV = 9.63 \cdot ROE + 0.05 \cdot \beta + 13.35 \cdot g - 2.68 \cdot \text{payout_ratio}$$

In this equation, beta is a regression beta, g is a growth in equity earnings and percentages are in the normal percentage form (10% is 0.1 in equation)

R square of this regression is 78.6%

t-statistics is as following:

ROE -> 3.85, beta -> 0.14, g -> 5.54, payout ratio -> -4.18

Based on the regression and current values, **PBV=0.35**, while actual observer PBV=0.54. Based on this value, value per share is **\$17.19**

Market Valuation:

The market regression equation is

$$PBV = 0.202 \text{ ROE} - 0.297 \text{ Beta} + 0.0984 \text{ g} - 0.0135 \text{ Payout} \quad (R^2 = 51.55)$$

Based on this equation the predicted PBV = 1.465.

This is much higher than observed PBV and would imply price of stock of \$71.95. Interesting observation is, if I get rid of pensions and other postretirement liabilities, price of the stock would be in that range (about \$64). GM is relatively unique in the market considering how high the pension and other postretirement obligations are. Most of the companies either do not have any obligations at all (using defined contributions vs. defined benefits), or have very little obligations. GM is an old company and has a legacy of obligations. In fact, GM is a biggest private medical and pension provider in the United States. Why did regression on auto companies work more closely with expectations? All auto manufacturers have relatively high pensions and other postretirement obligations (both American and Japanese). So, I will not consider \$71.95 as a possible value, and will actually make an assumption, that regression on market as a whole will show companies like GM as undervalued (due to not taking in consideration pensions and other postretirement benefits)

Final Analysis:

Both DCF and relative (by industry) valuations show that GM is currently overvalued. I recommend to sell it. GM has a lot of problems in the future. Not only Auto market is in over capacity, GM has disadvantage to other companies in the sector due to higher legacy cost to former employees.

I recommend to **SELL** General Motors.

Wynn Resorts, Limited (WYNN) Negative Earnings

Company Overview

Wynn Resorts, Limited recently opened Wynn Las Vegas, a concept of Stephen A. Wynn, which is considered the preeminent luxury hotel casino in Las Vegas. The \$2.7 billion Wynn Las Vegas opened on April 28th, 2005. Most recently, Mr. Wynn was Chairman of the Board, President and CEO of Mirage Resorts, Incorporated and its predecessor from 1973 to 2000. In that role, he was responsible for the development of Bellagio, The Mirage, Treasure Island at The Mirage and the Golden Nugget in Las Vegas, Nevada as well as the Atlantic City Golden Nugget in New Jersey and Beau Rivage in Biloxi, Mississippi. Wynn Resorts Ltd. plans to expand by opening another resort, "Encore," next to Wynn Las Vegas, which is slated to open in 2008.

DCF Valuation

The n-stage FCFF discount model was used since the firm is small in size, growing at a high rate, and the industry has significant barriers to entry. Because their first resort did not open until recently, their earnings were negative, and due to the lack of historical data, we used comparables as benchmark. Target growth rates were estimated for a 10-year high growth phase using average analyst estimates. The key drivers for this company are the length of the growth period, high and stable growth rate and reinvestment rate.

The assumptions used to build the DCF model are:

Input	High Growth	Stable Growth
Length of growth period	10	Forever
Growth Rate	Declining from 68% to 7%	4%
Beta	0.67	0.72
Riskfree Rate	4.2	4.2
Risk Premium	4.0	4.0
Tax Rate	0%	35%
Return on Capital	-4.99%	17.53%
Cost of Equity	6.87%	7.08%
Cost of Capital	6.81%	6.67%
Reinvestment Rate	100%	50%
Debt Ratio	24%	24%
After Tax Cost of Debt	6.63%	5.33%

Based on these inputs, the valuation was as follows:

Debt Value	\$1,627.97
Equity Value	\$5,004.18
Firm Value	\$6,632.15
Value/Share	\$50.30
Current Market Price	\$52.94

Relative Valuation

20 companies were used as comparables. Since Wynn Resorts, Limited will derive the majority of its revenue from the US, the comparables used were primarily US firms in the hotel/gaming sector. We note that because this company's first hotel/casino just opened recently, and due to its negative earnings, the only relevant and applicable multiple was the Forward PE ratio.

