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MONARCH CASINO & RESORT INC

Form 8-K

October 31, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 29, 2003

MONARCH CASINO & RESORT, INC.
(Exact name of registrant as specified in its charter)

| | | |
|---|-----------------------------|---|
| NEVADA | 0-22088 | 88-0300760 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| | |
|--|------------|
| 1175 W. Moana Lane, Suite 200 | |
| Reno, NEVADA | 89509 |
| (Address of Principal Executive Offices) | (Zip Code) |

(775)825-3355

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name or former address, if changed since last report)

ITEM 7. Financial Statements and Exhibits

(c) Exhibits

99.03 Text of press release dated October 29, 2003.

ITEM 12. Disclosure of Results of Operations and Financial Condition

On October 29, 2003, Monarch Casino & Resort, Inc. (the "Company") issued a press release announcing the Company's earnings for the third quarter ended September 30, 2003. The earnings press release is attached as Exhibit 99.03 to this Form 8-K.

The earnings release contains non-GAAP financial measures. For purposes of regulation G, a non-GAAP financial measure is a numerical measure of a registrant's historical or future financial performance, financial position or

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cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the Statement of Income, Balance Sheet or Statement of Cash Flows (or equivalent statements) of the issuer, or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, the Company has provided reconciliations within the earnings release of the non-GAAP financial measures to the most directly comparable financial measures.

EBITDA is presented in the earnings release because management believes that it is of interest to its investors and is frequently used by analysts and others in the evaluation of companies in our industry.

"EBITDA" consists of net income plus provision for income taxes, other expenses (income) and depreciation and amortization. EBITDA should not be construed as an alternative to operating income (as determined in accordance with generally accepted accounting principles) as an indicator of the Company's operating performance, or as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. This item enables comparison of the Company's performance with the performance of other companies that report EBITDA, although some companies do not calculate this measure in the same manner and therefore, the measure as presented, may not be comparable to similarly titled measures presented by other companies.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MONARCH CASINO & RESORT, INC.
(Registrant)

Date: October 30, 2003

By: /s/ Ben Farahi

Name: Ben Farahi
Title: Chief Financial Officer,
Treasurer and Secretary

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Exhibit 99.03

PRESS RELEASE

MONARCH CASINO & RESORT, INC. ACHIEVES RECORD REVENUES
AND EARNINGS FOR THIRD QUARTER ENDED SEPTEMBER 30, 2003

RENO, NV-October 29, 2003- Monarch Casino & Resort, Inc. (Nasdaq: MCRI) (the "Company") today announced record net income, earnings per share, casino revenues and net revenues for the third quarter ended September 30, 2003. Net income for the Company increased 5.7% to \$3,665,814, or \$0.39 per share (diluted), for the third quarter ended September 30, 2003, compared to \$3,467,460, or \$0.36 per share (diluted), for the third quarter ended September 30, 2002. The Company also reported casino revenues of \$19,893,383 for the quarter, an increase of 4.8% over the \$18,979,642 in the third quarter of 2002. The increase in casino revenues was partially attributable to an increase in slot machine win, as well as improved Keno and poker room revenues. Net revenues reached record highs for the 2003 third quarter, increasing 2.6% over last year's third quarter. Contributing to the record net revenues were increases in food and beverage (3.6%) and other (18.8%) revenue centers over the third quarter of 2002. Hotel revenues suffered a slight decrease of 1.3% in the third quarter ended September 30, 2003 as compared to the third quarter ended September 30, 2002. EBITDA (1), meanwhile, remained relatively unchanged

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in the third quarter ended September 30, 2003 as compared to the third quarter ended September 30, 2002, declining \$36,376 from \$8,834,010 in the 2002 third quarter to \$8,797,634 in the 2003 third quarter.

John Farahi, Co-chairman and Chief Executive Officer of Monarch commented on the results: "Once again, we achieved record numbers despite continued tightness in the Reno market. This, I believe, speaks for the quality and location of our product as well as the strength of our management staff and the friendliness of our employees. We also continued our aggressive approach in reducing our debt load: we payed down our debt by \$4.8 million during the third quarter of 2003, and by \$11.9 million since December 31, 2002. Our record earnings were driven by a 35% reduction in interest and stockholder guarantee fee expenses over last year's third quarter. Our operating income was flat in the third quarter amid tightness in the local market and increased gaming taxes. This increase in the gaming tax rate took effect August 1, 2003, and had a \$138 thousand impact on our bottom line." Mr. Farahi added, "we could not have achieved our results if not for the strong efforts of the entire Atlantis team and the continued loyalty of our guests."

