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MONARCH CASINO & RESORT INC

Form 8-K

February 21, 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): February 20, 2003

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 5. Other Events

On February 20, 2003, Monarch Casino & Resort, Inc. (the "Company") issued a press release reporting the Company's financial results for the fourth quarter and year ended December 31, 2002. A copy of the press release is attached hereto as Exhibit 99 and incorporated herein by reference.

ITEM 7. Financial Statements and Exhibits

(c) Exhibits

99 Text of press release dated February 20, 2003.

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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.

Date: February 21, 2003

By: /s/ Ben Farahi

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

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Exhibit 99

PRESS RELEASE

MONARCH CASINO & RESORT, INC. REPORTS RECORD
RESULTS FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED DECEMBER 31, 2002

- Establishes Guidance For 2003 -

RENO, NV-February 20, 2002- Monarch Casino & Resort, Inc. (Nasdaq: MCRI) (the "Company") today announced record financial results for the fourth quarter and fiscal year ended December 31, 2002.

Financial highlights for the fourth quarter of 2002 compared to the prior year period included:

Net income increased 612% to \$1,298,636, or \$0.14 per share (diluted)
EBITDA(1) increased 32.8% to \$5,293,624
Casino revenue grew 11.9% to \$17.4 million
Hotel revenue increased 9.5% to \$4.7 million
Hotel occupancy improved 3.6% to 89.3%
Average daily room rate increased by 5.7% to \$51.75

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Net income for the year ended December 31, 2002 was \$8,603,346, or \$0.90 per share (diluted), an increase of 87.0% over \$4,601,764, or \$0.49 per share (diluted), for the year ended December 31, 2001. EBITDA(1) for the year ended December 31, 2002 increased 13.6% to \$27.5 million, from \$24.2 million in the prior year. The Company continued its strategy of utilizing cash flow to reduce debt. Long-term debt, including current maturities, decreased \$12.0 million during 2002 to \$60.3 million at December 31, 2002.

For the full year ended December 31, 2002, hotel occupancy increased to 92.9% from 91.1% the previous year, and the average daily room rate for the full year increased to \$55.29 from \$53.48 for the fiscal year ended December 31, 2001.

John Farahi, Co-Chairman and Chief Executive Officer of Monarch commented, "We are extremely pleased with our performance for the fourth quarter and full year 2002. Our results continue to be driven by a superior location, the commitment of the entire Atlantis team, and our intense focus on the local, tour and travel, and convention markets. We were able to achieve improvements across all areas of our business despite the soft gaming market in Northern Nevada and increased competition from California Indian casinos. We did this by capitalizing on the continued growth of the local Reno area population base, increasing our share of the tour and travel business, and generating additional traffic due to the expanded Reno-Sparks Convention Center."

Farahi continued, "As we enter 2003, we are excited about the vibrancy of the locals market, the opportunity to increase our market share by serving the tour and travel business and the increase in room demand from conventions booked at the Reno-Sparks Convention Center. We believe that these three markets will be the cornerstones of our growth in 2003 and beyond."

The Company also established guidance for the first quarter ending March 31, 2003 and fiscal year ending December 31, 2003. Based on current business trends and the Company's forecast for the remainder of the quarter, EBITDA and

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earnings per share for the first quarter are expected to be approximately \$6.0 - \$6.25 million and \$0.18 - \$0.20, respectively. The Company also expects EBITDA and earnings per share of approximately \$28.6 - \$29.2 million and \$1.05 - \$1.10, respectively, for the year ending December 31, 2003.

The Company will host a conference call at 4:30 P.M. EST to discuss the fourth quarter and 2002 financial results. To listen to the conference call, please dial 800-341-2312 and enter passcode 2739, approximately five minutes prior to the start of the call to register. A replay of the call will be available until February 28, and it can be accessed by dialing 800-756-3819, passcode 002739.

Monarch Casino & Resort, Inc., through a wholly-owned subsidiary, owns and operates the tropically-themed Atlantis Casino Resort in Reno, Nevada. The Atlantis is the closest hotel-casino to and directly across the street from the Reno-Sparks Convention Center which completed a major renovation and expansion to 600,000 square feet of meeting, exhibit and lobby facilities in August, 2002.