Regression Analysis: Forward PE versus Expected Growth in EPS: next 5

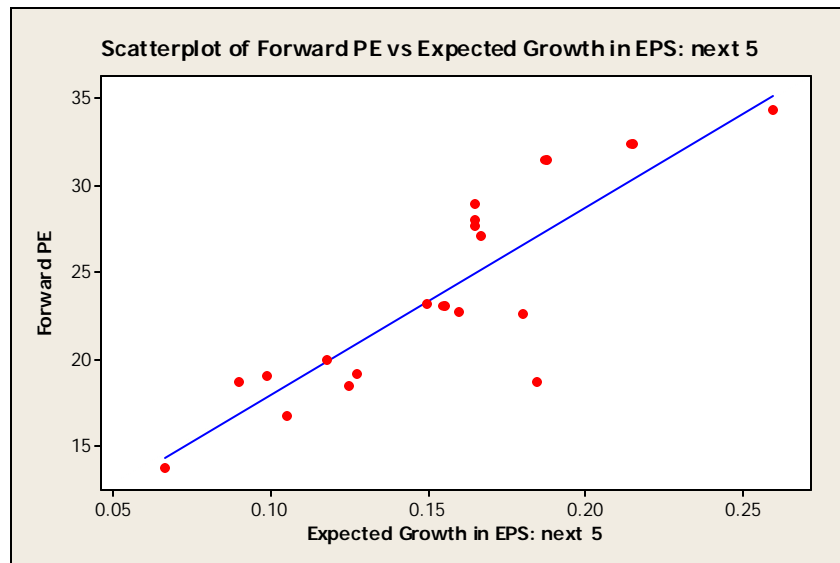
The regression equation is

$$\text{Forward PE} = 7.13 + 107 \text{ Expected Growth in EPS: next 5}$$

Predictor	Coef	SE Coef	T	P
Constant	7.135	2.514	2.84	0.011
Expected Growth in EPS: next 5	107.49	15.87	6.77	0.000

S = 3.10478 R-Sq = 73.0% R-Sq(adj) = 71.4%

Based on this regression, WYNN's predicted forward PE is 25.86 resulting in a predicted stock price of \$29.48.



Market Valuation

The market regression equation is

$$\text{Forward PE} = 20.7 + 20.8 \text{ Expected Growth in EPS: next 5} - 0.209 \text{ Payout Ratio} - 15.6 \text{ Market Debt to Capital}$$

Predictor	Coef	SE Coef	T	P
Constant	20.6965	0.6112	33.86	0.000
Expected Growth in EPS: next 5	20.765	2.586	8.03	0.000
Payout Ratio	-0.2087	0.5641	-0.37	0.711
Market Debt to Capital	-15.560	1.638	-9.50	0.000

S = 11.0096 R-Sq = 10.6% R-Sq(adj) = 10.5%

Based on this equation, the predicted forward PE was 20.62, resulting in a predicted stock price of \$23.51. We would place more weight on the DCF valuation than the market regression since there is some ambiguity associated with choosing comparables across different sectors and because the R-sq is very low.

Option Pricing Model

Wynn Resorts Ltd. was a negative earnings firm because it did not have any operating resorts until recently. Utilizing the option pricing model, with industry average standard deviation for stock and bond prices and an average debt life of 15 years, results in an option value of \$57.69

VALUING A LONG TERM OPTION/WARRANT

Stock Price=	\$6,632.15	T.Bond rate=	4.20%
Strike Price=	\$1,755.00	Variance=	0.0846228
Expiration (in years)=	15	Annualized dividend yield=	0.00%

$$d1 = 2.302515674$$

$$N(d1) = 0.989346974$$

$$d2 = 1.175864818$$

$$N(d2) = 0.880175492$$

$$\text{Value of the call} = \mathbf{\$5,738.80}$$

$$\text{Value per share} = \mathbf{\$57.69}$$

Final Analysis:

Current Price (4/29/05)	\$52.94
DCF using n-Stage FFCF	\$50.30
RV- Forward PE	\$29.48
Value of Option Pricing	\$57.69
Comparable regression- Predicted Forward PE	25.86
Market regression- Predicted Forward PE	20.62

I recommend to **SELL** Wynn.