Monarch Casino & Resort, Inc., through its wholly-owned subsidiary, owns and operates the tropically-themed Atlantis Casino Resort in Reno, Nevada. The Atlantis is the closest hotel-casino to and is directly across the street from the Reno-Sparks Convention Center, which completed a \$105 million expansion and renovation in August 2002. The Atlantis is recognizable due to its Sky Terrace, a unique structure rising approximately 55 feet from street level and spanning 160 feet across the street with no intermediate support pillars. The Sky Terrace connects the Atlantis to a 16-acre parcel of land owned by the Company, that is compliant with all casino zoning requirements and is suitable and available for future expansion of the Atlantis facilities. It is currently being used by the Company as additional paved parking for the Atlantis. The existing Atlantis site offers almost 1,000 guest rooms in three contiguous high-rise hotel towers and a motor lodge. The tropically-themed

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Atlantis features approximately 51,000 square feet of high-energy casino space with 37 table games and approximately 1,500 slot and video poker machines, a sports book, Keno and a poker room, and offers a variety of dining choices in the form of nine high-quality food outlets.

This press release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 which are subject to change, including, but not limited to, comments relating to (i) future operating performance, (ii) market share of the Company operations, (iii) the financial benefits that may result from future operations (iv) the and recent opening and impact on operations of the expanded convention center. The actual results may differ materially from those described in any forward-looking statements. Additional information concerning potential factors that could affect the Company's financial results are included in the Company's Securities and Exchange Commission filings, which are available on the Company's web site.

Contacts: Ben Farahi at (775) 825-3355 or benfarahi@monarchcasino.com
Karl G. Brokmann at (775) 825-3355 or kbrokmann@monarchcasino.com

For additional information including artist renditions and photographs,
visit Monarch's web site at monarchcasino.com.

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Monarch Casino & Resort, Inc.
Condensed Consolidated Statements of Income

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------|------------------------------------|---------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenues | | | | |
| Casino..... | \$ 19,893,383 | \$ 18,979,642 | \$ 56,247,540 | \$ 53,376,299 |
| Food and beverage..... | 9,146,124 | 8,826,254 | 26,093,733 | 25,202,895 |
| Hotel..... | 6,259,807 | 6,344,964 | 16,483,022 | 15,651,826 |
| Other..... | 1,169,165 | 984,037 | 3,040,978 | 2,753,073 |
| | ----- | ----- | ----- | ----- |
| Gross revenues..... | 36,468,479 | 35,134,897 | 101,865,273 | 96,984,093 |
| Less promotional allowances..... | (5,021,786) | (4,483,316) | (14,178,582) | (12,907,439) |
| | ----- | ----- | ----- | ----- |
| Net revenues..... | 31,446,693 | 30,651,581 | 87,686,691 | 84,076,654 |
| | ----- | ----- | ----- | ----- |
| Operating expenses | | | | |
| Casino..... | 7,550,337 | 6,982,318 | 22,035,163 | 20,358,504 |
| Food and beverage..... | 4,530,680 | 4,642,013 | 13,129,591 | 13,186,634 |
| Hotel..... | 1,846,802 | 1,803,069 | 5,231,101 | 4,899,231 |
| Other..... | 357,879 | 329,748 | 971,121 | 947,676 |
| Selling, general and administrative..... | 8,363,361 | 8,060,423 | 24,478,855 | 22,462,330 |
| Depreciation and amortization.... | 2,611,621 | 2,618,077 | 7,928,450 | 7,721,347 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|--|--------------|--------------|--------------|--------------|
| Total operating expenses..... | 25,260,680 | 24,435,648 | 73,774,281 | 69,575,722 |
| | ----- | ----- | ----- | ----- |
| Income from operations..... | 6,186,013 | 6,215,933 | 13,912,410 | 14,500,932 |
| | ----- | ----- | ----- | ----- |
| Other expenses | | | | |
| Interest expense..... | 372,063 | 647,346 | 1,244,145 | 2,122,107 |
| Stockholder guarantee fee expense | 250,334 | 315,027 | 792,613 | 1,000,405 |
| Other..... | - | - | - | 225,000 |
| | ----- | ----- | ----- | ----- |
| Total other expenses..... | 622,397 | 962,373 | 2,036,758 | 3,347,512 |
| | ----- | ----- | ----- | ----- |
| Income before income taxes.... | 5,563,616 | 5,253,560 | 11,875,652 | 11,153,420 |
| Provision for income taxes..... | 1,897,802 | 1,786,100 | 4,040,802 | 3,848,710 |
| | ----- | ----- | ----- | ----- |
| Net income..... | \$ 3,665,814 | \$ 3,467,460 | \$ 7,834,850 | \$ 7,304,710 |
| | ===== | ===== | ===== | ===== |
| Earnings per share of common stock | | | | |
| Net income | | | | |
| Basic..... | \$ 0.39 | \$ 0.37 | \$ 0.84 | \$ 0.77 |
| Diluted..... | \$ 0.39 | \$ 0.36 | \$ 0.83 | \$ 0.77 |
| Weighted average number of common shares and potential common shares outstanding | | | | |
| Basic..... | 9,339,567 | 9,468,880 | 9,379,446 | 9,452,279 |
| Diluted..... | 9,373,006 | 9,529,212 | 9,411,771 | 9,494,602 |