The Atlantis features a 51,000 square-foot casino with approximately 37 table games and approximately 1,500 slot and video poker machines, a sports book, keno and a poker room; 980 guest rooms; six restaurants; an 8,000 square-foot family entertainment center; and approximately 25,000 square feet of banquet and meeting space.

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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's operations, (iii) the financial benefits that may result from future operations, (iv) the impact on operations of the expanded convention center and (v) focus on key market segments. 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.

(1) "EBITDA" consists of income from operations plus 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. We are providing a supplemental schedule reconciling EBITDA to Income from Operations, the most directly comparable GAAP financial measure, following the Condensed Consolidated Statements of Income and Condensed Balance Sheets below.

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. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--|------------------------------------|---------------------|-------------------------------------|---------------------|
| | 2002 (Unaudited) | 2001 (Unaudited) | 2002 (Unaudited) | 2001 (Unaudited) |
| Revenues | | | | |
| Casino..... | \$ 17,396,640 | \$ 15,541,656 | \$ 70,772,939 | \$ 64,907,920 |
| Food and beverage..... | 8,444,043 | 8,061,513 | 33,646,938 | 31,960,713 |
| Hotel..... | 4,651,613 | 4,246,581 | 20,303,439 | 19,022,188 |
| Other..... | 937,107 | 911,532 | 3,690,180 | 3,478,171 |
| | ----- | ----- | ----- | ----- |
| Gross revenues..... | 31,429,403 | 28,761,282 | 128,413,496 | 119,368,992 |
| Less promotional allowances..... | (4,468,487) | (3,949,493) | (17,375,926) | (14,853,399) |
| | ----- | ----- | ----- | ----- |
| Net revenues..... | 26,960,916 | 24,811,789 | 111,037,570 | 104,515,593 |
| | ----- | ----- | ----- | ----- |
| Operating expenses | | | | |
| Casino..... | 7,331,529 | 6,720,965 | 27,690,033 | 26,036,133 |
| Food and beverage..... | 4,405,311 | 4,422,984 | 17,591,945 | 18,171,412 |
| Hotel..... | 1,644,379 | 1,968,528 | 6,543,610 | 7,133,937 |
| Other..... | 306,503 | 317,909 | 1,254,179 | 1,300,419 |
| Selling, general and administrative... | 7,979,570 | 7,394,989 | 30,441,900 | 27,656,572 |

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| | | | | |
|--|--------------|--------------|---------------|---------------|
| Depreciation and amortization..... | 2,599,056 | 2,546,544 | 10,320,403 | 10,085,331 |
| | ----- | ----- | ----- | ----- |
| Total operating expenses..... | 24,266,348 | 23,371,919 | 93,842,070 | 90,383,804 |
| | ----- | ----- | ----- | ----- |
| Income from operations..... | 2,694,568 | 1,439,870 | 17,195,500 | 14,131,789 |
| | ----- | ----- | ----- | ----- |
| Other expense | | | | |
| Interest expense, net..... | (811,851) | (1,251,083) | (3,934,363) | (7,243,330) |
| Stock transaction expense..... | (3,020) | - | (228,020) | - |
| | ----- | ----- | ----- | ----- |
| Total other..... | (814,871) | (1,251,083) | (4,162,383) | (7,243,330) |
| | ----- | ----- | ----- | ----- |
| Income (loss) before income taxes.. | 1,879,697 | 188,787 | 13,033,117 | 6,888,459 |
| Provision (benefit) for income taxes.... | 581,061 | 6,407 | 4,429,771 | 2,286,695 |
| | ----- | ----- | ----- | ----- |
| Net income (loss)..... | \$ 1,298,636 | \$ 182,380 | \$ 8,603,346 | \$ 4,601,764 |
| | ===== | ===== | ===== | ===== |
| INCOME (LOSS) PER SHARE OF COMMON STOCK | | | | |
| Net income (loss) | | | | |
| Basic..... | \$ 0.14 | \$ 0.02 | \$ 0.91 | \$ 0.49 |
| Diluted..... | \$ 0.14 | \$ 0.02 | \$ 0.90 | \$ 0.49 |
| Weighted average number of common shares and potential common shares outstanding | | | | |
| Basic..... | 9,473,664 | 9,436,275 | 9,457,669 | 9,436,275 |
| Diluted..... | 9,533,751 | 9,491,323 | 9,521,353 | 9,479,830 |
| EBITDA(1)..... | \$ 5,293,624 | \$ 3,986,414 | \$ 27,515,903 | \$ 24,217,120 |

