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MONARCH CASINO & RESORT INC

Form 8-K

February 21, 2006

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): February 20, 2006

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

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

| | |
|---|---------------------|
| 1175 W. Moana Lane, Suite 200 Reno, NEVADA (Address of Principal Executive Offices) | 89509 (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 2.02 Results of Operations and Financial Condition

On February 20, 2006, Monarch Casino & Resort, Inc. (the "Company") issued a press release reporting the Company's financial results for the fourth quarter and fiscal year ended December 31, 2005. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

ITEM 9.01 Financial Statements and Exhibits

(c) EXHIBITS

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99.1 Text of press release dated February 20, 2006.

-2-

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.

Date: February 21, 2006

By: /s/ Ben Farahi

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

-3-

Exhibit 99.1

PRESS RELEASE

MONARCH CASINO ANNOUNCES RECORD BREAKING
FOURTH QUARTER AND FULL YEAR RESULTS

- ANNUAL EBITDA (1) IMPROVES 15.5%; NET INCOME INCREASES 27.3% -

RENO, NV-February 20, 2006- Monarch Casino & Resort, Inc. (Nasdaq: MCRI) (the "Company"), owner of the Atlantis Casino Resort in Reno, Nevada, today announced record financial results for its fourth quarter and fiscal year ended December 31, 2005.

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During the fourth quarter ended December 31, 2005, the Company reported EBITDA (1) of \$9.6 million, a 23.9% improvement over the \$7.8 million EBITDA (1) reported in the fourth quarter of 2004. The improved EBITDA (1) beat published consensus analysts' estimate of \$8.9 million and was the result of record fourth quarter net revenues of \$34.9 million and improving operating margins. Excluding depreciation and amortization, the Company's operating margin for the period improved to 27.6% of net revenues from 24.9% during the same period a year earlier. The record revenues were driven by a 17.1% increase in casino revenue, a 6.3% jump in food and beverage revenue and a 20.8% improvement in other revenues. The increases were partially offset by a 1.9% decrease in hotel revenue.

Fourth quarter 2005 net income of \$4.9 million was a record for the fourth quarter, a 26.8% increase from fourth quarter 2004 net income of \$3.9 million for the same period a year earlier and translated into earnings per diluted share (EPS) of \$0.26 versus \$0.20 for the same period last year. The Company's fourth quarter 2005 diluted EPS beat the published consensus analysts' estimate of \$0.23.

For the full year 2005, the Company achieved EBITDA (1) of \$41.4 million, a 15.5% improvement over the \$35.9 million in 2004. Analysts had estimated a consensus \$40.5 million in EBITDA (1) for 2005. The full year 2005 EBITDA (1) was also the result of record revenues combined with vastly improved margins and, in some cases, decreases in departmental expenses. The Company saw improved margins across all departments and, excluding depreciation and amortization, its operating margin for 2005 improved to 29.7% from 27.7% a year earlier. Net revenues increased 8.0% to \$139.8 million in 2005 from \$129.5 million in 2004. The increase in net revenues was led by a 12.3% improvement in casino revenue, a 3.3% increase in food and beverage revenue and a 20.5% increase in other revenue. Hotel revenue decreased 1.7% year over year.

Net income for 2005 reached \$21.0 million, an increase of 27.3% and easily beat the previous Company record of \$16.5 million set in 2004. Diluted EPS was \$1.10 in 2005 versus \$0.88 in 2004, beating the published consensus analysts' estimate of \$1.07.

Monarch's CEO and Co-Chairman John Farahi praised the many attributes that led to the recent success: "Favorable economic factors in our area, combined with our superior location, quality of our product and our management's unmatched efforts and attention to detail, has led us to our continued success." Mr. Farahi added: "With our healthy balance sheet, we expect to explore a variety of options for our next expansion, which is currently in the preliminary planning stage."

-4-

During 2005, the Company reduced the unpaid principal balance under its credit facility by \$24.3 million, bringing its outstanding unpaid balance to \$8.1 million at year end 2005.