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Monarch Casino & Resort, Inc.
Condensed Consolidated Balance Sheets

| | September 30, 2003 | December 31, 2002 |
|-----------------------------------|-----------------------|----------------------|
| | ----- | ----- |
| | (Unaudited) | |
| ASSETS | | |
| Current assets | | |
| Cash..... | \$ 9,875,676 | \$ 9,961,484 |
| Receivables, net..... | 2,607,884 | 2,724,726 |
| Inventories..... | 1,233,625 | 993,260 |
| Prepaid expenses..... | 2,538,101 | 2,138,084 |
| Prepaid federal income taxes..... | 278,278 | 176,321 |
| Deferred income taxes..... | 542,457 | 492,457 |
| | ----- | ----- |
| Total current assets..... | 17,076,021 | 16,310,011 |
| | ----- | ----- |
| Property and equipment | | |
| Land..... | 10,339,530 | 10,339,530 |

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| | | |
|---|----------------|----------------|
| Land improvements..... | 3,226,913 | 3,191,371 |
| Buildings..... | 78,955,538 | 78,955,538 |
| Building improvements..... | 6,304,642 | 6,262,903 |
| Furniture, fixtures and equipment..... | 59,839,989 | 58,086,570 |
| | ----- | ----- |
| | 158,666,612 | 156,835,912 |
| Less accumulated depreciation and amortization.. | (62,027,745) | (55,985,653) |
| | ----- | ----- |
| Net property and equipment..... | 96,638,867 | 100,850,259 |
| | ----- | ----- |
| Other assets, net..... | 175,790 | 319,817 |
| | ----- | ----- |
| Total assets..... | \$ 113,890,678 | \$ 117,480,087 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt..... | \$ 48,409,923 | \$ 8,279,095 |
| Accounts payable..... | 5,883,950 | 6,227,124 |
| Accrued expenses..... | 5,643,688 | 6,146,440 |
| Federal income taxes payable..... | 1,947,800 | - |
| | ----- | ----- |
| Total current liabilities..... | 61,885,361 | 20,652,659 |
| Long-term debt, less current maturities..... | - | 52,000,000 |
| Deferred income taxes..... | 5,053,587 | 4,526,744 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued..... | - | - |
| Common stock, \$.01 par value, 30,000,000 shares authorized; 9,536,275 issued; 9,336,995 outstanding at 06/30/2003, 9,474,830 outstanding at 12/31/2002..... | 95,363 | 95,363 |
| Additional paid-in capital..... | 17,432,635 | 17,381,517 |
| Treasury stock, 199,280 shares at 06/30/2003, 61,445 shares at 12/31/2002, at cost..... | (1,437,614) | (202,692) |
| Retained earnings..... | 30,861,346 | 23,026,496 |
| | ----- | ----- |
| Total stockholders' equity..... | 46,951,730 | 40,300,684 |
| | ----- | ----- |
| Total liabilities and stockholders' equity... | \$ 113,890,678 | \$ 117,480,087 |
| | ===== | ===== |

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Monarch Casino & Resort, Inc.
Reconciliation of Net Income to EBITDA (1)

| Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------|---------------------|------------------------------------|---------------------|
| 2003 (unaudited) | 2002 (unaudited) | 2003 (unaudited) | 2002 (unaudited) |
| ----- | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- |

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| | | | | |
|-----------------------------------|-------------|-------------|--------------|--------------|
| Net income..... | \$3,665,814 | \$3,467,460 | \$ 7,834,850 | \$7,304,710 |
| Adjustments: | | | | |
| Provision for income taxes..... | 1,897,802 | 1,786,100 | 4,040,802 | 3,848,710 |
| Stock transaction expense..... | - | - | - | 225,000 |
| Interest expense..... | 622,397 | 962,373 | 2,036,758 | 3,122,512 |
| Depreciation and amortization.... | 2,611,621 | 2,618,077 | 7,928,450 | 7,721,347 |
| | ----- | ----- | ----- | ----- |
| EBITDA (1) | \$8,797,634 | \$8,834,010 | \$21,840,860 | \$22,222,279 |
| | ===== | ===== | ===== | ===== |

(1) "EBITDA" consists of net income plus provision for income taxes, other expenses (income) and depreciation and amortization. EBITDA should not be construed as an alternative to operating income (as determined in accordance with generally accepted accounting principles) as an indicator of the Company's operating performance, or as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity. This item enables comparison of the Company's performance with the performance of other companies that report EBITDA, although some companies do not calculate this measure in the same manner and therefore, the measure as presented, may not be comparable to similarly titled measures presented by other companies.