

**Iao Kun Group Holding Co. Ltd.**

**IKGH: Quick comments on better-than-expected February results**

*Our Call*

February rolling chip turnover (“RCT”) results of \$1.73b are IKGH’s best RCT result since April 2012, and are ~28% above our 1.35b estimate.

Based on January and February released results, we believe IKGH has generated ~13.5m in free cash flow, already exceeding our 1Q14 estimate of \$11.6m. Free cash flow in both January and February was boosted by higher than theoretical hold, and February’s better than expected RCT result.

February RCT benefited from both a strong Macau VIP market, as well as company specific driven increases to its cash agent volume, in our view.

We believe RCT results representing 34% year-over-year growth are particularly positive ahead of its Hong-Kong dual listing by introduction, which we anticipate by late April or May.

**Buy**

**IKGH**

Price \$3.20

**Price Target \$5.00**

**Leisure & Entertainment**

**David Bain**

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**Company Data**

52-Week Range	\$2.57 - \$5.18
Market Capitalization (M)	\$176.5
Shares Outstanding (M)	60.0
Avg. Daily Vol. (000)	180.0

Estimates	Q4	2013E	2014E
EPS	(0.13)	0.41	0.29

For the latest company report:

[IKGH Company Report](#)

Any Important Disclosures regarding Price Target Risks, Valuation Methodology, Regulation Analyst Certification, Investment Banking, Ratings Definitions, and any potential conflicts of interest begin on Page I of the Appendix Section. Past performance is no guarantee of future results.

## APPENDIX SECTION

### Company Description:

*Macau licensed casino operators grant IKGH exclusive use of VIP gaming rooms within their casino facilities and IKGH promotes and manages its own network of junket agents and players to optimize the casino gaming within the rooms. In return, IKGH is paid on volume-based commission or a share of the gaming win. ~85% - 90% of VIP player chip volume in Macau casinos is generated utilizing the room promoter system.*

### IMPORTANT DISCLOSURES:

#### Regulation Analyst Certification:

I, David Bain, hereby certify the views expressed in this research report accurately reflect my personal views about the subject security(ies) or issuer(s). I further certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this report.

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#### Company Specific Risks:

Risks to IKGH include softness in the Chinese economy; unanticipated Mainland Chinese government intervention/regulation, including visa controls or other aspects negatively impacting visitation or patron spend in Macau; unanticipated Macau Government legislation; and/or the potential for higher junket operator commissions paid by promoters.

#### Valuation Methodology:

Methodology for assigning ratings and target prices includes qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition; and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry or company-specific occurrences. Sterne, Agee & Leach, Inc., analysts base valuations on a combination of forward looking earnings multiples, price-to-revenue multiples, and enterprise-value-to-revenue ratios. Sterne, Agee & Leach, Inc., believes this accurately reflects the strong absolute value of earnings, the strong earnings growth rate, the inherent profitability, and adjusted balance sheet factors. Additional company-specific valuation methodology is available through Sterne, Agee & Leach, Inc.

#### Company Specific Valuation:

Our valuation is based on a multiple of earnings per share.

#### Definition of Investment Ratings:

**BUY:** We expect this stock to outperform the industry over the next 12 months.

**NEUTRAL:** We expect this stock to perform in line with the industry over the next 12 months.

**UNDERPERFORM:** We expect this stock to underperform the industry over the next 12 months.

**RESTRICTED:** Restricted list requirements preclude comment.

**Ratings Distribution:**

Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
Buy	231	45.74%	32	13.85%
Neutral	254	50.30%	23	9.06%
Underperform	20	3.96%	1	5.00%

**ADDITIONAL INFORMATION AVAILABLE UPON REQUEST:** Contact Robert Hoehn at 1-212-338-4731.

*Other Disclosures:*

Opinions expressed are our present opinions only. This material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Past performance is no guarantee of future results.

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