The Company also announced today that its 2006 Annual Meeting of Stockholders will be held on Tuesday, May 23, 2006 at 10:00am local time, at the Company's Atlantis Casino Resort, 3800 South Virginia Street, Reno, Nevada. The record date for stockholders entitled to vote at the Annual Meeting is Thursday, April 6, 2006.

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. The Atlantis is recognizable due to its Sky Terrace, a unique structure rising approximately 55 feet above street level and spanning 160 feet across Virginia Street with no intermediate

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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 and 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 Atlantis features approximately 51,000 square feet of high-energy casino space with 38 table games and approximately 1,450 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, and (ii) future expansion plans. 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 is 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.

(1) "EBITDA" consists of net income plus provision for income taxes, interest and stockholder guarantee fee expense, 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.

-5-

MONARCH CASINO & RESORT, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|------------------------|------------------------------------|---------------|-------------------------------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenues | | | | |
| Casino..... | \$ 24,178,576 | \$ 20,641,420 | \$ 94,501,028 | \$ 84,131,876 |
| Food and beverage..... | 9,968,695 | 9,377,418 | 38,564,365 | 37,333,977 |
| Hotel..... | 5,241,806 | 5,344,046 | 23,909,915 | 24,318,082 |

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| | | | | |
|--|--------------|--------------|---------------|---------------|
| Other..... | 1,229,554 | 1,017,746 | 4,690,362 | 3,892,669 |
| | ----- | ----- | ----- | ----- |
| Gross revenues..... | 40,618,631 | 36,380,630 | 161,665,670 | 149,676,604 |
| Less promotional allowances..... | (5,726,735) | (5,184,472) | (21,880,793) | (20,219,714) |
| | ----- | ----- | ----- | ----- |
| Net revenues..... | 34,891,896 | 31,196,158 | 139,784,877 | 129,456,890 |
| | ----- | ----- | ----- | ----- |
| Operating expenses | | | | |
| Casino..... | 8,314,484 | 7,535,435 | 31,990,758 | 30,513,391 |
| Food and beverage..... | 4,765,009 | 4,737,160 | 18,795,268 | 18,859,211 |
| Hotel..... | 1,833,550 | 1,852,275 | 7,696,576 | 7,858,616 |
| Other..... | 340,867 | 296,654 | 1,340,556 | 1,344,163 |
| Selling, general, and administrative.. | 9,850,834 | 9,007,820 | 38,073,313 | 34,979,998 |
| Gaming development expense..... | 165,894 | - | 439,984 | - |
| Depreciation and amortization..... | 2,127,861 | 1,940,674 | 8,379,033 | 9,627,870 |
| | ----- | ----- | ----- | ----- |
| Total operating expenses..... | 27,398,499 | 25,370,018 | 106,715,488 | 103,183,249 |
| | ----- | ----- | ----- | ----- |
| Income from operations..... | 7,493,397 | 5,826,140 | 33,069,389 | 26,273,641 |
| | ----- | ----- | ----- | ----- |
| Other expense | | | | |
| Interest expense..... | (122,411) | (323,004) | (1,013,377) | (1,448,125) |
| Stockholder guarantee fee expense..... | - | - | - | (136,164) |
| | ----- | ----- | ----- | ----- |
| Total other expense..... | (122,411) | (323,004) | 1,013,377) | (1,584,289) |
| | ----- | ----- | ----- | ----- |
| Income before income taxes..... | 7,370,986 | 5,503,136 | 32,056,012 | 24,689,352 |
| Provision for income taxes..... | 2,470,552 | 1,639,392 | 11,020,552 | 8,162,912 |
| | ----- | ----- | ----- | ----- |
| Net income..... | \$ 4,900,434 | \$ 3,863,744 | \$ 21,035,460 | \$ 16,526,440 |
| | ===== | ===== | ===== | ===== |
| Earnings per share of common stock | | | | |
| Net income | | | | |
| Basic..... | \$ 0.26 | \$ 0.21 | \$ 1.12 | \$ 0.88 |
| Diluted..... | \$ 0.26 | \$ 0.20 | \$ 1.10 | \$ 0.88 |
| Weighted average number of common shares and potential common shares outstanding | | | | |
| Basic..... | 18,873,751 | 18,812,448 | 18,848,532 | 18,756,450 |
| Diluted..... | 19,129,889 | 18,958,468 | 19,093,777 | 18,814,686 |

