

STOCK TRADERS PRESS

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Long-Term Report April 3, 2003

Strong Buy

Argosy Gaming Company (NYSE) AGY \$ 19.93

Company Data

52-Week Range	\$15.21-41.50
Market Cap	\$8.54B
Shares Outstanding	28.9M
Book Value	\$8.50
Price/Book	2.32
Average Daily Vol.	248.9K
Target Price	\$27.00
Target Percentage	36%



Argosy Gaming Company is an owner and operator of six riverboat casinos located in the central U.S., on the Mississippi river. Additionally the company owns a casino in Joliet, IL and two casinos in Chicago.

We Consider Argosy Gaming Company as an attractive long-term investment for the following reasons:

- **Argosy Gaming** is a well-managed casino operator. This has been reflected in 2002, which was a difficult year for the gaming industry. In 2002, Argosy posted a 7% profit increase to \$2.44 per share and an impressive increase of \$25 million in cash flow to \$250 million.
- During 2002, **Argosy Gaming** embarked on a renovation program on (4) casinos in St. Louis, Kansas City, and Chicago respectively and, the company still achieved satisfactory growth. The company expects these properties to significantly add to growth in 2003, especially after the first quarter.
- In 2002, Indiana, Illinois and Iowa have increased gaming taxes. While these taxes have increased operating expenses, they were largely offset by reductions in general expenses and the removal of the \$500 loss limit per customer in some states (which is a state regulation).
- We expect profit margins to improve further during 2003 as the company will have converted 40%-50% of its slot machines to cashless capability. This will significantly reduce operating expenses.
- **Argosy Gaming** has a strong balance sheet and very strong cash flow (about \$3.50 per share or \$100 million in excess of capital expenditure of \$95 million). Over time, we would expect the company to possibly return this excess cash flow in either a dividend or stock repurchase. At the present time the company has a book value of \$8.50 per share. We anticipate earnings of \$2.55 per share for 2003.

We view Argosy Gaming as an undervalued gaming company and an attractive long-term investment.

Quote: " Never deprive someone of hope...it may be all they have " – Christopher Castaldo