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MONARCH CASINO & RESORT, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|---|--------------|--------------|
| | 2002 | 2001 |
| | ----- | ----- |
| ASSETS | | |
| Current assets | | |
| Cash..... | \$ 9,961,484 | \$ 8,385,743 |
| Receivables, net..... | 2,724,726 | 2,863,939 |
| Federal income tax refund receivable..... | - | 770,019 |
| Related party receivables..... | - | 4,759 |
| Inventories..... | 993,260 | 976,141 |
| Prepaid expenses..... | 1,961,763 | 1,635,125 |
| Prepaid federal income tax..... | 176,321 | - |

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| | | |
|--|---------------|---------------|
| Deferred income taxes..... | 492,457 | 1,146,058 |
| | ----- | ----- |
| Total current assets..... | 16,310,011 | 15,781,784 |
| | ----- | ----- |
| Property and equipment | | |
| Land..... | 10,339,530 | 10,339,530 |
| Land improvements..... | 3,191,371 | 3,173,676 |
| Buildings..... | 78,955,538 | 78,955,538 |
| Building improvements..... | 6,262,903 | 4,763,904 |
| Furniture and equipment..... | 58,086,570 | 54,101,471 |
| | ----- | ----- |
| | 156,835,912 | 151,334,119 |
| Less accumulated depreciation and amortization..... | (55,985,653) | (47,164,026) |
| | ----- | ----- |
| | 100,850,259 | 104,170,093 |
| Construction in progress | - | 625,048 |
| | ----- | ----- |
| Net property and equipment..... | 100,850,259 | 104,795,141 |
| Other assets, net..... | 319,817 | 486,592 |
| | ----- | ----- |
| | \$117,480,087 | \$121,063,517 |
| | ===== | ===== |

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MONARCH CASINO & RESORT, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|--|--------------|--------------|
| | 2002 | 2001 |
| | ----- | ----- |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt..... | \$ 8,279,095 | \$ 8,106,296 |
| Accounts payable..... | 6,227,124 | 6,449,087 |
| Accounts payable construction..... | - | 147,481 |
| Accrued expenses..... | 6,146,440 | 5,702,850 |
| | ----- | ----- |
| Total current liabilities..... | 20,652,659 | 20,405,714 |
| Long-term debt, less current maturities..... | 52,000,000 | 64,236,548 |
| Deferred income taxes..... | 4,526,744 | 4,990,829 |

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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; 9,436,275 outstanding..... | 95,363 | 95,363 |
| Additional paid-in capital..... | 17,381,517 | 17,241,788 |
| Treasury stock, at cost..... | (202,692) | (329,875) |
| Retained earnings..... | 23,026,496 | 14,423,150 |
| | ----- | ----- |
| Total stockholders' equity..... | 40,300,684 | 31,430,426 |
| | ----- | ----- |
| | \$117,480,087 | \$121,063,517 |
| | ===== | ===== |

MONARCH CASINO & RESORT, INC. AND SUBSIDIARY
RECONCILIATION OF INCOME FROM OPERATIONS TO EBITDA

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|-------------------------------|------------------------------------|-------------|-------------------------------------|--------------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | ----- | ----- | ----- |
| Income from Operations | \$2,694,568 | \$1,439,870 | \$17,195,500 | \$14,131,789 |
| Adjustments: | | | | |
| Depreciation and Amortization | 2,599,056 | 2,546,544 | 10,320,403 | 10,085,331 |
| | ----- | ----- | ----- | ----- |
| EBITDA | \$5,293,624 | \$3,986,414 | \$27,515,903 | \$24,217,120 |