APPENDIX:
Trump Entertainment Resorts

Exhibit A: Public Comp Worksheet

Trading Statistics																
Company	Ticker	Price Current	Price / LTM		Equity Value	Enterprise Value ⁽¹⁾	Price Ratios			Enterprise Value Ratios				Other		
			High	Low			EPS		Book Value	Revenue		EBITDA		Est. EPS Growth	CY05E P/E/G	Div. Yield
							LTM	CY05E		LTM	CY05E	LTM	CY05E			
Trump Entertainment Resorts	TER	14.60	NM	NM	582	1,980	NM	NM	1.0x	1.7x	1.7x	8.6x	8.3x	16.5%	NA	0.0%
Ameristar Casinos, Inc.	ASCA	51.44	(11.7%)	115.5%	1,504	2,184	23.0x	21.0x	4.7x	2.6x	2.3x	9.4x	8.4x	16.0%	1.3x	1.2%
Aztar Corporation	AZR	27.10	(23.4%)	16.6%	1,002	1,686	22.2x	18.3x	1.8x	2.1x	1.9x	10.0x	8.1x	10.0%	1.8x	0.0%
Boyd Gaming Corporation	BYD	51.41	(13.2%)	141.7%	4,714	6,865	35.7x	25.5x	5.0x	3.2x	3.1x	14.5x	11.0x	17.0%	1.5x	1.0%
Isle of Capri	ISLE	25.07	(20.1%)	60.4%	790	1,792	31.0x	21.8x	3.1x	1.3x	1.6x	7.8x	7.3x	20.0%	1.1x	0.0%
Kerzner International	KZL	57.72	(14.1%)	44.5%	2,156	2,734	22.6x	21.4x	1.9x	4.4x	4.1x	17.0x	14.7x	17.5%	1.2x	0.0%
Penn / Argosy Pro Forma	PENN	32.36	(9.4%)	143.3%	2,844	5,953	30.5x	21.6x	7.1x	2.7x	2.7x	10.9x	10.4x	20.0%	1.1x	0.0%
Pinnacle Entertainment	PNK	14.71	(28.6%)	39.3%	619	1,057	367.8x	54.5x	1.5x	1.9x	1.5x	10.2x	7.9x	15.0%	3.6x	0.0%
Monarch Casino	MCRI	18.60	(25.6%)	187.3%	361	382	21.3x	17.8x	5.5x	3.0x	2.8x	10.6x	9.7x	25.0%	0.7x	0.0%
Riviera Holdings	RIV	14.65	(9.8%)	429.5%	187	384	NM	NM	-6.4x	1.9x	1.9x	9.6x	9.5x	NM	NM	0.0%
Station Casinos	STN	65.55	(8.0%)	61.6%	4,639	5,911	31.7x	27.0x	9.5x	6.0x	5.5x	15.5x	13.4x	15.0%	1.8x	1.3%
MGM Mirage / Mandalay PF	MGG	69.40	(12.8%)	75.2%	10,579	22,545	NM	23.4x	3.8x	3.4x	3.3x	11.4x	10.1x	15.0%	1.6x	0.0%
Harrah's Caesars Pro Forma	HET	66.05	(9.0%)	50.3%	12,153	21,710	NM	17.9x	2.1x	2.5x	2.3x	9.3x	9.2x	15.0%	1.2x	0.0%
WYNN Resorts	WYNN	54.86	(28.2%)	60.5%	5,512	6,783	NM	NM	3.4x	NM	9.3x	NA	37.0x	17.5%	NM	0.0%
Las Vegas Sands	LVS	37.26	(31.0%)	2.4%	13,245	13,752	58.2x	34.5x	10.1x	11.5x	8.7x	45.5x	21.7x	17.5%	2.0x	0.0%
Mean Excluding Trump							64.4x	25.4x	3.8x	3.6x	3.6x	14.0x	12.7x	17.0%	1.6x	0.2%
Median Excluding Trump							30.5x	21.6x	3.5x	2.6x	2.5x	10.4x	9.6x	0.2x	1.3x	0.0x
Low Excluding Trump							21.3x	17.8x	-6.4x	1.3x	1.5x	7.8x	7.3x	10.0%	0.7x	0.0%
High Excluding Trump							367.8x	54.5x	10.1x	11.5x	9.3x	45.5x	37.0x	25.0%	3.6x	1.3%

1. Enterprise value defined as market equity value plus total debt, minority interest and preferred stock at book value less cash & cash equivalents. Assumes debt instruments trade at par