-6-

MONARCH CASINO & RESORT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

December 31, December 31,

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| | 2005 | 2004 |
|--|----------------------|----------------|
| | ----- (Unaudited) | ----- |
| ASSETS | | |
| Current assets | | |
| Cash..... | \$ 12,886,494 | \$ 11,814,778 |
| Receivables, net..... | 3,559,602 | 2,959,894 |
| Federal income tax refund receivable..... | 286,760 | 493,797 |
| Inventories..... | 1,456,453 | 1,452,696 |
| Prepaid expenses..... | 2,401,619 | 2,346,242 |
| Deferred income taxes..... | 1,326,224 | 1,115,719 |
| | ----- | ----- |
| Total current assets..... | 21,917,152 | 20,183,126 |
| | ----- | ----- |
| Property and equipment | | |
| Land..... | 10,339,530 | 10,339,530 |
| Land improvements..... | 3,166,107 | 3,226,913 |
| Buildings..... | 78,955,538 | 78,955,538 |
| Building improvements..... | 10,398,814 | 7,524,680 |
| Furniture and equipment..... | 67,393,755 | 65,146,594 |
| Leasehold improvement..... | 1,346,965 | 1,346,965 |
| | ----- | ----- |
| | 171,600,709 | 166,540,220 |
| Less accumulated depreciation and amortization.. | (76,117,346) | (68,791,045) |
| | ----- | ----- |
| Net property and equipment..... | 95,483,363 | 97,749,175 |
| | ----- | ----- |
| Other assets, net..... | 269,524 | 406,620 |
| | ----- | ----- |
| Total assets..... | \$ 117,670,039 | \$ 118,338,921 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt..... | \$ - | \$ - |
| Accounts payable..... | 7,335,630 | 5,747,775 |
| Accrued expenses..... | 8,722,221 | 7,918,299 |
| | ----- | ----- |
| Total current liabilities..... | 16,057,851 | 13,666,074 |
| Long-term debt, less current maturities..... | 8,100,000 | 32,400,000 |
| Deferred income taxes..... | 5,953,193 | 6,509,505 |
| Commitments and contingencies..... | | |
| Stockholders' equity | | |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued..... | - | - |
| Common stock, \$.005 par value, 30,000,000 shares authorized; 19,072,550 shares issued; 18,879,310 outstanding at 12/31/2005, 18,812,448 outstanding at 12/31/2004..... | 95,363 | 95,363 |
| Additional paid-in capital..... | 17,978,190 | 17,463,272 |
| Treasury stock, 193,240 shares at 12/31/2005, 260,102 shares at 12/31/2004, at cost..... | (708,877) | (954,152) |
| Retained earnings..... | 70,194,319 | 49,158,859 |
| | ----- | ----- |
| Total stockholders' equity..... | 87,558,995 | 65,763,342 |
| | ----- | ----- |

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Total liabilities and stockholders' equity... \$ 117,670,039 \$ 118,338,921
 =====

-7-

MONARCH CASINO & RESORT, INC.
 RECONCILIATION OF NET INCOME TO EBITDA (1)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|-----------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|
| | 2005 (unaudited) | 2004 (unaudited) | 2005 (unaudited) | 2004 (unaudited) |
| Net income..... | \$ 4,900,434 | \$ 3,863,744 | \$21,035,460 | \$16,526,440 |
| Adjustments: | | | | |
| Provision for income taxes..... | 2,470,552 | 1,639,392 | 11,020,552 | 8,162,912 |
| Stockholder guarantee fee expense | - | - | - | 136,164 |
| Interest expense..... | 122,411 | 323,004 | 1,013,377 | 1,448,125 |
| Depreciation and amortization.... | 2,127,861 | 1,940,674 | 8,379,033 | 9,627,870 |
| EBITDA (1) | \$ 9,621,258 | \$ 7,766,814 | \$41,448,422 | \$35,901,511 |

(1) "EBITDA" consists of net income plus provision for income taxes, interest and stockholder guarantee fee expense, 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.

