

# Wynn Resorts debacle highlights risk of imperial CEO

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Everyone loves a story about an entrepreneur who starts a company with nothing but an idea and through hard work, grit and imagination grows the business to spectacular heights. Along the way, the media and investors heap a seemingly endless supply of adulation and wealth on the founder/CEO, whose identity becomes one with the company and its brand.

I've written before on the dangers posed by narcissistic leaders. There is no shortage of examples in business and government. This may not be one of them, but you can bet if there are narcissistic tendencies locked inside the lucky founder/CEO, fortune, fame and power will set them free.

As the shareholders of Wynn Resorts Limited (WYNN) can attest, when the previously infallible, larger-than-life founder/CEO is revealed to have feet of clay, the shattering of the myth can lead to long-term wealth vanishing in the blink of an eye.

Steve Wynn started in the casino industry shortly after receiving an undergraduate degree in English literature, when he had to take charge of his family's bingo parlors in Maryland following his father's sudden death. He moved to Vegas four years later (1967) and parlayed his success in the family business into stakes in the Frontier and Golden Nugget.

Wynn transformed the Vegas gaming industry forever when he opened The Mirage in 1989, spending an unheard of \$630 million (financed by "junk bond" titan Michael Milken of Drexel Burnham Lambert). Prior to The Mirage, Vegas casinos were gambling-centric and used \$10/night rooms and free buffets to drive traffic to the casino. The Mirage changed the paradigm, with casinos becoming resorts and non-gambling revenue (rooms, restaurants, nightclubs, entertainment and retail) driving profits.

Wynn's company, Mirage Resorts, went on to open other properties on the Strip, including its crown jewel, the opulent \$1.6 billion Bellagio (1998). Alas, Wynn would lose control of his company when it was sold to MGM Grand in 2000 following a slump in profitability caused by building the ill-advised "Bellagio-esque" Beau Rivage casino in Biloxi, MS.

Wynn wouldn't be out of the Vegas spotlight for long, as his new company, Wynn Resorts Limited, opened the eponymous \$2.7 billion Wynn Las Vegas in 2005 (which would soon be followed by Encore Las Vegas and similarly named properties in Macau). The television commercial advertising the opening of Wynn Las Vegas featured Mr. Wynn perched atop the 50-story building, saying "I'm Steve Wynn. This is **my** new hotel, the only one I've ever signed **my** name to." <https://www.youtube.com/watch?v=Y1QtkAydXjs> Indeed, it's impossible to miss the ginormous "**Wynn**." script affixed to the side of the building.

Fast forward to January 26, 2018 when *The Wall Street Journal* posted a story containing graphic details about "dozens" of former Wynn employees accusing Mr. Wynn of sexual misconduct over decades, including a manicurist he reportedly paid a \$7.5 million settlement to (which he allegedly took some effort to hide). Mr. Wynn said the idea he would assault any woman was "preposterous" and "the instigation of these accusations is the continued work of my ex-wife Elaine Wynn, with whom I am involved in a terrible and nasty lawsuit in which she is seeking a revised divorce settlement."

Mrs. Wynn denied involvement. Coincidentally, the WSJ's story appeared in print the following day, Mr. Wynn's 76<sup>th</sup> birthday.

Regardless, Wynn's fall was swift and severe. That same day he resigned as finance chair of the Republican National Committee. On February 6 he resigned as Chairman and CEO of Wynn Resorts. On February 15 the company announced Wynn's separation agreement called for him to forfeit a \$330 million severance payment and vacate the personal villa he leased at Wynn Las Vegas.

By late March, he was completely gone from the picture, having sold his entire stake in Wynn Resorts for \$180 per share, pocketing a cool \$2.1 billion. Mrs. Wynn is now WYNN's largest shareholder.

Shareholders haven't fared nearly as well, as WYNN has dropped from \$200 just prior to the WSJ article to under \$150 now, a loss of 25% or a whopping \$5.5 billion in market capitalization. New CEO Matt Maddox has moved swiftly to scale back some of the projects Mr. Wynn had started, calling the budgets "not sustainable." Steve Wynn **was** WYNN and investors are rightfully concerned about the company's future now that its namesake/visionary has left the building for good.

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